

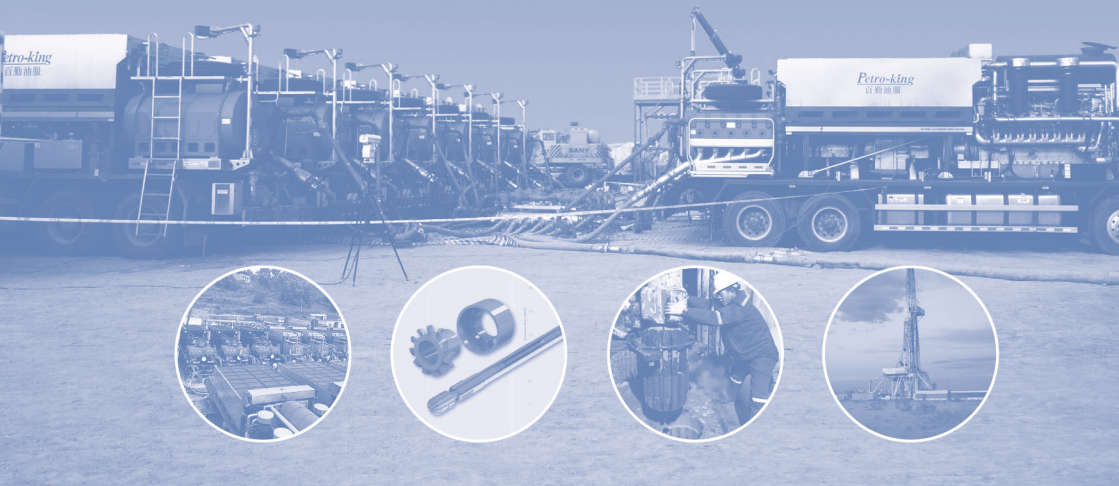
Petro-king
百勤油服



2021 Interim Report

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

Stock Code: 2178



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)
Mr. Zhao Jindong (趙錦棟)
Mr. Huang Yu (黃瑜)
(appointed on 21 April 2021)

NON-EXECUTIVE DIRECTORS

Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)
Ms. Ma Hua (馬華)
(resigned on 21 April 2021)
Mr. Wong Shiu Kee (黃紹基)
(appointed on 21 April 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Xin Junhe (辛俊和) (*Chairman*)
Mr. Wang Jinlong (王金龍)
Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)
Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)

NOMINATION COMMITTEE

Mr. Wang Jinlong (王金龍) (*Chairman*)
Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)
Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
Mr. Xin Junhe (辛俊和)

SANCTION OVERSIGHT COMMITTEE

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

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)

AUTHORISED REPRESENTATIVES

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Mr. Tung Tat Chiu, Michael (佟達釗)

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

LEGAL ADVISERS (HONG KONG LAW)

Tung & Co.

COMPANY'S WEBSITE

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STOCK CODE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2021 (“**1H2021**”), Petro-king Oilfield Services Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) recorded a revenue of approximately HK\$139.4 million (six months ended 30 June 2020 (“**1H2020**”): HK\$152.0 million), representing a decrease of approximately 8.3% as compared with the revenue 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 (the “**Board**”) of directors (the “**Directors**”) of the Company 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. The 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 from 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 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) (“**PK Huizhou**”) (the “**Star Petrotech Disposal**”), (ii) the capital contribution of RMB41 million made by various parties to 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.

* For identification purpose only

GEOGRAPHICAL MARKET ANALYSIS

	1H2021 <i>(HK\$ million)</i>	1H2020 <i>(HK\$ million)</i>	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 <i>(HK\$ million)</i>	1H2020 <i>(HK\$ million)</i>	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 (%)
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 <i>(HK\$ million)</i>	1H2020 <i>(HK\$ million)</i>	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 <i>(HK\$ million)</i>	1H2020 <i>(HK\$ million)</i>	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.

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 in 1H2021, the Group's 38.5965% equity interest in PK Huizhou has been accounted for as investment in an associate as at 30 June 2021. PK Huizhou and its subsidiaries are principally engaged in the research and development, production and trading of oilfield and gas field related products. The Group's share of net assets in PK Huizhou was HK\$61,131,000 as at 30 June 2021 (31 December 2020: Nil), which accounted for approximately 7.2% of the Group's total assets as at 30 June 2021. The Group recognised a share of loss of HK\$48,000 (1H2020: Nil) in relation to its interest in PK Huizhou in 1H2021.

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).

Contingent Liabilities

Save as disclosed elsewhere to this report, as at 30 June 2021, the Group did not have any other significant contingent liabilities.

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.

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

As at 30 June 2021, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

The Company

Name of Director	Capacity/Nature of interest	Number of shares <i>(Note 1)</i>	Approximate percentage of interest in the Company
Mr. Wang Jinlong	Interest in a controlled corporation <i>(Note 2)</i>	488,920,138 (L)	28.32%
Mr. Zhao Jindong	Beneficial owner <i>(Note 3)</i>	8,678,833 (L)	0.50%
Mr. Huang Yu	Beneficial owner <i>(Note 4)</i>	17,954,200 (L)	1.04%

Notes:

1. "L" denotes long position and "S" denotes short position.
2. Mr. Wang Jinlong holds approximately 45.24% of the issued share capital in King Shine Group Limited ("**King Shine**") and King Shine directly holds approximately 28.32% of the total number of issued shares of the Company. Therefore, Mr. Wang Jinlong is taken to be interested in the number of shares of the Company held by King Shine pursuant to Part XV of the SFO.
3. 2,500,000 share options were conditionally granted to Mr. Zhao Jindong on 29 May 2015 and became unconditional on 7 September 2015 and were adjusted to 2,678,833 share options after the completion of the rights issue of the Company on 8 July 2016. 6,000,000 share options were further granted to Mr. Zhao Jindong on 26 October 2016. Therefore under Part XV of the SFO, Mr. Zhao Jindong is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.
4. 17,000,000 share options were granted to Mr. Huang Yu on 31 May 2019. Therefore under Part XV of the SFO, Mr. Huang Yu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted. Apart from the grant of share options, 954,200 shares were also beneficially owned by Mr. Huang Yu.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
King Shine	Beneficial owner	488,920,138 (L)	28.32%
Ms. Zhou Xiaojun	Interest of spouse (Note 2)	488,920,138 (L)	28.32%
Zero Finance Hong Kong Limited ("Zero Finance")	Person having a security interest in shares (Note 3)	488,920,138 (L)	28.32%
aEasy Credit Investment Limited	Interest in a controlled corporation (Note 3)	488,920,138 (L)	28.32%
Termbray Industries International (Holdings) Limited ("Termbray Industries")	Beneficial owner	1,532,015 (L)	0.09%
	Interest in a controlled corporation (Notes 3&4)	488,920,138 (L)	28.32%
Lee & Leung (B.V.I.) Limited	Beneficial owner	335,737,745 (L)	19.44%
	Interest in a controlled corporation (Notes 3&4)	490,452,153 (L)	28.40%
HSBC International Trustee Limited ("HKIT")	Trustee (Notes 3&4)	826,189,898 (L)	47.85%

Name of shareholder	Capacity/ Nature of interest	Number of shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Mr. Lee Lap	Founder of a discretionary trust (Note 4)	826,189,898 (L)	47.85%
Jade Win Investment Limited	Beneficial owner	136,303,475 (L)	7.89%
Jade Max Holdings Limited	Interest in a controlled corporation (Note 5)	136,303,475 (L)	7.89%
Exceltop Holdings Limited	Interest in a controlled corporation (Note 5)	136,303,475 (L)	7.89%
T.C.L. Industries Holdings (H.K.) Limited	Interest in a controlled corporation (Note 5)	136,303,475 (L)	7.89%
TCL Corporation	Interest in a controlled corporation (Note 5)	136,303,475 (L)	7.89%
UBS Group AG	Interest in a controlled corporation (Note 6)	91,121,334 (L)	5.28%
UBS AG	Beneficial owner (Note 7)	670,857 (L)	0.05%
		670,857 (S)	0.05%
	Person having a security interest in shares (Note 7)	70,093,285 (L)	5.68%
Greenwoods Asset Management Hong Kong Limited	Investment Manager (Note 8)	91,121,270 (L)	5.28%
Invest Partner Group Limited	Interest in a controlled corporation (Note 8)	91,121,270 (L)	5.28%
Mr. Jiang Jinzhi	Interest in a controlled corporation (Note 9)	62,824,713 (L)	5.08%

Notes:

1. "L" denotes long position and "S" denotes short position.
2. Ms. Zhou Xiaojun is the spouse of Mr. Wang Jinlong. Therefore, Ms. Zhou Xiaojun is deemed to be interested in the shares of the Company in which Mr. Wang Jinlong is interested for the purpose of the SFO.
3. On 26 April 2018, King Shine has charged the 488,920,138 shares of the Company held by it to Zero Finance. Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Termbray Wealth Investment Limited ("**Termbray Wealth**"), which is wholly-owned by Termbray Finance Holdings Limited ("**Termbray Finance**"), which is wholly-owned by Termbray Electronics (B.V.I.) Limited ("**Termbray Electronics**"), which is wholly-owned by Termbray Industries (together, the "**Termbray Group**"), which is owned by Lee & Leung (B.V.I.) Limited as to approximately 46.96%, which is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Therefore, HKIT, Lee & Leung Family Investment Limited, Lee & Leung (B.V.I.) Limited, Termbray Industries, Termbray Electronics, Termbray Finance, Termbray Wealth and aEasy Credit Investment Limited are taken to be interested in the number of shares of the Company in which Zero Finance is interested for the purpose of the SFO. In reliance on the wholly-owned group exemption pursuant to Sec 313(10) of the SFO, Lee & Leung Family Investment Limited, Termbray Electronics, Termbray Industries and Termbray Wealth will no longer disclose their interests in listed corporation (i.e. the Company). Lee & Leung Family Investment Limited and Termbray Group's interests in the Company will be disclosed in filings made by HKIT and Termbray Industries respectively.
4. Lee & Leung (B.V.I.) Limited directly holds approximately 19.44% of the total number of issued shares of the Company. It also holds approximately 46.96% of the issued share capital in Termbray Industries, where Termbray Industries directly holds 1,532,015 shares of the Company and indirectly holds a collateral of 488,920,138 shares of the Company through Zero Finance. Therefore, Lee & Leung (B.V.I.) Limited is taken to be interested in the number of shares of the Company held by Termbray Industries pursuant to Part XV of the SFO. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. Therefore, Mr. Lee Lap, HKIT and Lee & Leung Family Investment Limited are taken to be interested in the number of shares of the Company in which Lee & Leung (B.V.I.) Limited is interested for the purpose of the SFO.
5. TCL Corporation directly holds 100% of the issued share capital of T.C.L. Industries Holdings (H.K.) Limited ("**TCL HK**"), which in turn holds 100% of the issued share capital of Exceltop Holdings Limited ("**Exceltop**"), which in turn holds 100% of the issued share capital of Jade Max Holdings Limited ("**Jade Max**"), which in turn holds 100% of the issued share capital of Jade Win Investment Limited ("**Jade Win**"). Therefore, TCL Corporation, TCL HK, Exceltop and Jade Max are taken to be interested in the number of shares of the Company directly held by Jade Win pursuant to Part XV of the SFO.

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

Save as disclosed above, as at 30 June 2021, the Directors are not aware that there is any party (not being a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. During 1H2021, no share option has been granted under the Share Option Scheme. Set out below are details of the movements of share options during 1H2021:

Grantees	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
				outstanding as at 1 January 2021	granted since 1 January 2021	exercised since 1 January 2021	lapsed/ cancelled since 1 January 2021	Options outstanding as at 30 June 2021
Directors, chief executives and substantial shareholders								
Zhao Jindong	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	2,678,833	-	-	-	2,678,833
	26 October 2016	0.529	0.520	6,000,000	-	-	-	6,000,000
Huang Yu	31 May 2019	0.1922	0.183	17,000,000	-	-	-	17,000,000
Employees and senior managements								
	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	18,644,670	-	-	3,321,751	15,322,919
	26 October 2016	0.529	0.520	23,500,000	-	-	3,100,000	20,400,000
	16 August 2018	0.326	0.32	5,000,000	-	-	-	5,000,000
Others								
	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	107,153	-	-	-	107,153
Total				72,930,656	-	-	6,421,751	66,508,905

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

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

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

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

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

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

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

Hong Kong, 27 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
	Note		
Revenue	7	139,415	151,950
Other income		1,115	–
Operating costs			
Material costs		(28,884)	(29,456)
Depreciation of property, plant and equipment	14	(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	8	(15,591)	(17,067)
Other gains/(losses), net	9	27,439	3,111
Operating profit		5,476	255
Finance income		343	41
Finance costs		(10,959)	(12,089)
Finance costs, net	10	(10,616)	(12,048)
Share of result of an associate		(48)	(37)
Loss before income tax		(5,188)	(11,830)
Income tax expense	11	(3,006)	(1,032)
Loss for the period		(8,194)	(12,862)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2021	2020
		HK\$'000	HK\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		11,421	(12,394)
Release of translation reserve upon disposal of subsidiaries		1,171	–
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:			
	<i>12</i>		
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	14	176,799	332,379
Intangible assets		95,456	95,714
Right-of-use assets	15	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	16(b)	63,762	22,294
		407,571	493,653
Current assets			
Inventories		22,627	58,911
Trade receivables	16(a)	231,857	240,844
Contract assets		76,813	118,468
Other receivables, deposits and prepayments	16(b)	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	17(a)	131,203	172,856
Other payables and accruals	17(b)	70,794	131,095
Contract liabilities		5,273	8,694
Lease liabilities		1,754	10,152
Bank and other borrowings	18	246,571	235,731
Current tax liabilities		3,000	–
		458,595	558,528

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Net current liabilities		(17,189)	(33,492)
Total assets less current liabilities		390,382	460,161
Non-current liabilities			
Bank and other borrowings	18	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	19	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total equity HK\$'000
	Attributable to owners of the Company					
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2021	2,001,073	38,319	(1,707,493)	331,899	22,517	354,416
Comprehensive income						
Loss for the period	-	-	(14,266)	(14,266)	6,072	(8,194)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	7,660	-	7,660	3,761	11,421
- Release of translation reserve upon disposal of subsidiaries	-	1,171	-	1,171	-	1,171
Total comprehensive income for the period ended 30 June 2021	-	8,831	(14,266)	(5,435)	9,833	4,398
Transactions with owners in their capacity as owners						
- Recognition of share-based payment	-	1,491	-	1,491	-	1,491
- Transactions with non-controlling interests	-	17,821	-	17,821	25,934	43,755
- Release of non-controlling interests upon disposal of subsidiaries (Note 21)	-	-	-	-	(52,567)	(52,567)
Total transactions with owners, recognised directly in equity	-	19,312	-	19,312	(26,633)	(7,321)
Balance at 30 June 2021	2,001,073	66,462	(1,721,759)	345,776	5,717	351,493

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	2,001,073	24,216	(1,643,881)	381,408	24,307	405,715
Total comprehensive income for the period ended 30 June 2020	-	(12,394)	(13,829)	(26,223)	967	(25,256)
Transactions with owners in their capacity as owners						
- Redemption of 2019 Convertible Bonds	-	(11,744)	11,744	-	-	-
- Recognition of share-based payment	-	1,151	-	1,151	-	1,151
Total transactions with owners, recognised directly in equity	-	(10,593)	11,744	1,151	-	1,151
Balance at 30 June 2020	2,001,073	1,229	(1,645,966)	356,336	25,274	381,610

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(33,080)	35,300
Interest paid	(9,749)	(10,738)
Income tax paid	(6)	(4)
Net cash (used in)/generated from operating activities	(42,835)	24,558
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,051)	(16,562)
Proceeds from disposal of property, plant and equipment	–	493
Purchases of intangible assets	(1,175)	(323)
Disposal of subsidiaries, net of cash disposed	25,054	–
Proceeds from disposal on equity interest of a subsidiary without loss on control	–	13,043
Interest received	343	41
Decrease in pledged bank deposits	2,295	2,241
Net cash generated from/(used in) investing activities	25,466	(1,067)
Cash flows from financing activities		
Proceeds from bank and other borrowings, others	61,881	75,527
Repayments of bank and other borrowings, term loan	(10,000)	(9,000)
Repayments of bank and other borrowings, bondholders loans	(11,500)	(7,000)
Repayments of interest and principal portion of bonds issued in 2020 (“2020 Bonds”)	(7,500)	(3,750)
Repayments of bank and other borrowings, others	(38,764)	(77,652)
Principal elements of lease liabilities	(6,097)	(8,869)
Interest elements of lease liabilities	(81)	–
Capital injection from non-controlling shareholders of subsidiaries	19,819	–
Repayments of coupons of convertible bonds issued in 2019 (“2019 Convertible Bonds”)	–	(1,003)
Net cash generated from/(used in) financing activities	7,758	(31,747)
Net decrease in cash and cash equivalents	(9,611)	(8,256)
Cash and cash equivalents at beginning of period	29,553	29,447
Effect of foreign exchange rates changes	209	(159)
Cash and cash equivalents at end of period	20,151	21,032

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 interim 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.

2. BASIS OF PREPARATION (Continued)

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

- (a) 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 report. 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 (as define below) (the “**Star Petrotech Disposal**”), (ii) the capital contribution of RMB41 million made by various parties to 百動能源科技(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 report, 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 report.
- (e) The Group is actively looking for additional sources of financing to enhance its financial position and support the plans to expand its operations.

* For identification purpose only

2. BASIS OF PREPARATION (Continued)

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 interim condensed 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. ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's trade receivables, other receivables and deposits, pledged bank deposits, cash and cash equivalents, trade and other payables, lease liabilities and bank and other borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the financial assets at fair value through profit or loss, the table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2021 and 31 December 2020, the financial asset at fair value through profit or loss is measured at fair value under level 3 valuation method.

There were no transfers among levels 1, 2 and 3 during the period.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6. SEASONAL NATURE OF THE BUSINESS

For most of the Group's businesses, and particularly the oilfield business, the first half of the financial period is marked by lower business volumes than in the second half of the year as most of the customers, particularly state-owned enterprises, set annual budgets and finalise work scope early in the year and request work to be done later in the year, particularly in the third and fourth quarters.

Sales levels and results in the first half cannot therefore be extrapolated to the full financial year.

7. 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.

7. REVENUE AND SEGMENT INFORMATION (Continued)
(a) Revenue

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	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.

7. REVENUE AND SEGMENT INFORMATION (Continued)
(b) Segment results

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

	Oilfield project tools and services HK\$'000	Unaudited 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)
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, net	(3,431)	-	(123)	(3,554)

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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.

8. OTHER EXPENSES

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Communication	359	341
Professional service fees	5,405	6,037
Motor vehicle expenses	999	391
Travelling	3,912	2,825
Office utilities	651	1,664
Other taxes	1,190	680
Others	3,457	5,386
Less: other expenses attributable for research and development	(382)	(257)
	15,591	17,067

9. 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 21)	23,497	–
Others	4,421	(356)
	27,439	3,111

10. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest expenses:		
– Bank and other borrowings	(9,749)	(10,339)
– Lease liabilities	(81)	(482)
– 2020 Bonds	(1,129)	–
– 2019 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)

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 the PRC subsidiaries of the Group was 25% for the six months ended 30 June 2021 (30 June 2020: 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% (30 June 2020: 15%) during the period. Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% (30 June 2020: 17%) during the period. In accordance with the two-tiered profits tax regime, Hong Kong profits tax was calculated on 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance of the estimated assessable profits for the period ended 30 June 2021 (30 June 2020: Same).

11. INCOME TAX EXPENSE (Continued)

	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

12. 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.

13. DIVIDENDS

The Directors did not recommend payment of an interim dividend for current period (30 June 2020: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited HK\$'000
Six months ended 30 June 2021	
Net book value	
Opening amount as at 1 January 2021	332,379
Additions	1,051
Depreciation	(25,714)
Disposals	(12,709)
Disposal of subsidiaries (Note 21)	(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	(25,803)
Disposals	(83)
Exchange differences	(8,007)
Closing amount as at 30 June 2020	335,654

15. 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 21) were disposed through disposal of subsidiaries (30 June 2020: Nil).

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) 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.

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)
(b) Other receivables, deposits and prepayments

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Other receivables, deposits and prepayments	191,964	135,498
Less: provision for impairment of other receivables	(39,200)	(39,200)
Other receivables, deposits and prepayments, net	152,764	96,298
	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Deposits and other receivables – third parties	46,634	20,371
Receivables on land bidding in the PRC	1,202	1,687
Receivables from disposal of a subsidiary	417	470
Value-added tax recoverable	24,144	46,120
Rental deposits	1,118	1,762
Machineries lease deposit	–	1,188
Cash advances to staff	3,177	1,245
Advance to the Directors and senior management (Note 22(b))	1,018	975
Other receivables – related parties (Note 22(b))	60,185	4,083
Other receivables – non-controlling interests	4,266	2,801
Prepayments for materials	8,400	13,411
Prepayments for rents and others	2,203	2,185
	152,764	96,298
Less:		
Non-current value-added tax recoverable	(19,209)	(20,760)
Non-current other receivables – related parties (Note 22(b))	(44,553)	–
Non-current rental and other deposits	–	(346)
Non-current machineries lease deposit	–	(1,188)
Non-current portion	(63,762)	(22,294)
Current portion	89,002	74,004

17. TRADE AND OTHER PAYABLES AND ACCRUALS

(a) 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

(b) Other payables and accruals

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Other payables – third parties	32,282	45,256
Other payables – staff related expenses	9,525	15,772
Accrued payroll and welfare	8,672	17,558
Other payables for purchase of plant and machineries	1,495	3,385
Consideration received in advance	–	29,293
Government grant	9,629	8,201
Other payables – related parties (Note 22(b))	–	304
Other tax and surcharge payables	5,633	7,145
Interest payables	3,558	4,181
	70,794	131,095

18. BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Non-current		
Bank borrowings (Note (a))	–	21,851
Other borrowings (Note (b))	35,000	66,046
2020 Bonds	3,599	3,599
	38,599	91,496
Current		
Bank borrowings (Note (a))	144,076	129,651
Other borrowings (Note (b))	96,483	93,000
2020 Bonds	6,012	13,080
	246,571	235,731
	285,170	327,227

(a) Bank borrowings

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Within 1 year	144,076	129,651
Between 1 and 2 years	–	10,480
Between 2 and 5 years	–	11,371
	144,076	151,502

18. BANK AND OTHER BORROWINGS (Continued)
(a) Bank borrowings (Continued)

As at 30 June 2021, banking facilities of approximately HK\$156,234,000 (31 December 2020: HK\$169,325,000) were granted by banks to the subsidiaries of the Group, of which approximately HK\$144,706,000 (31 December 2020: HK\$151,502,000) have been utilised by the Group during the period. The Group has undrawn banking facilities of approximately HK\$11,528,000 (31 December 2020: HK\$17,823,000) as at 30 June 2021. The facilities are secured by:

- (i) trade receivables of the Group of approximately HK\$106,355,000 (31 December 2020: approximately HK\$158,016,000);
- (ii) personal guarantee by a director of a subsidiary of the Group (31 December 2020: directors of certain subsidiaries of the Group);
- (iii) as at 31 December 2020, corporate guarantee given by certain subsidiaries of the Group;
- (iv) as at 31 December 2020, pledge of equity interest in certain subsidiaries of the Group; and
- (v) as at 31 December 2020, certain buildings of the Group of approximately HK\$80,968,000.

(b) Other borrowings

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Non-current		
Term loan – unsecured	35,000	65,000
Instalment loans – secured	–	1,046
	35,000	66,046
Current		
Bondholders loans – unsecured	12,000	23,500
Term loan – unsecured	77,000	57,000
Instalment loans – secured	7,483	12,500
	96,483	93,000
	131,483	159,046

19. SHARE CAPITAL

	Unaudited Number of shares '000	Total HK\$'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,726,674	2,001,073

20. SHARE-BASED PAYMENTS

The Company adopted a share option scheme (the “**Share Option Scheme**”). The purpose of the Share Option Scheme are to attract, retain and motivate the grantees to strive for future developments and expansion of the Group. The Share Option Scheme was approved and adopted on 18 February 2013, pursuant to which selected participants may be granted options to subscribe for shares as indentures or rewards for their service rendered to the Group. Share options were granted to directors, selected employees and a consultant of the Company.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the adoption date of the scheme. Details of share options granted under the Share Option Scheme are as follows:

	Share options by grant date						
	29 April 2014	29 May 2015	26 October 2016	1 December 2016	28 June 2018	16 August 2018	31 May 2019
Number of ordinary shares issued upon exercise:							
– Directors	800,000	2,500,000	6,000,000	–	–	–	–
– Senior management	12,100,000	26,000,000	20,000,000	17,000,000	3,000,000	5,000,000	17,000,000
– Employees	7,100,000	31,200,000	42,000,000	–	–	–	–
Exercise price	HK\$2.60	HK\$1.30	HK\$0.53	HK\$0.53	HK\$0.38	HK\$0.33	HK\$0.19
Contractual option term	Five years	Seven years	Seven years	Seven years	Seven years	Seven years	Seven years
Expiry date	28 April 2019	28 May 2022	25 October 2023	30 November 2023	27 June 2025	15 August 2025	30 May 2026

20. SHARE-BASED PAYMENTS (Continued)

For the share options granted on 29 April 2014, the vesting period of the share options ranges from one to three years. All these options are conditional in which only one-third and two-third are vested and exercisable after one and two years from the grant date, respectively. The remaining options are vested and exercisable after three years from the grant date.

For all the other share options granted, the vesting period of these share options ranges from one to five years. All these options are conditional in which one-fifth is vested and exercisable on every anniversary since the grant date of the respective share options.

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

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options by grant date						
	29 April 2014	29 May 2015	26 October 2016	1 December 2016	28 June 2018	16 August 2018	31 May 2019
Range of fair value of options granted (HK\$)	0.87 – 0.88	0.62 – 0.66	0.19 – 0.25	0.23 – 0.26	0.15 – 0.17	0.14 – 0.16	0.08 – 0.10
Weighted average share price at the grant date (HK\$)	2.44	1.28	0.52	0.53	0.35	0.32	0.18
Expected volatility (Note)	49.72%	56.49%	47.97%	47.75%	49.59%	49.45%	53.41%
Expected option life	5 years	7 years	7 years	7 years	7 years	7 years	7 years
Dividend yield	1.15%	Nil	Nil	Nil	Nil	Nil	Nil
Annual risk-free interest rate	1.42%	1.37%	0.75%	1.18%	2.19%	2.08%	1.41%

Note:

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

The variables and assumptions used in estimating the fair value of the share options were the director’s best estimates. Change in subjective input assumptions can materially affect the fair value.

20. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 30 June 2021 are as follow:

	Unaudited Number of share options			As at 30 June 2021
	As at 1 January 2021	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date				
29 May 2015	21,430,656	-	(3,321,751)	18,108,905
26 October 2016	29,500,000	-	(3,100,000)	26,400,000
16 August 2018	5,000,000	-	-	5,000,000
31 May 2019	17,000,000	-	-	17,000,000
Total	72,930,656	-	(6,421,751)	66,508,905
Weighted average exercise price (HK\$)				
Grant date				
29 May 2015	1.21	-	-	1.21
26 October 2016	0.53	-	-	0.53
16 August 2018	0.33	-	-	0.33
31 May 2019	0.19	-	-	0.19

20. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 30 June 2020 are as follow:

	As at 1 January 2020	Unaudited Number of share options		As at 30 June 2020
		Granted during the period	Forfeited, lapsed or expired during the period	
Grant date				
29 May 2015	27,324,082	–	(3,536,056)	23,788,026
26 October 2016	37,040,000	–	(3,740,000)	33,300,000
16 August 2018	5,000,000	–	–	5,000,000
31 May 2019	17,000,000	–	–	17,000,000
Total	86,364,082	–	(7,276,056)	79,088,026
Weighted average exercise price (HK\$)				
Grant date				
29 May 2015	1.21	–	–	1.21
26 October 2016	0.53	–	–	0.53
16 August 2018	0.33	–	–	0.33
31 May 2019	0.19	–	–	0.19

No share options have been exercised by the option holders during the periods ended 30 June 2021 and 2020.

During the period ended 30 June 2021, share-based payment expense of HK\$1,491,000 for the Share Option Scheme was recognised in the interim condensed consolidated statement of comprehensive income (30 June 2020: HK\$1,151,000).

21. 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:

	Unaudited HK\$'000
Property, plant and equipment (<i>Note 14</i>)	120,296
Intangible assets	1,699
Right-of-use assets (<i>Note 15</i>)	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)
	<hr/>
Net assets disposed of	119,123
Release of non-controlling interests	(52,567)
Release of translation reserve	1,171
	<hr/>
	67,727
Fair value of retained interests which became investment in an associate	(61,179)
Gain on disposal of subsidiaries (<i>Note 9</i>)	23,497
	<hr/>
Cash consideration	30,045
	<hr/>

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2021 and 2020, and balances arising from related party transactions as at 30 June 2021 and 31 December 2020.

Name	Relationships
Mr. Wang Jinlong	Substantial shareholder and director
Mr. Zhao JinDong	Director
Mr. Huang Yu	Director
Mr. Lee Tommy (Note (i))	Director
Ms. Ma Hua (Note (i))	Director
Mr. Wong Shiu Kee (Note (ii))	Director
Mr. Leung Lin Cheong	Director
Mr. Tong Hin Wor	Director
Mr. Xin Junhe	Director
Mr. Chan KwokYuen Elvis	Senior Management
Mr. Wang Xingkai	Close member of the family of Mr. Wang Jinlong
Ms. Zhou Sisi	Close member of the family of Mr. Wang Jinlong
King Shine Group Limited	Shareholder

Notes:

- (i) Resigned from the Group on 21 April 2021.
- (ii) Appointed as director on 21 April 2021.

(a) Key management compensation

Key management personnel are deemed to be the members of the board of directors and senior management of the Company who have the responsibility for the planning and controlling the activities of the Group.

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Salaries and other short-term employee benefits	2,663	2,602
Share-based payments	242	522
	2,905	3,124

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Loan receivables from related parties (Note 16(b)) (Note (i))	44,553	–
Amounts due from related parties (Note 16(b)) (Note (ii))	16,650	5,058
Amounts due to related parties (Note 17(b)) (Note (iii))	–	(304)

Notes:

- (i) The balances represented two irrevocable revolving credit facilities in the principal amount of up to US\$3.5 million and RMB15 million respectively offer to PK Huizhou with interest bearing at 8% per annum (“**Loan Facilities**”). All outstanding loan principal and accrued interest under the Loan Facilities shall be repaid on or before 31 December 2022.
- (ii) The balances mainly comprised of advance to the Directors and senior management for the Group’s operation purpose of approximately HK\$1,018,000 and receivable from PK Huizhou of approximately HK\$15,632,000 of which approximately HK\$4,515,000 was trade deposits (31 December 2020: advance to the Directors and senior management for the Group’s operation purpose of approximately HK\$975,000, receivables from an associate of approximately HK\$2,283,000 and other related parties of which Mr. Wang Jinlong was the key management personnel in prior year of approximately HK\$1,800,000). Apart from the trade deposits paid to PK Huizhou, the balances are interest-free, unsecured and repayable on demand.
- (iii) The balances mainly comprise of expenses paid on behalf by the Directors and senior management. The balances are interest-free, unsecured and repayable on demand.

22. RELATED PARTY TRANSACTIONS (Continued)

(c) **Related party transactions**

- (i) The Group had entered into the following transactions with related parties during the period:

Name of related parties	Relationship	Nature of transaction	Unaudited	
			Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Mr. Wang Jinlong, Mr. Wang Xingkai and Ms. Zhou Sisi	A substantial shareholder and a director of the Company, and the close members of his family	Cash consideration for the PK Huizhou Connected Disposal	30,045	-

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

- (ii) The Group previously entered into agreements to provide corporate guarantees and pledge of equity interests of a subsidiary of the Group for bank loan facilities granted to PK Huizhou. As at 30 June 2021, the bank borrowings of PK Huizhou was approximately HK\$37,436,000. No provision for the obligation of the Group under corporate guarantees have been made as the Directors considered that it is not probable that the repayment of the bank borrowings by PK Huizhou would be in default.

Subsequent to the reporting period, on 1 July 2021, the Group further entered into agreements to renew the terms of corporate guarantees provided for bank loan facilities granted PK Huizhou of which the guarantee amount would be limited to the respective proportion of shareholding in PK Huizhou held by Group.