Annual Report 2020

PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2178

Petro-king
百勤油服

CONTENTS

FINANCIAL HIGHLIGHT

Operating Figures

For the year ended 31 December	**2020 HK$'000**	2019 HK$'000	Change	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**389,934**	478,245	-18.5%	258,932	287,848	392,442
Operating loss	**(53,178)**	(60,717)	-12.4%	(602,681)	(138,332)	(416,882)
Loss for the year	**(78,729)**	(87,378)	-9.9%	(624,071)	(181,142)	(445,347)
Loss per share						
Basic (HK$ cents)	**(4.2)**	(5.0)	-16.0%	(36)	(10)	(29)
Diluted (HK$ cents)	**(4.2)**	(5.0)	-16.0%	(36)	(10)	(29)

Consolidated Balance Sheet

As at 31 December	**2020 HK$'000**	2019 HK$'000	Change	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**1,018,689**	966,588	5.4%	983,897	1,539,840	1,723,508
Non-current assets	**493,653**	513,472	-3.9%	535,771	866,495	979,999
Current assets	**525,036**	453,116	15.9%	448,126	673,345	743,509
Total liabilities	**664,274**	560,873	18.4%	520,277	416,055	486,828
Non-current liabilities	**105,746**	35,866	194.8%	216,690	48,330	184,390
Current liabilities	**558,528**	525,007	6.4%	303,587	367,725	302,438
Net current assets/(liabilities)	**(33,492)**	(71,891)	-53.4%	144,539	305,620	441,071
Net assets	**354,416**	405,715	-12.6%	463,620	1,123,785	1,236,680

Financial Indicators

For the year ended 31 December	**2020**	2019	2018	2017	2016
Trade receivables turnover days	**226**	171	432	513	405
Inventory turnover days	**197**	229	335	414	457
Trade payables turnover days	**265**	260	352	378	467
Current ratio	**0.94**	0.86	1.48	1.83	2.46
Gearing ratio *(Note 1)*	**47.3%**	42.3%	33.9%	13.7%	10.2%
Return on Equity *(Note 2)*	**-20.7%**	-20.1%	-78.6%	-15.3%	-31.6%

Note 1: Based on net debt over total capital.

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

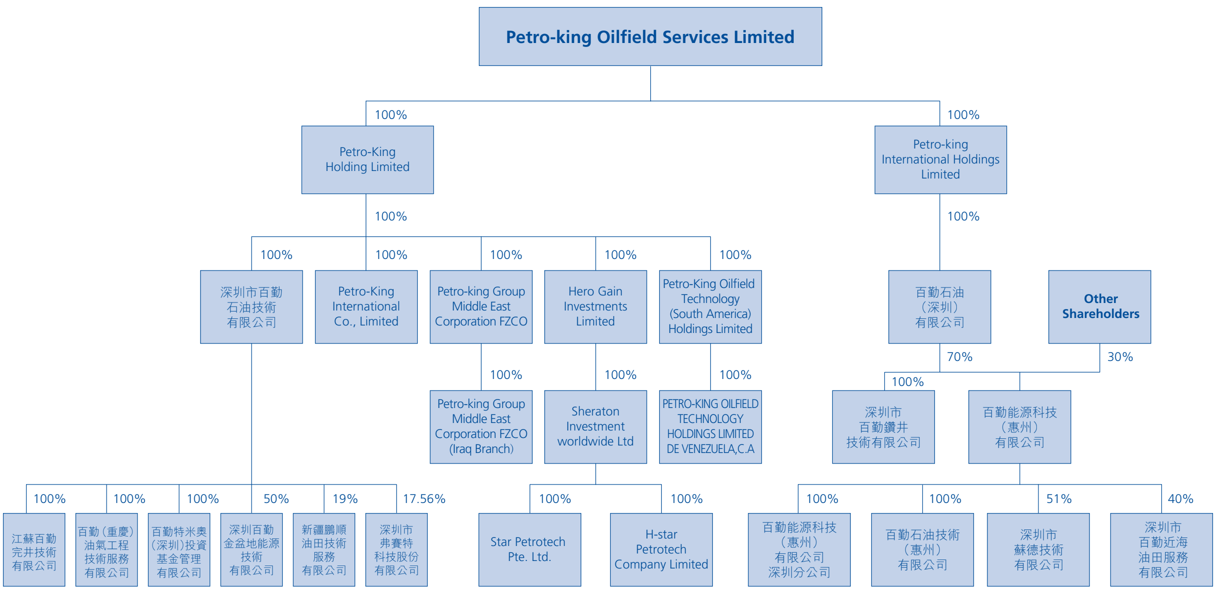
CORPORATE PROFILE

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

We provide oilfield and gas field technology services covering various stages in the life cycle of oilfields and gas fields including drilling, well completion and production enhancement as well as trading and manufacturing 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 2020



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 2020 (the "**Year**" or "**2020**").

RESULTS

The Group's revenue and loss for the Year were approximately HK$389.9 million (2019: HK$478.2 million) and HK$78.7 million (2019: HK$87.4 million), respectively. Basic loss per share for the Year was HK4.2 cents (2019: HK5.0 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2019: Nil).

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

As a result of the worldwide outbreak of the coronavirus disease 2019 ("**COVID-19**") pandemic in 2020, global economic activities were severely impacted and the international oil price was depressed, posing great challenges to the global oil and gas industry.

In the domestic market, the COVID-19 pandemic has caused delay in the progress of oilfield and gas field projects in the PRC after the Chinese New Year as the mobilisation of workforce for these projects was severely restricted. Certain drilling projects have been temporarily suspended and the placement of orders by the customers for well completion tools has been postponed. The Group has gradually resumed the provision of fracturing services for the shale gas fields in southwestern China in late-March 2020 and the provision of drilling services in May 2020.

In the overseas market, the slump in international oil price has caused a decrease in the demands of well completion tools in 2020. In addition, strict traffic control imposed by the overseas governments has also cast great difficulties in workforce mobilisation and therefore reduced the operational efficiency and revenue for the Group's integrated project management and other oilfield services provided in the Middle East market.

In the second quarter of 2020, the Group has commenced the business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment. These new business activities have contributed a revenue of approximately HK$6.6 million in 2020 (2019: Nil).

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41 million (equivalent to approximately HK$49 million) made by various parties to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) ("**PK Huizhou**"), (ii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates and (iii) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (collectively referred to as the "**PK Huizhou Transactions**").

Given that Mr. Wang is the chairman of the Company and an executive Director, and through his controlled corporation, is deemed to be interested in approximately 28.32% shareholding of the Company as at the date of the PK Huizhou Transactions, Mr. Wang and his associates are connected persons of the Company. The PK Huizhou Transactions, together with the capital contribution by certain subscribers (including Mr. Wang) in the aggregate amount of RMB25 million to PK Huizhou pursuant to the capital increase agreements dated 23 December 2019, were aggregated as a single transaction and constituted a major and connected transaction of the Company pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The PK Huizhou Transactions have been approved by the Shareholders at an extraordinary general meeting held on 1 February 2021. The Group expects that the PK Huizhou Transactions will be completed in the second quarter of 2021. Upon completion of the PK Huizhou Transactions, the Group's shareholding in PK Huizhou will be reduced from the current level of 70% to approximately 38.60% and both PK Huizhou and Star Petrotech will cease to be subsidiaries of the Company.

During the Year, the Group's revenue decreased by approximately 18.5% from approximately HK$478.2 million in 2019 to approximately HK$389.9 million in 2020. Such decrease in revenue was mainly due to the decrease in sales of well completion tools as a result of the unfavorable market environment caused by the worldwide outbreak of the COVID-19 pandemic and the depressed and volatile international oil price throughout the Year. In addition, revenue from the provision of production enhancement services in the Middle East also decreased in 2020 as the customers have slowed down the exploration activities in view of the market uncertainties caused by the COVID-19 pandemic and the depressed international oil price.

Loss for the Year has decreased by approximately 10.0% to approximately HK$78.7 million (2019: HK$87.4 million). Such decrease in loss was primarily attributable to the (i) decrease in net impairment loss on financial assets of approximately HK$62.8 million and (ii) decrease in provision of inventories of approximately HK$18.5 million, which was partly offset by the decrease in profitability as a result of the decrease in revenue and the increase in technical service fees for the production enhancement business and drilling business during the Year.

OUTLOOK

During the Year, Brent crude oil price dropped from approximately US$72/barrel in January 2020 to approximately US$16/barrel in April 2020 as a result of the worldwide outbreak of the COVID-19 pandemic. Global economy was severely impacted by the pandemic. The depressed and volatile international oil price throughout the Year posed great difficulties and challenges to the oil and gas industry.

With the introduction and application of the COVID-19 vaccine since the fourth quarter of 2020, Brent crude oil price has gradually rebounded to approximately US$71/barrel in March 2021. With the gradual recovery of the global economy and rebound in international oil price, the Group is cautiously optimistic that its business will begin to recover in 2021. In addition, with the PRC's national policy to secure national energy safety and to encourage shale gas consumption for environmental protection, major national oil companies in the PRC has set up development plans to accelerate the exploration and development of shale gas fields in the PRC. As a result, the production enhancement services, drilling services and consultancy services provided by the Group will continue to have positive prospects in the next few years. In addition, the Group will continue to focus on the research and development of its oilfield service technologies in order to further enhance our capability to provide high-end oilfield and gas field services in China and overseas market.

Following the completion of the PK Huizhou Transactions in the second quarter of 2021, the principal activities of the Group will be focused on the provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

APPRECIATION

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

Wang Jinlong
Chairman

Hong Kong, 30 March 2021

* *For identification purpose only*

GEOGRAPHICAL MARKET ANALYSIS

Set out below is the breakdown of revenue by geographical area:

	2020 **(HK$ million)**	2019 (HK$ million)	Approximate percentage change (%)	**Approximate percentage of total revenue in 2020** **(%)**	Approximate percentage of total revenue in 2019 (%)
China market	**332.8**	353.7	-5.9%	**85.4%**	74.0%
Overseas market	**57.1**	124.5	-54.1%	**14.6%**	26.0%
Total	**389.9**	478.2	-18.5%	**100%**	100%

The Group's revenue from the China market decreased by approximately HK$20.9 million or approximately 5.9% to approximately HK$332.8 million in 2020 from approximately HK$353.7 million in 2019. The decrease in revenue from the China market was mainly due to the decrease in the sales of well completion tools to customers.

The Group's revenue from the overseas market decreased by approximately HK$67.4 million or approximately 54.1% to approximately HK$57.1 million in 2020 from approximately HK$124.5 million in 2019. The decrease in revenue from the overseas market was mainly due to the decrease in sales of well completion tools to the Middle East and other overseas regions and the decreases in production enhancement services and integrated project management services provided in the Middle East.

REVENUE FROM THE CHINA MARKET

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

	2020 **(HK$ million)**	2019 (HK$ million)	Approximate percentage change (%)	**Approximate percentage of total revenue from the China market in 2020** **(%)**	Approximate percentage of total revenue from the China market in 2019 (%)
Northern China	**76.8**	69.0	11.3%	**23.1%**	19.5%
Southwestern China	**161.9**	158.0	2.5%	**48.7%**	44.7%
Northwestern China	**28.1**	48.7	-42.3%	**8.4%**	13.8%
Other regions in China	**66.0**	78.0	-15.4%	**19.8%**	22.0%
Total	**332.8**	353.7	-5.9%	**100%**	100%

In 2020, the Group's revenue from Northern China amounted to approximately HK$76.8 million; which has increased by approximately HK$7.8 million or approximately 11.3% from approximately HK$69.0 million in 2019. The increase was mainly due to the increases in the provision of drilling services and sales of well completion tools in this region.

The revenue from Southwestern China amounted to approximately HK$161.9 million in 2020, which has increased by approximately HK$3.9 million or approximately 2.5% from approximately HK$158.0 million in 2019. The increase was mainly due to the increase in fracturing services provided in this region.

The revenue from Northwestern China amounted to approximately HK$28.1 million; which has decreased by approximately HK$20.6 million or approximately 42.3% from approximately HK$48.7 million in 2019. The decrease was mainly due to the decreases in the sales of well completion tools and dissolvable bridge plugs and drilling services provided in Northwestern China.

The revenue from other regions in China amounted to approximately HK$66.0 million in 2020, which has decreased by approximately HK$12.0 million or approximately 15.4% from approximately HK$78.0 million in 2019. The decrease was mainly due to the decreased sales of well completion tools in other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2020 **(HK$ million)**	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the overseas market in 2020** **(%)**	Approximate percentage of total revenue from the overseas market in 2019 *(%)*
The Middle East	**36.2**	89.1	-59.4%	**63.4%**	71.6%
Others	**20.9**	35.4	-41.0%	**36.6%**	28.4%
Total	**57.1**	124.5	-54.1%	**100%**	100%

The revenue from the Middle East amounted to approximately HK$36.2 million in 2020, which has decreased by approximately HK$52.9 million or approximately 59.4% from approximately HK$89.1 million in 2019. The decrease was mainly due to the decrease in sales of well completion tools to the Middle East and other overseas regions and the decrease in production enhancement services and integrated project management services provided to a major customer in the Middle East.

The revenue from other overseas regions amounted to approximately HK$20.9 million in 2020, which has decreased by approximately HK$14.5 million or approximately 41.0% from approximately HK$35.4 million in 2019. The decrease was mainly due to the decrease in the sales of well completion tools in such regions.

OPERATING SEGMENT ANALYSIS

Set out below is the breakdown of revenue by operating segment:

	2020 (HK$ million)	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 2020 (%)**	Approximate percentage of total revenue in 2019 *(%)*
Oilfield project tools and services	**339.5**	424.1	-19.9%	**87.1%**	88.7%
Consultancy services	**43.7**	54.1	-19.2%	**11.2%**	11.3%
Others *(Note)*	**6.7**	–	N/A	**1.7%**	–
Total	**389.9**	478.2	-18.5%	**100%**	100%

Note: This represents the other revenue streams of the Group including manufacturing and sales of parts and accessories for medical equipment and machines producing medical supplies and metallic parts, accessories and consumables for civil aerospace equipment and telecommunication equipment.

In 2020, the Group's revenue from oilfield project tools and services amounted to approximately HK$339.5 million, which has decreased by approximately HK$84.6 million or approximately 19.9% from approximately HK$424.1 million in 2019. The decrease was due to the decreased demands of well completion tools in both the China market and overseas market. In addition, revenue from the provision of production enhancement services in the Middle East also decreased in 2020.

The Group's revenue from consultancy services amounted to approximately HK$43.7 million in 2020, which has decreased by approximately HK$10.4 million or approximately 19.2%, from approximately HK$54.1 million in 2019. Such revenue decrease was mainly because of the decrease in provision of integrated project management services and consultancy services in the Middle East and other overseas regions in 2020.

Oilfield Project Tools and Services

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

	2020 (HK$ million)	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from oilfield project tools and services in 2020 (%)**	Approximate percentage of total revenue from oilfield project tools and services in 2019 *(%)*
Drilling	**34.3**	26.8	28.0%	**10.1%**	6.3%
Well completion	**69.3**	109.1	-36.5%	**20.4%**	25.7%
Production enhancement	**235.9**	288.2	-18.1%	**69.5%**	68.0%
Total	**339.5**	424.1	-19.9%	**100%**	100%

Drilling

The Group's revenue from drilling amounted to approximately HK$34.3 million in 2020, which has increased by approximately HK$7.5 million or approximately 28.0% from approximately HK$26.8 million in 2019. The increase was mainly due to the increase in provision of drilling services in Northern China, which was partly offset by the decrease in the provision of drilling services in Northwestern China.

In 2020, the Group completed drilling services for 20 wells. The drilling services were mainly provided in Northern China and Northwestern China.

Well Completion

In 2020, the Group's revenue from well completion amounted to approximately HK$69.3 million, which has decreased by approximately HK$39.8 million or approximately 36.5% from approximately HK$109.1 million in 2019. The decrease mainly resulted from the decreased demand in well completion tools in both the China market and overseas market.

The revenue from well completion was mainly derived from the China, the Middle East, and the Africa market.

Production Enhancement

In 2020, the Group's revenue from production enhancement services amounted to approximately HK$235.9 million, which has decreased by approximately HK$52.3 million or approximately 18.1% from approximately HK$288.2 million in 2019. The decrease was mainly due to the decrease of fracturing services provided in the Middle East.

In 2020, the Group provided production enhancement services for 72 wells in the China market.

CUSTOMER ANALYSIS

Customer	**2020 *(HK$ million)***	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 2020 *(%)***	Approximate percentage of total revenue in 2019 *(%)*
Customer 1	**209.3**	209.0	0.1%	**53.7%**	43.7%
Customer 2	**55.5**	58.5	-5.1%	**14.2%**	12.2%
Customer 3	**27.2**	74.9	-63.7%	**7.0%**	15.7%
Customer 4	**19.7**	18.7	5.3%	**5.0%**	3.9%
Customer 5	**10.8**	10.3	4.9%	**2.8%**	2.2%
Customer 6	**10.3**	12.0	-14.2%	**2.6%**	2.5%
Customer 7	**6.5**	10.3	-37.0%	**1.7%**	2.2%
Customer 8	**6.1**	–	N/A	**1.6%**	0%
Other customers	**44.5**	84.5	-47.3%	**11.4%**	17.6%
Total	**389.9**	478.2	-18.5%	**100%**	100%

The revenue from customer 1 amounted to approximately HK$209.3 million in 2020, which was approximately at the same level as in 2019. Despite the decrease in revenue from the provision of fracturing services in Southwestern China, there was increased revenue from the provision of drilling services and sales of underground gas storage facility to this customer. The revenue from customer 2 amounted to approximately HK$55.5 million in 2020, which has decreased by approximately HK$3.0 million or approximately 5.1% from approximately HK$58.5 million in 2019. This decrease was mainly due to the decrease in the provision of production enhancement services in 2020. The revenue from customer 3 amounted to approximately HK$27.2 million in 2020, which has decreased by approximately HK$47.7 million or approximately 63.7% from approximately HK$74.9 million in 2019. Such decrease was mainly attributable to the decrease in production enhancement services and integrated project management services provided to the customer in the Middle East. The revenue from customer 4 amounted to approximately HK$19.7 million in 2020, which has increased by approximately HK$1.0 million or approximately 5.3% from approximately HK$18.7 million in 2019. Such increase resulted from the Group's increased sales of well completion tools in other regions in China. The revenue from customer 5 amounted to approximately HK$10.8 million in 2020, which has increased by approximately HK$0.5 million or approximately 4.9% from approximately HK$10.3 million in 2019. Such increase was due to the increased sales of well completion tools to this customer in other overseas market. The revenue from customer 6 amounted to approximately HK$10.3 million in 2020, which has decreased by approximately HK$1.7 million or approximately 14.2% from approximately HK$12.0 million in 2019. Such decrease resulted from the decrease in drilling services provided to this customer in Northwestern China. The revenue from customer 7 amounted to approximately HK$6.5 million in 2020, which has decreased by approximately HK$3.8 million or approximately 37.0% from approximately HK$10.3 million in 2019. This decrease was mainly attributable to the decrease in consultancy services provided to this customer in other overseas region. The revenue from customer 8 amounted to approximately HK$6.1 million in 2020 (2019: Nil), which was derived from the sales of dissolvable bridge plugs to this customer in Northern China. The revenue from other customers amounted to approximately HK$44.5 million in 2020, which has dropped by approximately HK$40.0 million or approximately 47.3% from approximately HK$84.5 million in 2019. Such decrease in revenue mainly resulted from the decreased sales of well completion tools to certain customers in the China and Middle East market.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures with detailed requirements on compensation, dismissal, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged a series of training courses that cover technical update of drilling and completion technology, technical practice training, control at wells and environment management. We also worked with external organisations such as unions and consultants to provide training for the specific needs of the operations. The Group arranged 83 trainings consisting of more than 8,364 hours in total and 210 employees attended these training programs in 2020.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 395 employees as at 31 December 2020, which has increased by approximately 3.1% as compared with that of 383 employees as at 31 December 2019.

RESEARCH AND DEVELOPMENT

As a high-end integrated oilfield services provider, the Group attaches great importance to technology, and prides itself on introducing innovative products and services in various oilfield service lines, such as directional drilling, multistage fracturing, down-hole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid. In 2020, the Group continued to seek advancement in technology and introduced new products to the market, including the following:

- Successfully designed, tested and produced 4 $^{1}/_{2}$″-15.1# big bore drillable bridge plug to meet the demand of the China and overseas market. This kind of tools can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Successfully designed, tested and produced 3 $^{1}/_{2}$″ 15K PSI surface control sub-surface safety valve which can be used in well completion projects with extra-high pressure and high temperatures.

- Successfully designed and tested 5 $^{1}/_{2}$″ metal to metal seal dissolvable bridge plug, 5″ 185°C high temperature dissolvable bridge plug and 3 $^{1}/_{2}$″ second generation dissolvable bridge plug which can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Successfully designed dissolvable pump out plug which can be used in multistage perforation fracturing operations.

- Successfully designed 7 $^{7}/_{8}$″ 10K PSI 400F High Pressure High Temperature Retrieving Packer.

- Successfully designed 5 $^{1}/_{2}$″ 15K PSI 400F High Pressure High Temperature Permanent Packer.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 31 December 2020, the Group had 40 utility model patents and 15 innovation patents and was applying for 6 utility model patents and 24 innovation patents.

In 2021, the Group will continue to focus on the research and development of down-hole completion tools and technologies, as well as certain specific high-end drilling tools and technologies, including 7″x3 $^{1}/_{2}$″ and 6 $^{5}/_{8}$″x2 $^{7}/_{8}$″ Hydraulic Set Retrievable Packers, 7″ Slimline Tubing Retrievable Safety Valve and Unlimited Multistage Fracturing Sleeve. In order to maintain its leading position in the high-end oilfield service sector, the Group will continue its efforts in developing oilfield service tools and technologies through in-house research and development and through cooperation with oilfield service technology companies.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to approximately HK$389.9 million, which has decreased by approximately 18.5% as compared with that of approximately HK$478.2 million in 2019, representing a decrease of approximately HK$88.3 million. The decrease in revenue was mainly due to the decrease in sales of well completion tools to both the China and overseas market and the decrease in revenue from the provision of production enhancement services in the Middle East. In addition, there was decreased revenue from the provision of integrated project management services in the Middle East market in 2020.

Material Costs

During the Year, the Group's material costs were approximately HK$105.9 million, which has decreased by approximately HK$4.2 million or approximately 3.8% as compared to that of approximately HK$110.1 million in 2019. Material costs represented approximately 27.2% of the revenue in 2020, which was higher than that of approximately 23.0% in 2019. As a result of the global economic uncertainties and depressed international oil price in 2020, the customers have requested for price deduction on the Group's products and services.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK$53.5 million, which has decreased by approximately HK$2.9 million or approximately 5.1% as compared with that of approximately HK$56.4 million in 2019. Depreciation decreased as certain property, plant and equipment has been fully depreciated in the previous year.

Employee Benefit Expenses

During the Year, the Group's employee benefit expenses were approximately HK$72.0 million, which has decreased by approximately HK$30.1 million or approximately 29.5% as compared with that of approximately HK$102.1 million in 2019. The decrease in employee benefit expenses was mainly due to the decrease in share-based compensation and cost control imposed by the Group in 2020.

Distribution Expenses

During the Year, the Group's distribution expenses amounted to approximately HK$4.9 million, which has decreased by approximately HK$4.5 million or approximately 47.9% from approximately HK$9.4 million in 2019. The decrease in distribution expenses resulted from the decrease in revenue and sales activities in 2020.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK$102.6 million, which has increased by approximately HK$29.4 million or approximately 40.2% from approximately HK$73.2 million in 2019. During 2020, the Group has utilised more external technical services for its drilling services and production enhancement services provided to customers.

Entertainment and Marketing Expenses

During the Year, entertainment and marketing expenses amounted to approximately HK$11.3 million, which has decreased by approximately HK$5.4 million or approximately 32.3% from approximately HK$16.7 million in 2019, mainly attributable to the decrease in sales and scale of operations in 2020.

Other Expenses

During the Year, the Group's other expenses were approximately HK$30.6 million, which has decreased by approximately HK$19.6 million or approximately 39.0% from approximately HK$50.2 million in 2019, mainly attributable to the decrease in non-employee share-based compensation resulting from the issue of the 10% guaranteed convertible bonds for a term up to 23 May 2021 in the aggregate principal amount of HK$30,000,000 issued by the Company on 21 March 2019 to Asian Equity Special Opportunities Portfolio Master Fund Limited and Ms. Ng Man Chi pursuant to the announcement of the Company dated 21 March 2019 (the "**2019 Convertible Bonds**") and the decrease in sales and scale of operations in 2020.

Net Impairment Loss on Financial Assets

During the Year, net impairment loss on financial assets amounted to approximately HK$12.5 million, which has decreased by approximately HK$62.8 million or approximately 83.4% from approximately HK$75.3 million in 2019. Such decrease in net impairment loss on financial assets was due to the overall improvement in the quality of the financial assets in 2020. The net impairment loss on financial assets in 2020 was mainly related to certain customers in China and the Middle East market.

Provision for Inventories Losses/Write-off of Inventories

During the Year, the provision for inventories losses and write-off of inventories amounted to approximately HK$4.6 million, which has decreased by approximately HK$18.4 million or approximately 80% from approximately HK$23.0 million in 2019. Such decrease in inventories losses/write-off was due to the decrease in the amount of obsolete inventories in 2020 as the Group has strengthened its inventory control measures.

Write-off of Property, Plant and Equipment

During the Year, write-off of property, plant and equipment amounted to approximately HK$7.6 million, which has increased by approximately HK$6.4 million or approximately 533.3% from approximately HK$1.2 million in 2019, as certain obsolete equipment was written off in 2020.

Operating Loss

As a result of the foregoing, the Group's operating loss in 2020 amounted to approximately HK$53.2 million, which has dropped by approximately HK$7.5 million or approximately 12.4% as compared to that of approximately HK$60.7 million in 2019.

Net Finance Costs

During the Year, the Group's net finance costs amounted to approximately HK$26.3 million, which has increased by approximately HK$2.1 million or approximately 8.7% as compared with that of approximately HK$24.2 million in 2019. Such increase in net financing costs resulted from the increase in finance lease liabilities and lease liabilities in 2020.

Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK$78.7 million, which has decreased by approximately HK$8.7 million or approximately 10.0% as compared with that of approximately HK$87.4 million in 2019.

Loss Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company in 2020 was approximately HK$73.0 million, which has decreased by approximately HK$14.0 million or approximately 16.1% as compared with that of approximately HK$87.0 million in 2019.

Property, Plant and Equipment

Property, plant and equipment mainly include items such as buildings, plant and machinery, service equipment, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 31 December 2020, the Group's property, plant and equipment amounted to approximately HK$332.4 million, which has decreased by approximately HK$25.3 million or approximately 7.1% from approximately HK$357.7 million as at 31 December 2019. The decrease was primarily due to the depreciation of the property, plant and equipment in 2020.

Intangible Assets

As at 31 December 2020, the Group's intangible assets amounted to approximately HK$95.7 million, which is similar to approximately HK$95.5 million as at 31 December 2019.

Right-of-use Assets

As at 31 December 2020, the Group's right-of-use assets amounted to approximately HK$33.5 million, which has increased by approximately HK$11.7 million or approximately 53.7% from approximately HK$21.8 million as at 31 December 2019. The increase was mainly due to the leasing of machinery and equipment in 2020.

Inventories

As at 31 December 2020, the Group's inventories amounted to approximately HK$58.9 million, representing an increase of approximately HK$2.0 million or approximately 3.5% as compared with that of approximately HK$56.9 million as at 31 December 2019. The average turnover days of inventories decreased from approximately 229 days in 2019 to approximately 197 days in 2020. The decrease of inventories turnover days was mainly due to the decrease in the purchase of inventories in 2020.

Trade Receivables

As at 31 December 2020, the Group's trade receivables amounted to approximately HK$240.8 million, representing an increase of approximately HK$0.3 million or approximately 0.1% as compared with that of approximately HK$240.5 million as at 31 December 2019. The average turnover days of trade receivables were approximately 226 days in 2020, representing an increase of approximately 55 days as compared with that of approximately 171 days in 2019. The increase in turnover days of trade receivables mainly resulted from the slowdown of payments from customers as a result of the economic uncertainties amid the outbreak of the COVID-19 pandemic in 2020.

Trade Payables

As at 31 December 2020, the Group's trade payables were approximately HK$172.9 million, which has increased by approximately HK$40.1 million or approximately 30.0% as compared with that of approximately HK$132.8 million as at 31 December 2019. The average turnover days of trade payables increased from approximately 260 days in 2019 to approximately 265 days in 2020, representing an increase of approximately 5 days. The increase in turnover days of trade payables resulted from moderate slowdown of payments made to some of the Group's suppliers in 2020.

Liquidity and Capital Resources

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

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$29.6 million, representing an increase of approximately HK$0.2 million as compared with that of approximately HK$29.4 million as at 31 December 2019. The cash and cash equivalents were mainly held in RMB and US$.

As at 31 December 2020, the Group's bank facilities of approximately HK$139.2 million (2019: HK$93.8 million) were granted by banks to subsidiaries, of which approximately HK$121.4 million (2019: HK$93.8 million) have been utilised by the subsidiaries.

During the Year, the Group reported a net loss of approximately HK$78,729,000. As at the same date, the Group's current liabilities exceeded its current assets by HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$29,553,000 only.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3(b)(ii) of the consolidated financial statements.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 47.3% (2019: 42.3%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated financial statements) less total cash (including "pledged bank deposits" and "cash and cash equivalents" as shown in the consolidated financial statements). Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

Foreign Exchange Risk

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

Capital Commitment

As at 31 December 2020, the Group did not have any capital commitment (2019: Nil).

Off-balance Sheet Arrangements

As at 31 December 2020, the Group did not have any off-balance sheet arrangements (2019: Nil).

Significant Events after the End of the Reporting Period

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

SCOPE AND REPORTING PERIOD

This is the fifth 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 reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the provision of oilfield and gas field technology services covering various stages in the life cycle of oilfields, including drilling, well completion and production enhancement, as well as trading and manufacturing of oilfield and gas field related products. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social aspects of its major business operations in the People's Republic of China (the "**PRC**") and Singapore from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"), unless otherwise stated. The major business operations identified in the Reporting Period included:

(i) the headquarters office in Shenzhen, the PRC, namely Petro-king Oilfield Technology Limited, together with the offices of its three subsidiaries (hereafter "**Shenzhen office**");

(ii) Petro-king Energy Technology (Huizhou) Holdings Limited in Huizhou, the PRC (hereafter "**Huizhou plant**"); and

(iii) Star Petrotech Pte Ltd. in Singapore (hereafter "**Singapore plant**").

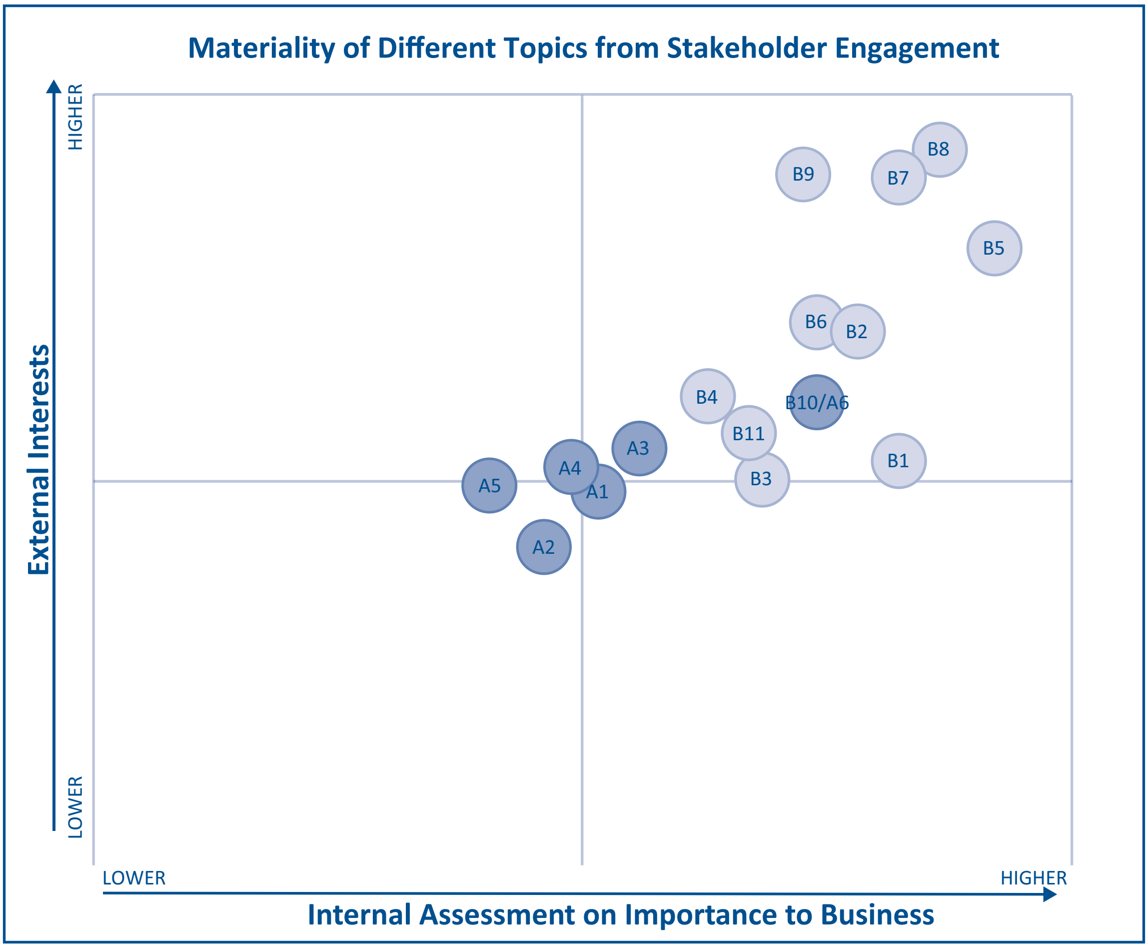
The above three locations and subsidiaries are identified to be the major operational sites for the Group during the Reporting Period. Since early 2020, the Huizhou plant has commenced the business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment. These operational changes resulted in increased consumption of energy resources, water and packaging materials.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

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

Materiality Matrix



A.	**Environmental Issues**
A1	Energy
A2	Water
A3	Emissions
A4	Effluent and Waste
A5	Other Raw Materials Consumption
A6	Environmental Protection Policies

B.	**Social Issues**
B1	Employment
B2	Occupational Health and Safety
B3	Development and Training
B4	Labor Standards
B5	Supply Chain Management
B6	Intellectual Property Rights
B7	Customer Data Protection
B8	Customer Service
B9	Product/Service Quality
B10	Anti-corruption
B11	Community Investment

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

- Customer Service
- Supply Chain Management
- Customer Data Protection
- Product/Service Quality
- Occupational Health and Safety

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

STAKEHOLDERS' FEEDBACK

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

THE GROUP'S SUSTAINABILITY COMMITMENT

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

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

The Group strives to:

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

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

THE GROUP'S SUSTAINABILITY GOVERNANCE

The HSE Steering Committee, which is composed of the Chairman of the Board, HSE managers, and division managers, has been set up to oversee the HSE matters within the Group. Led by the Board, the HSE Committee is responsible for developing HSE management strategies and the continuous review of HSE key performance indicators. The HSE Committee carries out regular assessments to track the Group's HSE performance and verify compliance with the codes and management standards adopted by the Group.

AWARDS AND RECOGNITIONS

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

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

A. ENVIRONMENTAL

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

Environmental laws and regulations complied in different regions

The PRC

- 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

Singapore

- The Environmental Protection and Management Act

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

A1. Emissions

A1.1 Air Emissions

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

Mobile fuel source	**Air emissions (non-GHG) from the mobile combustion**		
	NO_x (kg)	RSP (kg)	SO_x (kg)
Petrol and diesel	44.80	3.14	0.83

During the Reporting Period, dust emitted from the cutting process was closely monitored and discharged into the atmosphere through designated pipes, where the concentrations were within the permissible limits set by the national emission standard, including the Integrated Emission Standards for Air Pollutants (GB16297-1996). During the Reporting Period, the Huizhou plant converted from combustion of liquefied petroleum gas to towngas for the staff canteen operation, which generated SO_x and NO_x as presented in the following table.

Stationary fuel source	**Air emissions (non-GHG) from the gaseous fuel combustion**	
	NO_x (kg)	SO_x (kg)
Towngas	1.03	<0.01

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

A1.2 Greenhouse Gas Emissions

During the Reporting Period, the Group's business operation contributed to an emission of 1,962.96 tonnes of carbon dioxide equivalent ("**$tCO_2eq.$**"), mainly carbon dioxide, methane and nitrous oxide. The overall intensity of the GHG emissions for the Group was 0.09 $tCO_2eq./m^2$ with reference to the total floor area of the Group's business operations, and 44.61 $tCO_2eq.$/tonne with reference to the total production volume during the Reporting Period.

The GHG emissions reported included the following activities and scopes:

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

Scope of GHG emissions	**Emission sources**		**GHG Emissions** *(in $tCO_2eq.$)*	**Sub-total** *(in $tCO_2eq.$)*	**Total GHG emissions** *(%)*
Scope 1 Direct Emission[1]	Combustion of fuel for stationary sources	Towngas	13.71	163.52	8%
	Combustion of fuel for mobile sources	Diesel	3.58		
		Petrol	146.23		
Scope 2 Energy Indirect Emission[2]	Purchased electricity		1,643.78	1,646.99	84%
	Purchased towngas		3.21		
Scope 3 Other Indirect Emission	Paper disposed of at landfills		16.31	152.45	8%
	Electricity used for freshwater possessing		7.68		
	Electricity used for sewage possessing		3.62		
	Business air travel by employees[3]		124.84		
Total				1,962.96	100%

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

Note 2: Emission factor of 0.8042 tCO_2/MWh and 0.4085 tCO_2/MWh were used for purchased electricity in Guangdong Province of the PRC and Singapore.

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

A1.3 Hazardous Waste

The Group generated a total of 3.64 tonnes of hazardous waste (2019: 3.28 tonnes) during the Reporting Period, with an overall intensity of 0.17 kg/m^2 and 0.08 tonne/tonne of production. Production waste comprises of waste oil and oil-containing waste, which accounted for 96% of the total amount of hazardous waste. Non-production waste from the Singapore plant included computer hardware, batteries, and lighting waste. All types of hazardous waste are managed in accordance with relevant national regulations and international standards, including the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Environmental Protection and Management Act and the ISO 14001 standard for the safe handling of hazardous waste.

Hazardous waste generated in FY2020

Types of Hazardous Waste	Waste Generated (in tonnes)
Production waste from Huizhou plant	1.53
Production waste from Singapore plant	1.96
Non-production waste from Singapore plant	0.15

A1.4 Non-hazardous Waste

The Group generated a total of 124.22 tonnes of non-hazardous waste (2019: 39.28 tonnes) during the Reporting Period, with an overall intensity of 5.92 kg/m^2 and 2.82 tonne/tonne of production. Non-hazardous waste included waste generated from manufacturing processes, and domestic waste from the office and staff canteen operation. During the Reporting Period, the Singapore plant's operation generated a substantial amount of scrap metals, which resulted in a significant rise in the amount of non-hazardous waste compared to the last Reporting Period.

Non-hazardous waste generated in FY2020

Types of Non-hazardous Wastes	Waste Generated (in tonnes)
Scrap metal	112.71
Office waste (mainly paper and carton boxes)	3.71
Food waste	7.80

A1.5 Measures to Mitigate Emissions

By establishing the ISO 14001 Environmental Management System in the Group's operations, the Group can effectively manage risks regarding climate change, energy and carbon management of its day-to-day operations. At the same time, the Group has formulated environmental targets and kept track of performance to minimize its emissions. The Group has established a 5-year Group-wise emission reduction target to reduce emissions by 10% by fiscal year 2025.

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

Staff Canteen Operation

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

Production Activity

Compressed air is widely used in the production process which generates minimal emissions. To further bring down related emissions, the Group has gradually switched from diesel-fueled engines to electric pumps in the fracturing operations.

Road Transport Source

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

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

Business Air Travel

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

A1.6 Wastes Handling and Reduction Initiatives

Hazardous wastes and non-hazardous wastes are sorted accroding to their types and collected by licensed waste collectors for downstream treatment or disposal. Office waste is collected by the property management office for downstream recycling and municipal waste treatment. Food waste is collected by local farmers and recycled into animal feeds.

The Group continues to implement initiatives to reduce waste at source. For instance, the Group encourages double-sided printing, promotes the use of electronic documentations, and keeps track of paper consumption in promoting a paperless office. Waste recycling bins are installed in the offices to encourage paper recycling. Moreover, the Singapore plant adheres to the "just-in-time" philosophy and does not overstock raw materials to prevent inventory waste.

A2. Use of Resources

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

A2.1 Energy Consumption

The total energy consumption of the Group was 2,718,598 Kilowatt-hour ("**kWh**"), with an overall energy intensity of 129.57 kWh/m^2 and 61.79 MWh/tonne of production during the Reporting Period. Types of energy consumed included electricity, town gas, petrol, and diesel. The table below presents the energy consumption by energy types and the associated energy intensity.

Direct/ indirect energy sources	**Consumption** *(unit)*	**Consumption** *(kWh)*	**Energy Intensity** *(kWh/m^2)*
Electricity	2,146,727	2,146,727	102.31
Petrol	54,970 L	487,125	23.22
Diesel	1,316 L	13,159	0.63
Towngas	8,613 kg	71,587	3.41
Group total		2,718,598	129.57

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

Electricity consumption accounted for about 79% of the total energy consumption (2,146,727 kWh) during the Reporting Period, contributing to an overall intensity of 102 kWh/m^2 and 49 MWh/tonne of production. The increased use of electricity was due to the expanded production lines and installation of new equipment and machines in the Huizhou plant, which resulted in a 389% rise in electricity consumption compared to the last Reporting Period. Due to the different natures of business, the electricity intensities of different sites are presented in separate rows.

Operational sites	**Consumption** *(in kWh)*
Shenzhen office	43,312
Huizhou plant	1,894,620
Singapore plant	208,795
Group total	2,146,727

A2.2 Water Consumption

Freshwater is sourced from municipal water supply system. The new business in the Huizhou plant has led to increased production and hiring of temporary workers, thus increased the demand for water. During the Reporting Period, the total water consumption for the Group was 18,126 m^3, with an overall energy intensity of 411.95 m^3/tonne of production or 0.86 m^3/m^2, a significant increase compared with the last Reporting Period's figure of 0.26 m^3/m^2.

Operational sites	**Water consumption** *(in m^3)*
Shenzhen office	117
Huizhou plant	17,484
Singapore plant	525
The Group total	18,126

A2.3 Energy Use Efficiency Initiatives

The Group has adopted various measures to ensure the rational use of energy resources. To conserve energy use, the Group restricts the use of air conditioners and maintains default temperature setting of air conditioners of 26°C in summer. When choosing electrical appliances (e.g., air conditioners), the Group gives priority to energy-efficient models. At the Singapore plant, LED lighting is installed across the plant which improves energy efficiency and reduces electricity use compared with traditional lighting. The Huizhou plant utilizes solar energy to generate hot water for domestic use and adopts energy-efficient lighting.

All the manufacturing facilities meet the national standards on energy saving. The Group designs production plans appropriately to avoid the use of standby generators. The increased use of electric pumps in replacing diesel-fueled engines has substantially cut down up to 20% of diesel fuel use in the fracturing operations.

A2.4 Water Use Efficiency Initiatives

The Group continuously conserves water resources and manages its water consumption effectively through different control measures.金 with water-saving feature are installed at the Shenzhen office and Huizhou plant. All the water taps at the Singapore plant are fitted with water-saving filters. No issues on sourcing water were reported during the Reporting Period.

A2.5 Packaging Material

During the Reporting Period, the Group consumed a total of 25.62 tonnes of packaging materials for product packaging, including paper and wooden boxes. The Huizhou plant has devoted resources to making wooden boxes with environment-friendly composite boards and angle bars. In the Singapore plant, wooden pallets are reused for as many times as possible for transportation of finished products. During the Reporting Period, the mass production of parts and accessories for medical equipment, medical machines, and hydraulic fracturing led to substantial increase in the use of wooden boxes. The consumption intensity was 0.58 tonne/tonne of production and 1.22 tonnes/m^2, a significant increase compared with the last Reporting Period's figure of 0.02 tonnes/m^2.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

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

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

Spillage from drilling and fracturing fluids can result in water and soil pollution. To protect the soil and groundwater, the surface of well site is covered by an impermeable membrane liner. This provides a containment to prevent oil spills and runoff from seeping into the ground which could lead to soil and water contaminations. Furthermore, the Group reuses drilling fluids and produced water as hydraulic fracturing fluid to reduce freshwater consumption and improve overall environmental performance in hydraulic fracturing operations. Besides, municipal and industrial wastewater which are processed by separate sewerage system, are transferred to dedicated environmental engineering corporations for proper treatment. The treated effluent met the discharge requirements of Huizhou Jinshan Sewage Treatment Plant.

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

B. SOCIAL

1. Employment and labor practices

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

B1. Employment

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

Employment laws and regulations complied in different regions

The PRC

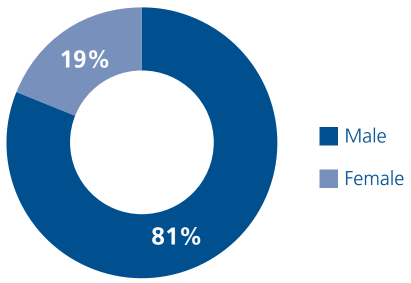
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Regulation on Paid Annual Leave for Employees
- Regulations of the State Council on the Hours of Work of Employees
- Trade Union Law of the PRC

Singapore

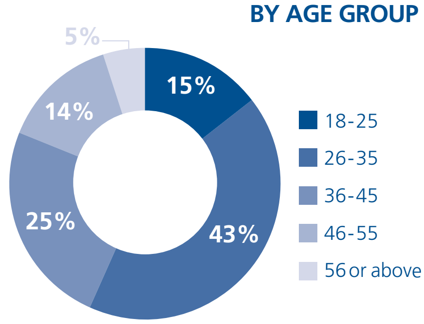
- Employment Act

As of 31 December 2020, the Group's Shenzhen office, Huizhou plant and Singapore plant had a total number of 353 employees. All of them were full-time employees. There was no major change in the employment structure compared with the last Reporting Period. The total workforce which is sorted by gender, age group, employee category and geographical region[1] are shown below.

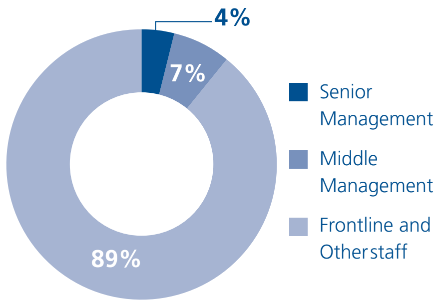
DISTRIBUTION OF EMPLOYEES BY GENDER



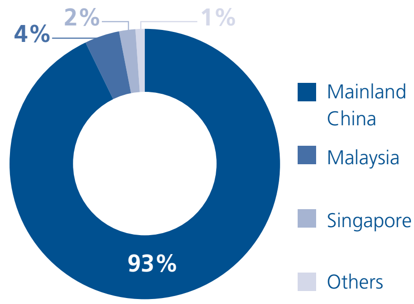
DISTRIBUTION OF EMPLOYEES BY AGE GROUP



DISTRIBUTION OF EMPLOYEES BY EMPLOYEE CATEGORY



DISTRIBUTION OF EMPLOYEES BY GEOGRAPHICAL REGION



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

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

1 Other geographical regions including India, Hong Kong and Philippines, each accounting for less than 1% of workforce.

Competitive Compensation and Benefits Package

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

Termination of Contract

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

Appraisal and Promotion

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

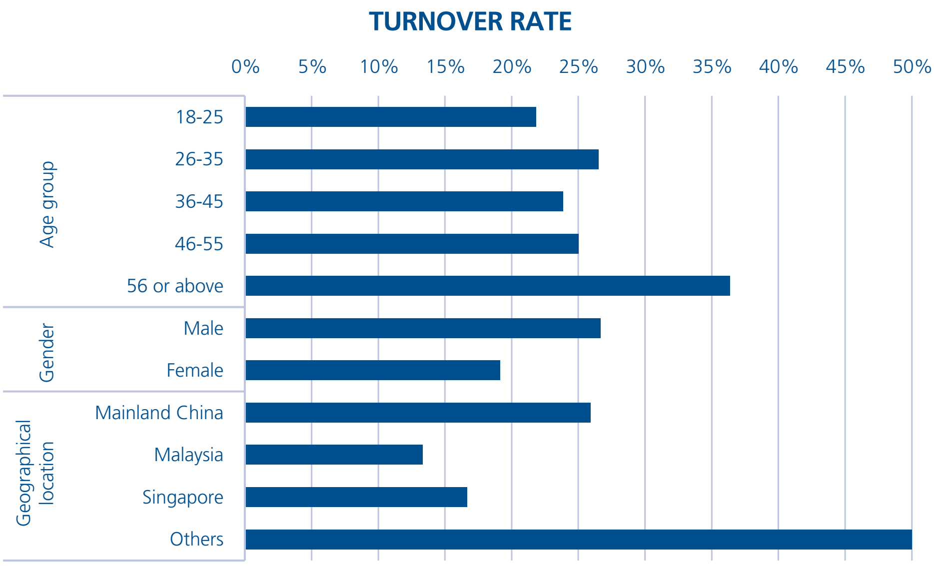
Equal opportunity

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

Employee relations and turnover

To enhance employees' sense of belonging, the Group organizes various recreational and cultural activities including buffet gatherings, team bonding activities, sports events and tours for employees to foster better understanding of each other. The management of the Singapore plant also holds sharing sessions to recognize employees' contributions to the Group and to collect valuable suggestions from employees on areas of improvement. In addition, the Huizhou plant has set up an appeal procedure whereas employees can raise their grievances through WeChat group, facilitating timely delivery of feedback to the management of the Group and fair resolution of complaints in a prompt manner.

A total of 89 employees have left the Group during the Reporting Period, representing an overall turnover rate of 25%. The employee turnover rate by gender, age group and geographical locations are as follows:



B2. Employee Health and Safety

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

Occupational health and safety laws and regulations complied in different regions

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 Insurances
- Regulations of Guangdong Province on Production Safety
- Law of the PRC on Prevention and Treatment of Occupational Diseases

Singapore

- Workplace Safety and Health Act

The Group has implemented Health, Safety and Environment Risk Management Procedure and Occupational Health Management Policy to identify and assess occupational hazards, and to implement risk control measures regarding the associated production activities. The procedures stipulate that all types of risks shall be fully controlled and eliminated through appropriate control measures. The Group closely monitors the inherent hazards and reviews the effectiveness of the measures. For instance, the Singapore plant conducts risk assessments for all production activities to ensure regulatory compliance.

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

The Group has provided earplugs to employees who are exposed to noise hazards. The occupational noise level registered during the Reporting Period was in compliance with the Emission Standard for Industrial Enterprises Nosie at Boundary (GB/T 12348-2008). However, one inspection point at Huizhou plant has recorded a noise level exceedance due to the noise generated by equipment, inadequate sound insulation and the prolonged exposure hours of workers. The Group has implemented the following measures thereafter:

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

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

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

Occupational Health and Safety Statistics in FY 2020

Work-related fatality	0
Lost days due to work injury	48 days
Work injury cases ≤3 days	2
Work injury cases >3 days	1

Our Responses to COVID-19

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

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

B3. Development and Training

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

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

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

Type of training	Training topics
Managerial	• Project Management • Contract Risk Management • Executive Master of Business Administration Program ("**EMBA**") by China Europe International Business School
Professional	• Internal Auditors for ISO 45001 – Occupational Health and Safety Management System
Safety	• Workplace Health and Safety • Industrial Safety Program for Seafarers • Awareness of Danger of Hydrogen Sulfide
Technical	• Well Control • Pressure Vessel Training for Crane Operator • Aerial Operations • Well Completion and Lifting
Others	• Social Security • Procurement Cost Control

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

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

During the Reporting Period, 81% of the Group's employees received training, the total training hours and the average training hours per employee were 985 hours and 2.79 hours per employee respectively. The Singapore plant suspended all training programs in the early COVID-19 outbreak and has resumed training since November 2020.

Detailed breakdown of training provided to employees

By employee category

Senior Management	Percentage of employees trained	50%
	Average training hours completed per employee	0.61
Middle management	Percentage of employees trained	62%
	Average training hours completed per employee	2.54
Frontline and other staff	Percentage of employees trained	84%
	Average training hours completed per employee	2.91

By gender

Male	Percentage of employees trained	86%
	Average training hours completed per employee	3.22
Female	Percentage of employees trained	60%
	Average training hours completed per employee	0.97

B4. Labor Standards

The Group complies with the Labor Law of the PRC, Provisions on the Prohibition of Using Child Labor, Part VIII of the Singapore Employment Act and the Employment (Children and Young Persons) Regulations and internal recruitment guidelines which prohibits the employment of workers under the age of 13 in its operation.

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

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

2. Operating Practices

B5. Supply Chain Management

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

As one of the concerned topics, the Group has deployed resources to optimize supply chain management. The Group identifies strategic suppliers by enterprise product positioning and development strategies. Suppliers are evaluated through scientific approaches and managed effectively at all levels. Working cooperatively, the Group develops a win-win and sustainable relationship with the suppliers that creates values for the Group. The Singapore plant ensures that suppliers of critical products and services have obtained the ISO 9001 certification.

During the Reporting Period, the Group had engaged a total of 260 suppliers, with the majority of goods and services procured from Mainland China suppliers.

Region	Number of suppliers	Types of suppliers
Mainland China	146	Raw materials, machinery and equipment, and service providers
Singapore	102	Raw and auxiliary materials, finished components, standard parts, machinery and general hardware providers
Others (including the US, the UK and Malaysia)	12	Raw and auxiliary materials, finished components, machinery and equipment, API testing software and service providers

B6. Product Responsibility

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

Quality Assurance

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

The Group has a robust product inspection and testing system to ensure the safety and reliability of products. The Group has established policies and procedures on quality control/assurance processes and controls. For instance, the Huizhou plant has established policies and procedures, including the Control Procedure for Product Monitoring and Measurement and Control Procedure for Equipment Testing, Measuring and Monitoring. In light of market changes, the Group reviews and enhances its quality management system from time to time and strengthens the inspections on incoming materials and final products.

Product Labelling, Health and Safety, and Advertising

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

Product Recall and Customer Service

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

Data Protection

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

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

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

Intellectual Property

The Group continuously invests in the development of oilfield services technology, aiming to launch innovative products and services with pride. The Group's Intellectual Property (the "**IP**") Policy is compliant with the Enterprise Intellectual Property Management (GB/T 29490-2013), Trademark Law and the Patent Law of the PRC, and regulates the implementation, maintenance and continuous improvement of the Group's management on IP rights. The Group is committed to using third-party licensed rights and IP assets rightfully without violation of any applicable laws and regulations on IP infringement. As at 31 December 2020, the Group had 40 utility model patents and 15 innovation patents and was in the process of applying for 6 utility model patents and 24 innovation patents. The achievements and results accomplished by the research and development teams are owned by the Group, whom can make full use of these inventions, creations, computer software, and other trade secrets within its business scope to reproduce, operate or transfer to a third party.

B7. Anti-corruption

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

Anti-corruption laws and regulations complied in different regions

The PRC

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

Singapore

- The Prevention of Corruption Act
- The Corruption, Drug Trafficking and other Serious Offences (Confiscation of Benefits) Act
- Chapter IX of the Penal Code

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

Whistleblowing System

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

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

B8. Community Investment

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

Local recruitment

The Group always pays attention to the employment situation in where it operates in. During the Reporting Period, the Huizhou plant participated in a recruiting event held by community groups and employed a total of 26 employees in the local community.

Medical Supplies Production Amidst the COVID-19

The COVID-19 pandemic has caused a global surge in demand for medical supplies. To facilitate the timely supply of medical supplies during the Reporting Period, the Huizhou plant allocated manufacturing capacity to the production of surgical masks and medical device accessories to meet the rapidly growing downstream demand.

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

During the year ended 31 December 2020 (the "**Year**" or "**2020**"), the board (the "**Board**") of directors (the "**Director(s)**") of the Company comprised two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the Year, the Company has complied with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for carrying out transactions in the Company's securities by the Directors. After specific enquiry with the Directors, the Company confirmed that all Directors have fully complied with the required standard of dealings as set out in the Model Code during the Year.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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

During the Year, the Board comprised two executive Directors, namely Mr. Wang Jinlong and Mr. Zhao Jindong, two non-executive Directors, namely Mr. Lee Tommy and Ms. Ma Hua, and three independent non-executive Directors, namely Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe.

On 26 April 2018, King Shine Group Limited (a company owned as to approximately 45.24% by Mr. Wang Jinlong) has charged the shares of the Company held by it to Zero Finance Hong Kong Limited (a company indirectly owned as to 99.99% by Mr. Lee Tommy). Save as disclosed and to the best knowledge of the Company, there were no other financial, business and family relationships among the members of the Board during the Year.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

	Reading materials	Attending courses, seminars or conferences
Executive Directors		
Wang Jinlong	✓	✓
Zhao Jindong	✓	✓
Non-executive Directors		
Lee Tommy	✓	✓
Ma Hua	✓	✓
Independent non-executive Directors		
Leung Lin Cheong	✓	✓
Tong Hin Wor	✓	✓
Xin Junhe	✓	✓

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code Provision A.1.1 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 2019, the approval of the interim results of the Group for the six months ended 30 June 2020, 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 2020 are as follows:

	Meetings attended/Meetings held						
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Sanction Oversight Committee**	**2020 Annual General Meeting**	**2020 Extraordinary General Meeting**
Executive Directors							
Wang Jinlong	8/8	–	1/1	1/1	2/2	1/1	2/2
Zhao Jindong	8/8	–	–	–	–	1/1	2/2
Non-executive Directors							
Lee Tommy	8/8	–	1/1	1/1	–	1/1	2/2
Ma Hua	8/8	–	–	–	–	1/1	2/2
Independent non-executive Directors							
Tong Hin Wor	8/8	3/3	1/1	1/1	–	1/1	2/2
Xin Junhe	8/8	3/3	1/1	1/1	2/2	1/1	2/2
Leung Lin Cheong	8/8	3/3	1/1	1/1	2/2	1/1	2/2

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 COMMITTEES

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

Audit Committee

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

During the Year, three meetings of the Audit Committee were held on 30 March 2020, 21 August 2020 and 12 November 2020 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2019 and for the six months ended 30 June 2020, respectively and the consideration and recommendation of the change of auditor of the Company. All members of the Audit Committee attended these meetings.

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

Remuneration Committee

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

During the Year, one meeting of the Remuneration Committee was held on 30 March 2020 to discuss, among others, the level of salaries of each of the executive Directors, non-executive Directors, independent non-executive Directors and the senior management of the Company, to consider and recommend to the Board their remuneration proposals with reference to the corporate goals and objectives of the Board. All members of the Remuneration Committee attended the meetings.

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

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

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

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

Nomination Committee

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

During the Year, one meeting of the Nomination Committee was held on 30 March 2020 to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to assess the independence of independent non-executive Directors, to discuss the re-election of Directors in the forthcoming annual general meeting according to the articles of association of the Company. All members of the Nomination Committee attended the meeting.

Pursuant to Code Provision A.5.6, the Board has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measureable objectives set out in the policy.

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

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

Sanction Oversight Committee

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

During the Year, two meetings of the Sanction Oversight Committee were held on 30 March 2020 and 21 August 2020 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 services and non-audit services for the Year amounted to HK$2,050,000, and HK$230,000, respectively. The amount of fees charged by the Company's resigned external auditors, PricewaterhouseCoopers, in respect of their non-audit services for the Year amounted to HK$1,050,000.

THE COMPANY SECRETARY

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

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Group has complied with the principle of Code Provision C.2 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 2020, no significant risk was identified.

Internal control system

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

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

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

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

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

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

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

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

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

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

Based on the internal control reviews conducted in 2020, 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 2020 to 31 December 2020. 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.

SHAREHOLDER'S RIGHTS

How Shareholders can convene an extraordinary general meeting

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

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

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

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

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

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

Procedures for proposing a person for election as a Director

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

INVESTOR RELATIONS

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

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The biographical information of the Directors and senior management being in office during the year ended 31 December 2020 are as follows:

DIRECTORS

Executive Directors

Mr. Wang Jinlong (王金龍) ("Mr. Wang"), aged 55, is our chairman and executive Director. He was appointed as an executive Director on 31 December 2007 and is also a director of certain subsidiaries of the Group. Mr. Wang is primarily responsible for the long term development strategy of the Group. He has over 30 years of experience in the oil and gas industry. Mr. Wang founded our Group in April 2002 as the executive director and general manager of Petro-king Oilfield Technology Ltd. Prior to that, he worked at 菲利普斯中國有限公司 (Phillips China Inc.) (later known as 康菲石油中國有限公司 (ConocoPhillips China Inc.)) between 1994 and 2003 where he had served as a senior drilling/production engineer. Mr. Wang graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering degree majoring in drilling engineering in July 1986. Mr. Wang obtained a Mid-level Professional Qualification as an engineer in April 1993 issued by 中華人民共和國地質礦產部 (the PRC Ministry of Geology and Mineral Resources*), which was later reformed and incorporated into 中華人民共和國國土資源部 (the PRC Ministry of Land and Resources*), and a qualification of senior engineer issued by CNOOC in March 2002. Mr. Wang has been recognised for his contributions to the development of the technology of geology and was awarded certificates for such contributions by the PRC Ministry of Geology and Mineral Resources in December 1996. Under Code Provision A.2.1, 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. Zhao Jindong (趙錦棟) ("Mr. Zhao"), aged 57, is our executive Director. He joined our Group in 2003 as a vice general manager. He was appointed as an executive Director on 24 December 2012 and is also a director of certain subsidiaries of the Group. Mr. Zhao has over 30 years of experience in drilling and completion services of the oil and gas industry. Before joining our Group, Mr. Zhao was the senior drilling and completion engineer at 康菲石油公司 (ConocoPhillips Oil Company) from October 2002 to December 2003. He was employed by ConocoPhillips China Inc. from October 1997 to October 2002 where he was recognised for his exemplary performance and contributions to the operations in Xinjiang. Mr. Zhao started his career as an engineer trainee at 地質礦產部石油鑽井研究所 (Drilling Institute of Minority of Geology*) in December 1983. He continued his employment with the Drilling Institute of Minority of Geology where he became a senior engineer and an assistant manager of the drilling development department. Mr. Zhao graduated from 中國地質大學 (China Geology University*) with a diploma in drilling engineering in 1988. Mr. Zhao has been appointed as the CEO of the Group on 25 April 2016. On 1 December 2016, Mr. Zhao has resigned as the CEO of the Company due to health reason, but remained as an executive Director.

Non-executive Directors

Mr. Lee Tommy (李銘浚) ("Mr. Lee"), aged 44, is a non-executive Director. He joined our Group in December 2007 as a director of Petro-king Holding Limited. He was appointed as a non-executive Director on 31 December 2007. Mr. Lee has been the vice chairman and chief executive officer of Termbray Industries International (Holdings) Limited (stock code: 93) since 2008 and 2010 respectively. Mr. Lee was appointed as a director of Guangdong Ellington Electronics Technology Company Limited ("**Guangdong Ellington**") since 2001. Guangdong Ellington was listed on the Shanghai Stock Exchange (stock code: 603328) since 1 July 2014. He was a vice president of Guangdong Ellington from 2001 to 2008, primarily responsible for the overall management and strategic planning of Guangdong Ellington. Mr. Lee studied Economics in the Seneca College in Canada.

Ms. Ma Hua (馬華) ("Ms. Ma"), aged 45, is our non-executive Director. She was appointed as a non-executive Director on 12 June 2012. She is now the managing partner and vice president of 新疆TCL股權投資有限公司 (TCL Capital*). She was TCL Corporation's employee from January 2003 to February 2008 acting as the chairman's corporate secretary. Prior to that, Ms. Ma had already been employed by TCL國際控股 (TCL International Holdings Ltd.) as an investor relations personnel from July 2001 to January 2003. Ms. Ma Hua obtained her Master of Business Administration from 中國人民大學 (Renmin University of China*) in January 2004 and graduated from 太原理工大學 (Taiyuan Technology University*) with a Bachelor degree double majoring in industry and foreign trade/English language in July 1998.

Independent Non-executive Directors

Mr. Xin Junhe (辛俊和) ("Mr. Xin"), aged 64, is our independent non-executive Director. He was appointed as an independent non-executive Director on 27 March 2017. He is also the chairman of our remuneration committee and a member of each of our audit committee, nomination committee and sanction oversight committee. He has over 40 years of experience in petroleum engineering services of the oil and gas industry. Mr. Xin graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering degree majoring in drilling engineering in 1982. After graduating from college, Mr. Xin joined 玉門石油管理局 (Yumen Petroleum Administrative Bureau), which is under the management of China National Petroleum Corporation ("**CNPC**"). He has worked for CNPC all his career and retired in December 2016 as the Deputy Chief Engineer of 中國石油海外勘探開發公司 (China National Oil and Gas Exploration and Development Company*). He has outstanding achievement throughout his career, has won first class National Scientific and Technological Progress Award, and has been receiving special government allowance from the State Council of the People's Republic of China. Mr. Xin has been appointed as a director of many projects of CNPC and accumulated rich experience.

Mr. Tong Hin Wor (湯顯和) ("Mr. Tong"), aged 75, is our independent non-executive Director. He was appointed as an independent non-executive Director on 18 February 2013. He holds a diploma in management studies from the Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. He was appointed as an independent non-executive director of Termbray Industries International (Holdings) Limited (Stock code: 93) in 2008 where he has also been serving as a member of the audit committee, the nomination committee and the remuneration committee. Mr. Tong was the group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004 and the group controller of Elec & Eltek (International) Limited in 1995. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993.

Mr. Leung Lin Cheong (梁年昌) ("Mr. Leung"), aged 67, 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 from 2016 to 2020. Mr. Leung was an independent non-executive director of Casablanca Group Limited (stock code: 2223) from October 2012 to May 2015 and an independent non-executive director 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 Institute of Chartered Secretaries, and a founding member of The Hong Kong Independent Non-Executive Director Association.

SENIOR MANAGEMENT

Mr. Huang Yu (黃瑜) ("Mr. Huang"), aged 57, joined the Group as our vice president in December 2018, and has been appointed as the CEO since May 2019. Mr. Huang is responsible for the overall management of the Group's business operations. Mr. Huang has over 30 years of experience in the oilfield services industry. Mr. Huang graduated from Southwest Petroleum University in July 1989 with a master's degree and obtained an Executive Master of Business Administration degree from the School of Economics and Management, Tsinghua University in 2011. Mr. Huang holds the professional title of senior engineer in petroleum engineering and professor-level senior economist, and has accumulated rich experience in international cooperation in the oil and gas fields. Before joining the Group, Mr. Huang served as the chief executive officer of Polytec Resources Ltd. from December 2007 to December 2013. Mr. Huang acted as the vice president and chief economist of China National Oil and Gas Exploration and Development Company from June 2000 to October 2007, and was responsible for company planning, business development and mergers and acquisitions business. He served as the manager of planning and operation department of China National Oil and Gas Exploration and Development Company from May 1999 to May 2000. From January 1997 to May 1999, Mr. Huang worked as the chief economist and manager of planning and finance department of CNPC International (Nile) Ltd.. From July 1989 to December 1996, Mr. Huang worked in Zhongyuan Oilfield and served as the senior reservoir engineer of the Development Research Institute of Zhongyuan Petroleum Exploration Bureau and the director of the International Cooperation Department of Zhongyuan Petroleum Exploration Bureau. Mr. Huang was the non-executive director of China Oil HBP Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002554), from December 2016 to December 2019.

Mr. Chan Kwok Yuen Elvis (陳國源) ("Mr. Chan"), aged 48, is the chief financial officer (the "**CFO**") of the Company. He joined the Group in July 2018 and is responsible for the accounting, financial, and investor relation affairs of the Group. He has over 23 years of experience in the field of accounting and finance. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Chan obtained a bachelor's degree in commerce from Queen's University in Canada in 1995 and a master of science degree in corporate governance and directorship from the Hong Kong Baptist University in 2013.

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗) ("Mr. Tung"), aged 58, was appointed as the company secretary of our Company on 18 February 2013. He is the senior partner of Tung & Co., a law firm providing legal advice as to Hong Kong laws to our Group since 2007. He holds a Bachelor of Arts degree in law and accounting from The University of Manchester, the United Kingdom. He has over 20 years of experience as practising lawyer in Hong Kong. He is also a China-Appointed Attesting Officer. Mr. Tung currently serves as a joint company secretary of Jiangxi Copper Company Limited (stock code: 358), Harbin Electric Company Limited (stock code: 1133) and Qingling Motors Co. Ltd (stock code: 1122) and the sole company secretary of Quantum Thinking Limited (stock code: 8050) and NOVA Group Holdings Limited (stock code: 1360), respectively. He is also currently the internal legal adviser of Silver Grant International Industries Limited (stock code: 171).

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)
Mr. Zhao Jindong (趙錦棟)

NON-EXECUTIVE DIRECTORS

Mr. Lee Tommy (李銘浚)
Ms. Ma Hua (馬華)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SANCTION OVERSIGHT COMMITTEE

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

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE IN THE BRITISH VIRGIN ISLANDS

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VG1110

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shenzhen
Guangdong
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BRITISH VIRGIN ISLANDS

Conyers Trust Company (BVI) Limited
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British Virgin Islands
VG1110

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
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Hong Kong

China Merchants Bank
China Merchants Building, Shekou
Shenzhen 518067
China

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

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISERS (HONG KONG LAW)

Tung & Co.

COMPANY'S WEBSITE

www.petro-king.cn

STOCK CODE

2178

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

REPORT OF THE DIRECTORS

The directors (the "**Directors**") of Petro-king Oilfield Services Limited (the "**Company**") hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (The "**Year" or "2020"**).

THE COMPANY AND INITIAL PUBLIC OFFERING

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. Further discussion and analysis of these activities and a business review as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 7 to 17 of this annual report. This discussion forms part of this report of the Directors.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 81 to 82.

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 2020 are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

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

USE OF PROCEEDS FROM ISSUE OF BONDS AND WARRANTS

On 29 May 2020, pursuant to a subscription agreement entered into on 28 March 2020 between the Company and each of Asian Equity Special Opportunities Portfolio Master Fund Limited ("**Asian Equity**") and Ms. Ng Man Chi (collectively as the "**Subscribers**"), the Company completed the issue of (i) bonds (the "**2020 Bonds**") to each of Asian Equity and Ms. Ng Man Chi in the principal amounts of HK$17,000,000 and HK$13,000,000, respectively and (ii) warrants (the "**Warrants**") (for no additional payment) as to 68,000,000 Warrants and 52,000,000 Warrants to each of Asian Equity and Ms. Ng Man Chi respectively. Each Warrant shall entitle the holder(s) of the Warrant to subscribe for one new share to be issued and allotted by the Company upon exercising of the subscription rights attaching to the Warrants at a subscription price of HK$0.12 (subject to adjustments) during the period commencing from the date of issuance of the Warrants until 31 March 2023. Further details of the 2020 Bonds and the Warrants were disclosed in the Company's announcement dated 28 March 2020 and 29 May 2020 respectively.

As the subscription money payable by the Subscribers in the aggregate principal amount of HK$30,000,000 was applied towards the payment of and set-off against the redemption money payable by the Company to the Subscribers in respect of the convertible bonds in the aggregate principal amount of HK$30,000,000 issued on 3 April 2019, the Company had not received any net proceeds from the issue of the 2020 Bonds and Warrants.

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 2020, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the BVI Business Companies Act 2004 (and any amendments thereto).

EQUITY LINKED AGREEMENTS

Share options granted to Directors and selected employees

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

Warrants issued to the Subscribers

Details of the Warrants issued to the Subscribers during the Year are set out in the section "Use of Proceeds from Issue of Bonds and Warrants" above.

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 82.7% of the Group's total revenue. The amount of revenue attributable to the Group's largest customer represented approximately 53.7% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 34.8% of the Group's total purchases. The amount of purchases attributable to the Group's largest supplier represented approximately 11.2% 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. Wang Jinlong
Mr. Zhao Jindong

Non-executive Directors:

Mr. Lee Tommy
Ms. Ma Hua

Independent Non-executive Directors:

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

Mr. Wang Jinlong, Mr. Zhao Jindong and Mr. Tong Hin Wor will retire at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with Article 75 of the Company's articles of association and being eligible, will offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

Name	Amount
Mr. Wang Jinlong	HK$135,000 as Director and RMB1,000,000 as the chairman
Mr. Zhao Jindong	HK$135,000 as Director and RMB800,000 as the vice president

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

Name	Amount
Mr. Lee Tommy	HK$135,000
Ms. Ma Hua	HK$135,000

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

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

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

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

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

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

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

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

As at 31 December 2020, 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. Lee Tommy	Beneficiary of trust *(Note 3)*	337,269,760 (L)	19.53%
	Interest in a controlled corporation *(Note 4)*	488,920,138 (L)	28.32%
Mr. Zhao Jindong	Beneficial owner *(Note 5)*	8,676,833 (L)	0.50%
Mr. Huang Yu	Beneficial owner *(Note 6)*	17,954,200 (L)	1.04%

Notes:

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

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

3. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy, a non-executive Director as at 31 December 2020) and the offspring of such children. Therefore, Mr. Lee Lap, Mr. Lee Tommy, HSBC International Trustee Limited and Lee & Leung Family Investment Limited are taken to be interested in the number of shares of the Company in which Lee & Leung (B.V.I.) Limited is interested for the purpose of the SFO.

4. On 26 April 2018, King Shine has charged the shares of the Company held by it to Zero Finance Hong Kong Limited ("**Zero Finance**"). Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Earth Axis Investment Limited, which is wholly-owned by Zero Finance Group Holdings Limited, which is wholly-owned by aEasy Finance Holdings Limited, which is 99.99% owned by Mr. Lee Tommy. Therefore, Mr. Lee Tommy, aEasy Finance Holdings Limited, Zero Finance Group Holdings Limited, Earth Axis Investment Limited and aEasy Credit Investment Limited are taken to be interested in the number of shares of the Company in which Zero Finance is interested for the purpose of the SFO.

5. 2,500,000 share options were conditionally granted to Mr. Zhao Jindong on 29 May 2015 and became unconditional on 7 September 2015 and were adjusted to 2,678,833 share options after the completion of the rights issue of the Company on 8 July 2016. 6,000,000 share options were further granted to Mr. Zhao Jindong on 26 October 2016. Therefore under Part XV of the SFO, Mr. Zhao Jindong is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.

6. 17,000,000 share options were granted to Mr. Huang Yu on 31 May 2019. Therefore under Part XV of the SFO, Mr. Huang Yu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted. Apart from the grant of share options, 954,200 shares were also beneficially owned by Mr. Huang Yu.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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%
aEasy Finance Holdings Limited	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
Zero Finance Group Holdings Limited	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
Earth Axis Investment Limited	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
aEasy Credit Investment Limited	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
Zero Finance	Person having a security interest in shares *(Note 2)*	488,920,138 (L)	28.32%
Mr. Lee Lap	Founder of a discretionary trust *(Note 8)*	337,269,760 (L)	19.53%
HSBC International Trustee Limited	Trustee *(Note 8)*	337,269,760 (L)	19.53%
Lee & Leung Family Investment Limited	Interest in a controlled corporation *(Note 8)*	337,269,760 (L)	19.53%
Lee & Leung (B.V.I.) Limited	Beneficial owner *(Note 8)* Interest in a controlled corporation *(Note 8)*	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	Person having a security interest in shares *(Note 5)*	91,121,270 (L)	5.28%
UBS AG	Beneficial owner *(Note 6)*	670,857 (L) 670,857 (S)	0.05% 0.05%
	Person having a security interest in shares *(Note 6)*	70,093,285 (L)	5.68%
Greenwoods Asset Management Holdings Limited	Interest in a controlled corporation *(Note 7)*	62,824,713 (L)	5.08%
Greenwoods Asset Management Limited	Interest in a controlled corporation *(Note 7)*	62,824,713 (L)	5.08%
Mr. Jiang Jinzhi	Interest in a controlled corporation *(Note 7)*	62,824,713 (L)	5.08%
Unique Element Corp.	Interest in a controlled corporation *(Note 7)*	62,824,713 (L)	5.08%

Notes:

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

2. On 26 April 2018, King Shine has charged the Shares held by it to Zero Finance. Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Earth Axis Investment Limited, which is wholly-owned by Zero Finance Group Holdings Limited, which is wholly-owned by aEasy Finance Holdings Limited, which is 99.99% owned by Mr. Lee Tommy. Therefore, Mr. Lee Tommy, aEasy Finance Holdings Limited, Zero Finance Group Holdings Limited, Earth Axis Investment Limited and aEasy Credit Investment Limited are taken to be interested in the number of Shares in which Zero Finance is interested for the purpose of the SFO.

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 24 November 2017.

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 Holdings Limited, Greenwoods Asset Management Limited and Unique Element Corp. on 5 February 2015, and the individual substantial shareholder notice filed by Mr. Jiang Jinzhi on 5 February 2015.

8. 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 63.99% of the issued share capital in Termbray Industries International (Holdings) Limited ("**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 HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy, a non-executive Director as at 31 December 2020) and the offspring of such children. Therefore, Mr. Lee Lap, Mr. Lee Tommy, HSBC International Trustee Limited and Lee & Leung Family Investment Limited are taken to be interested in the number of Shares in which Lee & Leung (B.V.I.) Limited is interested for the purpose of the SFO.

Save as disclosed above, as at 31 December 2020, the Directors are not aware that there is any party (not being a Director or chief executive of our Company) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

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

As at 31 December 2020, (i) Mr. Wang Jinlong and Mr. Zhao Jindong are directors of King Shine, and (ii) Mr. Lee Tommy is a director of aEasy Finance Holdings Limited, Zero Finance Group Holdings Limited, Earth Axis Investment Limited, aEasy Credit Investment Limited and Zero Finance, companies which have an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. No share option was granted for the financial year ended 31 December 2020, under the Share Option Scheme. Set out below are details of the movements of share options during the financial year ended 31 December 2020:

Grantees	Date of grant	Exercise price (HK$)	Closing price immediately before the date of grant	Options outstanding as at 1 January 2020	Options granted since 1 January 2020	Options exercised since 1 January 2020	Options lapsed/ cancelled since 1 January 2020	Options outstanding as at 31 December 2020
Directors, chief executives and substantial shareholders								
Zhao Jindong	29 May 2015	1.2132 *(adjusted)*	1.28	2,678,833	–	– *(Note 1)*	–	2,678,833
	26 October 2016	0.529	0.520	6,000,000	–	– *(Note 2)*	–	6,000,000
Huang Yu	31 May 2019	0.1922	0.183	17,000,000	–	– *(Note 3)*	–	17,000,000
Employees and senior managements	29 May 2015	1.2132 *(adjusted)*	1.28	24,538,096	–	– *(Note 1)*	5,893,426	18,644,670
	26 October 2016	0.529	0.520	31,040,000	–	– *(Note 2)*	7,540,000	23,500,000
	16 August 2018	0.326	0.32	5,000,000	–	– *(Note 4)*	–	5,000,000
Others	29 May 2015	1.2132 *(adjusted)*	1.28	107,153	–	– *(Note 1)*	–	107,153
Total				86,364,082	–	–	13,433,426	72,930,656

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Purpose

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

(2) Eligible participants

The Board may, at its discretion, invite:

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

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

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

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

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

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

(3) Total number of shares available for issue

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

(4) The maximum entitlement of each eligible participant

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

(5) Option period

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

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

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

(7) Payment on acceptance of the option

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

(8) Basis of determining the exercise price

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

(9) The remaining life of the Share Option Scheme

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

AUDIT COMMITTEE

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

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

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

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

CONNECTED TRANSACTIONS

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41 million (equivalent to approximately HK$49 million) made by various parties to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) ("**PK Huizhou**"), (ii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates and (iii) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (collectively referred to as the "**PK Huizhou Transactions**").

Given that Mr. Wang is the chairman of the Company and an executive Director, and through his controlled corporation, is deemed to be interested in approximately 28.32% shareholding of the Company as at the date of the PK Huizhou Transactions, Mr. Wang and his associates are connected persons of the Company. The PK Huizhou Transactions, together with the capital contribution by certain subscribers (including Mr. Wang) in the aggregate amount of RMB25 million to PK Huizhou pursuant to the capital increase agreements dated 23 December 2019, were aggregated as a single transaction and constituted a major and connected transaction of the Company pursuant to the Listing Rules.

The above PK Huizhou Transactions have been approved by the Shareholders at an extraordinary general meeting held on 1 February 2021 but have not been completed as at the date of this annual report.

Details of the above PK Huizhou Transactions were published in the Company's announcement dated 15 November 2020 and circular dated 12 January 2021.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 43 to 51.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

A report on the environmental, social and corporate responsibility adopted by the Company is set out on pages 18 to 42.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has strictly complied with the relevant laws and regulations and as far as the Board and the management of the Group are aware, there was no material breach of laws and regulations by the Group during the Year.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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

PERMITTED INDEMNITY PROVISIONS

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

AUDITOR

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

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

Hong Kong, 30 March 2021

* *For identification purpose only*

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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 79 to 192, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b)(ii) in the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK$78,729,000 during the year ended 31 December 2020. As at the same date, the Group's current liabilities exceeded its current assets by HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position. These conditions, along with other matters as set forth in Note 3(b)(ii) to the consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Impairment assessment of non-financial assets of oilfield project tools and services segment and consultancy services segment

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

As at 31 December 2020, the carrying amounts of the property, plant and equipment, right-of-use assets and intangible assets of oilfield project tools and services segment and consultancy services segment were approximately HK$332,379,000, HK$33,518,000 and HK$95,714,000, respectively.

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

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

Management performed impairment test in respect of these non-financial assets of oilfield project tools and services segment and consultancy services segment 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 of oilfield project tools and services segment and consultancy services segment 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;
- Assessing the reasonableness of the underlying key assumptions used;
- Evaluating the appropriateness of key input data used in the assessment of the recoverable amounts;
- Involving an auditor's expert to assist our evaluation on the valuation methodology adopted and the reasonableness of key assumptions; and
- Evaluating the competence, capabilities and objectivity of the management's expert and auditor's expert.

Impairment of trade receivables and contract assets

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

As at 31 December 2020, the Group had gross trade receivables and contract assets of approximately HK$250,080,000 and HK$119,678,000 and provision for impairment of trade receivables and contract assets of approximately HK$9,236,000 and HK$1,210,000, 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 provision for impairment of trade receivables and contract assets of approximately HK$9,236,000 and HK$1,210,000, respectively was made as at 31 December 2020.

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

Our response:

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2020.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate no. P04743

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2020**	2019
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**332,379**	357,679
Intangible assets	*17*	**95,714**	95,462
Right-of-use assets	*18*	**33,518**	21,814
Financial asset at fair value through profit or loss	*19*	**8,360**	7,298
Interest in an associate	*32*	**1,388**	–
Other receivables and deposits	*21(b)*	**22,294**	31,219
		493,653	513,472
Current assets			
Inventories	*20*	**58,911**	56,890
Trade receivables	*21(a)*	**240,844**	240,498
Contract assets	*22*	**118,468**	51,680
Other receivables and deposits	*21(b)*	**58,408**	60,352
Prepayments	*21(b)*	**15,596**	9,446
Pledged bank deposits	*23*	**3,256**	4,803
Cash and cash equivalents	*24*	**29,553**	29,447
		525,036	453,116
Current liabilities			
Trade payables	*25(a)*	**172,856**	132,761
Other payables and accruals	*25(b)*	**131,095**	83,423
Contract liabilities	*22*	**8,694**	12,247
Lease liabilities	*18*	**10,152**	2,587
Bank and other borrowings	*26*	**235,731**	293,989
		558,528	525,007
Net current liabilities		**(33,492)**	(71,891)
Total assets less current liabilities		**460,161**	441,581

		As at 31 December	
	Notes	**2020**	2019
		HK$'000	HK$'000
Non-current liabilities			
Bank and other borrowings	*26*	**91,496**	25,478
Lease liabilities	*18*	**14,003**	10,155
Deferred tax liabilities	*27*	**246**	233
		105,745	35,866
Net assets		**354,416**	405,715
EQUITY AND LIABILITIES			
Equity			
Share capital	*28*	**2,001,073**	2,001,073
Other reserves	*29*	**38,319**	24,216
Accumulated losses		**(1,707,493)**	(1,643,881)
Equity attributable to the owners of the Company		**331,899**	381,408
Non-controlling interests		**22,517**	24,307
Total equity		**354,416**	405,715

The consolidated financial statements on pages 79 to 192 were approved by the board of directors on 30 March 2021 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 HK$'000	2019 HK$'000
		For the year ended 31 December	
Revenue	6	**389,934**	478,245
Other income	7	**625**	852
Operating costs			
Material costs	20	**(105,880)**	(110,131)
Depreciation of property, plant and equipment	16	**(53,454)**	(56,407)
Depreciation of right-of-use assets	18(b)	**(8,829)**	(1,902)
Amortisation of intangible assets	17	**(92)**	(27)
Expenses related to short-term leases	18(b)	**(4,987)**	(4,362)
Employee benefit expenses	8	**(71,950)**	(102,110)
Distribution expenses		**(4,943)**	(9,419)
Technical service fees		**(102,627)**	(73,249)
Research and development expenses		**(26,569)**	(13,879)
Entertainment and marketing expenses		**(11,331)**	(16,737)
Other expenses	10	**(30,551)**	(50,181)
Net impairment loss on financial assets	21	**(12,471)**	(75,286)
Net impairment loss on contract assets	22	**(688)**	(522)
Provision for inventories losses	20	**(3,383)**	(21,874)
Write-off of inventories	20	**(1,212)**	(1,145)
Write-off property, plant and equipment	16	**(7,615)**	(1,193)
Other gains/(losses), net	11	**2,845**	(1,390)
Operating loss		**(53,178)**	(60,717)
Finance income	12	**56**	79
Finance costs	12	**(26,367)**	(24,270)
Finance costs, net		**(26,311)**	(24,191)
Share of results of an associate	32	**854**	–
Loss before income tax expense		**(78,635)**	(84,908)
Income tax expense	13	**(94)**	(2,470)
Loss for the year		**(78,729)**	(87,378)

	Notes	2020 HK$'000	2019 HK$'000
		For the year ended 31 December	
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	*29*	**21,132**	(10,955)
Other comprehensive income for the year, net of tax		**21,132**	(10,955)
Total comprehensive income for the year		**(57,597)**	(98,333)
Loss for the year attributable to:			
Owners of the Company		**(73,025)**	(87,032)
Non-controlling interests		**(5,704)**	(346)
		(78,729)	(87,378)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(52,274)**	(97,987)
Non-controlling interests		**(5,323)**	(346)
		(57,597)	(98,333)
Loss per share attributable to owners of the Company during the year			
Basic loss per share (HK cents)	*14*	**(4.2)**	(5.0)
Diluted loss per share (HK cents)	*14*	**(4.2)**	(5.0)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Other reserves *(Note 29)*	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2019	2,001,073	34,872	(1,573,284)	462,661	959	463,620
Comprehensive income						
Loss for the year	–	–	(87,032)	(87,032)	(346)	(87,378)
Other comprehensive income						
Currency translation differences	–	(10,955)	–	(10,955)	–	(10,955)
Total comprehensive income for the year	–	(10,955)	(87,032)	(97,987)	(346)	(98,333)
Transactions with owners in the their capacity as owners						
Exchange of 2018 Convertible Bonds *(Note 26(c))*	–	8,029	–	8,029	–	8,029
Recognition of share-based payment *(Note 30)*	–	3,545	–	3,545	–	3,545
Transfer of share-based payment upon expiry of share options *(Note 30)*	–	(22,390)	22,390	–	–	–
Transactions with non-controlling interests *(Note 34(a))*	–	5,160	–	5,160	22,693	27,853
Non-controlling interests on acquisition of subsidiary	–	–	–	–	1,001	1,001
Transfer to statutory reserve	–	5,955	(5,955)	–	–	–
Total transactions with owners, recognised directly in equity	–	299	16,435	16,734	23,694	40,428
Balance at 31 December 2019	2,001,073	24,216	(1,643,881)	381,408	24,307	405,715

	Attributable to owners of the Company					
	Share capital	Other reserves *(Note 29)*	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2020	2,001,073	24,216	(1,643,881)	381,408	24,307	405,715
Comprehensive income						
Loss for the year	–	–	(73,025)	(73,025)	(5,704)	(78,729)
Other comprehensive income						
Currency translation differences	–	20,751	–	20,751	381	21,132
Total comprehensive income for the year	–	20,751	(73,025)	(52,274)	(5,323)	(57,597)
Transactions with owners in the their capacity as owners						
Early redemption of convertible bonds issued in 2019 ("**2019 Convertible Bonds**") and issue of bonds issued in 2020 ("**2020 Bonds**") and warrants *(Note 26(c))*	–	(9,413)	9,413	–	–	–
Recognition of share-based payment *(Note 30)*	–	1,663	–	1,663	–	1,663
Non-controlling interests on acquisition of a subsidiary *(Note 35(a))*	–	–	–	–	5,166	5,166
Other transactions with non-controlling interests *(Note 35(b))*	–	1,102	–	1,102	(1,633)	(531)
Total transactions with owners, recognised directly in equity	–	(6,648)	9,413	2,765	3,533	6,298
Balance at 31 December 2020	2,001,073	38,319	(1,707,493)	331,899	22,517	354,416

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2020 HK$'000	 2019 HK$'000
Cash flows from operating activities			
Loss before income tax expense		**(78,635)**	(84,908)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**53,454**	56,407
Depreciation of right-of-use assets	*18(b)*	**8,829**	1,902
Amortisation of intangible assets	*17*	**92**	27
Share-based payment	*8*	**1,663**	3,545
Loss on exchange of 2018 Convertible Bonds	*10*	**–**	6,279
Net impairment loss on financial assets	*21*	**12,471**	75,286
Net impairment loss on contract assets	*22*	**688**	522
Provision for inventories losses	*20*	**3,383**	21,874
Write-off of inventories	*20*	**1,212**	1,145
Write-off of property, plant and equipment	*16*	**7,615**	1,193
Loss/(gain) on disposals of property, plant and equipment	*11*	**1,893**	(339)
Loss on lease modification	*11*	**111**	–
COVID-19 related rent concessions	*11*	**(261)**	–
Fair value gain on financial assets at FVTPL	*11*	**(920)**	–
Gain on early redemption of 2019 Convertible Bonds	*11*	**(2,478)**	–
Loss on disposal of a subsidiary	*11*	**–**	3,582
Gain on bargain purchase	*11*	**(142)**	–
Net finance costs	*12*	**26,311**	24,191
Foreign exchange (gain)/loss		**(2,753)**	5,142
Share of results of an associate	*32*	**(854)**	–
Operating profit before working capital changes		**31,679**	115,848
Inventories		**(3,397)**	(7,123)
Trade and other receivables, deposits and prepayments and contract assets		**(53,583)**	(120,037)
Trade, other payables and accruals and contract liabilities		**34,865**	(3,082)
Cash generated from/(used in) operations		**9,564**	(14,394)
Interest paid		**(18,519)**	(19,033)
Income tax paid		**–**	(277)
Net cash used in operating activities		**(8,955)**	(33,704)

	Notes	2020 HK$'000	2019 HK$'000
		For the year ended 31 December	
Cash flows from investing activities			
Purchases of property, plant and equipment		**(23,329)**	(24,980)
Purchases of intangible assets		**(330)**	(4)
Payments for investment in financial assets through profit or loss	*19*	**–**	(2,114)
Proceeds from disposal of property, plant and equipment	*33(a)*	**780**	317
Proceeds from disposal on equity interest of a subsidiary without loss on control in prior year	*34(a)*	**14,610**	13,378
Proceeds from disposal on equity interest of a subsidiary in prior year, net of cash	*34(b)*	**1,091**	1,882
Acquisition of subsidiary, net of cash acquired	*35(a)*	**18**	–
Proceeds received in advance from the deemed disposal of equity interest in subsidiary		**29,293**	–
Interest received		**56**	79
Decrease in pledged bank deposits	*33(c)*	**1,746**	6,754
Net cash generated from/(used in) investing activities		**23,935**	(4,688)
Cash flows from financing activities			
Proceeds from bank and other borrowings, shareholder loan	*33(c)*	**–**	20,000
Proceeds from bank and other borrowings, others	*33(c)*	**209,282**	162,010
Repayments of bank and other borrowings, shareholder loan	*33(c)*	**–**	(20,000)
Repayments of bank and other borrowings, others	*33(c)*	**(190,292)**	(113,117)
Repayments of bank and other borrowings, bondholders loans	*33(c)*	**(10,500)**	(17,000)
Repayment of interest and principal portion of 2020 Bonds	*33(c)*	**(13,231)**	–
Repayments of coupons of 2019 Convertible Bonds	*33(c)*	**(1,636)**	(1,874)
Repayments of coupons of convertible bonds issued in 2018 ("**2018 Convertible Bonds**")	*33(c)*	**–**	(861)
Principal elements of lease liabilities	*33(c)*	**(8,650)**	(1,447)
Interest elements of lease liabilities	*33(c)*	**(1,210)**	–
Capital injection from non-controlling shareholders of a subsidiary		**–**	1,001
Net cash (used in)/generated from financing activities		**(16,237)**	28,712
Net decrease in cash and cash equivalents		**(1,257)**	(9,680)
Cash and cash equivalents at beginning of year		**29,447**	39,315
Effect of foreign exchange rates changes		**1,363**	(188)
Cash and cash equivalents at end of year	*24*	**29,553**	29,447

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the provision of oilfield technology services covering various stages in the life cycle of oilfields including drilling, well completion and production enhancement as well as trading and manufacturing of oilfield related products.

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

These consolidated financial information are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

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

(a) Adoption of new or amended IFRSs – effective 1 January 2020

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

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework Financial Reporting

The adoption of the above new or amended IFRSs did not have any significant impact on the preparation of these consolidated financial statements. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period except for the amendment to IFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of these amended IFRSs are summarised below.

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

(a) Adoption of new or amended IFRSs – effective 1 January 2020 (Continued)

Amendments to IFRS 3 - Definition of a Business

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. See note 35 for disclosures relating to the Group's business combination occurring during the year ended 31 December 2020.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

IFRS 16 was amended to provide a practical expedient for lessees in accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(i) The change in lease payments results in revised consideration for the lease that substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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

(a) Adoption of new or amended IFRSs – effective 1 January 2020 (Continued)

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

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

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018 -2020[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
IFRS 17 and amendments to IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 Effective for common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

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

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to IFRS Standards

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

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform – Phase 2

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021, however, the Group has adopted them early for the current reporting period. The amendments provide relief to Group in respect of certain loans whose contractual terms are affected by interest benchmark reform.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

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

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

(ii) Going concern assumption

During the year ended 31 December 2020, the Group reported a net loss of approximately HK$78,729,000. As at the same date, the Group's current liabilities exceeded its current assets by approximately HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$29,553,000 only.

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

3. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

(a) During the year ended 31 December 2020, in view of managing the working capital needs of the Group's oilfield projects and services, the Group has entered into various borrowing facilities agreements with a bank located in the PRC with an aggregate amount of approximately RMB113,000,000 (equivalent to approximately HK$135,000,000), secured by the trade receivables of a production enhancement project in the PRC (the "**Project**"). Up to 31 December 2020, the Group has drawn down approximately RMB100,000,000 (equivalent to approximately HK$119,000,000). On 22 January 2021, the Group has obtained an additional facility of approximately RMB12,000,000 (equivalent to approximately HK$14,000,000) from the same bank. These secured borrowings are immediately repayable upon the collection of the trade receivables from the customer of the Project or upon maturity of the banking facilities, whichever is earlier. These borrowings are interest-bearing. The Group is also actively negotiating with the bank for additional financing for the general working capital needs of the Group.

(b) On 26 March 2021, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK$122,000,000 as at 31 December 2020, of which HK$57,000,000 was originally repayable within one year, which bore interest at 5.5% per annum. Pursuant to the supplemental agreement, the amounts of HK$10,000,000, HK$5,000,000 and HK$5,000,000 will be repaid by the Group on 1 May 2021, 1 June 2021 and 1 July 2021, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK$2,000,000 on the first day of each month from August 2021 to December 2022, with a final instalment of HK$68,000,000 to be repaid on 31 December 2022.

(c) On 21 December 2020, the Group has entered into a loan agreement with a shareholder, pursuant to which the shareholder has granted a RMB15,000,000 revolving facility ("**Shareholder Loan**") to the Group for a term of 18 months from the date of drawdown. Such facility is unsecured and bears interest at 8% per annum. As at 31 December 2020 and as at the date of this report, the Group has not utilised this loan facility.

3. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

(d) On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41,000,000 (equivalent to approximately HK$49,000,000) made by various parties to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.) ("**Petro-king Huizhou**"), (ii) the disposal of 14.6199% equity interest in Petro-king Huizhou to Mr. Wang Jinlong and his associates and (iii) the disposal of the entire issued shares in Star Petrotech Pte. Ltd. to Petro-king Huizhou (collectively referred to as the "**Petro-king Huizhou Transactions**"). The above transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 1 February 2021. The Group expects to receive total net proceeds of approximately RMB62,500,000 (equivalent to approximately HK$74,300,000) in respect of the Petro-king Huizhou Transactions. The Company currently intends to use approximately RMB61,800,000 (equivalent to approximately HK$74,000,000) for the repayment of the Group's debt obligations and the remaining proceeds for general working capital purposes. The Group received net proceeds of approximately RMB27,800,000 (equivalent to approximately HK$33,000,000) up to March 2021 and the remaining RMB34,700,000 (equivalent to approximately HK$41,300,000) is expected to be received in the second quarter of 2021.

(e) The Group is actively looking for additional sources of financing to enhance its financial position and support the plans to expand its operations.

The Directors have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from 31 December 2020. In the opinion of the Directors, in light of the above, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures described above. 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:

3. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

(a) successfully maintaining the current facilities and obtaining new facilities from the bank located in the PRC to fund the Group's working capital need for the oilfield and gas field projects in the PRC;

(b) successful draw down of the 2020 Shareholder Loan as and when needed;

(c) successful completion of the Petro-king Huizhou Transactions; and

(d) successful raising of any new sources of financing as and when needed.

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 recoverable 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Associate (Continued)

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 it 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 4.8), and whenever there is an indication that the unit may be impaired.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment

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

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

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

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

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

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

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

4.6 Intangible assets (other than goodwill)

(a) Computer software

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (other than goodwill) (Continued)

(b) Research and development

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

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

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

(c) Derecognition of intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases

The Group as a lessee

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

Right-of-use asset

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

Lease liability

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

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

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

4.8 Impairment of non-financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments

(a) Financial assets

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

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

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

Debt instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(a) Financial assets (Continued)

Debt instruments (Continued)

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(b) Impairment loss on financial assets

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

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 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 are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

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

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

(d) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in other reserve in the equity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

The liability component of a financial instrument is removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the liability component that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(d) Compound financial instruments (Continued)

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(e) Effective interest method

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

(f) Equity instruments

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

(g) Derecognition

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

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

4.10 Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Cash and cash equivalents

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

4.12 Pledged bank deposits

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

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

4.13 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

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

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

(a) Provision of oilfield project tools and services

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

Revenue from providing services is recognised in the accounting period in which the services are rendered. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and thus the performance obligation is satisfied over time. The customer pays a fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

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

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

(b) Provision of consultancy services

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

(c) Interest income

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

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

4.14 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 expected credit losses in accordance with the policy set out in note 4.8 and are reclassified to receivables when the right to the consideration has become unconditional.

4.15 Current and deferred income tax

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

(a) Current income tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Current and deferred income tax (Continued)

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

(c) Offsetting

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

4.16 Foreign currency translation

(a) Transactions and balances

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currency translation (Continued)

(b) Group companies

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

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

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

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

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

(c) Disposal of foreign operation and partial disposal

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Borrowing costs

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

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

4.18 Government grants

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

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

4.19 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 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.

(iii) Singapore

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

(b) Bonus plans

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

(c) Employee leave entitlements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Share-based payment

(a) Equity-settled share-based payment transactions

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

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

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

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

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

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

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

(b) Share-based payment transactions among Group entities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Provisions and contingent liabilities

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

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

4.22 Dividend distribution

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

4.23 Segment reporting

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

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

4.24 Related parties

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

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

(b) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) 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, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows.

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

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

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

(c) Provision for inventories losses

Provision for inventories losses is determined based on an assessment of the realisability of inventories. Provision for inventories losses are recorded where events or changes in circumstances that the balances may not be realised. The identification of provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and provision for inventories losses in the period which estimate has been changed.

6. REVENUE AND SEGMENT INFORMATION

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

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

For the year ended 31 December 2020, others included business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment.

(a) Revenue

Revenue recognised during the years ended 31 December 2020 and 2019 is as follows:

	2020 **HK$'000**	2019 HK$'000
Oilfield project tools and services		
– Drilling work	**34,302**	26,776
– Well completion work	**69,353**	109,101
– Production enhancement work	**235,898**	288,210
Total oilfield project tools and services	**339,553**	424,087
Consultancy services		
– Integrated project management services	**15,249**	19,412
– Supervisory services	**28,411**	34,746
Total consultancy services	**43,660**	54,158
Others	**6,721**	–
Total revenue	**389,934**	478,245
Timing of revenue recognition		
– At a point in time	**130,277**	167,749
– Over time	**259,657**	310,496
	389,934	478,245

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

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.

(b) Segment results

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

	Oilfield project tools and services HK$'000	Consultancy services HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2020				
Total segment revenue	339,553	43,660	6,721	389,934
Inter-segment revenue	–	–	–	–
Revenue from external customers	339,553	43,660	6,721	389,934
Segment results	(64,502)	21,586	305	(42,611)
Net unallocated expenses				(36,024)
Loss before income tax expense				(78,635)
Other information:				
Depreciation of property, plant equipment	(48,086)	–	–	(48,086)
Amortisation of intangible assets	(92)	–	–	(92)
Depreciation of right-of-use assets	(1,046)	–	–	(1,046)
Net impairment loss on trade receivables *(Note 21(a))*	(4,596)	–	–	(4,596)
Net impairment loss on other receivables *(Note 21(b))*	(7,875)	–	–	(7,875)
Net impairment loss on contract assets *(Note 22)*	(688)	–	–	(688)
Provision for inventories losses *(Note 20)*	(3,383)	–	–	(3,383)
Write-off inventories *(Note 20)*	(1,212)	–	–	(1,212)
Write-off property, plant and equipment *(Note 16)*	(1,199)	–	(6,416)	(7,615)
Finance costs	(5,686)	–	–	(5,686)

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

The segment results for the year ended 31 December 2019 are as follows:

	Oilfield project tools and services HK$'000	Consultancy services HK$'000	Total HK$'000
Year ended 31 December 2019			
Total segment revenue	424,087	54,158	478,245
Inter-segment revenue	–	–	–
Revenue from external customers	424,087	54,158	478,245
Segment results	12,122	36,757	48,879
Net unallocated expenses			(133,787)
Loss before income tax expense			(84,908)
Other information:			
Depreciation of property, plant and equipment	(47,669)	–	(47,669)
Amortisation of intangible assets	(27)	–	(27)
Depreciation of right-of-use assets	(605)	–	(605)
Net impairment loss on financial assets *(Note 21)*	(75,286)	–	(75,286)
Net impairment loss on contract assets *(Note 22)*	(522)	–	(522)
Provision for inventories losses *(Note 20)*	(21,874)	–	(21,874)
Write-off of inventories *(Note 20)*	(1,145)	–	(1,145)
Write-off of property, plant and equipment *(Note 16)*	(1,193)	–	(1,193)
Finance costs	(5,680)	–	(5,680)

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

Measurement of profit or loss and assets of the operating segments are the same as those described in note 4.23 to the consolidated financial statements. The CODM evaluates performance of reportable segments based on a measure of revenue and revenue less all directly attributable costs.

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

	2020 **HK$'000**	2019 HK$'000
Segment results	**(42,611)**	48,879
Unallocated income/(expenses):		
Other income	**625**	852
Depreciation of property, plant and equipment	**(5,368)**	(8,738)
Depreciation of right-of-use-assets	**(7,783)**	(1,297)
Expenses related to short-term leases	**(177)**	(3,755)
Employee benefit expenses	**(1,882)**	(59,475)
Entertainment and marketing expenses	**(5,493)**	(9,315)
Other expenses	**–**	(32,159)
Other gains/(losses), net	**3,825**	(1,389)
Finance income	**–**	79
Finance costs	**(20,625)**	(18,590)
Share of results of an associate	**854**	–
Loss before income tax expense	**(78,635)**	(84,908)

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

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

	Oilfield project tools and services HK$'000	Consultancy services HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2020				
Segment assets	**840,421**	**112,123**	**3,061**	**955,605**
Unallocated assets				**63,084**
Total assets				**1,018,689**
Segment liabilities	**475,647**	**531**	**121**	**476,299**
Unallocated liabilities				**187,974**
Total liabilities				**664,273**
Total assets include:				
Additions to non-current assets (other than financial instruments)	**36,103**	**–**	**7,218**	**43,321**

The segment assets and liabilities as at 31 December 2019 are as follows:

	Oilfield project tools and services HK$'000	Consultancy services HK$'000	Total HK$'000
As at 31 December 2019			
Segment assets	682,811	106,738	789,549
Unallocated assets			177,039
Total assets			966,588
Segment liabilities	326,352	–	326,352
Unallocated liabilities			234,521
Total liabilities			560,873
Total assets include:			
Additions to non-current assets (other than financial instruments and deferred tax assets)	37,597	–	37,597

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

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

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

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

	2020 **HK$'000**	2019 HK$'000
Segment assets for reportable segments	**955,605**	789,549
Unallocated assets		
– Property, plant and equipment	**2,034**	81,624
– Financial asset at fair value through profit or loss	**8,360**	7,298
– Interest in an associate	**1,388**	–
– Other receivables, deposits and prepayments	**47,240**	55,446
– Others	**4,062**	32,671
Total assets per consolidated statement of financial position	**1,018,689**	966,588

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:

	2020 **HK$'000**	2019 HK$'000
Segment liabilities for reportable segments	**476,299**	326,352
Unallocated liabilities		
– Bank and other borrowings	**162,179**	201,865
– Deferred tax liabilities	**246**	233
– Others	**25,549**	32,423
Total liabilities per consolidated statement of financial position	**664,273**	560,873

6. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Geographical information

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

	2020 **HK$'000**	2019 HK$'000
The PRC	**332,863**	353,749
The Middle East	**36,156**	89,052
Others	**20,915**	35,444
	389,934	478,245

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

	2020 **HK$'000**	2019 HK$'000
The PRC	**395,863**	403,523
The Middle East	**39,603**	49,676
Singapore	**49,827**	52,975
	485,293	506,174

(e) Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer A	**209,332**	208,995
Customer B	**55,494**	58,501
Customer C	**–***	74,905

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

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

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Storage income *(Note)*	**547**	852
Others	**78**	–
	625	852

Note: The amount for the year ended 31 December 2019 represented storage income from a related party (Note 36(c)).

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Wages, salaries and bonus	**79,347**	91,305
Pension costs	**4,491**	5,672
Share options granted to directors, senior management and employees *(Note 30)*	**1,663**	3,545
Other staff benefits	**3,447**	11,878
Less: employee benefit expenses attributable for research and development	**(16,998)**	(10,290)
	71,950	102,110

As at 31 December 2020, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2019: 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 2020 is set out below:

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

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 2019 is set out below:

Name	Fee	Salary	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director							
Wang Jinlong	–	1,272	–	–	–	104	1,376
Zhao Jindong	–	1,045	–	–	333	104	1,482
Non-executive director							
Lee Tommy	–	135	–	–	–	–	135
Ma Hua	–	135	–	–	–	–	135
Independent non-executive director							
Tong Hin Wor	–	153	–	–	–	–	153
Leung Lin Cheong	–	240	–	–	–	–	240
Xin Jinhe	–	153	–	–	–	–	153
Chief executive officer							
Huang Yu *(Note (i))*	–	648	–	–	54	13	715
Zeng Weizhong *(Note (ii))*	–	682	–	–	–	39	721
	–	4,463	–	–	387	260	5,110

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

For the years ended 31 December 2020 and 2019, 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 (2019: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

Notes:

(i) Appointed as chief executive officer on 31 May 2019.

(ii) Resigned as chief executive officer on 31 May 2019.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors and one chief executive officer (2019: N/A) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2019: three) individuals during the year are as follows:

	2020	2019
	HK$'000	HK$'000
Salary	**2,427**	3,166
Employer's contribution to pension scheme	**84**	208
Share-based payment	**286**	752
	2,797	4,126

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
	HK$'000	HK$'000
Emoluments band		
– Nil to HK$1,000,000	**–**	–
– HK$1,000,001 – HK$2,000,000	**2**	3
	2	3

10. OTHER EXPENSES

	2020 HK$'000	2019 HK$'000
Auditor's remuneration		
– Audit service	2,050	3,500
– Non-audit services	1,280	–
Communication	1,231	1,392
Professional service fees	11,793	9,513
Motor vehicle expenses	1,287	3,435
Travelling	6,450	16,388
Insurance	1,112	1,033
Office utilities	3,503	2,679
Other taxes	3,089	2,000
Bank charges	233	376
Loss on exchange of 2018 Convertible Bonds	–	6,279
Others	2,376	7,175
Less: other expenses attributable for research and development	(3,853)	(3,589)
	30,551	50,181

11. OTHER GAINS/(LOSSES), NET

	2020 HK$'000	2019 HK$'000
(Loss)/gain on disposals of property, plant and equipment *(Note 33(a))*	(1,893)	339
Loss on lease modification	(111)	–
COVID-19 related rent concessions	261	–
Fair value gain on financial assets at FVTPL	920	–
Gain on early redemption of 2019 Convertible Bonds	2,478	–
Government grant	1,686	1,426
Foreign exchange gains, net	136	668
Loss on disposal of a subsidiary *(Note 34(b))*	–	(3,582)
Loss on deregistration of subsidiaries	(1,105)	–
Gain on bargain purchase *(Note 35(a))*	142	–
Others	331	(241)
	2,845	(1,390)

12. FINANCE INCOME AND COSTS

	2020 HK$'000	2019 HK$'000
Interest expenses:		
– Bank and other borrowings	**(18,998)**	(18,889)
– 2020 Bonds *(Note 26(c))*	**(3,997)**	–
– 2019 Convertible Bonds *(Note 26(c))*	**(2,162)**	(4,868)
– Lease liabilities *(Note 18)*	**(1,210)**	(513)
Finance costs	**(26,367)**	(24,270)
Finance income:		
– Interest income from bank deposits	**56**	79
Finance costs, net	**(26,311)**	(24,191)

13. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Under provision in prior years		
– PRC corporate income tax	**86**	277
Deferred tax *(Note 27)*	**8**	2,193
Income tax expense	**94**	2,470

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

	2020 HK$'000	2019 HK$'000
Loss before income tax expense	**(78,635)**	(84,908)
Tax calculated at domestic tax rates applicable to profit/loss in the respective entities	**(8,221)**	(8,576)
Tax effect of share of results of an associate	**214**	–
Under provision for prior years	**86**	277
Income not subject to tax	**(2,102)**	(1,076)
Expenses not deductible for tax purposes	**8,272**	15,996
Utilisation of previously unrecognised tax loss	**(2,890)**	(14,908)
Tax losses for which no deferred tax assets was recognised	**4,735**	8,564
Write-off of deferred tax previously recognised *(Note 27)*	**–**	2,193
Income tax expense	**94**	2,470

13. INCOME TAX EXPENSE (Continued)

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2019: 16.5%) during the year.

(b) PRC corporate income tax

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

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

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

(c) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% (2019: 17%) for the year ended 31 December 2020.

14. LOSS PER SHARE

	2020	2019
Loss attributable to owners of the Company (HK$'000)	**(73,025)**	(87,032)
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**1,726,674**	1,726,674
Basic loss per share (HK cents)	**(4.2)**	(5.0)
Diluted loss per share (HK cents)	**(4.2)**	(5.0)

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.

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

15. DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2019							
Cost	164,264	11,496	439,918	7,828	4,676	13,809	641,991
Accumulated depreciation	(32,289)	(7,534)	(196,854)	(7,447)	(3,856)	(9,657)	(257,637)
Net book amount	131,975	3,962	243,064	381	820	4,152	384,354
Year ended 31 December 2019							
Opening net book amount	131,975	3,962	243,064	381	820	4,152	384,354
Additions	–	19	37,597	–	196	–	37,812
Depreciation	(7,788)	(1,493)	(45,137)	(171)	(199)	(1,619)	(56,407)
Disposals *(Note 33(a))*	–	–	(355)	–	(122)	–	(477)
Disposal of a subsidiary *(Note 34(b))*	–	–	(3,011)	–	–	–	(3,011)
Written-off	–	–	(837)	(48)	(131)	(177)	(1,193)
Exchange differences	(1,422)	17	(1,938)	2	(10)	(48)	(3,399)
Closing book amount	122,765	2,505	229,383	164	554	2,308	357,679
At 31 December 2019							
Cost	162,283	11,533	458,526	7,642	4,138	13,217	657,339
Accumulated depreciation	(39,518)	(9,028)	(229,143)	(7,478)	(3,584)	(10,909)	(299,660)
Net book amount	122,765	2,505	229,383	164	554	2,308	357,679
Year ended 31 December 2020							
Opening net book amount	**122,765**	**2,505**	**229,383**	**164**	**554**	**2,308**	**357,679**
Additions	**–**	**–**	**23,179**	**–**	**150**	**–**	**23,329**
Acquisition of a subsidiary *(Note 35(a))*	**–**	**–**	**–**	**–**	**–**	**55**	**55**
Depreciation	**(4,513)**	**(1,403)**	**(46,393)**	**(44)**	**(133)**	**(968)**	**(53,454)**
Disposals *(Note 33(a))*	**(316)**	**–**	**(2,320)**	**(27)**	**(5)**	**(5)**	**(2,673)**
Written off	**–**	**–**	**(7,609)**	**–**	**(6)**	**–**	**(7,615)**
Exchange differences	**2,288**	**(93)**	**12,872**	**(21)**	**(11)**	**23**	**15,058**
Closing book amount	**120,224**	**1,009**	**209,112**	**72**	**549**	**1,413**	**332,379**
At 31 December 2020							
Cost	**162,253**	**11,636**	**480,649**	**7,209**	**4,176**	**13,634**	**679,557**
Accumulated depreciation	**(42,029)**	**(10,627)**	**(271,537)**	**(7,137)**	**(3,627)**	**(12,221)**	**(347,178)**
Net book amount	**120,224**	**1,009**	**209,112**	**72**	**549**	**1,413**	**332,379**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Bank borrowings are secured by the buildings of the subsidiaries of the Group of approximately HK$80,968,000 (2019: HK$78,202,000) (Note 26(a)).

As at 31 December 2020, machineries with carrying amount of approximately HK$36,504,000 (2019: HK$29,441,000) were purchased under three-year instalment loans secured by those machineries, with interest of 6.7% per annum (2019: 6.7% per annum). Details are set out in the Note 26(b) to the consolidated financial statements.

For the year ended 31 December 2020, property, plant and equipment of the Group of approximately HK$7,615,000 (2019: HK$1,193,000) has been written off as no economic benefits are expected from use or disposal.

17. INTANGIBLE ASSETS

	Goodwill– Oilfield project tools and services HK$'000	Goodwill– consultancy services HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2019				
Cost	424,478	95,456	8,261	528,195
Accumulated amortisation and impairment	(424,478)	–	(8,232)	(432,710)
Net book amount	–	95,456	29	95,485
Year ended 31 December 2019				
Opening net book amount	–	95,456	29	95,485
Additions	–	–	4	4
Amortisation	–	–	(27)	(27)
Closing net book amount	–	95,456	6	95,462
At 31 December 2019				
Cost	424,812	95,456	8,230	528,498
Accumulated amortisation and impairment	(424,812)	–	(8,224)	(433,036)
Net book amount	–	95,456	6	95,462
Year ended 31 December 2020				
Opening net book amount	**–**	**95,456**	**6**	**95,462**
Additions	**–**	**–**	**330**	**330**
Amortisation	**–**	**–**	**(92)**	**(92)**
Exchange difference	**–**	**–**	**14**	**14**
Closing net book amount	**–**	**95,456**	**258**	**95,714**
At 31 December 2020				
Cost	**424,812**	**95,456**	**8,584**	**528,852**
Accumulated amortisation and impairment	**(424,812)**	**–**	**(8,326)**	**(433,138)**
Net book amount	**–**	**95,456**	**258**	**95,714**

17. INTANGIBLE ASSETS (Continued)

Impairment assessment of goodwill

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

For each of the unit with significant amount of goodwill, the key assumptions including average annual growth rate, pre-tax discount rate and terminal growth rate used in the value-in-use calculations in 2020 and 2019 are as follows:

Consultancy services

	Year ended 31 December	
	2020	2019
Average annual growth rate	**-4%**	4%
Pre-tax discount rate	**14%**	19%
Terminal growth rate	**3%**	3%

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

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

The management has performed sensitivity analysis over the consultancy services. There will not be any headroom in 2020 against the goodwill in the consultancy services if the pre-tax discount rate had been 0.28 percentage points higher than the management's estimates or the average annual growth rate of revenue had been 0.19 percentage points lower than management's estimates, respectively.

18. LEASES

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

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Land use rights	**9,645**	9,306
Leasehold land	**5,753**	5,915
Properties leases	**3,999**	6,593
Machineries leases	**14,121**	–
	33,518	21,814
Lease liabilities		
Current	**10,152**	2,587
Non-current	**14,003**	10,155
	24,155	12,742

For the year ended 31 December 2020, additions to the right-of-use assets were approximately HK$21,937,000 (2019: HK$7,525,000).

18. LEASES (Continued)

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

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Depreciation of right-of-use assets			
Land use rights		**217**	220
Leasehold land		**220**	223
Properties leases		**2,720**	1,459
Machineries leases		**5,672**	–
		8,829	1,902
Interest expenses (included in finance costs)	*12*	**1,210**	513
Expenses related to short-term leases		**4,987**	4,362

For the year ended 31 December 2020, the total cash outflow for leases were approximately HK$9,860,000 (2019: HK$6,322,000).

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

The Group leases office land use rights, leasehold land, office premises and machineries. Lease agreements of land use rights, leasehold land, office premises and machineries are typically made in accordance to the lease terms.

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

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Listed equity investment in the PRC		
– non-current *(Note (i))*	**6,102**	5,184
Unlisted equity investment in the PRC		
– non-current *(Note (ii))*	**2,258**	2,114
	8,360	7,298

Notes:

(i) Listed equity investment

The listed equity investment represents 17.56% 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 2020, the fair value of listed equity investment was determined by market approach. The market approach uses direct comparison to certain comparable entities and their equity securities to estimate the market value of the listed equity investment.

As at 31 December 2019, the fair value of listed equity investment was determined based on cash flows discounted with the post-tax discount rate 15% which reflected specific risks related to the listed company. Management had taken into account the factor of minority interest in the fair value of the listed equity investment.

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

(ii) Unlisted equity investment

On 27 September 2019, the Group invested in 19% of the equity interest in a company in the PRC, which is principally engaged in provision of oilfield and gas field services. The fair value of unlisted equity investment in PRC approximated to the net asset value of the equity instrument as at 31 December 2020 and 2019.

20. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**10,871**	8,351
Assembling materials	**36,159**	52,704
Work in progress	**15,563**	15,917
Finished goods	**28,929**	9,341
Inventories – gross	**91,522**	86,313
Less: provision for inventories losses *(Note)*	**(32,611)**	(29,423)
Inventories – net	**58,911**	56,890

For the year ended 31 December 2020, the cost of inventories recognised as expense and included in "material costs" amounted to approximately HK$105,880,000 (2019: HK$110,131,000).

Note:

For the year ended 31 December 2020, the provision for inventories losses amounted to approximately HK$3,383,000 (2019: HK$21,874,000) had been included in "provision for inventories losses".

For the year ended 31 December 2020, inventories with cost of approximately HK$1,212,000 (2019: HK$1,145,000) were considered as obsolete and written off.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**250,080**	508,628
Less: provision for impairment of trade receivables	**(9,236)**	(268,130)
Trade receivables – net	**240,844**	240,498

As at 31 December 2020, bank borrowings are secured by the trade receivables of a subsidiary of the Group of approximately HK$158,016,000 (2019: HK$90,035,000) (Note 26(a)).

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

(a) Trade receivables (Continued)

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

	2020 HK$'000	2019 HK$'000
Up to 3 months	**140,170**	157,043
3 to 6 months	**29,683**	57,136
6 to 12 months	**69,653**	31,572
Over 12 months	**10,574**	262,877
Trade receivables	**250,080**	508,628
Less: provision for impairment of trade receivables	**(9,236)**	(268,130)
Trade receivables – net	**240,844**	240,498

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 trade receivables and considers that the trade receivables to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults. The Group generally allows a credit period of 90 days after invoice date to its customers.

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

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

	2020 HK$'000	2019 HK$'000
At 1 January	**268,130**	214,602
Provision for impairment loss	**5,249**	59,542
Reversal of provision	**(653)**	–
Written off	**(257,098)**	(2,293)
Exchange differences	**(6,392)**	(3,721)
At 31 December	**9,236**	268,130

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

(a) Trade receivables (Continued)

For the year ended 31 December 2020, the net impairment loss on trade receivables had been included in "net impairment loss on financial assets" amounted to approximately HK$4,596,000 (2019: of HK$59,542,000).

For the year ended 31 December 2020, management has written off the trade receivables from certain customers which have been previously fully provided of approximately HK$257,098,000 (2019: HK$2,293,000 of a single customer).

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

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

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

	2020 **HK$'000**	2019 HK$'000
United States dollar ("**US$**")	**13,962**	23,361
Chinese Renminbi ("**RMB**")	**226,882**	216,901
Euro	**–**	236
	240,844	240,498

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

(b) Other receivables, deposits and prepayments

	2020 HK$'000	2019 HK$'000
Other receivable, deposits and prepayments	**135,498**	132,342
Less: provision for impairment of other receivables	**(39,200)**	(31,325)
Other receivables, deposits and prepayments, net	**96,298**	101,017

	2020 HK$'000	2019 HK$'000
Other receivables and deposits:		
Deposits and other receivables – third parties	**20,371**	9,304
Receivables from deemed disposal of equity interest in a subsidiary *(Note 34(a))*	**–**	14,610
Receivables on land bidding in the PRC	**1,687**	2,709
Receivables from disposal of a subsidiary *(Note 34(b))*	**470**	1,561
Value-added tax recoverable	**46,120**	53,920
Rental deposits	**1,762**	903
Machineries lease deposit	**1,188**	–
Cash advances to staff	**1,245**	3,278
Advance to the Directors and senior management *(Note 36(b))*	**975**	36
Other receivables - related parties *(Note 36(b))*	**6,884**	5,250
	80,702	91,571
Less:		
Non-current value-added tax recoverable	**(20,760)**	(31,219)
Non-current rental and other deposits	**(346)**	–
Non-current machineries lease deposit	**(1,188)**	–
Non-current portion	**(22,294)**	(31,219)
Current portion	**58,408**	60,352
Prepayments:		
Prepayments for materials	**13,411**	7,367
Prepayments for rents and others	**2,185**	2,079
Current portion	**15,596**	9,446

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

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

For the year ended 31 December 2020, the Group applied the expected credit loss model resulted in the recognition of impairment loss on other receivables amounted to approximately HK$7,875,000 (2019: HK$15,744,000) has been included in "net impairment loss on financial assets".

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

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

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

The carrying amounts are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
RMB	**65,680**	82,346
US$	**11,972**	8,233
HK$	**2,621**	275
Others	**429**	717
	80,702	91,571

22. CONTRACT ASSETS/(LIABILITIES)

	2020 HK$'000	2019 HK$'000
Contract assets	**119,678**	52,202
Less: provision for impairment of contract assets	**(1,210)**	(522)
Contract assets, net	**118,468**	51,680
Contract liabilities	**(8,694)**	(12,247)

For the year ended 31 December 2020, the Group applied the expected credit loss model resulted in the recognition of the impairment loss on contract assets amounted to approximately HK$688,000 (2019: HK$522,000), which had been included in "net impairment loss on contract assets".

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

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

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

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	**12,247**	8,449

23. PLEDGED BANK DEPOSITS

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

	2020	2019
	HK$'000	HK$'000
Pledged bank deposits		
– Bidding	**2,928**	1,002
– Performance bonds *(Note 37)*	**328**	442
– Bank borrowings *(Note 26(a))*	**–**	3,359
	3,256	4,803

As at 31 December 2019, pledged bank deposits of the Group, comprise short-term deposits which carried interest at effective interest rate 0.3% per annum. These deposits had an average maturity of 3 months.

As at 31 December 2020, all pledged bank deposits of the Group (2019: Same) were denominated in RMB and held in the PRC. These pledged bank deposits are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

24. CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Cash at bank	**29,445**	29,385
Cash on hand	**108**	62
	29,553	29,447

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

	2020 **HK$'000**	2019 HK$'000
RMB	**22,101**	25,111
US$	**4,155**	2,474
Singaporean dollar ("**SGD**")	**3,113**	821
HK$	**179**	454
Others	**5**	587
	29,553	29,447

As at 31 December 2020, the Group had cash at bank and on hand amounting to approximately HK$24,257,000 (2019: HK$22,839,000) which were denominated in different currencies and held in the PRC. These cash and bank balances are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

(a) Trade payables

	2020 HK$'000	2019 HK$'000
Trade payables	**172,856**	132,761

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

	2020 HK$'000	2019 HK$'000
Up to 3 months	**78,810**	62,892
3 to 6 months	**48,646**	11,480
6 to 12 months	**8,373**	1,263
Over 12 months	**37,027**	57,126
	172,856	132,761

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

	2020 HK$'000	2019 HK$'000
RMB	**116,995**	64,071
US$	**27,703**	59,988
HK$	**24,221**	–
Others	**3,937**	8,702
	172,856	132,761

25 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

(b) Other payables and accruals

	2020 HK$'000	2019 HK$'000
Other payables – third parties *(Note (i))*	**45,256**	36,240
Other payables – staff related expenses	**15,772**	13,746
Accrued payroll and welfare	**17,558**	10,373
Other payables for purchase of plant and machineries	**3,385**	11,901
Consideration received in advance *(Note (ii))*	**29,293**	–
Government grant	**8,201**	2,297
Other payables – related parties *(Note 36(b))*	**304**	786
Other tax and surcharge payables	**7,145**	8,080
Interest payable	**4,181**	–
	131,095	83,423

Notes:

(i) As at 31 December 2020, included in other payables – third parties of approximately HK$3,337,000 (2019: HK$4,312,000) represented interest payables.

(ii) As at 31 December 2020, balance represented proceeds received in advance from the deemed disposal of equity interest in subsidiary in relation to the Petro-king Huizhou Transactions.

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

	2020 HK$'000	2019 HK$'000
RMB	**68,875**	51,070
HK$	**49,284**	20,161
US$	**9,576**	10,753
Others	**3,360**	1,439
	131,095	83,423

26. BANK AND OTHER BORROWINGS

	2020	2019
	HK$'000	HK$'000
Non-current		
Bank borrowings *(Note a)*	**21,851**	3,715
Other borrowings *(Note b)*	**66,046**	21,763
2020 Bonds *(Note c)*	**3,599**	–
	91,496	25,478
Current		
Bank borrowings *(Note a)*	**129,651**	90,093
Other borrowings *(Note b)*	**93,000**	176,031
2020 Bonds *(Note c)*	**13,080**	–
2019 Convertible Bonds – liability component *(Note c)*	**–**	27,865
	235,731	293,989
	327,227	319,467

(a) Bank borrowings

As at 31 December 2020, bank borrowings bore average borrowing rate of 6.0% (2019: 6.3%).

As at 31 December 2020 and 2019, the Group's bank borrowings were repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**129,651**	90,093
Between 1 and 2 years	**10,480**	2,026
Between 2 and 5 years	**11,371**	1,689
	151,502	93,808

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

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

	2020 **HK$'000**	2019 HK$'000
Variable rates bank borrowings	**–**	5,742
Fixed rates bank borrowings		
– 6 months or less	**11,313**	26,021
– Over 6 months	**140,189**	62,045
	151,502	93,808

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

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
RMB	**151,502**	93,808

As at 31 December 2020, the Group's bank borrowings were all secured (2019: Same). The Group is in compliance with all banking facilities.

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

As at 31 December 2020 and 2019, banking facilities of approximately HK$169,325,000 (2019: HK$94,000,000) were granted by banks to the subsidiaries of the Group, of which approximately HK$151,502,000 (2019: HK$94,000,000) have been utilised by the Group during the year. The Group has undrawn banking facilities of approximately HK$17,823,000 (2019: Nil) as at 31 December 2020. The facilities are secured by:

(i) corporate guarantee given by certain subsidiaries of the Group (2019: a subsidiary of the Group);

(ii) personal guarantee by directors of certain subsidiaries of the Group (2019: directors of a subsidiary);

(iii) pledge of equity interests in certain subsidiaries of the Group (2019: Nil);

(iv) certain buildings of the Group of approximately HK$80,968,000 (2019: HK$78,202,000) (Note 16);

(v) trade receivables of the Group of approximately HK$158,016,000 (2019: HK$90,035,000) (Note 21(a)); and

(vi) pledged bank deposits of the Group of Nil (2019: HK$3,359,000) (Note 23).

(b) Other borrowings

	2020 **HK$'000**	2019 HK$'000
Non-current		
Bondholders loans *(Note i)*	**–**	9,000
Term loan *(Note ii)*	**65,000**	–
Instalment loans *(Note iii)*	**1,046**	12,763
	66,046	21,763
Current		
Bondholders loans *(Note i)*	**23,500**	25,000
Term loan *(Note ii)*	**57,000**	140,000
Instalment loans *(Note iii)*	**12,500**	11,031
	93,000	176,031
	159,046	197,794

26. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Notes:

(i) Balances represented bondholders loans from certain ex-bondholders and an independent third party of approximately HK$23,500,000 (2019: HK$34,000,000) which is denominated in HK$ and bearing interest at 10% per annum.

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

On 26 March 2021, the Group has successfully entered into a supplemental agreement with the lender. Pursuant to the supplemental agreement, the amounts of HK$10,000,000, HK$5,000,000 and HK$5,000,000 will be repaid by the Group on 1 May 2021, 1 June 2021 and 1 July 2021, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK$2,000,000 on the first day of each month from August 2021 to December 2022, with a final instalment of HK$68,000,000 to be repaid on 31 December 2022.

(iii) Balances represented three-year instalment loans which is denominated in RMB with approximately RMB8,843,000 (equivalent to approximately HK$10,508,000) (2019: HK$19,173,000) maturing in September 2021 and approximately RMB2,557,000 (equivalent to approximately HK$3,038,000) (2019: HK$4,621,000) maturing in April 2022, of which approximately HK$1,992,000 will be repayable within one year and HK$1,046,000 will be repayable over 1 year, bearing interest at 6.7% per annum. The loans were utilised for the purpose of acquiring machineries for the Group's operation and are secured by the corresponding machineries acquired (Note 16).

26. BANK AND OTHER BORROWINGS (Continued)

(c) 2019 Convertible Bonds and 2020 Bonds

	2020	2019
	HK$'000	HK$'000
2019 Convertible Bonds – current liabilities	–	27,865

On 21 March 2019, the Group agreed in writing with all bondholders of the 2018 Convertible Bonds to redeem such bonds in full through the issuance of the 2019 Convertible Bonds to the same bondholders on 3 April 2019 ("**Exchange Date**") with the same principal amount of HK$30,000,000. The 2019 Convertible Bonds bore coupon rate of 10% per annum, payable monthly in arrears, and had a maturity date of 23 May 2021. The holder had the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$0.288 per conversion share at any period commencing from the date of issuance of the convertible bonds and up to the close of business on the maturity date. In addition, the holder had the right to early redeem the convertible bonds in amounts of HK$1,000,000 or integral multiples thereof, together with all interests accrued up to the date of early redemption, commencing from 15 April 2020 and up to the close of business on the maturity date. The values of the liability component and the equity conversion component were determined at the completion of the issuance of the 2019 Convertible Bonds.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation was the discount rate adopted of 20% which was based on market interest rates for a number of comparable convertible bonds and certain parameters specific to the Group's liquidity risk. The equity component of HK$8,029,000 was recognised initially as the difference between the net proceeds from the bonds and the fair value of the liability component and was included in other reserves in equity. Subsequently, the liability component is carried at amortised cost.

26. BANK AND OTHER BORROWINGS (Continued)

(c) 2019 Convertible Bonds and 2020 Bonds (Continued)

The 2019 Convertible Bonds at initial recognition was calculated as follows:

	HK$'000
Fair value of 2019 Convertible Bonds on 3 April 2019	34,106
Equity component	(8,029)
Liability component at initial recognition	26,077

Movements in the 2019 Convertible Bonds were analysed as follows:

	2020 **HK$'000**	2019 HK$'000
Opening amount	**27,865**	27,482
Exchange of 2018 Convertible Bonds *(Note (i))*	**–**	(1,750)
Interest expenses *(Note 12)*	**2,162**	4,868
Interest paid	**(1,636)**	(2,735)
Early redemption of 2019 Convertible Bonds *(Note (ii))*	**(28,391)**	–
Closing amount	**–**	27,865

No bondholders have exercised their rights to convert the convertible bonds into shares of the Company for the years ended 31 December 2020 and 2019.

On 28 March 2020, the Group has entered into subscription agreements with the relevant bondholders agreeing to redeem the outstanding 2019 Convertible Bonds and further issued eight bonds to each of the relevant bondholders in the principal amounts of HK$2,125,000 and HK$1,625,000, respectively, and bearing interest at 13.5% per annum (as defined previously, the "**2020 Bonds**"). Each 2020 Bond will be matured on respective maturity dates from 30 June 2020 to 31 March 2022 on a quarterly basis. The redemption of the 2019 Convertible Bonds and the issue of the 2020 Bonds have been completed on 29 May 2020 (the "**Completion Date**"). According to the subscription agreement, the 2020 Bonds were issued with warrants, the warrants are detachable from the 2020 Bonds and the 2020 Bonds and the warrants can be transferred individually and separately.

The fair value of the 2020 Bonds was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 34.8% which is based on market interest rates for a number of comparable convertible bonds and certain parameters specific to the Group's liquidity risk. Subsequently, the 2020 Bonds were carried at amortised cost.

26. BANK AND OTHER BORROWINGS (Continued)

(c) 2019 Convertible Bonds and 2020 Bonds (Continued)

The fair value of warrants was derived by binomial model. The key unobservable inputs of the valuation were dividend yield of nil, risk free rate of 0.554% and volatility of 48.27%. The fair value of warrants was initially recognised at approximately HK$2,331,000 and was included in other reserves in equity. Derecogntion of the equity component of convertible bonds of approximately HK$11,744,000 and the recognition of the warrants of approximately HK$2,331,000 resulted in a difference of approximately HK$9,413,000 being recorded in equity.

The fair value of 2020 Bonds and warrants as at 29 May 2020 is as follows:

	HK$'000
Fair value of 2020 Bonds	25,913
Fair value of warrants	2,331
	28,244

Movements in the 2020 Bonds are analysed as follows:

	HK$'000
Issuance during the year	**25,913**
Interest expenses *(Note 12)*	**3,997**
Interest paid	**(1,981)**
Repayment of principal portion	**(11,250)**
At 31 December 2020	**16,679**
Analysed by:	
Non-current portion	**3,599**
Current portion	**13,080**
	16,679

Notes:

(i) On the Exchange Date, the carrying amount of 2018 Convertible Bonds was approximately HK$27,827,000. The difference of fair values of the 2019 Convertible Bonds and 2018 Convertible Bonds of approximately HK$6,279,000 was charged into the consolidated statement of profit or loss and other comprehensive income as loss on exchange of 2018 Convertible Bonds for the year ended 31 December 2019 (Note 10). Derecognition of liability component of 2018 Convertible Bonds of approximately HK$27,827,000 and recognition of liability component of 2019 Convertible Bonds of approximately HK$26,077,000 resulted in a net derecognition of liability of approximately HK$1,750,000.

(ii) On the Completion Date, the carrying amount of 2019 Convertible Bonds was approximately HK$28,391,000. The difference of fair values of the 2020 Bonds and 2019 Convertible Bonds of approximately HK$2,478,000 was charged into the consolidated statement of profit or loss and other comprehensive income as gain on early redemption of 2019 Convertible Bonds for the year (Note 11).

27. DEFERRED INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities:		
– To be realised after 12 months	**246**	233

The movement in deferred income tax account during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities			Deferred tax assets		
	Acquisition of a subsidiary HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000	Tax losses HK$'000	Total HK$'000	Deferred income tax, net HK$'000
At 1 January 2019	–	230	230	(2,193)	(2,193)	(1,963)
Exchange differences	–	3	3	–	–	3
Charged to consolidated statement of profit or loss *(Note 13)*	–	–	–	2,193	2,193	2,193
At 31 December 2019 and 1 January 2020	–	233	233	–	–	233
Exchange difference	–	(3)	(3)			(3)
Acquisition of a subsidiary *(Note 35(a))*	8	–	8	–	–	8
Charged to consolidated statement of profit or loss *(Note 13)*	–	8	8	–	–	8
At 31 December 2020	**8**	**238**	**246**	**–**	**–**	**246**

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 of HK$34,277,000 (2019: HK$45,424,000) in respect of tax losses amounting to approximately HK$202,452,000 (2019: HK$245,281,000). Unrecognised tax losses of approximately HK$110,817,000 (2019: approximately HK$131,332,000) have no expiry date and the remaining tax losses will expire at various dates up to and including 2025 (2019: 2024).

According to the new CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when the PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

For the years ended 31 December 2020 and 2019, no deferred tax liabilities were recognised on the unremitted earnings of subsidiaries in the PRC as all the subsidiaries are in loss positions.

28. SHARE CAPITAL

	Number of shares '000	Total HK$'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**1,726,674**	**2,001,073**

29. OTHER RESERVES

	Translation reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Transactions with non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2019	5,372	17,912	3,715	59,279	(51,406)	–	34,872
Other comprehensive income							
Currency translation differences	(10,955)	–	–	–	–	–	(10,955)
Total comprehensive income for the year	(10,955)	–	–	–	–	–	(10,955)
Total transactions with owners in their capacity as owners							
Exchange of 2018 Convertible Bonds *(Note 26(c))*	–	–	8,029	–	–	–	8,029
Recognition of share-based payment *(Note 30)*	–	–	–	3,545	–	–	3,545
Transfer of share-based payment upon expiry of share options *(Note 30)*	–	–	–	(22,390)	–	–	(22,390)
Transactions with non-controlling interests *(Note 34(a))*	–	–	–	–	–	5,160	5,160
Transfer to statutory reserve	–	5,955	–	–	–	–	5,955
Total transactions with owners in their capacity as owners	–	5,955	8,029	(18,845)	–	5,160	299
Balance at 31 December 2019	(5,583)	23,867	11,744	40,434	(51,406)	5,160	24,216

29. OTHER RESERVES (Continued)

	Translation reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	Warrants reserve HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Transactions with non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	(5,583)	23,867	11,744	–	40,434	(51,406)	5,160	24,216
Other comprehensive income								
Currency translation difference	20,751	–	–	–	–	–	–	20,751
Total comprehensive income for the year	20,751	–	–	–	–	–	–	20,751
Total transactions with owners in their capacity as owners								
Early redemption of 2019 Convertible Bonds and issue of 2020 Bonds and warrants *(Note 26(c))*	–	–	(11,744)	2,331	–	–	–	(9,413)
Recognition of share-based payment *(Note 30)*	–	–	–	–	1,663	–	–	1,663
Other transactions with non-controlling interests *(Note 35(b))*	–	–	–	–	–	–	1,102	1,102
Total transactions with owners in their capacity as owners	–	–	(11,744)	2,331	1,663	–	1,102	(6,648)
Balance at 31 December 2020	15,168	23,867	–	2,331	42,097	(51,406)	6,262	38,319

29. OTHER RESERVES (Continued)

Nature and purpose of reserves

(a) Translation reserve

Gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

(b) Statutory reserve

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

(c) Convertible bonds reserve

Amount of proceeds on issue of convertible bonds relating to the equity component.

(d) Warrant reserve

As stated in Note 26(c), on 28 March 2020, the Group has entered into subscription agreements with the bondholders of 2020 Bonds agreeing to redeem the outstanding 2019 Convertible Bonds. Pursuant to the subscription agreements, the Company issued 68,000,000 and 52,000,000 unlisted warrants to each of the 2020 Bonds respectively. The contractual exercise prices of the warrants are HK$0.12 per subscription share. During the year, no warrants have been exercised.

(e) Share-based payment reserve

Cumulative expenses recognised on the granting of share options to the Directors, senior management and employees over the vesting period.

30. SHARE-BASED PAYMENTS

The Company adopted a share option scheme ("**Share Option Scheme**"). The purposes of the Share Option Scheme are to attract, retain and motivate the grantees to strive for future developments and expansion of the Group. The Share Option Scheme was approved and adopted on 18 February 2013, pursuant to which selected participants may be granted options to subscribe for shares as indentures or rewards for their service rendered to the Group. Share options were granted to directors, selected employees and a consultant of the Company.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the adoption date of the scheme. Details of share options granted under the Share Option Scheme are as follows:

	Share options by grant date						
	29 April 2014	**29 May 2015**	**26 October 2016**	**1 December 2016**	**28 June 2018**	**16 August 2018**	**31 May 2019**
Number of ordinary shares issued upon exercise:							
– Directors	800,000	2,500,000	6,000,000	–	–	–	–
– Senior management	12,100,000	26,000,000	20,000,000	17,000,000	3,000,000	5,000,000	17,000,000
– Employees	7,100,000	31,200,000	42,000,000	–	–	–	–
Exercise price	HK$2.60	HK$1.30	HK$0.53	HK$0.53	HK$0.38	HK$0.33	HK$0.19
Contractual option term	Five years	Seven years	Seven years	Seven years	Seven years	Seven years	Seven years
Expiry date	28 April 2019	28 May 2022	25 October 2023	30 November 2023	27 June 2025	15 August 2025	30 May 2026

For the share options granted on 29 April 2014, 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.

For all other share options granted other than those granted on 29 April 2014, the vesting period of these share options ranges from one to five years. All these options are conditional in which one-fifth is vested and exercisable on every anniversary since the grant date of the respective share options.

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

30. SHARE-BASED PAYMENTS (Continued)

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options by grant date						
	29 April 2014	29 May 2015	26 October 2016	1 December 2016	28 June 2018	16 August 2018	31 May 2019
Range of fair value of options granted (HK$)	0.87 - 0.88	0.62 - 0.66	0.19 - 0.25	0.23 - 0.26	0.15 - 0.17	0.14 - 0.16	0.08 - 0.10
Weighted average share price at the grant date (HK$)	2.44	1.28	0.52	0.53	0.35	0.32	0.18
Expected volatility *(Note)*	49.72%	56.49%	47.97%	47.75%	49.59%	49.45%	53.41%
Expected option life	5 years	7 years	7 years	7 years	7 years	7 years	7 years
Dividend yield	1.15%	Nil	Nil	Nil	Nil	Nil	Nil
Annual risk-free interest rate	1.42%	1.37%	0.75%	1.18%	2.19%	2.08%	1.41%

Note:

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

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

30. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 31 December 2020 are as follows:

	Exercise price per share option	Number of share options As at 1 January 2020	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2020
Grant date					
29 May 2015	1.30	**27,324,082**	**–**	**(5,893,426)**	**21,430,656**
26 October 2016	0.53	**37,040,000**	**–**	**(7,540,000)**	**29,500,000**
16 August 2018	0.33	**5,000,000**	**–**	**–**	**5,000,000**
31 May 2019	0.19	**17,000,000**	**–**	**–**	**17,000,000**
Total		**86,364,082**	**–**	**(13,433,426)**	**72,930,656**
Weighted average exercise price (HK$)					
Grant date					
29 May 2015		**1.21**	**–**	**–**	**1.21**
26 October 2016		**0.53**	**–**	**–**	**0.53**
16 August 2018		**0.33**	**–**	**–**	**0.33**
31 May 2019		**0.19**	**–**	**–**	**0.19**

30. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 31 December 2019 are as follows:

		Number of share options			
	Exercise price per share option	As at 1 January 2019	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2019
Grant date					
29 April 2014	2.55	5,145,665	–	(5,145,665)	–
29 May 2015	1.30	35,039,121	–	(7,715,039)	27,324,082
26 October 2016	0.53	45,860,000	–	(8,820,000)	37,040,000
1 December 2016	0.53	17,000,000	–	(17,000,000)	–
28 June 2018	0.38	3,000,000	–	(3,000,000)	–
16 August 2018	0.33	5,000,000	–	–	5,000,000
31 May 2019	0.19	–	17,000,000	–	17,000,000
Total		111,044,786	17,000,000	(41,680,704)	86,364,082
Weighted average exercise price (HK$)					
Grant date					
29 April 2014		2.38	–	–	2.38
29 May 2015		1.21	–	–	1.21
26 October 2016		0.53	–	–	0.53
1 December 2016		0.53	–	–	0.53
28 June 2018		0.38	–	–	0.38
16 August 2018		0.33	–	–	0.33
31 May 2019		–	0.19	–	0.19

No share options have been exercised by the option holders during the years ended 31 December 2020 and 2019.

During the year ended 31 December 2020, share-based payment expense of HK$1,663,000 (2019: HK$3,545,000) for the Share Option Scheme was recognised in the consolidated statement of profit or loss and other comprehensive income (Note 8).

During the year ended 31 December 2020, none of the share options previously granted (2019: HK$22,390,000) has been transferred from share-based payment reserve to accumulated loss upon the expiry of the share options.

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

Statement of financial position

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**624,485**	680,617
Current assets		
Other receivables and prepayments	**260**	263
Cash and cash equivalents	**6**	86
	266	349
Current liabilities		
Other payables and accruals	**17,715**	17,439
2020 Bonds	**13,080**	–
2019 Convertible Bonds - liability component	**–**	27,865
Borrowings	**80,500**	165,000
	111,295	210,304
Net current liabilities	**(111,029)**	(209,955)
Total assets less current liabilities	**513,456**	470,662
Non-current liabilities		
2020 Bonds	**3,599**	–
Borrowings	**65,000**	9,000
	68,599	9,000
Net assets	**444,857**	461,662
EQUITY		
Share capital	**2,001,073**	2,001,073
Other reserves	**44,428**	52,178
Accumulated losses	**(1,600,644)**	(1,591,589)
	444,857	461,662

The statement of financial position of the Company was approved by the board of directors on 30 March 2021 and was signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

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

Reserve movement of the Company

	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000
At 1 January 2019	59,279	3,715	–	(1,573,293)
Loss for the year	–	–	–	(40,686)
Exchange of 2018 Convertible Bonds *(Note 26(c))*	–	8,029	–	–
Recognition of share-based payment	3,545	–	–	–
Transfer of share-based payment upon expiry of share options	(22,390)	–	–	22,390
At 31 December 2019 and 1 January 2020	40,434	11,744	–	(1,591,589)
Loss for the year	**–**	**–**	**–**	**(18,468)**
Early redemption of 2019 Convertible Bonds and issue of 2020 Bonds and warrants *(Note 26(c))*	**–**	**(11,744)**	**2,331**	**9,413**
Recognition of share-based payment	**1,663**	**–**	**–**	**–**
At 31 December 2020	**42,097**	**–**	**2,331**	**(1,600,644)**

32. INTERESTS IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
At 1 January	–	–
Additions	598	
Share of results for the year	854	–
Exchange difference	(64)	–
At 31 December	1,388	–
Amount due from an associate *(Note)*	2,283	–
	3,671	–

Balance was included in "Other receivables - related parties" in Note 21(b).

Details of the Group's associate are as follows:

Name of company	Form of business structure	Place of incorporation	Percentage of ordinary share indirectly held	Principal activity
深圳市百勤近海油田服務有限公司 (Shenzhen Petro-king Jinhai Oil Field Services Co., Ltd.)	Limited liability company	PRC	28%	Distribution of and provision of technology services for various equipment including petrochemical, oilfield, safety environmental and telecommunication etc. in the PRC

In the opinion of the Directors, this associate is not material to the Group, and the financial information in respect of the Group's associate is set out below:

	2020 HK$'000	2019 HK$'000
Profit for the year	3,050	–
Other comprehensive income	–	–
Total comprehensive income	3,050	–

For the year ended 31 December 2020, the Group had made sales of approximately HK$6,270,000 to the associate.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2020 HK$'000	2019 HK$'000
Net book amount *(Note 16)*	**2,673**	477
Gain on disposals of property, plant and equipment *(Note 11)*	**(1,893)**	339
Less:		
Receivables from disposal of property, plant and equipment	**–**	(499)
Proceeds from disposal of property, plant and equipment	**780**	317

(b) Non-cash investing and financing activities

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

- Acquisition of right-of-use assets of approximately HK$21,937,000 (2019: HK$7,525,000) for the year ended 31 December 2020 (Note 18);
- Early redemption of 2019 convertible Bonds and issuance of 2020 Bonds for the year ended 31 December 2020 (Note 26(c)); and
- Exchange of 2018 Convertible Bonds for the year ended 31 December 2019 (Note 26(c)).

(c) Net debt reconciliation

	2020 HK$'000	2019 HK$'000
Pledged bank deposits	**3,256**	4,803
Cash and cash equivalents	**29,553**	29,447
Bank and other borrowings	**(327,227)**	(319,467)
Leases liabilities	**(24,155)**	(12,742)
	(318,573)	(297,959)

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

(c) Net debt reconciliation (Continued)

Details and the movement of the net debt as at 31 December 2020 and 2019 are as follows:

	Other assets		Liabilities from financing activities					
	Cash and cash equivalents HK$'000	Pledged bank deposits HK$'000	Lease liabilities HK$'000	Bank and other borrowings – bank borrowings HK$'000	Bank and other borrowings – other borrowings HK$'000	Bank and other borrowings – convertible bonds HK$'000	Bank and other borrowings – 2020 Bonds HK$'000	Total HK$'000
As at 1 January 2019	39,315	11,702	(6,604)	(41,757)	(219,469)	(27,482)	–	(244,295)
Cash flows	(9,680)	(6,754)	1,447	(53,007)	21,114	2,735	–	(44,145)
Acquisition – leases	–	–	(7,525)	–	–	–	–	(7,525)
Foreign exchange adjustments	(188)	(145)	(60)	956	561	–	–	1,124
Other non-cash movements *(Note)*	–	–	–	–	–	(3,118)	–	(3,118)
As at 31 December 2019	29,447	4,803	(12,742)	(93,808)	(197,794)	(27,865)	–	(297,959)
As at 1 January 2020	**29,447**	**4,803**	**(12,742)**	**(93,808)**	**(197,794)**	**(27,865)**	**–**	**(297,959)**
Cash flows	**1,054**	**(1,746)**	**9,860**	**(48,032)**	**39,542**	**1,636**	**13,231**	**15,545**
Acquisition – leases	**–**	**–**	**(21,937)**	**–**	**–**	**–**	**–**	**(21,937)**
Foreign exchange adjustments	**(948)**	**199**	**(171)**	**(9,662)**	**(794)**	**–**	**–**	**(11,376)**
Other non-cash movements *(Note)*	**–**	**–**	**835**	**–**	**–**	**26,229**	**(29,910)**	**(2,846)**
As at 31 December 2020	**29,553**	**3,256**	**(24,155)**	**(151,502)**	**(159,046)**	**–**	**(16,679)**	**(318,573)**

Note:

For the year ended 31 December 2020, other non-cash movements includes lease modification, COVID-19 related rent concessions, accrued interest expenses of lease liabilities, convertible bonds and 2020 Bonds, and early redemption of 2019 Convertible Bonds.

For the year ended 31 December 2019, other non-cash movements includes accrued interest expenses of convertible bonds and exchange of 2018 Convertible Bonds.

34. DISPOSAL OF SUBSIDIARIES

(a) Deemed disposal of 26.3% equity interest in a subsidiary in prior year

On 23 December 2019, the Group entered into agreements with Mr. Wang Jinlong (a substantial shareholder and a director of the Company), a limited liability partnership wholly-owned by the employees of the Group, and three independent third parties for capital injection in increasing the registered capital of Petro-king Huizhou, a wholly-owned subsidiary of the Group. Upon the completion, the increase in the registered capital and capital injection by the relevant parties constitutes a deemed disposal of 26.3% of Petro-king Huizhou's equity interest by the Group. The capital increase amounted to RMB25,000,000 (equivalent to approximately HK$27,853,000) and was completed on 30 December 2019.

Upon the completion of the capital increase, the Group's equity interest in Petro-king Huizhou was reduced from 100% to 73.7% and Petro-king Huizhou continued to be a subsidiary of the Group. The remaining equity interest was included in the consolidated statement of financial position. The Group recognised an increase in non-controlling interests of approximately HK$22,693,000 and an increase in equity attributable to owners of the parent of approximately HK$5,160,000. The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	2019 HK$'000
Carrying amount of non-controlling interests disposed	(22,693)
Consideration paid/payable by non-controlling interests	27,853
Excess of consideration recognised in the transactions with non-controlling interests reserve within equity	5,160

For the year ended 31 December 2019, consideration of approximately HK$13,378,000 has been paid by non-controlling interests and the remaining receivables of approximately HK$14,610,000 was included in "other receivables, deposits and prepayments" (Note 21(b)). The amount had been settled during the year.

34. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of 100% equity interest in a subsidiary in prior year

On 22 March 2019, the Group entered into agreement with an independent third party to dispose 100% equity interest in Petro-king Turbo FZCO, a wholly-owned subsidiary of the Group, for a consideration of US$500,000 (equivalent to approximately HK$3,908,000). The subsidiary was engaged in the provision of oilfield tools and equipment technology services and research and development in the Middle East.

Details of net assets disposed of and the loss on disposal of the equity interest in the subsidiary at the date of disposal were as follows:

	HK$'000
Cash consideration	3,908
Less:	
Carrying amount of net assets disposed of	(7,490)
Loss on disposal of equity interest in a subsidiary *(Note 11)*	(3,582)

The assets and liabilities of the subsidiary at the date of disposal were as follows:

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Property, plant and equipment *(Note 16)*	3,011
Inventories	5,531
Cash and cash equivalents	465
Trade, other payables and accruals	(1,517)
	7,490
Cash consideration received by cash	3,908
Cash and cash equivalents disposed of	(465)
Net proceeds from disposal of a subsidiary	3,443
Less: net proceeds received as at 31 December 2019	(1,882)
Net proceeds receivable as at 31 December 2019 *(Note 21(b))*	1,561

During the year, the net proceeds of approximately HK$1,091,000 had been settled. The remaining receivables of approximately HK$470,000 was included in "other receivables, deposits and prepayment" (Note 21(b)).

35. ACQUISITION OF A SUBSIDIARY

(a) Acquisition of Shenzhen Sude Technology Co., Ltd. ("Shenzhen Sude")

On 4 September 2020, Petro-king Huizhou, an 70%-owned indirect subsidiary of the Company, completed the acquisition of 51% equity interests in Shenzhen Sude at a consideration of RMB5 million (equivalent to approximately HK$6 million), which was settled by the issuance of new shares by Petro-king Huizhou. Shenzhen Sude is principally engaged in trading and distribution of dissolvable metal materials in the PRC.

The fair value of the identifiable assets and liabilities of Shenzhen Sude acquired as at its date of acquisition was as follows:

	HK$'000
Property, plant and equipment *(Note 16)*	55
Inventories	733
Trade and other receivables	13,360
Bank and cash balances	18
Trade and other payables	(3,739)
Deferred tax liabilities *(Note 27)*	(8)
Non-controlling interests	(5,166)
Net identifiable assets and liabilities acquired	5,253
Gain on bargain purchase *(Note 11)*	(142)
Total non-cash consideration at fair value	5,111
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	18

There is no acquisition-related costs to be expensed off.

(b) Deemed disposal of Petro-king Huizhou as a result of the acquisition of Shenzhen Sude

Upon the acquisition of Shenzhen Sude being settled by the issuance of new shares by Petro-king Huizhou, the Group's equity interest in Petro-king Huizhou was reduced from 73.7% to 70.0%, and Petro-king Huizhou continued to be a subsidiary of the Group. The remaining equity interest was included in the consolidated statement of financial position. Accordingly, the Group recognised a decrease in non-controlling interests of approximately HK$1,102,000 directly in equity.

36. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or excise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Group are also considered as related parties.

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 2020 and 2019, and balances arising from related party transactions as at 31 December 2020 and 2019.

Names	**Relationships**
Mr. Wang Jinlong	Substantial shareholder and director
Mr. Zhao Jindong	Director
Mr. Zeng Weizhong *(Note (i))*	Senior management
Ms. Sun Jinxia *(Note (ii))*	Senior management
Mr. Chan Kwok Yuen Elvis	Senior management
Mr. Huang Yu *(Note (iii))*	Senior management
King Shine Group Limited	Shareholder
Shenzhen Fluid Science & Technology Corp. Ltd. ("**FST**")	Mr. Wang Jinlong was the key management personnel of the company *(Note (iv))*

Notes:

(i) Resigned from the Group on 31 May 2019.

(ii) Resigned from the Group on 7 May 2019.

(iii) Appointed as Chief Executive Officer on 31 May 2019.

(iv) Resigned as the key management personnel of FST on 31 December 2020.

(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.

	2020 **HK$'000**	2019 HK$'000
Salaries and other short-term employee benefits	**5,712**	6,631
Share-based payments	**866**	676
	6,578	7,307

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from/(to) related parties

	2020 HK$'000	2019 HK$'000
Amounts due from related parties *(Note 21(b)) (Note (i))*	**7,859**	5,286
Amounts due to related parties *(Note 25(b)) (Note (ii))*	**(304)**	(786)

As at 31 December 2020 and 2019, the balances were interest-free, unsecured, receivable or repayable on demand.

The carrying values of these balances approximate to their fair values.

Notes:

(i) The balances mainly comprise of advance to the Directors and senior management, receivables from a non-controlling shareholder, an associate and other related parties.

(ii) The balances mainly comprise of expenses paid on behalf by the Directors and senior management.

(c) Related party transactions

The Group had entered into the following transactions with related parties for the year:

Name of related party	Relationship	Nature of transaction	Year ended 31 December 2020 HK$'000	 2019 HK$'000
Mr. Wang Jinlong	A substantial shareholder and a director of the Company	Capital injection to Petro-king Huizhou	–	8,913
Shenzhen Fluid Science & Technology Corp. Ltd.	Mr. Wang Jinlong was the key management personnel of the company	Storage income	–	852

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

37. CONTINGENCIES

	2020 **HK$'000**	2019 HK$'000
Performance bonds *(Note)*	**328**	442

Note:

Performance bonds related to the guarantees provided by the banks to the Group's customers in respect of the sales of tools and equipment or provision of services in overseas projects. In the event of non-performance, the customers might call upon the performance bonds and the Group would be liable to the banks in respect of the performance bonds provided.

38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may price their services adequately in accordance with their pricing policy, secure access to financing at reasonable costs, obtain borrowings from financial institutions or related parties, and issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated statement of financial position) less total cash (including "pledged bank deposits" and "cash and cash equivalents" as shown in the consolidated statement of financial position). Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

38. CAPITAL MANAGEMENT (Continued)

The Group's strategy was to maintain a gearing ratio within 50%. The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020	2019
	HK$'000	HK$'000
Bank and other borrowings *(Note 26)*	**327,227**	319,467
Lease liabilities *(Note 18)*	**24,155**	12,742
Less:		
Pledged bank deposits *(Note 23)*	**(3,256)**	(4,803)
Cash and cash equivalents *(Note 24)*	**(29,553)**	(29,447)
Net debt	**318,573**	297,959
Total equity	**354,416**	405,715
Total capital	**672,989**	703,674
Gearing ratio	**47%**	42%

39. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the directors and the major shareholders. Management has identified and evaluated financial risks in close cooperation with the major shareholders. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. These policies and procedures enable management to make strategic and inform decision with regard to the operations of the Group.

39. FINANCIAL RISK MANAGEMENT (Continued)

(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 2020, 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$283,000 lower/higher (2019: HK$82,000 lower/higher) as a result of foreign exchange gains or losses on translation of US$ denominated net financial assets.

At 31 December 2020, 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$2,829,000 lower/higher (2019: HK$3,294,000 lower/higher) as a result of foreign exchange gains or losses on translation of RMB denominated net financial assets.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank and other borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

The Group's practice is to manage its interest income/cost through monitoring and reviewing interest rate changes in the market and its impact to the Group's financial performance. As at 31 December 2020, there was no bank and other borrowings at variable rates. As at 31 December 2019, the Group's bank and other borrowings at variable rates were denominated in RMB.

As at 31 December 2019, if interest rate on bank and other borrowings held at variable rates had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$1,176,000 higher/lower mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and pledged bank deposits, as well as credit exposures to the customers, including outstanding receivables and committed transactions.

(i) Risk management

To manage risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with state-owned or reputable financial institutions in the PRC and the reputable international financial institutions outside of the PRC. There has been no history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that sales of its services and products are made to customers with sufficient level of creditworthiness and the Group generally grants its customers a credit term of up to three months.

Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. The Group maintains different billing policies for different customers based on the negotiated terms with each customer. The Group will issue progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment and due date of payment varies from contract to contract. The Group negotiates with those debtors with overdue balances to agree a repayment schedule by both parties and regularly evaluates the credit quality of its debtors to assess the necessity to revise the credit term.

The credit risk of the other receivables is managed on Group basis, taking into account the historical default experience and the future prospectus of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default in each of these counterparties, as well as the loss upon default in each case.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

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

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

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under IFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables and contract assets

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.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2020, the expected credit losses rate is determined according to a provision matrix as follows:

Trade receivables as at 31 December 2020	Current HK$'000	Up to 3 months past due HK$'000	3 to 6 months past due HK$'000	6 to 12 months past due HK$'000	Over 12 months past due HK$'000	Total HK$'000
Excepted loss rates	**1%**	**1%**	**1%**	**2%**	**74%**	
Gross carrying amount – trade receivables	**139,121**	**30,336**	**33,909**	**38,007**	**8,707**	**250,080**
Loss allowance	**(1,502)**	**(303)**	**(339)**	**(621)**	**(6,471)**	**(9,236)**
Net carrying amount – trade receivables	**137,619**	**30,033**	**33,570**	**37,386**	**2,236**	**240,844**

As at 31 December 2020, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2020	**Total** **HK$'000**
Expected loss rates	1%
Gross carrying amount – contract assets	119,678
Loss allowance	(1,210)
Net carrying amount – contract assets	118,468

For the year ended 31 December 2019, the Group divided trade receivables and contract assets into two categories by the settlement pattern of customers to measure the expected loss rates. Category 1 is for customers conducting business in the Middle East with doubtful credit risk. Category 2 is for customers conducting business in the PRC and other regions with lower credit risk. With different types of customers, the Group calculated the expected loss rate respectively.

For category 1, the expected credit losses for these customers were measured at individual basis with the receivables of such customers assessed individually for provision for impairment allowance. In 2019, balances were fully provided for due to the significant increase in credit risk.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For category 2, the expected credit losses rate was determined according to a provision matrix where balances that are less than 12 months overdue were provided for at expected losses rate of 1-12% and balances with more than 12 months overdue were 100% provided for.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for both trade receivables and contract assets.

Category 1: Customers conducting business in the Middle East with doubtful credit risk

Trade receivables as at 31 December 2019	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
Excepted loss rates	100%	100%	100%	100%	100%	
Gross carrying amount – trade receivables	–	–	477	11,271	189,178	200,926
Loss allowance	–	–	(477)	(11,271)	(189,178)	(200,926)
Net carrying amount – trade receivables	–	–	–	–	–	–

Category 2: Other customers conducting business in the PRC and other regions with lower credit risk

Trade receivables as at 31 December 2019	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
Excepted loss rates	1%	1%	4%	12%	100%	
Gross carrying amount – trade receivables	157,043	57,136	14,883	16,106	62,534	307,702
Loss allowance	(1,571)	(571)	(595)	(1,933)	(62,534)	(67,204)
Net carrying amount – trade receivables	155,472	56,565	14,288	14,173	–	240,498

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

Total

Trade receivables as at 31 December 2019	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
Gross carrying amount – trade receivables	157,043	57,136	15,360	27,377	251,712	508,628
Loss allowance	(1,571)	(571)	(1,072)	(13,204)	(251,712)	(268,130)
Net carrying amount – trade receivables	155,472	56,565	14,288	14,173	–	240,498

As at 31 December 2019, the balances of contract assets come from the customers conducted business in the PRC and other regions with lower credit risk. Thus, all contract assets were under Category 2.

Contract assets as at 31 December 2019	Total HK$'000
Expected loss rates	1%
Gross carrying amount – contract assets	52,202
Loss allowance	(522)
Net carrying amount - contract assets	51,680

39. 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 2020, the Group's allowance for impairment of other receivables approximate to HK$39,200,000 (2019: HK$31,325,000) in view of the increase in the credit risk during the year.

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

(c) Liquidity risk

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

The Group reported a net loss of approximately HK$78,729,000 during the year ended 31 December 2020. As at the same date, the Group's current liabilities exceeded its current assets by HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$29,553,000 only.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3(b)(ii) to the consolidated financial statements.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Fair values of balances due less than 1 year appropriate their carrying balances as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2020					
Trade payables	**172,856**	**–**	**–**	**–**	**172,856**
Other payables and accruals	**131,095**	**–**	**–**	**–**	**131,095**
Bank and other borrowings and interest payments	**252,954**	**83,616**	**11,793**	**–**	**348,363**
Lease liabilities and interest payments	**11,117**	**6,480**	**3,603**	**8,388**	**29,588**
	568,022	**90,096**	**15,396**	**8,388**	**681,902**
At 31 December 2019					
Trade payables	132,761	–	–	–	132,761
Other payables	62,673	–	–	–	62,673
Bank and other borrowings and interest payments	311,826	24,409	2,758	–	338,993
Lease liabilities and interest payments	3,229	3,099	2,999	8,704	18,031
	510,489	27,508	5,757	8,704	552,458

40 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020 **HK$'000**	2019 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade receivables *(Note 21(a))*	**240,844**	240,498
Other receivables and deposits	**33,337**	34,373
Pledged bank deposits *(Note 23)*	**3,256**	4,803
Cash and cash equivalents *(Note 24)*	**29,553**	29,447
Financial assets at fair value		
Financial asset at fair value through profit or loss *(Note 19)*	**8,360**	7,298
Total	**315,350**	316,419
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade payables *(Note 25(a))*	**172,856**	132,761
Other payables and accruals	**131,095**	62,673
Bank and other borrowings *(Note 26)*	**327,227**	319,467
Lease liabilities *(Note 18)*	**24,155**	12,742
Total	**655,333**	527,643

41. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value at 31 December 2020 and 2019, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2020	2019
	HK$'000	HK$'000
Asset		
Financial asset at fair value through profit or loss		
– listed equity investment *(Note 19(i))*	**6,102**	5,184
– unlisted equity investment *(Note)*	**2,258**	2,114
	8,360	7,298

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. Since 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.

Note:

As at 31 December 2020 and 2019, the underlying assets of the unlisted equity would primarily consisting of cash and cash equivalents in which the fair value approximates to the carrying value as at 31 December 2020 and 2019.

41. FAIR VALUE ESTIMATION (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2019.

	2020 **HK$'000**	2019 HK$'000
At 1 January	**7,298**	5,184
Acquisition	**–**	2,114
Change in fair value	**920**	–
Exchange difference	**142**	–
At 31 December	**8,360**	7,298
Total gains for the year included in profit or loss at the end of the year *(Note 11)*	**920**	–

42. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) On 22 January 2021, the Group has obtained an additional facility of approximately RMB12,000,000 (equivalent to approximately HK$14,000,000) from the same bank located in the PRC as mentioned in part (a) under note 3(b)(ii) to the consolidated financial statements. These secured borrowings are immediately repayable upon the collection of the trade receivables from the customer of the Project or upon maturity of the banking facilities, whichever is earlier;

(b) On 26 March 2021, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK$122,000,000 as at 31 December 2020, of which HK$57,000,000 was originally repayable within one year, which bore interest at 5.5% per annum. Pursuant to the supplemental agreement, the amounts of HK$10,000,000, HK$5,000,000 and HK$5,000,000 will be repaid by the Group on 1 May 2021, 1 June 2021 and 1 July 2021, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK$2,000,000 on the first day of each month from August 2021 to December 2022, with a final instalment of HK$68,000,000 to be repaid on 31 December 2022; and

(c) On 13 November 2020, the Group entered into certain agreements with various parties in relation to Petro-king Huizhou Transactions. The above transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 1 February 2021. The Group expects to receive total net proceeds of approximately RMB62,500,000 (equivalent to approximately HK$74,300,000) in respect of the Petro-king Huizhou Transactions.

43. SUBSIDIARIES

As at 31 December 2020 and 2019, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Country of incorporation, kind of legal entity and date of incorporation	Particulars of issued share capital/ registered capital	Interest held Directly	Interest held Indirectly	Principal activities and place of operation
Petro-king Holding Limited	Hong Kong, Limited liability company 13 September 2007	HK$10,000 issued share capital	100%	–	Investment holding in Hong Kong
Petro-king International Co., Limited	Hong Kong, Limited liability company 14 July 2003	HK$5,000,000 issued share capital	100%	–	Provision for oilfield project tools and services and consultancy services in the PRC, Russia and the Middle East, etc.
深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited)	The PRC, Limited liability company (wholly foreign owned enterprise) 26 April 2002	Registered capital of RMB151,300,000	–	100%	Provision for oilfield project tools and services and consultancy services in the PRC, etc.
Star Petrotech Pte. Ltd.	Singapore, Limited liability company 4 February 2009	400,000 ordinary shares at no par value for 1 SGD each	–	100%	Manufacturing and repairing of other oilfield and gas field machinery and equipment in Singapore
江蘇百勤完井技術有限公司	The PRC, Limited liability company 19 March 2013	Registered capital of RMB5,000,000	–	100%	Manufacturing and repairing of other oilfield and gas field machinery and equipment in the PRC
百勤(重慶)油氣工程技術服務有限公司	The PRC, Limited liability company (wholly foreign owned enterprise) 28 August 2013	Registered capital of RMB20,000,000	–	100%	Trading of tools and equipment and provision for consultancy service 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

43. SUBSIDIARIES (Continued)

As at 31 December 2020 and 2019, the Company has direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Country of incorporation, kind of legal entity and date of incorporation	Particulars of issued share capital/ registered capital	Interest held Directly	Interest held Indirectly	Principal activities and place of operation
百勤能源科技(惠州)有限公司 (Petro-king Huizhou)	The PRC, Limited liability company 25 August 2014	Registered capital of RMB74,394,752 (2019: RMB70,675,014)	–	70% (2019: 73.7%)	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	The PRC, Limited liability company (wholly foreign owned enterprise) 21 September 2012	Registered capital of RMB140,820,000	–	70% (2019: 73.7%)	Provision of oilfield tools and equipment technology services and research and development in the PRC