PETRO-KING OILFIELD SERVICES LIMITED
百勤油田服務有限公司
(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 2178)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Petro-king Oilfield Services Limited (the "**Company**") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**we**" or "**our**") for the six months ended 30 June 2017 ("**1H2017**").

OVERVIEW

The persistently weak sentiment among most of the Group's customers about investment in exploration and production ("**E&P**") led to a low level of oilfield service activities in 1H2017 in mainland China and the overseas markets, the Group's revenue in 1H2017 declined by approximately 50% to approximately HK$132.4 million, from approximately HK$266.1 million for the six months ended 30 June 2016 ("**1H2016**"). The Group's operating costs decreased by approximately 43% to approximately HK$177.6 million in 1H2017 from approximately HK$310.7 million in 1H2016. The Group recorded an operating loss of approximately HK$44.3 million in 1H2017 compared with an operating loss of approximately HK$43.5 million in 1H2016. The Group's net finance costs decreased by approximately 18% to approximately HK$10.7 million in 1H2017, from that of approximately HK$13.0 million in 1H2016. During the period, the Group recorded a net loss attributable to owners of the Company of approximately HK$57.5 million, compared with the net loss of approximately HK$56.7 million in 1H2016.

The first half of 2017 remained challenging for the oilfield service industry. Low profitability and uncertainty in project cash flow led to our cautious approach in seeking and agreeing to undertake new projects. As a result, our 1H2017 results showed that the Group had experienced another challenging half year marked by lower activity levels and continuing pressure on pricing in mainland China and the overseas markets.

During the period, the Group focused on improving its management performance, organisational structure, operational performance and overall competitiveness for its long-term development. The Group took the following measures in 1H2017:

- Adjusted the Group's organisational structure and further streamlined the operational management mechanism and the cost structure of all service lines.

- Transformed the Group's human resources management policy for the long-term development of the talent of the Group's engineering team, and adopted a new performance-based remuneration system fostering the staff's team spirit and their sense of being a stakeholder in the Group.

- Further expanded its marketing and sales team in the Middle East and proactively promoted the Group's core oilfield services which were combined with our own technologies and tools.

THE CHINA MARKET

Although major national oil companies ("**NOCs**") announced that they would increase their capital expenditures in 2017 and the China market showed some signs of partial recovery in certain areas, especially those areas with gasfield operations, substantial and full recovery of the oilfield services activities has yet to come. Most of the oilfield service providers were still under tremendous pressure in tackling the issues of profitability and operating cash flow in the process of negotiating and executing contracts under the current sluggish market environment.

Notwithstanding the gloomy market in 1H2017, the Group had gained some new customers and won certain bids for tenders in the China market. During the period, we won contracts to provide services for coal bed methane ("**CBM**") projects in Shanxi and continued to provide production enhancement services in Sichuan and Northern China. The gas projects in Sichuan showed signs of substantial recovery and we expect more to come in the second half of the year and coming years.

During the period, the Group has introduced to the market its newly developed dissolvable alloy bridge plug, a technology which could substantially shorten the time and save cost of multistage perforation fracturing operations. The recent marketing and promotion of the dissolvable alloy bridge plug has received encouraging feedback from our customers in the China market. In addition, the participation in the successful exploration work of an offshore methane hydrate project indicates that we are at the forefront of the advanced technology for supporting China's development of such new and green energy. We believe that some of these business opportunities that we grasped will start to contribute to the Group's revenue in the second half of 2017.

Due to the weak market environment, delay in both project execution and trade receivables settlement is still common in the oilfield service sector in China. Taking a prudent approach on working capital management during this long downturn in the industry cycle, the Group continues to tighten its customer credit control and reject certain business opportunities due to uncertainty about the collection of trade receivables.

THE OVERSEAS MARKET

Despite a strong recovery in drilling activities of shale oil and gas projects in North America in the first half of 2017, the global market for the oilfield services in general was still associated with the gloomy market environment in 2017 as a result of low budgets for capital expenditures and operating cost control measures implemented by most of the international oil and gas companies.

In 1H2017, the Group's major customers in the overseas market were still delaying and halting their E&P investments due to the weakening trend of the oil price rebound in the first half of 2017. Although the Group gained significant progress in gaining new customers and in winning service contracts over projects in the Middle East and Central Asia, we expect these projects could only begin to contribute to the Group's revenue from the second half of 2017.

During the period, the Group continued to restructure its marketing and sales team and its service capacity in various regions in the overseas market. In particular, it expanded its service capacity in the Middle East. The Group had built its reputation as a high-end oilfield services provider with cost competitive solutions in the market of its existing customers and the Group's marketing and operation team continued its marketing effort, so much as that its self-developed completion tools has gained further market recognition in Central Asia, the Middle East, Indonesia and Australia; and its turbine drilling services and production enhancement services have received encouraging feedback from prospective customers in the Middle East. We are expecting more business with certain major oil and gas operators in the Middle East by offering our technologies and services at competitive prices.

GEOGRAPHICAL MARKET ANALYSIS

	1H2017 *(HK$ million)*	1H2016 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2017** *(%)*	Approximate percentage of total revenue in 1H2016 *(%)*
China market	**68.3**	187.1	-63%	**52%**	70%
Overseas markets	**64.1**	79.0	-19%	**48%**	30%
Total	**132.4**	266.1	-50%	**100%**	100%

The Group's revenue from the China market dropped by approximately HK$118.8 million or approximately 63% to approximately HK$68.3 million in 1H2017 from approximately HK$187.1 million in 1H2016. The decrease in revenue from the China market was mainly due to the low level of E&P investments and operating cost control by most of the NOCs as well as the other upstream investors in China during the long downturn in the industry cycle since 2014.

The Group's revenue from the overseas markets declined by approximately HK$14.9 million or approximately 19% to approximately HK$64.1 million in 1H2017 from approximately HK$79.0 million in 1H2016. The revenue from the overseas markets decreased mainly because certain customers in South America and the Middle East ceased their operations and stopped using oil field services in view of the low oil price or low economical value of their E&P projects.

REVENUE FROM THE CHINA MARKET

	1H2017 *(HK$ million)*	1H2016 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the China market in 1H2017** *(%)*	Approximate percentage of total revenue from the China market in 1H2016 *(%)*
Northern China	**4.8**	17.4	-72%	**7%**	9%
Southwestern China	**2.6**	22.0	-88%	**4%**	12%
Other regions in China	**60.9**	147.7	-59%	**89%**	79%
Total	**68.3**	187.1	-63%	**100%**	100%

In 1H2017, the Group's revenue from Northern China amounted to approximately HK$4.8 million, which dropped by approximately HK$12.6 million or approximately 72% from approximately HK$17.4 million in 1H2016. The decrease in revenue was mainly due to the decline in production enhancement services in the Ordos base.

The revenue from Southwestern China amounted to approximately HK$2.6 million in 1H2017, which decreased by approximately HK$19.4 million or approximately 88% from approximately HK$22.0 million in 1H2016. The decrease in revenue was mainly due to the decline in the provision of production enhancement services (mainly multistage fracturing services) for unconventional oil and gas projects as a result of the reduction of capital investment in prior years by the Group's major customers in the region.

The revenue from other regions in China amounted to approximately HK$60.9 million in 1H2017, which decreased by approximately HK$86.8 million or approximately 59% from approximately HK$147.7 million in 1H2016. The decrease in revenue was mainly due to the decrease in sales of well completion tools in other regions in China.

REVENUE FROM THE OVERSEAS MARKETS

	1H2017 ***(HK$ million)***	1H2016 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the overseas markets in 1H2017** ***(%)***	Approximate percentage of total revenue from the overseas markets in 1H2016 *(%)*
Middle East	**58.7**	69.7	-16%	**92%**	88%
Others	**5.4**	9.3	-42%	**8%**	12%
Total	**64.1**	79.0	-19%	**100%**	100%

The revenue from the Group's business operations in the Middle East amounted to approximately HK$58.7 million in 1H2017, which dropped by approximately HK$11.0 million or approximately 16% from approximately HK$69.7 million in 1H2016. The decrease was mainly caused by the slow-down in sales of well completion tools in the Middle East and the decline in business of consultancy services, net of the increase in revenue from its services for some oil production projects. The revenue from other overseas regions amounted to approximately HK$5.4 million in 1H2017, which decreased by approximately HK$3.9 million or approximately 42% from approximately HK$9.3 million in 1H2016. This decrease in revenue was mainly due to the shrinkage of the Group's business in South America.

BUSINESS SEGMENT ANALYSIS

	1H2017 *(HK$ million)*	1H2016 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2017** ***(%)***	Approximate percentage of total revenue in 1H2016 *(%)*
Oilfield project tools and services	**115.3**	234.7	-51%	**87%**	88%
Consultancy services	**17.1**	31.4	-46%	**13%**	12%
Total	**132.4**	266.1	-50%	**100%**	100%

In 1H2017, the Group's revenue from the provision of oilfield project tools and services amounted to approximately HK$115.3 million, which decreased by approximately HK$119.4 million or approximately 51% from approximately HK$234.7 million in 1H2016. The decrease was mainly due to the decline in sales of well completion tools in the China market.

The Group's revenue from consultancy services amounted to approximately HK$17.1 million in 1H2017, which decreased by approximately HK$14.3 million or approximately 46% from approximately HK$31.4 million in 1H2016. The revenue decreased mainly because the Group's integrated project management services stopped the provision of early-stage project management and planning services for a key customer in the Middle East in the second half of 2016.

Oilfield Projects Tools and Services

	1H2017	1H2016	Approximate percentage change	**Approximate percentage of total revenue from oilfield project tools and services in 1H2017**	Approximate percentage of total revenue from oilfield project tools and services in 1H2016
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Drilling	**9.9**	13.2	-25%	**9%**	6%
Well completion	**79.9**	187.1	-57%	**69%**	80%
Production enhancement	**25.5**	34.4	-26%	**22%**	14%
Total	**115.3**	234.7	-51%	**100%**	100%

Drilling

The Group's revenue from drilling amounted to approximately HK$9.9 million in 1H2017, which dropped by approximately HK$3.3 million or approximately 25% from approximately HK$13.2 million in 1H2016. The decrease was mainly due to the decline in provision of turbine drilling services in Northwestern China.

In 1H2017, the Group provided drilling services for 5 wells that are located in China, all of which were completed before 30 June 2017.

Well Completion

In 1H2017, the Group's revenue from well completion amounted to approximately HK$79.9 million, which decreased by approximately HK$107.2 million or approximately 57% from approximately HK$187.1 million in 1H2016. The decrease was mainly due to the drop in sales of well completion tools in the China market.

In 1H2017, the Group provided well completion services for 104 wells, of which 103 wells were completed before 30 June 2017 and the remaining one well was still a work in progress as at 30 June 2017. All the 104 wells are in the overseas markets. In addition, the well completion services were mainly provided in the Middle East, Australia, Indonesia and other regions. In the first half of 2017, we completed the services of the well completion of 7 wells, the wire operation of 3 wells and the maintenance of 93 wellheads.

Production Enhancement

In 1H2017, the Group's revenue from production enhancement amounted to HK$25.5 million, which decreased by approximately HK$8.9 million or approximately 26% from approximately HK$34.4 million in 1H2016. The decrease was mainly due to the drop in number of production enhancement projects in the China market, net of the growth in revenue from the Middle East.

In 1H2017, the Group provided production enhancement services for 53 wells, of which 44 wells were completed before 30 June 2017 and the remaining 9 wells were still works in progress as at 30 June 2017. Among the above mentioned wells, 43 wells are in the China market and 10 wells are in the overseas markets.

CUSTOMER ANALYSIS

Customer	**1H2017** *(HK$ million)*	1H2016 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2017** *(%)*	Approximate percentage of total revenue in 1H2016 *(%)*
Customer 1	**40.2**	–	nil	**30%**	0%
Customer 2	**39.4**	14.8	166%	**30%**	6%
Customer 3	**11.6**	8.7	33%	**9%**	3%
Customer 4	**8.9**	7.0	27%	**7%**	3%
Customer 5	**6.5**	1.9	242%	**5%**	0%
Customer 6	**5.1**	1.7	200%	**4%**	0%
Customer 7	**–**	71.4	-100%	**nil**	27%
Customer 8	**–**	50.9	-100%	**nil**	19%
Customer 9	**–**	38.9	-100%	**nil**	15%
Customer 10	**5.1**	21.2	-76%	**4%**	8%
Customer 11	**3.8**	5.6	-32%	**3%**	2%
Other customers	**11.8**	44.0	-73%	**8%**	17%
Total	**132.4**	266.1	-50%	**100%**	100%

The revenue from Customer 1 amounted to approximately HK$40.2 million. This revenue was generated from business with a customer who started business relationship with the Group in the second half of 2016, and was contributed by the great efforts of the Group to provide safety-valve well completion tools for the customer. The revenue from Customer 2 increased by approximately HK$24.6 million or approximately 166%, from approximately HK$14.8 million in 1H2016 to approximately HK$39.4 million in 1H2017. This increase was mainly attributable to the growth of revenue from a trade in well completion tools and provision of coiled tubing package services in the Middle East. The revenue from Customer 3 amounted to approximately HK$11.6 million, which increased by approximately HK$2.9 million or approximately 33% from approximately HK$8.7 million in 1H2016. This increase was mainly attributable to the provision of consultancy services and production enhancement services in the Middle East. The revenue from Customer 4 amounted to approximately HK$8.9 million, which increased by approximately HK$1.9 million or approximately 27% from approximately HK$7.0 million in 1H2016. This increase was mainly attributable to the business of logging while drilling ("**LWD**") technical service projects in the China market. The revenue from Customer 5 amounted to approximately HK$6.5 million, which increased by approximately HK$4.6 million or approximately 242% from approximately HK$1.9 million in 1H2016. This increase was mainly attributable to the provision of professional supervision services in Iraq. The revenue from Customer 6 amounted to approximately HK$5.1 million, which increased by approximately HK$3.4 million or approximately 200% from approximately HK$1.7 million in 1H2016. This increase was mainly attributable to the growth of revenue from submarine petroleum pipeline and seabed exploration projects in Hong Kong. As for Customer 7, 8 and 9, they incurred approximately HK$71.4 million, HK$50.9 million and HK$38.9 million respectively in 1H2016. It was because the business contracts expired at the end of 2016, no further revenue was generated from these three customers in 1H2017. The revenue from Customer 10 amounted to approximately HK$5.1 million in 1H2017, which decreased by approximately HK$16.1 million or approximately 76% from approximately HK$21.2 million in 1H2016. The decrease was mainly due to the persistent shrinkage of the China market. The revenue from Customer 11 amounted to approximately HK$3.8 million in 1H2017, which decreased by approximately HK$1.8 million or approximately 32% from approximately HK$5.6 million in 1H2016. The decline was caused by the decrease in service income derived from the Middle East. The revenue from other customers amounted to approximately HK$11.8 million in 1H2017, which decreased by approximately HK$32.2 million or approximately 73% from approximately HK$44 million in 1H2016.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our long-term business development. We have implemented human resources policies and procedures that detail the requirements for 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 skill set and knowledge, we arrange for a series of training courses that cover the latest drilling and completion technologies, blast management, control at wells and environment management. We also work with external organisations such as unions and consultants to provide training for the staff to meet the specific needs of the operations. In 1H2017, the Group arranged 36 trainings, and 146 employees attended these training programs. In addition, the Group implemented a staff development and appraisal system, aiming to reserve the Group's talents pool for its management team for future operations while meeting the talent's goals in their long-term career development.

To cope with the development trend of the industry, the Group streamlined the organisational structure and the cost structure of all service lines as well as that of the supporting departments. The Company paid close attention to the recruitment of talents and has recruited certain marketing and sales experts in the Middle East to promote the Group's technologies, tools and services in the region. The total headcount was 338 employees as at 30 June 2017, compared with the 349 employees as at 31 December 2016.

In order to keep the Group's human resources policies and procedures abreast with the industry development, the Group reviewed its human resources management system and made certain changes to it so as to foster the long-term development of the Group's engineering talents in 1H2017. It also implemented a new performance-based remuneration system to foster the staff's team spirit and their sense of being a stakeholder in the Group.

RESEARCH AND DEVELOPMENT

As a high-end integrated oilfield services provider, the Group attaches great importance to technology, and prides itself on introducing innovative products and services in various oilfield service lines, such as turbine-drilling, directional drilling, multistage fracturing, down-hole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid. In 1H2017, the Group continued to seek advancement in technology and introduced new products to the market, including the followings:

- Developed a new 5 ½" dissolvable bridge plug, which has successfully passed a trial run. This kind of tool can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Designed a new 4 ½" tubing retrievable safety valve which can withstand working pressure of 15,000 Psi and thus can be used in wells with extra-high pressure and high temperatures. Most of the safety valve suppliers in the market can only provide safety valve that can withstand working pressure of up to 10,000 Psi.

- Focused on the development of 7" Psi retrievable packer which can withstand working pressure of 10,000 Psi and is tubing-retrievable without additional pulling tool in order to save time and operation cost during workover.

In 1H2017, the Group had been granted 4 utility model patents and 3 innovation patents. In addition, the Group was applying for 5 innovation patents and 17 utility model patents as at 30 June 2017.

The Group will continue to focus on developing down-hole completion tools and technologies, as well as certain specific high-end drilling tools and technologies. In order to maintain its leading position in the high-end oilfield service sector, the Group has set up a new research and development center to further develop its tools and technologies. It has been developing tools and technologies through in-house research and development and through cooperation with oilfield service technology companies.

OUTLOOK

The Brent crude oil price rebounded significantly in 2016, from its lowest of about US$28 in January 2016 to about US$57 at the end of December 2016. However, the upward momentum stalled in the first half of 2017 due to general market concern about the anticipated increase in production of shale oil that could result from recently increased drilling activities in North America. The Brent crude oil price fluctuated in the first half of 2017 and then went down to about US$47 at the end of June 2017. Nevertheless, it is widely believed that the recent adjustment in oil price would not alter the medium-term uptrend of the crude oil price in the coming years. According to the market consensus from Bloomberg, Brent crude oil price is estimated to reach US$54.8 a barrel in the fourth quarter of 2017 and to reach US$57.5 a barrel in the fourth quarter of 2018.

In 1H2017, the oilfield service industry started to show a strong rebound in drilling activities in North America, but substantial recovery in other regions of the overseas markets has yet to be reflected. In the China market, the signs of market recovery are mixed. The recent investment in E&P focused mainly on natural gas projects, and the demand for directional drilling and production enhancement services at unconventional gas projects (including shale gas and CBM) were picking up gradually in the past few months. We believe that the increase in demand for the production enhancement and fracturing services from the E&P investments in unconventional gas projects could largely increase the utilisation of the Group's production enhancement capacity in the second half year of 2017.

It is the Group's strategy to expand its business operations in the Middle East. During the period, we further expanded the marketing and sales team of our business operations in the Middle East and relocated a substantial part of the Group's resources (including assets and service capacity) from other regions to the Middle East. Our recent activities to market and promote the Group's technologies, tools and services in the region have yielded encouraging results. Our self-developed technologies and tools (such as turbine drilling tools and completion tools) have been granted pre-qualification approvals by various NOCs in the region and we have been invited to bid for various contracts to provide oilfield services (including turbine drilling, well completion, production enhancement and surface engineering services).

Looking ahead to the second half of 2017, we will continue to put effort into the marketing and promotion of the Group's oilfield services, tools and technologies in the Middle East so as to increase our market penetration in the region, especially the business with the NOCs there. In addition, the Group will continue to focus on the advancement of its oilfield service technologies and tools in order to further enhance our capability to provide high-end oilfield services in mainland China and the overseas markets.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2017** ***HK$'000***	Audited As at 31 December 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**548,369**	605,608
Intangible assets		**306,037**	304,435
Land use right		**10,132**	9,926
Available-for-sale financial asset		**7,421**	7,421
Other receivables, deposits and prepayments		**45,512**	44,975
Deferred tax assets		**4,709**	7,634
		922,180	979,999
Current assets			
Inventories		**154,615**	170,816
Trade receivables	*5*	**396,228**	401,750
Other receivables, deposits and prepayments		**127,325**	83,533
Current income tax recoverable		**3,319**	3,268
Pledged bank deposits		**4,966**	4,234
Restricted bank balance		**5,760**	5,581
Cash and cash equivalents		**10,840**	44,927
		703,053	714,109
Assets classified as held-for-sale		**11,583**	29,400
		714,636	743,509
Total assets		**1,636,816**	1,723,508

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited As at 30 June 2017** ***HK$'000***	Audited As at 31 December 2016 *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,001,073**	2,001,073
Other reserves		**40,612**	15,061
Accumulated losses		**(839,806)**	(782,294)
		1,201,879	1,233,840
Non-controlling interests		**2,417**	2,840
Total equity		**1,204,296**	1,236,680
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*7*	**38,730**	178,030
Deferred tax liabilities		**6,545**	6,360
		45,275	184,390
Current liabilities			
Trade payables	*6*	**142,574**	174,210
Other payables and accruals		**82,934**	109,378
Current income tax liabilities		**1,129**	2,217
Bank and other borrowings	*7*	**160,608**	16,633
		387,245	302,438
Total liabilities		**432,520**	486,828
Total equity and liabilities		**1,636,816**	1,723,508

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue	*4*	**132,382**	266,057
Other income		**937**	1,126
Operating costs			
Material costs		**(57,982)**	(129,054)
Depreciation of property, plant and equipment		**(41,280)**	(49,263)
Amortisation of other intangible assets and land use right		**(823)**	(975)
Operating lease rental		**(3,153)**	(4,934)
Employee benefit expenses		**(52,131)**	(63,703)
Distribution expenses		**(1,972)**	(3,660)
Technical service fees		**(9,307)**	(6,734)
Research and development expenses		**(2,806)**	(2,325)
Entertainment and marketing expenses		**(3,527)**	(3,046)
Provision for impairment of trade receivables, net		**(3,706)**	(498)
Other expenses	*8*	**(15,356)**	(36,017)
Other gains/(losses), net	*9*	**14,434**	(10,460)
Operating loss		**(44,290)**	(43,486)
Finance income		**2**	588
Finance costs		**(10,722)**	(13,569)
Finance costs, net	*10*	**(10,720)**	(12,981)
Share of loss of a joint venture		**–**	(284)
Loss before income tax		**(55,010)**	(56,751)
Income tax expense	*11*	**(2,925)**	(1,313)
Loss for the period		**(57,935)**	(58,064)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Revaluation gain on available-for-sale financial asset		**–**	1,405
Currency translation differences		**19,029**	(675)
Share of other comprehensive loss of a joint venture accounted for under equity method		**–**	(65)
Other comprehensive income for the period, net of tax		**19,029**	665
Total comprehensive loss for the period		**(38,906)**	(57,399)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Unaudited Six months ended 30 June **2017** ***HK$'000***	 2016 *HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(57,512)**	(56,723)
Non-controlling interests		**(423)**	(1,341)
		(57,935)	(58,064)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(38,483)**	(56,067)
Non-controlling interests		**(423)**	(1,332)
		(38,906)	(57,399)
Loss per share attributable to owners of the Company during the period	*12*		
Basic loss per share *(HK cents)*		**(3)**	(4)
Diluted loss per share *(HK cents)*		**(3)**	(4)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in operations		**(25,761)**	(26,068)
Interest paid		**(629)**	(1,893)
Income tax paid		**(1,134)**	(666)
Net cash used in operating activities		**(27,524)**	(28,627)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,196)**	(17,507)
Proceeds from sales of asset held-for-sale		**4,608**	–
Refund of prepayment for land use right		**5,610**	14,003
Refund of prepayment for property, plant and equipment		**–**	23,032
Proceeds from disposal of property, plant and equipment		**–**	1,067
Interest received		**2**	588
Investment in a joint venture		**–**	(5,905)
(Increase)/decrease in pledged bank deposits		**(729)**	50,047
Net cash generated from investing activities		**1,295**	65,325
Cash flows from financing activities			
Proceeds from bank and other borrowings	7	**3,619**	130,617
Repayments of bank and other borrowings		**(11,698)**	(232,757)
Net receipt in advance for rights issue		**–**	123,524
Repayment of advance from related parties		**(392)**	(9,269)
Net cash (used in)/generated from financing activities		**(8,471)**	12,115
Net (decrease)/increase in cash and cash equivalents		**(34,700)**	48,813
Cash and cash equivalents at beginning of period		**44,927**	43,924
Exchange gains/(losses) on cash and cash equivalents		**613**	(3,419)
Cash and cash equivalents at end of period		**10,840**	89,318

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Petro-king Oilfield Services Limited (the "**Company**") was incorporated in 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 ("**B.V.I.**").

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 6 March 2013. This interim condensed consolidated financial information is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

During the period ended 30 June 2017, the Group reported a net loss attributable to owners of approximately HK$57,512,000 and a net operating cash outflow of approximately HK$27,524,000.

As at 30 June 2017, the Group had net current asset of HK$327,391,000 and the Group's cash and cash equivalents was approximately HK$10,840,000. The Group's total borrowings was HK$199,338,000 at 30 June 2017, of which HK$160,608,000 will be due in the coming twelve months.

During the period ended 30 June 2017, the Group completed a number of transactions to reduce its gearing and strengthen the Group's working capital, including, (i) completion of disposal of certain machineries for approximately HK$36,659,000 where HK$19,517,000 has been received at the date of this report; (ii) recovery of prepayment for purchase of a land use right in the People's Republic of China ("**PRC**") of HK$5,610,000; and (iii) completion of disposal of a land use right in the PRC where approximately HK$4,608,000 was received during the period ended 30 June 2017. Furthermore, the Group has implemented measures to contain operating and capital expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 30 June 2017. A number of measures have been put in place by the directors of the Company to further improve the financial position and alleviate the liquidity pressure, as set out below:

(i) The Group continues its efforts to strengthen its working capital position by expediting collection of outstanding trade receivables, diversify its revenue source to new markets, including in the Middle East, to generate cash from new sales or service contracts, and implement measures to further control capital and operating expenditures.

(ii) The Group aims to maintain its gearing at a low level to save borrowing costs and utilise future operating cash flows for repayment of its obligations as and when they fall due.

(iii) The Group has agreed to dispose certain machineries for approximately HK$11,583,000.

(iv) The Group has started to negotiate with various financial institutions or potential inventors and identify options for refinancing the convertible bonds or raising additional finance.

Based on the cash flow projections and taking into account the anticipated cash flows to be generated from the Group's operations as well as the possible changes in its operating performance, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2017. Accordingly, the directors consider that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2016, as described in 2016 annual report.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New accounting standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2018.

		Effective for accounting periods beginning on or after
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

3.2 Impact of standards issued but not yet applied by the Group

(a) IFRS 9, "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL, replacing the incurred loss model in IAS 39, and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to the change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 9. Management is in the process of assessing the impact of the adoption of IFRS 9. Based on management's initial assessment, the adoption of IFRS 9 is not expected to have a material impact of the Group's interim financial information.

(b) *IFRS 15, "Revenue from contracts with customers"*

IFRS 15 replaces the current revenue standards: IFRS 18 "Revenue" and IAS 11 "Construction Contracts", and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much to recognise through a 5-step approach: (1) identify the contract(s) with customer(s); (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations; and (5) recognise revenue when the performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It replaces the current revenue recognition model based on an earnings processes with a new framework based on an asset-liability approach and transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 15. Management is in the process of assessing the impact of the adoption of IFRS 15 by analysing the Group's key revenue streams against the requirements under the new standard, Based on management's initial assessment. the adoption of IFRS 15 is not expected to have a material impact on the Group's interim financial information, other than presenting additional disclosures.

(c) *IFRS 16, "Leases"*

IFRS 16 replaces the current standards related to leases: IAS 17 "Leases" and related interpretations. Under IAS 17, lessees were required to make a distinction between a finance lease (on the combined statements of financial position) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the combined statements of financial position and related ratios (capital adequacy ratio and leverage ratio).

The standard is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

The Group does not plan to early adopt IFRS 16. The directors of the Group do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results, but it is expected that a significant portion of the lease commitment will be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Apart from the aforementioned IFRS 9, IFRS 15 and IFRS 16, the Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards upon initial application but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have any significant impact on its results of operations and financial position.

4 SEGMENT INFORMATION

The Chief Operating Decision Maker ("**CODM**") has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on these reports.

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

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

Revenue recognised during the six months ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Oilfield project tools and services		
– Drilling work	**9,848**	13,186
– Well completion work	**79,934**	187,112
– Production enhancement work	**25,479**	34,405
Total oilfield project tools and services	**115,261**	234,703
Consultancy services	**17,121**	31,354
Total revenue	**132,382**	266,057

The segment information for the six months ended 30 June 2017 and 2016 are as follows:

	Oilfield project tools and services	**Consultancy services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Six months ended 30 June 2017			
Total segment revenue	**115,261**	**17,121**	**132,382**
Inter-segment revenue	**–**	**–**	**–**
Revenue from external customers	**115,261**	**17,121**	**132,382**
Segment results	**(5,191)**	**15,654**	**10,463**
Net unallocated expenses			**(65,473)**
Loss before income tax			**(55,010)**
Other information:			
Amortisation of other intangible assets and land use right	**(679)**	**–**	**(679)**
Depreciation	**(36,412)**	**–**	**(36,412)**
Provision for impairment of trade receivables, net	**(3,706)**	**–**	**(3,706)**

	Oilfield project tools and services *HK$'000*	Consultancy services *HK$'000*	Total *HK$'000*
Six months ended 30 June 2016			
Total segment revenue	234,703	31,354	266,057
Inter-segment revenue	–	–	–
Revenue from external customers	234,703	31,354	266,057
Segment results	28,999	29,296	58,295
Net unallocated expenses			(115,046)
Loss before income tax			(56,751)
Other information:			
Amortisation of other intangible assets and land use right	(825)	–	(825)
Depreciation	(42,636)	–	(42,636)
Provision for impairment of trade receivables, net	(498)	–	(498)

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

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Segment results	**10,463**	58,295
Other income	**937**	1,126
Depreciation of property, plant and equipment	**(4,868)**	(6,627)
Amortisation of other intangible assets	**(144)**	(150)
Operating lease rental	**(1,950)**	(3,190)
Employee benefit expenses	**(43,868)**	(53,504)
Entertainment and marketing expenses	**(2,967)**	(2,974)
Other expenses	**(9,466)**	(26,917)
Other gains/(losses), net	**6,981**	(10,460)
Finance income	**2**	588
Finance costs	**(10,130)**	(12,654)
Share of loss of a joint venture	**–**	(284)
Loss before income tax	**(55,010)**	(56,751)

The segment results included the material costs, technical service fees, depreciation of property, plant and equipment, amortisation of other intangible assets and land use right, distribution expenses, operating lease rental, employee benefit expenses, research and development expenses, entertainment and marketing expenses, provision for impairment of trade receivables, other expenses and finance costs allocated to each operating segment.

5 TRADE RECEIVABLES

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Trade receivables	**805,140**	810,964
Less: provision for impairment of trade receivables	**(408,912)**	(409,214)
Trade receivables – net	**396,228**	401,750

As at 30 June 2017 and 31 December 2016, ageing analysis of gross trade receivables by services completion and delivery date are as follows:

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Up to 3 months	**109,061**	114,372
3 to 6 months	**14,661**	10,691
6 to 12 months	**98,224**	141,507
Over 12 months	**583,194**	544,394
Trade receivables	**805,140**	810,964
Less: provision for impairment of trade receivables	**(408,912)**	(409,214)
Trade receivables – net	**396,228**	401,750

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 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' pattern of settlement on a timely basis.

Certain customers of the Group experienced significant and rapid deterioration in the credit ratings as well as other market parameters which indicated an increase in the credit default risk. Based on the above at period end, management has determined to record a provision for doubtful receivables as at 30 June 2017 amounted to approximately HK$408,912,000 (31 December 2016: HK$409,214,000).

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Opening amount	**409,214**	412,262
Provision for receivables impairment	**6,828**	9,114
Reversal of provision for receivables impairment	**(3,122)**	(8,616)
Write off of provision for receivables impairment	**(8,802)**	(12,272)
Exchange differences	**4,794**	(4,557)
Closing amount	**408,912**	395,931

6 TRADE PAYABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on invoice date are as follows:

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Up to 3 months	**11,851**	25,901
3 to 6 months	**8,002**	8,999
6 to 12 months	**30,826**	3,186
Over 12 months	**91,895**	136,124
	142,574	174,210

7 BANK AND OTHER BORROWINGS

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Non-current		
Bank borrowings *(Note (i))*	**38,730**	37,479
Finance lease liabilities *(Note (ii))*	**–**	2,810
Convertible bonds – liability component *(Note (iii))*	**–**	137,741
	38,730	178,030
Current		
Bank borrowings (including bank overdrafts) *(Note (i))*	**3,633**	3,901
Finance lease liabilities *(Note (ii))*	**5,714**	5,373
Convertible bonds – liability component *(Note (iii))*	**151,261**	7,359
	160,608	16,633
	199,338	194,663

Movements in bank and other borrowings are analysed as follows:

	HK$'000
Six months ended 30 June 2017	
Opening amount	194,663
Proceeds from bank and other borrowings	3,619
Repayments of bank and other borrowings	(5,073)
Convertible bonds-liability component *(Note (iii))*	6,161
Finance lease liabilities	(2,909)
Exchange differences	2,877
Closing amount	199,338
Six months ended 30 June 2016	
Opening amount	384,233
Proceeds from bank and other borrowings	130,617
Repayments of bank and other borrowings	(225,769)
Convertible bonds-liability component *(Note (iii))*	4,914
Finance lease liabilities	(3,052)
Exchange differences	3,770
Closing amount	294,713

(i) Bank borrowings

As at 30 June 2017, banking facilities of approximately HK$42,363,000 (31 December 2016: HK$41,380,000) were granted by a bank to the Group, of which all have been utilised by the Group (31 December 2016: all). The Group does not have undrawn banking facilities (31 December 2016: nil). The facilities are secured by:

(i) corporate guarantee given by the Company; and

(ii) a building of the Group.

(ii) Finance lease liabilities

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at **30 June 2017** *HK$'000*	As at 31 December 2016 *HK$'000*
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**5,902**	5,719
Later than 1 year and no later than 5 years	**–**	2,860
	5,902	8,579
Future finance charges on finance leases	**(188)**	(396)
Present value of finance lease liabilities	**5,714**	8,183
The present value of finance lease liabilities is as follows:		
No later than 1 year	**5,714**	5,373
Later than 1 year and no later than 5 years	**–**	2,810
	5,714	8,183

As at 30 June 2017, finance lease liabilities were secured by certain machineries of the Group amounting to HK$19,603,000 (31 December 2016: HK$18,940,000).

(iii) Convertible bonds

	As at **30 June 2017** *HK$'000*	As at 31 December 2016 *HK$'000*
Convertible bonds	**151,261**	145,100

On 30 March 2015, the Company issued convertible bonds at a par value of HK$157,000,000, bearing interest at the rate of 5% per annum and payable semi-annually in arrears. The net proceeds of the convertible bonds is HK$153,860,000. The maturity date of the convertible bonds will be on 30 March 2018. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$1.39 per conversion share at any period commencing from 6 months after the date of issuance of the convertible bonds 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 convertible bonds.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 13.6% which is based on market interest rates for a number of comparable convertible bonds denominated in US$ and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the net proceeds from the bonds and the fair value of the liability component and is included in other reserves in equity. Subsequently, the liability component is carried at amortised cost.

Adjustment was made to the conversion price from HK$1.39 per conversion share to HK$1.26 per conversion share after the completion of the rights issue on 8 July 2016.

Movements in convertible bonds are analysed as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Opening amount	**145,100**	134,245
Interest expenses	**9,877**	8,850
Interest paid	**(3,716)**	(3,936)
Closing amount	**151,261**	139,159
Less: Non-current convertible bonds – liability component	**–**	(131,800)
Current portion	**151,261**	7,359

8 OTHER EXPENSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**–**	873
– Non-audit services	**–**	650
Communications	**514**	721
Professional service fee	**1,769**	3,061
Motor vehicle expenses	**737**	1,515
Travelling	**3,694**	7,120
Office utilities	**3,989**	6,136
Other tax-related expenses and custom duties *(Note (i))*	**550**	5,596
Provision for impairment of inventories	**–**	3,378
Provision for impairment of property, plant and equipment	**–**	1,237
Provision for impairment of other receivables	**–**	781
Others	**4,103**	4,949
	15,356	36,017

Note (i):

Other tax-related expenses comprise mainly stamp duty and sales tax.

9 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Foreign exchange gains/(losses)	**7,656**	(10,660)
Losses on disposals of property, plant and equipment	**(613)**	(892)
Gains on disposals of assets held-for-sale	**8,066**	–
Write off of property, plant and equipment	**–**	(471)
Others	**(675)**	1,563
	14,434	(10,460)

10 FINANCE COSTS, NET

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest expenses:		
– Bank and other borrowings	**(628)**	(3,871)
– Finance lease liabilities	**(217)**	(401)
– Loans from related parties	**–**	(71)
– Net foreign exchange losses on financing activities	**–**	(376)
– Interest cost for convertible bonds	**(9,877)**	(8,850)
Finance costs	**(10,722)**	(13,569)
Finance income:		
– Interest income from bank deposits	**2**	588
Finance income	**2**	588
Finance costs, net	**(10,720)**	(12,981)

11 INCOME TAX EXPENSE

The Company was incorporated in the B.V.I. and under the current B.V.I. tax regime, is not subject to income tax.

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for PRC subsidiaries of the Group was 25% for the six months ended 30 June 2017 (2016: 25%), based on the relevant PRC tax laws and regulations, except those subsidiaries that were approved by relevant local tax bureau authorities as the High-technological Enterprise, and were entitled to a preferential Enterprise income tax rate of 15% (2016: 15%) during the period. Subsidiaries established in Hong Kong are subject to 16.5% (2016: 16.5%). Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% (2016: 17%) during the period.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current tax		
– PRC enterprise income tax	**–**	1,152
	–	1,152
Over provision in prior years		
– PRC enterprise income tax	**–**	(316)
Deferred tax	**2,925**	477
Income tax expense	**2,925**	1,313

12 LOSS PER SHARE FOR THE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2017	2016
Loss attributable to owners of the Company *(HK$'000)*	**(57,512)**	(56,723)
Weighted average number of ordinary shares in issue *(Number of shares in thousand)*	**1,726,674**	1,360,052
Basic and diluted loss per share *(HK cents)*	**(3)**	(4)

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of shares in issue.

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. The dilutive potential ordinary shares of the Company are share options and the convertible bonds. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

For the period ended 30 June 2017 and 2016, diluted loss per share was the same as basic loss per share since all potential ordinary shares are anti-dilutive as both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds have an anti-dilutive effect to the basic loss per share.

13 DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to HK$132.4 million in 1H2017, which has decreased by HK$133.7 million or 50% as compared to that of HK$266.1 million in the same period of 2016. The decrease in revenue was mainly due to the decline of oilfield project tools and services in the China and the Middle East markets.

Material Costs

In 1H2017, the Group's material costs were approximately HK$58.0 million, which has decreased by HK$71.1 million as compared to that of HK$129.1 million in 1H2016. Such change was in line with the decline of revenue. Material costs representing 44% of the revenue in 1H2017, which is lower than that of 49% in 1H2016.

Depreciation of Property, Plant and Equipment

In 1H2017, the depreciation of property, plant and equipment amounted to HK$41.3 million, which has decreased by HK$8.0 million or 16% as compared to that of HK$49.3 million in 1H2016, primarily resulted from the disposal of service equipment in the second half of 2016 and the first half of 2017.

Employee Benefit Expenses

In 1H2017, the Group's employee benefit expenses were HK$52.1 million, which has dropped by HK$11.6 million or 18% as compared to that of HK$63.7 million in 1H2016. The decrease in employee benefit expenses was mainly resulted from the Group staying in a concise staff structure since adopting the optimising plan in 2015.

Distribution Expenses

In 1H2017, the Group's distribution expenses amounted to HK$2.0 million, which has decreased by HK$1.7 million or 46% from HK$3.7 million in 1H2016. The decrease in distribution expenses was mainly due to the declined business activities in 1H2017.

Technical Service Fees

In 1H2017, the Group's technical service fees amounted to HK$9.3 million, which has increased by HK$2.6 million or 39% from HK$6.7 million in 1H2016, and such increase was mainly due to the Group's purchase of high-quality technical support to improve service quality in the Middle East and China area.

Other Expenses

In 1H2017, the Group's other expenses were HK$15.4 million, which has decreased by HK$20.6 million or 57% from HK$36.0 million in 1H2016, mainly attributable to the decrease of agency fee, travelling and motor vehicle expenses resulting from the implementation of certain cost control measures in the second half of 2016.

Net Finance Costs

In 1H2017, the Group's net finance costs amounted to HK$10.7 million, which has decreased by HK$2.3 million as compared to that of HK$13.0 million in 1H2016. This change was mainly attributable to the repayment of bank and other borrowings.

Income Tax Expense

In 1H2017, the Group's income tax expense amounted to HK$2.9 million, representing an increase of HK$1.6 million or 123% as compared to HK$1.3 million for the same period in 2016, mainly due to the profit in certain subsidiaries.

Loss for the Period

As a result of the foregoing, the Group recorded a loss of HK$57.9 million in 1H2017 as compared to the loss of HK$58.1 million in the same period of 2016.

Loss Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to HK$57.5 million in 1H2017 as compared to the loss of approximately HK$56.7 million in the same period of 2016.

Property, Plant and Equipment

Property, plant and equipment normally include items such as service equipment, buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. As at 30 June 2017, the Group's property, plant and equipment amounted to HK$548.4 million, which has decreased by HK$57.2 million or 9% from HK$605.6 million as at 31 December 2016. The decrease was primarily due to the disposal of certain service equipments to an independent third party earlier this year.

Intangible Assets

As at 30 June 2017, the Group's intangible assets, including goodwill, amounted to HK$306.0 million, representing an increase of HK$1.6 million or 1% from HK$304.4 million as at 31 December 2016, mainly due to the exchange difference from currency appreciation.

Inventories

As at 30 June 2017, the Group's inventories amounted to HK$154.6 million, representing a drop of HK$16.2 million or 9% as compared to that of HK$170.8 million as at 31 December 2016. The average turnover days of inventories increased from 290 days in 1H2016 to 508 days in 1H2017. The increase of inventories turnover days was mainly due to the decline of revenue and material costs in 1H2017.

Trade Receivables

As at 30 June 2017, the Group's trade receivables amounted to HK$396.2 million, representing an decrease of HK$5.6 million or 1% as compared to that of HK$401.8 million as at 31 December 2016. The average turnover days of trade receivables were 546 days in 1H2017, representing a increase of 219 days as compared to 327 days in 1H2016. The increase of turnover days of trade receivables was mainly due to the the decline of revenue in 1H2017.

Trade Payables

As at 30 June 2017, the Group's trade payables were HK$142.6 million, which has decreased by HK$31.6 million or 18% as compared to that of HK$174.2 million as at 31 December 2016. The average turnover days of trade payables has increased from 362 days in 1H2016 to 426 days in 1H2017, representing an increase of 64 days. The increase of trade payables days was mainly due to the declined volume of business.

Liquidity and Capital Resources

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

As at 30 June 2017, the Group's cash and cash equivalents amounted to HK$10.8 million, representing a decrease of HK$34.1 million as compared to HK$44.9 million as at 31 December 2016. The cash and cash equivalents were mainly held in HK$, RMB and US$.

As at 30 June 2017, HK$5.8 million cash was restricted deposits held at bank as reserve under litigation claim (31 December 2016: HK$5.6 million).

As at 30 June 2017, the Group's bank facilities amounted to HK$42.4 million (31 December 2016: HK$41.4 million) were granted by banks to the Group, of which all have been utilised by the Group.

Gearing ratio

As at 30 June 2017, the Group's gearing ratio (calculated as net debt divided by total capital) was 13% (31 December 2016: 10%). Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the condensed consolidated balance sheet) less cash and cash equivalents, pledged bank deposits and restricted bank balance. Total capital is calculated as "equity" as shown in the condensed consolidated balance sheet 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 EUR, 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.

Contractual Obligations

The Group leases various offices, warehouses and land in Singapore under non-cancellable operating lease agreement. The lease terms are between 1 and 29 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group's commitment under operating leases amounted to HK$21.7 million as at 30 June 2017.

Contingent Liabilities

During 2014, a contracting party initiated legal proceedings against the Group alleging a failure to provide stipulated amount of drilling works under the contracts entered in 2012 and 2013 and claimed for a total amount of RMB25.0 million. The case was concluded on 1 June 2015 in which the judgement of the court has been in favour of the Group and has dismissed the claim of the contracting party. The contracting party is in the process of appeal. Based on the final judgement from Henan High People's Court (河南省高級人民法院) on 16 August 2017, the appeal made by the contracting party was dismissed and original judgement as concluded on 1 June 2015 remained no change. As at 30 June 2017, restricted deposits of RMB5.0 million (equivalent to HK$5.8 million) are held at bank as reserve under litigation claim (31 December 2016: equivalent to HK$5.6 million).

Non-current assets held-for-sale

On 22 January 2017, the Group entered into an agreement to transfer the ownership of certain services equipments to independent third parties at a consideration of USD1.5 million (equivalent to approximately HK$11.7 million). The transfer will be completed within one year.

Off-balance Sheet Arrangements

As at 30 June 2017, the Group did not have any off-balance sheet arrangements (31 December 2016: nil).

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**Code Provisions**") set out in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange. During the reporting period, the Company has complied with the Code Provisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during the reporting period.

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2017 (Six months ended 30 June 2016: nil).

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") which composes of three independent non-executive Directors, namely Mr. Leung Lin Cheong (Chairman of the Audit Committee), Mr. Xin Junhe and Mr. Tong Hin Wor. The unaudited interim condensed consolidated financial information has been reviewed by the Audit Committee.

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

Hong Kong, 29 August 2017

As at the date of this announcement, the executive Directors are Mr. Wang Jinlong and Mr. Zhao Jindong; the non-executive Directors are Mr. Ko Po Ming, Mr. Lee Tommy and Ms. Ma Hua; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe.