Petro-king
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PETRO-KING OILFIELD SERVICES LIMITED
百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 ("**1H2021**"), together with comparative figures for the six months ended 30 June 2020 ("**1H2020**").

BUSINESS REVIEW

For 1H2021, the Group recorded a revenue of approximately HK$139.4 million (1H2020: HK$152.0 million), representing a decrease of approximately 8.3% as compared with the turnover for 1H2020. The Group's loss attributable to owners of the Company for 1H2021 was approximately HK$14.3 million (1H2020: HK$13.8 million). Basic loss per share for 1H2021 was approximately HK0.8 cent (1H2020: HK0.8 cent). The Board has resolved not to pay any interim dividend for 1H2021 (1H2020: Nil).

During 1H2021, the Group continued to engage in the provision of oilfield technology and oilfield services covering various stages in the life of oilfields and gas fields including drilling, well completion and production enhancement with ancillary activities in trading and manufacturing of oilfield services related products.

In the domestic market, the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") pandemic and the volatile international oil price in 2020 has resulted in a severe delay in the progress of a shale gas field project in the southwestern region of the People's Republic of China (the "**PRC**" or "**China**") as the customer has slowed down the development of this project in 2021. As a result, the revenue derived from the provision of production enhancement services to this customer significantly decreased in 1H2021. On the other hand, the revenue from the sales of well completion tools in the domestic market has increased in 1H2021 due to the stabilisation of international oil price in 1H2021. Revenue from the provision of drilling services also increased in Northern China.

In the overseas markets, the stabilisation of the international oil price has caused a rebound in the sales of well completion tools. However, the strict traffic control imposed by the overseas governments has cast great difficulties in workforce mobilisation and therefore reduced the operational efficiency and revenue for the Group's oilfield services provided in the Middle East market.

Even though the revenue from (i) the sales of well completion tools in both the domestic and overseas markets and (ii) the provision of drilling services in the domestic market have increased in 1H2021, the significant decrease in revenue derived from the provision of production enhancement services has severely affected the profitability of the Group in 1H2021 and the loss attributable to owners of the Company has been widened in 1H2021.

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (the "**Star Petrotech Disposal**"), (ii) the capital contribution of RMB41 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**") (the "**Capital Increases**"), and (iii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates (the "**PK Huizhou Connected Disposal**") (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 of the Company at an extraordinary general meeting held on 1 February 2021. The Star Petrotech Disposal, the Capital Increases and the PK Huizhou Connected Disposal was completed on 10 February 2021, 29 March 2021 and 23 June 2021, respectively. After the completion of the PK Huizhou Transactions, Star Petrotech has become a wholly-owned subsidiary of PK Huizhou, and the Group's equity interest in PK Huizhou was reduced to approximately 38.60%. PK Huizhou and its subsidiaries, including Star Petrotech, ceased to be subsidiaries of the Company, and PK Huizhou is accounted for as interest in an associate. The Group has recorded gain on disposal of approximately HK$23.5 million in relation to the PK Huizhou Transactions.

GEOGRAPHICAL MARKET ANALYSIS

	1H2021 *(HK$ million)*	1H2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2021** *(%)*	Approximate percentage of total revenue in 1H2020 *(%)*
China market	**104.8**	120.3	-12.9%	**75.2%**	79.1%
Overseas markets	**34.6**	31.7	9.1%	**24.8%**	20.9%
Total	**139.4**	152.0	-8.3%	**100%**	100%

The Group's revenue from the China market decreased by approximately HK$15.5 million or approximately 12.9% to approximately HK$104.8 million in 1H2021 from approximately HK$120.3 million in 1H2020. Revenue from the provision of production enhancement services has significantly decreased in 1H2021, even though the revenue from the sale of well completion tools and the provision of drilling services has increased in 1H2021.

The Group's revenue from the overseas markets increased by approximately HK$2.9 million or approximately 9.1% to approximately HK$34.6 million in 1H2021 from approximately HK$31.7 million in 1H2020. The increase in revenue in the overseas markets was mainly attributable to the increase in the sales of well completion tools to other overseas regions.

REVENUE FROM THE CHINA MARKET

	1H2021 *(HK$ million)*	1H2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the China market in 1H2021** *(%)*	Approximate percentage of total revenue from the China market in 1H2020 *(%)*
Northern China	**50.7**	33.9	49.6%	**48.4%**	28.2%
Southwestern China	**4.9**	58.1	-91.6%	**4.7%**	48.3%
Northwestern China	**7.6**	8.8	-13.6%	**7.2%**	7.3%
Other regions in China	**41.6**	19.5	113.3%	**39.7%**	16.2%
Total	**104.8**	120.3	-12.9%	**100%**	100%

In 1H2021, the Group's revenue from Northern China amounted to approximately HK$50.7 million, which increased by approximately HK$16.8 million or approximately 49.6% from approximately HK$33.9 million in 1H2020. The increase was mainly attributable to the increase in the sales of tools and accessories for underground gas storage facilities, the increase in drilling services provided and the increased sales of production enhancement tools to the customers in Northern China.

The revenue from Southwestern China amounted to approximately HK$4.9 million in 1H2021, which decreased by approximately HK$53.2 million or approximately 91.6% from approximately HK$58.1 million in 1H2020. The decrease was mainly attributable to the decrease in fracturing services provided to a customer in Southwestern China as this customer has slowed down the development of its shale gas field project in 2021.

The revenue from Northwestern China amounted to approximately HK$7.6 million in 1H2021, which decreased by approximately HK$1.2 million or approximately 13.6% from approximately HK$8.8 million in 1H2020. The decrease was mainly attributable to the decreased sales of production enhancement tools to a customer in Northwestern China.

The revenue from other regions in China amounted to approximately HK$41.6 million in 1H2021, which increased by approximately HK$22.1 million or approximately 113.3% from approximately HK$19.5 million in 1H2020. The increase was mainly due to the increase in the sales of well completion tools in other regions in China.

REVENUE FROM THE OVERSEAS MARKETS

	1H2021	1H2020	Approximate percentage change	**Approximate percentage of total revenue from the overseas markets in 1H2021**	Approximate percentage of total revenue from the overseas markets in 1H2020
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
The Middle East	**21.4**	21.1	1.4%	**61.8%**	66.6%
Others	**13.2**	10.6	24.5%	**38.2%**	33.4%
Total	**34.6**	31.7	9.1%	**100%**	100%

The revenue from the Group's business operations in the Middle East amounted to approximately HK$21.4 million in 1H2021, which increased by approximately HK$0.3 million or approximately 1.4% from approximately HK$21.1 million in 1H2020. The increase in the sales of well completion tools in the Middle East was mostly offset by the decrease in the oilfield services provided to a customer in the same region.

The revenue from other overseas regions amounted to approximately HK$13.2 million in 1H2021, which increased by approximately HK$2.6 million or approximately 24.5% from approximately HK$10.6 million in 1H2020. This increase was mainly attributable to the increase in the sales of well completion tools in other overseas regions.

BUSINESS SEGMENT ANALYSIS

	1H2021 *(HK$ million)*	1H2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2021** ***(%)***	Approximate percentage of total revenue in 1H2020 *(%)*
Oilfield project tools and services	**118.2**	127.5	-7.3%	**84.8%**	83.9%
Consultancy services	**14.5**	20.9	-30.6%	**10.4%**	13.8%
Others *(Note)*	**6.7**	3.6	86.1%	**4.8%**	2.3%
Total	**139.4**	152.0	-8.3%	**100%**	100%

Note:

This represents the other revenue streams of the Group including the 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 1H2021, the Group's revenue from the provision of oilfield project tools and services amounted to approximately HK$118.2 million, which decreased by approximately HK$9.3 million or approximately 7.3% from approximately HK$127.5 million in 1H2020. The revenue from the provision of production enhancement services in China has decreased significantly, which was partly offset by the increase in the sales of well completion tools in the China market and overseas markets and the increase in the provision of drilling services in the China market.

The Group's revenue from consultancy services amounted to approximately HK$14.5 million in 1H2021, which decreased by approximately HK$6.4 million or approximately 30.6% from approximately HK$20.9 million in 1H2020. The revenue decreased mainly because of the decrease in the integrated project management services provided in other regions in China and the decrease in the supervisory services provided in the Middle East.

Oilfield Projects Tools and Services

	1H2021 *(HK$ million)*	1H2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from oilfield project tools and services in 1H2021** *(%)*	Approximate percentage of total revenue from oilfield project tools and services in 1H2020 *(%)*
Drilling	**20.2**	12.0	68.3%	**17.1%**	9.4%
Well completion	**65.0**	23.7	174.3%	**55.0%**	18.6%
Production enhancement	**33.0**	91.8	-64.1%	**27.9%**	72.0%
Total	**118.2**	127.5	-7.3%	**100%**	100%

Drilling

The Group's revenue from drilling amounted to approximately HK$20.2 million in 1H2021, which increased by approximately HK$8.2 million or approximately 68.3% from approximately HK$12.0 million in 1H2020. The increase was mainly due to the increase in the provision of drilling services in Northern China.

Well Completion

In 1H2021, the Group's revenue from well completion amounted to approximately HK$65.0 million, which increased by approximately HK$41.3 million or approximately 174.3% from approximately HK$23.7 million in 1H2020. The increase was mainly due to the increase in the sales of well completion tools in the China market and the overseas markets.

Production Enhancement

In 1H2021, the Group's revenue from production enhancement amounted to approximately HK$33.0 million, which decreased by approximately HK$58.8 million or approximately 64.1% from approximately HK$91.8 million in 1H2020. The decrease was mainly due to the decrease in the provision of production enhancement services and fracturing services in the China market.

CUSTOMER ANALYSIS

Customer	**1H2021** *(HK$ million)*	1H2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2021** *(%)*	Approximate percentage of total revenue in 1H2020 *(%)*
Customer 1	**40.3**	80.8	-50.1%	**28.9%**	53.2%
Customer 2	**21.0**	16.6	26.5%	**15.0%**	10.9%
Customer 3	**15.3**	–	N/A	**11.0%**	0.0%
Customer 4	**11.3**	14.5	22.1%	**8.1%**	9.5%
Customer 5	**8.6**	5.3	62.3%	**6.2%**	3.5%
Customer 6	**6.7**	2.1	219.0%	**4.8%**	1.4%
Customer 7	**4.3**	–	N/A	**3.1%**	0.0%
Customer 8	**4.0**	–	N/A	**2.9%**	0.0%
Other customers	**27.9**	32.7	-14.7%	**20.0%**	21.5%
Total	**139.4**	152.0	-8.3%	**100%**	100%

Revenue from Customer 1 amounted to approximately HK$40.3 million, which decreased by approximately HK$40.5 million or approximately 50.1% from approximately HK$80.8 million in 1H2020. This decrease was mainly attributable to the decrease in fracturing services provided to this customer in Southwestern China. Revenue from Customer 2 amounted to approximately HK$21.0 million, which increased by approximately HK$4.4 million or approximately 26.5% from approximately HK$16.6 million in 1H2020. The increase was mainly related to the increase in the sales of production enhancement tools in Northern China. Revenue from Customer 3 amounted to approximately HK$15.3 million and such revenue was generated from the sales of well completion tools in other regions in China. Revenue from Customer 4 decreased by approximately HK$3.2 million or approximately 22.1% from approximately HK$14.5 million in 1H2020 to approximately HK$11.3 million in 1H2021. Such decrease in revenue was mainly due to the decrease in the integrated project management and oilfield services provided in the Middle East market. Revenue from Customer 5 increased by approximately HK$3.3 million or approximately 62.3%, from approximately HK$5.3 million in 1H2020 to approximately HK$8.6 million in 1H2021. This increase was mainly attributable to the increase in the sales of well completion tools to this customer in other overseas markets. Revenue from Customer 6 increased by approximately HK$4.6 million or approximately 219.0%, from approximately HK$2.1 million in 1H2020 to approximately HK$6.7 million in 1H2021. This increase was mainly attributable to the increase in the sales of well completion tools to this customer in other regions in China. Revenue from Customer 7 amounted to approximately HK$4.3 million and such revenue was generated from the sales of well completion tools in the Middle East market. Revenue from Customer 8 amounted to approximately HK$4.0 million and such revenue was generated from the sales of parts and accessories for medical equipment in other regions in China. Revenue from other customers amounted to approximately HK$27.9 million in 1H2021, which decreased by approximately HK$4.8 million or approximately 14.7% from approximately HK$32.7 million in 1H2020. Such decrease was mainly due to the decrease in the sales of well completion tools and production enhancement tools to other customers in the China market and the decrease in the provision of drilling services to other customers in the China 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 that detail requirements on compensation, termination, 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 for a series of training courses that cover technical update of drilling and completion technology, blast management, 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 has arranged 93 trainings consisting of more than 3,868 hours in total and 278 employees have attended these training programs in 1H2021. Besides, the Company has implemented a talents selection system to expand the promotion channel for staff in order to realise a win-win situation for both the Company and employees.

To cope with the development trend of the industry, the Group streamlined the organisation structure and the cost structure of all service lines as well as the supporting departments. The Company paid high attention to talent introduction and has recruited some international experts who are good at market development as well. The total headcount was 378 employees as at 30 June 2021, representing a decrease of approximately 4.3% as compared with that of 395 employees as at 31 December 2020.

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 services lines, such as turbine-drilling, directional drilling, multistage fracturing, downhole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid.

The Group pays great attention to the registration of patents and always encourages application for patents to protect its intellectual property. As at 30 June 2021, the Group had 8 utility model patents and 5 innovation patents and was in the process of applying for 1 utility model patents and 8 innovation patents.

In order to maintain its leading position in the high-end oilfield services sector, the Group will continue its efforts in developing oilfield services tools and technologies through in-house research and development and through cooperation with oilfield services technology companies.

OUTLOOK

In 1H2021, the Brent crude oil price has continued to rebound from approximately US$51/barrel in January 2021 to approximately US$75/barrel in June 2021. The rebound in international oil price has resulted in the increases in the Group's sales of well completion tools and the provision of drilling services. While the slowdown of the development of the shale gas field project by a customer in Southwestern China has severely affected the Group's production enhancement business, the overall operation of the Group will continue to be difficult for the rest of 2021.

Following the completion of the PK Huizhou Transactions, the Group will focus its resources and management efforts on the business of provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfield and gas fields, with auxiliary activities in the trading of oilfield and gas field related products. Looking ahead to the second half of 2021, the Group will put efforts into the seeking of alternative customers for the Group's production enhancement business in order to diversify its reliance on certain customers. Going forward, the Group will seek to explore other investment opportunities in the oil and gas industries and/or the new energy industries or other projects that have earning potentials in order to expand its existing operations and to diversify its business.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2021 *HK$'000*	 2020 *HK$'000*
Revenue	*4*	**139,415**	151,950
Other income		**1,115**	–
Operating costs			
Material costs		**(28,884)**	(29,456)
Depreciation of property, plant and equipment		**(25,714)**	(25,803)
Depreciation of right-of-use assets		**(5,497)**	(3,767)
Amortisation of intangible assets		**(74)**	(35)
Expenses related to short-term leases		**(3,143)**	(1,443)
Employee benefit expenses		**(39,409)**	(41,399)
Distribution expenses		**(2,853)**	(2,223)
Technical service fees		**(24,079)**	(22,494)
Research and development expenses		**(7,840)**	(4,020)
Entertainment and marketing expenses		**(5,528)**	(1,894)
Net (impairment loss)/reversal of impairment on financial assets		**(797)**	251
Net reversal of impairment/(impairment loss) on contract assets		**234**	(782)
Provision for inventories losses		**(3,318)**	(3,462)
Write-off of inventories		**–**	(1,212)
Other expenses		**(15,591)**	(17,067)
Other gains/(losses), net	*5*	**27,439**	3,111
Operating profit		**5,476**	255
Finance income		**343**	41
Finance costs		**(10,959)**	(12,089)
Finance costs, net	*6*	**(10,616)**	(12,048)
Share of result of an associate		**(48)**	(37)
Loss before income tax		**(5,188)**	(11,830)
Income tax expense	*7*	**(3,006)**	(1,032)
Loss for the period		**(8,194)**	(12,862)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**11,421**	(12,394)
Release of translation reserve upon disposal of subsidiaries		**1,171**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Unaudited Six months ended 30 June **2021** ***HK$'000***	 2020 *HK$'000*
Other comprehensive income for the period, net of tax		**12,592**	(12,394)
Total comprehensive income for the period		**4,398**	(25,256)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(14,266)**	(13,829)
Non-controlling interests		**6,072**	967
		(8,194)	(12,862)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(5,435)**	(26,223)
Non-controlling interests		**9,833**	967
		4,398	(25,256)
Loss per share for loss attributable to the ordinary equity holders of the Company:	*8*		
Basic loss per share *(HK cents)*		**(0.8)**	(0.8)
Diluted loss per share *(HK cents)*		**(0.8)**	(0.8)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2021** *HK$'000*	Audited 31 December 2020 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**176,799**	332,379
Intangible assets		**95,456**	95,714
Right-of-use assets	*10*	**2,036**	33,518
Financial asset at fair value through profit or loss		**8,387**	8,360
Investment in an associate		**61,131**	1,388
Other receivables, deposits and prepayments	*11*	**63,762**	22,294
		407,571	493,653
Current assets			
Inventories		**22,627**	58,911
Trade receivables	*12*	**231,857**	240,844
Contract assets		**76,813**	118,468
Other receivables, deposits and prepayments	*11*	**89,002**	74,004
Pledged bank deposits		**956**	3,256
Cash and cash equivalents		**20,151**	29,553
		441,406	525,036
Current liabilities			
Trade payables	*13*	**131,203**	172,856
Other payables and accruals		**70,794**	131,095
Contract liabilities		**5,273**	8,694
Lease liabilities		**1,754**	10,152
Bank and other borrowings		**246,571**	235,731
Current tax liabilities		**3,000**	–
		458,595	558,528
Net current liabilities		**(17,189)**	(33,492)
Total assets less current liabilities		**390,382**	460,161

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Unaudited 30 June 2021 *HK$'000*	Audited 31 December 2020 *HK$'000*
Non-current liabilities		
Bank and other borrowings	**38,599**	91,496
Lease liabilities	**290**	14,003
Deferred tax liabilities	**–**	246
	38,889	105,745
NET ASSETS	**351,493**	354,416
EQUITY		
Share capital	**2,001,073**	2,001,073
Other reserves	**66,462**	38,319
Accumulated losses	**(1,721,759)**	(1,707,493)
	345,776	331,899
Non-controlling interests	**5,717**	22,517
TOTAL EQUITY	**351,493**	354,416

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Petro-king Oilfield Services Limited (the "**Company**") was incorporated in the British Virgin Islands on 7 September 2007 as an exempted company with limited liability. The address of the Company's registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands ("**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 had 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 2021 has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, "Interim financial reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and any public announcements made by the Group during the interim reporting period. Certain comparative figures have been reclassified to conform with current year presentation.

During the period ended 30 June 2021, the Group reported a net loss of approximately HK$8,194,000. As at the same date, the Group had net current liabilities of approximately HK$17,189,000 and total bank and other borrowings of approximately HK$246,571,000 that are due within twelve months from the date of the condensed consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$20,151,000 only.

The above 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 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) The Group has entered into various borrowing facilities agreements with a bank located in the PRC with an aggregate amount of approximately RMB60,000,000 (equivalent to approximately HK$72,100,000), secured by the trade receivables of a production enhancement project in the PRC (the "**Project**"). 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 has unutilised banking facilities of approximately RMB26,000,000 (equivalent to approximately HK$31,200,000) as at the date of this announcement. The Group is also actively negotiating with the bank for additional financing for the general working capital needs of the Group.

(b) On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (the "**Star Petrotech Disposal**"), (ii) the capital contribution of RMB41 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**") (the "**Capital Increases**"), and (iii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates (the "**PK Huizhou Connected Disposal**") (collectively referred to as the "**PK Huizhou Transactions**"). The Star Petrotech Disposal, the Capital Increases and the PK Huizhou Connected Disposal was completed on 10 February 2021, 29 March 2021 and 23 June 2021, respectively. The Group has received total net proceeds of approximately HK$76,400,000 in respect of the PK Huizhou Transactions. The Company has utilised such net proceeds for the repayment of the Group's debt obligations and used for general working capital purposes.

(c) On 25 August 2021, the Group has entered into a loan agreement with a shareholder, pursuant to which the shareholder has granted a RMB30,000,000 revolving facility (the "**Shareholder Loan**") to the Group for a term of 24 months from the date of drawdown. Such facility is unsecured and bears interest at 8% per annum. As at the date of this announcement, the Group has not utilised this loan facility.

(d) On 25 August 2021, the Group has entered into loan facility agreements with two independent lenders, pursuant to which these two lenders has granted loan facilities with an aggregate amount of RMB20,000,000 to the Group. The Group can draw down the loan on or before 31 December 2023 and any outstanding loan amounts will be repayable on or before 31 December 2024. Such loan facilities are secured by certain machineries and equipment of the Group and bear interest at 8% per annum. Such loan facilities have not yet been drawn down by the Group as at the date of this announcement.

(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 30 June 2021. 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 30 June 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020.

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

In the current period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2021.

The adoption of the new and revised IFRSs has no material impact on the Group's interim condensed consolidated financial statements.

In addition, the Group has early adopted COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16) ahead of its effective date and applied the amendment from 1 January 2021. The adoption of this amendment does not have a material impact to the Group's results of operations or financial position.

4 REVENUE AND SEGMENT INFORMATION

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

(a) Revenue

Revenue recognised for the six months ended 30 June 2021 and 2020 are as follows:

	Unaudited Six months ended 30 June **2021** ***HK$'000***	 2020 *HK$'000*
Oilfield project tools and services		
– Drilling work	**20,188**	12,010
– Well completion work	**65,054**	23,658
– Production enhancement work	**32,954**	91,800
Total oilfield project tools and services	**118,196**	127,468
Consultancy services		
– Integrated project management services	**2,195**	5,995
– Supervisory services	**12,348**	14,899
Total consultancy services	**14,543**	20,894
Others *(Note)*	**6,676**	3,588
Total revenue	**139,415**	151,950
Timing of revenue recognition		
At a point in time	**88,970**	50,878
Over time	**50,445**	101,072
	139,415	151,950

Note:

This represents the other revenue stream 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.

(b) **Segment results**

The segment information for the six months ended 30 June 2021 and 2020 are as follows:

	Unaudited			
	Oilfield project tools and services *HK$'000*	**Consultancy services** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2021				
Total segment revenue	**118,196**	**14,543**	**6,676**	**139,415**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**118,196**	**14,543**	**6,676**	**139,415**
Segment results	**4,978**	**4,826**	**(1,523)**	**8,281**
Net unallocated expenses				**(13,469)**
Loss before income tax				**(5,188)**
Other information:				
Amortisation of intangible assets	**(74)**	**–**	**–**	**(74)**
Depreciation of property, plant and equipment	**(20,120)**	**–**	**–**	**(20,120)**
Depreciation of right-of-use assets	**(4,421)**	**–**	**–**	**(4,421)**
Net impairment loss on financial assets	**(797)**	**–**	**–**	**(797)**
Net reversal of impairment on contract assets	**234**	**–**	**–**	**234**
Provision for inventories losses	**(3,318)**	**–**	**–**	**(3,318)**
Gain on disposal of subsidiaries	**23,497**	**–**	**–**	**23,497**
Finance costs, net	**(4,837)**	**–**	**–**	**(4,837)**

	Unaudited			
	Oilfield project tools and services *HK$'000*	Consultancy services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Six months ended 30 June 2020				
Total segment revenue	127,468	20,894	3,588	151,950
Inter-segment revenue	–	–	–	–
Revenue from external customers	127,468	20,894	3,588	151,950
Segment results	25,292	13,787	2	39,081
Net unallocated expenses				(50,911)
Loss before income tax				(11,830)
Other information:				
Amortisation of intangible assets	(35)	–	–	(35)
Depreciation of property, plant and equipment	(22,501)	–	–	(22,501)
Depreciation of right-of-use assets	(1,394)	–	(1,348)	(2,742)
Net reversal of impairment on financial assets	251	–	–	251
Net impairment loss on contract assets	(782)	–	–	(782)
Provision for inventories losses	(3,462)	–	–	(3,462)
Write-off of inventories	(1,212)	–	–	(1,212)
Finance costs	(3,431)	–	(123)	(3,554)

Measurement of profit and loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. 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:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Segment results	**8,281**	39,081
Other income	**1,115**	–
Depreciation of property, plant and equipment	**(5,594)**	(3,302)
Depreciation of right-of-use assets	**(1,076)**	(1,025)
Expenses related to short-term leases	**–**	(1,311)
Employee benefit expenses	**(2,101)**	(24,654)
Entertainment and marketing expenses	**(1,018)**	(1,300)
Other expenses	**(2,910)**	(13,899)
Other gains/(losses), net	**3,942**	3,111
Finance income	**246**	41
Finance costs	**(6,025)**	(8,535)
Share of result of an associate	**(48)**	(37)
Loss before income tax	**(5,188)**	(11,830)

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

5 OTHER GAINS/(LOSSES), NET

	Unaudited Six months ended 30 June 2021 HK$'000	2020 HK$'000
Foreign exchange (losses)/gains, net	**(672)**	1,165
(Losses)/gains on disposals of property, plant and equipment	**(351)**	410
Government grant	**544**	1,892
Gain on disposal of subsidiaries *(Note 14)*	**23,497**	–
Others	**4,421**	(356)
	27,439	3,111

6 FINANCE COSTS, NET

	Unaudited Six months ended 30 June 2021 HK$'000	2020 HK$'000
Interest expenses:		
– Bank and other borrowings (excluding convertible bonds)	**(9,749)**	(10,339)
– Lease liabilities	**(81)**	(482)
– 2020 Bonds	**(1,129)**	–
– Convertible bonds	**–**	(1,268)
Finance costs	**(10,959)**	(12,089)
Finance income:		
– Interest income from bank deposits	**343**	41
Finance income	**343**	41
Finance costs, net	**(10,616)**	(12,048)

7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2021 HK$'000	2020 HK$'000
Current tax	**3,006**	1,032
Deferred tax	**–**	–
Income tax expense	**3,006**	1,032

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

	Unaudited Six months ended 30 June	
	2021	2020
Loss attributable to owners of the Company *(HK$'000)*	**(14,266)**	(13,829)
Weighted average number of ordinary shares in issue *(Number of shares in thousand)*	**1,726,674**	1,726,674
Basic and diluted loss per share *(HK cents)*	**(0.8)**	(0.8)

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

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.

For the respective period ended 30 June 2021 and 30 June 2020, 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 warrants (30 June 2020: share options, warrants and conversion of convertible bonds) have an anti-dilutive effect to the basic loss per share.

9 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment *HK$'000*
Six months ended 30 June 2021	
Net book value	
Opening amount as at 1 January 2021	**332,379**
Additions	**1,051**
Depreciation and amortisation	**(25,714)**
Disposals	**(12,709)**
Disposal of subsidiaries *(Note 14)*	**(120,296)**
Exchange differences	**2,088**
Closing amount as at 30 June 2021	**176,799**
Six months ended 30 June 2020	
Net book value	
Opening amount as at 1 January 2020	357,679
Additions	11,868
Depreciation and amortisation	(25,803)
Disposals	(83)
Exchange differences	(8,007)
Closing amount as at 30 June 2020	335,654

10 RIGHT-OF-USE ASSETS

During the period ended 30 June 2021, the Group has no addition on right-of-use assets (30 June 2020: HK$24,084,000). During the period ended 30 June 2021, right-of-use assets with a net book value of approximately HK$26,411,000 (Note 14) were disposed through disposal of subsidiaries (30 June 2020: Nil).

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2021, amounts of approximately HK$44,553,000 (31 December 2020: Nil) and HK$15,632,000 (31 December 2020: Nil) due from an associate have been included in the non-current portion and current portion of the balances of other receivables, deposits and prepayments, respectively.

12 TRADE RECEIVABLES

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Trade receivables	**239,615**	250,080
Less: provision for impairment of trade receivables	**(7,758)**	(9,236)
Trade receivables, net	**231,857**	240,844

As at 30 June 2021 and 31 December 2020, ageing analysis of gross trade receivables by services completion and delivery date are as follows:

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Up to 3 months	**71,840**	140,170
3 to 6 months	**24,610**	29,683
6 to 12 months	**133,865**	69,653
Over 12 months	**9,300**	10,574
Trade receivables	**239,615**	250,080
Less: provision for impairment of trade receivables	**(7,758)**	(9,236)
Trade receivables, net	**231,857**	240,844

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.

13 TRADE PAYABLES

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Up to 3 months	**55,048**	78,810
3 to 6 months	**17,116**	48,646
6 to 12 months	**34,101**	8,373
Over 12 months	**24,938**	37,027
	131,203	172,856

14 DISPOSAL OF SUBSIDIARIES

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) Star Petrotech Disposal, (ii) Capital Increases, and (iii) PK Huizhou Connected Disposal (collectively, the "**PK Huizhou Transactions**" as defined previously). For details, please refer to the Company's announcements dated 15 November 2020 and 24 June 2021 respectively and Company's circular dated 12 January 2021.

The completion of the Star Petrotech Disposal took place on 10 February 2021, the completion of the Capital Increases took place on 29 March 2021 and the completion of the PK Huizhou Connected Disposal took place on 23 June 2021. Upon the completion of the PK Huizhou Transactions, both PK Huizhou and Star Petrotech became associates with 38.5965% effective equity interest held by the Group.

The net assets of PK Huizhou at the date of disposal were as follow:

	HK$'000
Property, plant and equipment *(Note 9)*	**120,296**
Intangible assets	**1,699**
Right-of-use assets *(Note 10)*	**26,411**
Investment in an associate	**1,381**
Inventories	**46,364**
Trade receivables	**50,493**
Other receivables, deposits and prepayments	**16,034**
Cash and cash equivalents	**4,991**
Trade payables	**(21,798)**
Other payables and accruals	**(71,033)**
Contract liabilities	**(1,400)**
Lease liabilities	**(16,477)**
Bank and other borrowings	**(37,435)**
Deferred tax liabilities	**(403)**
Net assets disposal of	**119,123**
Release of non-controlling interests	**(52,567)**
Release of translation reserve	**1,171**
	67,727
Fair value of retained interests which became investment in an associate	**(61,179)**
Gain on disposal of subsidiaries *(Note 5)*	**23,497**
Cash consideration	**30,045**

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately HK$139.4 million in 1H2021, which has decreased by approximately HK$12.6 million or approximately 8.3% as compared with that of approximately HK$152.0 million in 1H2020. The decrease in revenue was mainly due to the decrease in the provision of production enhancement services in China, which was partly offset by the increase in the sales of well completion tools in China and overseas markets and the increase in the provision of drilling services in the China market.

Material Costs

In 1H2021, the Group's material costs were approximately HK$28.9 million, which has decreased by approximately 2.0% or approximately HK$0.6 million as compared with that of approximately HK$29.5 million in 1H2020. Material costs accounted for approximately 20.7% of the revenue in 1H2021, which was higher than that of approximately 19.4% in 1H2020. As the percentage of the Group's revenue generated from the sales of well completion tools to the total revenue increased from approximately 15.6% in 1H2020 to approximately 46.7% in 1H2021 and the production of well completion tools utilised more materials than other projects, overall material costs as a percentage of revenue increased in 1H2021.

Depreciation of Property, Plant and Equipment

In 1H2021, the depreciation of property, plant and equipment amounted to approximately HK$25.7 million, which has decreased by approximately HK$0.1 million or approximately 0.4% as compared with that of approximately HK$25.8 million in 1H2020.

Employee Benefit Expenses

In 1H2021, the Group's employee benefit expenses were approximately HK$39.4 million, which has decreased by approximately HK$2.0 million or approximately 4.8% as compared with that of approximately HK$41.4 million in 1H2020. Such decrease was mainly resulted from the decrease in employee headcount and cost control measures implemented by the Group.

Distribution Expenses

In 1H2021, the Group's distribution expenses amounted to approximately HK$2.9 million, which has increased by approximately HK$0.7 million or approximately 31.8% from approximately HK$2.2 million in 1H2020. The increase in distribution expenses mainly resulted from the increase in the sales of well completion tools in 1H2021.

Technical Service Fees

In 1H2021, the Group's technical service fees amounted to approximately HK$24.1 million, which has increased by approximately HK$1.6 million or approximately 7.1% from approximately HK$22.5 million in 1H2020. Technical service fees increased as the Group has utilised more external technical services for certain drilling projects in Northern China.

Research and Development Expenses

In 1H2021, the Group's research and development expenses amounted to approximately HK$7.8 million, which has increased by approximately HK$3.8 million or approximately 95.0% from approximately HK$4.0 million in 1H2020. Research and development expenses increased as the Group has undertaken more research and development activities for its well completion tools products in 1H2021.

Entertainment and Marketing Expenses

In 1H2021, the Group's entertainment and marketing expenses amounted to approximately HK$5.5 million, which has increased by approximately HK$3.6 million or approximately 189.5% from approximately HK$1.9 million in 1H2020. The increase in entertainment and marketing expenses was mainly resulted from the resumption of marketing activities in 1H2021 as the impact of the COVID-19 pandemic has faded out in the PRC.

Provision for Inventories Losses/Write-off of Inventories

For 1H2021, the aggregate provision for inventories losses and write-off of inventories amounted to approximately HK$3.3 million (1H2020: HK$4.7 million). The provision for inventories losses and write-off of inventories in 1H2021 was mainly related to certain obsolete drilling tools and accessories with no future plan of usage.

Other Expenses

In 1H2021, the Group's other expenses were approximately HK$15.6 million, which has decreased by approximately HK$1.5 million or approximately 8.8% from approximately HK$17.1 million in 1H2020. Other expenses mainly include legal and professional fees, travelling expenses and safety expenses.

Other Gains/(Losses), Net

Other gains/(losses), net increased by approximately HK$24.3 million from approximately HK$3.1 million in 1H2020 to approximately HK$27.4 million in 1H2021. The increase was mainly resulted from the gain on disposal of subsidiaries of approximately HK$23.5 million in relation to the PK Huizhou Transactions in 1H2021.

Operating Profit

In 1H2021, the Group has recorded an operating profit of approximately HK$5.5 million (1H2020: HK$0.3 million). Such increase in operating profit was mainly due to the gain on disposal of PK Huizhou and its subsidiaries in 1H2021, partly offset by the drop in profits generated from the provision of production enhancement services in 1H2021.

Net Finance Costs

In 1H2021, the Group's net finance costs amounted to approximately HK$10.6 million, which has decreased by approximately HK$1.4 million or approximately 11.7% as compared with that of approximately HK$12.0 million in 1H2020. The decrease in net finance costs was due to the decrease in the level of borrowings of the Group in 1H2021.

Income Tax Expense

In 1H2021, the Group's income tax expense amounted to approximately HK$3.0 million as compared with that of approximately HK$1.0 million in 1H2020. The increase in income tax expense was mainly related to the completion of the PK Huizhou Transactions in 1H2021.

Loss for the Period

As a result of the foregoing, the Group recorded a loss of approximately HK$8.2 million in 1H2021 as compared with a loss of approximately HK$12.9 million in 1H2020.

Loss for the Period Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to approximately HK$14.3 million in 1H2021 as compared with a loss attributable to owners of the Company of approximately HK$13.8 million in 1H2020.

Property, Plant and Equipment

Property, plant and equipment include items such as service equipment, buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 30 June 2021, the Group's property, plant and equipment amounted to approximately HK$176.8 million, which has decreased by approximately HK$155.6 million or approximately 46.8% from approximately HK$332.4 million as at 31 December 2020. The decrease was primarily due to the disposal of PK Huizhou and its subsidiaries during 1H2021.

Intangible Assets

As at 30 June 2021, the Group's intangible assets, including goodwill, amounted to approximately HK$95.5 million, which was almost the same as the balance as at 31 December 2020.

Right-of-use Assets

As at 30 June 2021, the Group's right-of-use assets amounted to approximately HK$2.0 million, representing a decrease of approximately HK$31.5 million or approximately 94.0% as compared with that of approximately HK$33.5 million as at 31 December 2020. The decrease in right-of-use assets was primarily due to the disposal of PK Huizhou and its subsidiaries during 1H2021.

Investment in an Associate

As at 30 June 2021, the Group's investment in an associate amounted to approximately HK$61.1 million, representing an increase of approximately HK$59.7 million as compared with that of approximately HK$1.4 million as at 31 December 2020. Upon the completion of the PK Huizhou Transactions, the Group's investment in PK Huizhou has been accounted for as investment in an associate as at 30 June 2021.

Other Receivables, Deposits and Prepayments

As at 30 June 2021, the sum of current and non-current other receivables, deposits and prepayments amounted to approximately HK$152.8 million, representing an increase of approximately HK$56.5 million or approximately 58.7% as compared with that of approximately HK$96.3 million as at 31 December 2020. As a result of the disposal of PK Huizhou and its subsidiaries during 1H2021, the former intra-group receivables due from PK Huizhou and its subsidiaries have been reclassified as receivables due from associated companies. In addition, the Group has paid more tender bonds for tendering of potential oilfield projects during 1H2021.

Inventories

As at 30 June 2021, the Group's inventories amounted to approximately HK$22.6 million, representing a decrease of approximately HK$36.3 million or approximately 61.6% as compared with that of approximately HK$58.9 million as at 31 December 2020. The decrease in inventories was primarily due to the disposal of PK Huizhou and its subsidiaries during 1H2021. The average turnover days of inventories decreased from approximately 402 days in 1H2020 to approximately 213 days in 1H2021. The decrease in inventories turnover days was mainly due to the decrease in the level of inventories following the disposal of PK Huizhou and its subsidiaries.

Trade Receivables

As at 30 June 2021, the Group's trade receivables amounted to approximately HK$231.9 million, representing a decrease of approximately HK$8.9 million or approximately 3.7% as compared with that of approximately HK$240.8 million as at 31 December 2020. The average turnover days of trade receivables were approximately 256 days in 1H2021, representing an increase of approximately 5 days as compared with that of approximately 251 days in 1H2020. The increase of turnover days of trade receivables was mainly due to the delay in settlement of trade receivables by the customers in 1H2021.

Contract Assets

The contract assets are primarily related to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 30 June 2021, the Group's contract assets amounted to approximately HK$76.8 million, representing a decrease of approximately HK$41.7 million or approximately 35.2% as compared with that of approximately HK$118.5 million as at 31 December 2020. The decrease was mainly due to the decrease in unbilled works related to the provision of fracturing services to certain customers during 1H2021.

Trade Payables

As at 30 June 2021, the Group's trade payables were approximately HK$131.2 million, which have decreased by approximately HK$41.7 million or approximately 24.1% as compared with that of approximately HK$172.9 million as at 31 December 2020. The average turnover days of trade payables has decreased from approximately 443 days in 1H2020 to approximately 433 days in 1H2021, representing a decrease of approximately 10 days. The decrease in the amount of trade payables and the trade payables turnover days were partly due to the disposal of PK Huizhou and its subsidiaries in 1H2021 and partly due to quicker settlement of trade payables to suppliers during 1H2021.

Other Payables and Accruals

As at 30 June 2021, the Group's other payables and accruals amounted to approximately HK$70.8 million, representing a decrease of approximately HK$60.3 million or approximately 46.0% as compared with that of approximately HK$131.1 million as at 31 December 2020. Upon the completion of the PK Huizhou Transactions in 1H2021, the consideration of approximately HK$29.3 million received in advance in relation to the PK Huizhou Transactions no longer considered as liabilities. In addition, the Group has speeded up its settlement of other payables and accruals during 1H2021, which caused a decrease in the balance of other payables and accruals.

Current Tax Liabilities

As at 30 June 2021, current tax liabilities increased by approximately HK$3.0 million (30 December 2020: Nil) due to the provision of income tax expense in relation to the completion of the PK Huizhou Transactions in 1H2021.

Lease Liabilities

As at 30 June 2021, the sum of current and non-current lease liabilities amounted to approximately HK$2.0 million, representing a decrease of approximately HK$22.2 million or approximately 91.7% as compared with that of approximately HK$24.2 million as at 31 December 2020. The decrease in lease liabilities was mainly resulted from the disposal of PK Huizhou and its subsidiaries during 1H2021.

Liquidity and Capital Resources

The Group's objectives in capital management 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 returns to shareholders through improving the debts and equity balance.

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK$20.2 million, representing a decrease of approximately HK$9.4 million as compared with that of approximately HK$29.6 million as at 31 December 2020. The cash and cash equivalents were mainly held in Renminbi ("**RMB**") and US dollars ("**US$**").

As at 30 June 2021, the Group's bank and other borrowings amounted to approximately HK$285.2 million (31 December 2020: HK$327.2 million), of which approximately 86.5% (31 December 2020: 72.0%) was repayable within one year. As at 30 June 2021, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2020: 90.3%) of such borrowings bore interest at fixed lending rate.

As at 30 June 2021, certain buildings, machineries and right-of-use assets of the Group with carrying values of approximately HK$0, HK$47.1 million and HK$0, respectively, (31 December 2020: HK$81.0 million, HK$65.3 million and HK$33.5 million) were pledged to secure general banking facilities, instalment loan and lease liabilities granted to the Group.

Gearing ratio

As at 30 June 2021, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 43.1% (31 December 2020: 47.3%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings" and "current and non-current lease liabilities" as shown in the condensed consolidated statement of financial position) less cash and cash equivalents and pledged bank deposits. Total capital is calculated as "equity" as shown in the condensed consolidated statement of financial position 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. The foreign exchange risk mainly arises from the trade and other receivables, contract assets, cash and cash equivalents, trade and other payables, intra-group balance, bank and others borrowings and lease liabilities in foreign currencies. The Group has not used any financial instrument for hedging purpose in 1H2021 (1H2020: Nil).

Off-balance Sheet Arrangements

As at 30 June 2021, the Group did not have any off-balance sheet arrangements (31 December 2020: 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 three executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During 1H2021, the Company has complied with the CG Code in all applicable aspects.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the 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 1H2021.

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

During 1H2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for 1H2021 (1H2020: Nil).

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") which is composed of three independent non-executive Directors, namely Mr. Leung Lin Cheong (the 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, 27 August 2021

As at the date of this announcement, the executive Directors are Mr. Wang Jinlong, Mr. Zhao Jindong and Mr. Huang Yu; the non-executive Director is Mr. Wong Shiu Kee; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe.