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Petro-king **百勤油服**

PETRO-KING OILFIELD SERVICES LIMITED

百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Petro-king Oilfield Services Limited (the “**Company**”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2022 (“**1H2022**”), together with comparative figures for the six months ended 30 June 2021 (“**1H2021**”).

BUSINESS REVIEW

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. to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) (“**PK Huizhou**”), (ii) the capital contribution of RMB41 million made by various parties to PK Huizhou, and (iii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong and his associates (collectively referred to as the “**PK Huizhou Transactions**”). Details of the PK Huizhou Transactions were set out in the announcements of the Company dated 15 November 2020 and 24 June 2021, and the circular of the Company dated 12 January 2021. For 1H2021, the Group recorded a pre-tax gain on disposal of approximately HK\$23.5 million in relation to the PK Huizhou Transactions. In 1H2022, PK Huizhou has completed a new round of capital increase whereby the Group’s shareholding interest in PK Huizhou was diluted from approximately 38.60% as at 31 December 2021 to approximately 32.73% as at 30 June 2022.

The disposal of PK Huizhou constituted discontinued operations in the financial statements as it represented the cessation of a major line of business in the manufacturing of oilfield products. Financial figures from both continuing and discontinued operations were used for the purpose of analysis of the Group's revenue and financial performance for 1H2022.

During 1H2022, the Group was principally engaged in the provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

The Group's revenue decreased by approximately 51.9% from approximately HK\$139.4 million in 1H2021 to approximately HK\$67.1 million in 1H2022. As the Group's manufacturing business has been discontinued subsequent to the completion of the PK Huizhou Transactions in June 2021, the Group has not generated any revenue from the sales of well completion tools in 1H2022 (1H2021: approximately HK\$65.0 million). Resulting from the rebound and stabilisation of the international oil price in 1H2022, the revenue from the provision of production enhancement services increased by approximately 26.4% from approximately HK\$33.0 million in 1H2021 to approximately HK\$41.7 million in 1H2022. The revenue from the provision of production enhancement services was mainly generated from the shale gas field projects in the southwestern region of the People's Republic of China (the "PRC" or "China"). The revenue from the provision of drilling services decreased by approximately 53.5% from approximately HK\$20.2 million in 1H2021 to approximately HK\$9.4 million in 1H2022 due to the decrease in the provision of drilling services to a customer in Northern China. On the other hand, the revenue from the Group's consultancy services increased by approximately 10.3% from approximately HK\$14.5 million in 1H2021 to approximately HK\$16.0 million in 1H2022 as the Group has provided more supervisory services in both domestic and overseas markets in 1H2022.

The Group's loss attributable to owners of the Company for 1H2022 increased by approximately 163.6% to approximately HK\$37.7 million (1H2021: approximately HK\$14.3 million). The Group recorded a gain on disposal of subsidiaries of approximately HK\$23.5 million in relation to the PK Huizhou Transactions in 1H2021 but there was no such gain in 1H2022, which was the main reason for the increase in loss attributable to owners of the Company in 1H2022.

Basic loss per share for 1H2022 was approximately HK2.2 cent (1H2021: approximately HK0.8 cent). The Board has resolved not to pay any interim dividend for 1H2022 (1H2021: Nil).

GEOGRAPHICAL MARKET ANALYSIS

	1H2022 <i>(HK\$ million)</i>	1H2021 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue in 1H2022 <i>(%)</i>	Approximate percentage of total revenue in 1H2021 <i>(%)</i>
China market	50.9	104.8	-51.4%	75.9%	75.2%
Overseas markets	16.2	34.6	-53.2%	24.1%	24.8%
Total	67.1	139.4	-51.9%	100%	100%

The Group's revenue from the China market decreased by approximately HK\$53.9 million or approximately 51.4% to approximately HK\$50.9 million in 1H2022 from approximately HK\$104.8 million in 1H2021. The decrease in revenue from the China market was mainly due to the decrease in the sales of well completion products following the discontinuation of the Group's manufacturing business in June 2021 and the decrease in the provision of drilling services during 1H2022, which was partly offset by the increase in the provision of production enhancement services in 1H2022.

The Group's revenue from the overseas market decreased by approximately HK\$18.4 million or approximately 53.2% to approximately HK\$16.2 million in 1H2022 from approximately HK\$34.6 million in 1H2021. The decrease in revenue from the overseas market was mainly due to the decrease in the sales of well completion tools to the Middle East and other overseas regions.

REVENUE FROM THE CHINA MARKET

	1H2022	1H2021	Approximate percentage change	Approximate percentage of total revenue from the China market in 1H2022	Approximate percentage of total revenue from the China market in 1H2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Northern China	18.9	50.7	-62.7%	37.1%	48.4%
Southwestern China	22.3	4.9	355.1%	43.8%	4.7%
Northwestern China	8.5	7.6	11.8%	16.7%	7.2%
Other regions in China	1.2	41.6	-97.1%	2.4%	39.7%
Total	50.9	104.8	-51.4%	100%	100%

In 1H2022, the Group's revenue from Northern China amounted to approximately HK\$18.9 million, which decreased by approximately HK\$31.8 million or approximately 62.7% from approximately HK\$50.7 million in 1H2021. The decrease was mainly due to the decrease in the sales of well completion tools and the decrease in the provision of drilling services in this region.

The Group's revenue from Southwestern China amounted to approximately HK\$22.3 million in 1H2022, which increased by approximately HK\$17.4 million or approximately 355.1% from approximately HK\$4.9 million in 1H2021. The increase was mainly due to the increase in the provision of production enhancement services in this region.

The Group's revenue from Northwestern China amounted to approximately HK\$8.5 million in 1H2022, which increased by approximately HK\$0.9 million or approximately 11.8% from approximately HK\$7.6 million in 1H2021. The increase was mainly due to the increase in the provision of drilling services in this region.

The Group's revenue from other regions in China amounted to approximately HK\$1.2 million in 1H2022, which decreased by approximately HK\$40.4 million or approximately 97.1% from approximately HK\$41.6 million in 1H2021. The decrease in revenue from other regions in China was mainly due to the decrease in the sales of well completion products following the discontinuation of the Group's manufacturing business in June 2021.

REVENUE FROM THE OVERSEAS MARKETS

	1H2022	1H2021	Approximate	Approximate	Approximate
	(HK\$ million)	<i>(HK\$ million)</i>	percentage	percentage of	percentage of
			change	total revenue	total revenue
			(%)	from the	from the
				overseas	overseas
				markets	markets
				in 1H2022	in 1H2021
				(%)	(%)
The Middle East	14.6	21.4	-31.8%	90.1%	61.8%
Others	1.6	13.2	-87.9%	9.9%	38.2%
Total	16.2	34.6	-53.2%	100%	100%

In 1H2022, the Group's revenue from the Middle East amounted to approximately HK\$14.6 million, which decreased by approximately HK\$6.8 million or approximately 31.8% from approximately HK\$21.4 million in 1H2021. The decrease was mainly due to the decrease in the sales of well completion tools in the Middle East.

The Group's revenue from other overseas regions amounted to approximately HK\$1.6 million in 1H2022, which decreased by approximately HK\$11.6 million or approximately 87.9% from approximately HK\$13.2 million in 1H2021. The decrease in revenue from other overseas regions was mainly due to the decrease in the sales of well completion tools following the discontinuation of the Group's manufacturing business in June 2021.

BUSINESS SEGMENT ANALYSIS

	1H2022	1H2021	Approximate percentage change	Approximate percentage of total revenue in 1H2022	Approximate percentage of total revenue in 1H2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Oilfield project tools and services	51.1	118.2	-56.8%	76.2%	84.8%
Consultancy services	16.0	14.5	10.3%	23.8%	10.4%
Others (<i>Note</i>)	–	6.7	-100%	–	4.8%
Total	67.1	139.4	-51.9%	100%	100%

Note:

This represented 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 1H2022, the Group's revenue from oilfield project tools and services amounted to approximately HK\$51.1 million, which decreased by approximately HK\$67.1 million or approximately 56.8% from approximately HK\$118.2 million in 1H2021. The decrease in revenue from this segment was mainly due to the decrease in the sales of well completion products following the discontinuation of the Group's manufacturing business in June 2021 and the decrease in the provision of drilling services during 1H2022, which was partly offset by the increase in the provision of production enhancement services in 1H2022.

The Group's revenue from consultancy services amounted to approximately HK\$16.0 million in 1H2022, which increased by approximately HK\$1.5 million or approximately 10.3%, from approximately HK\$14.5 million in 1H2021. The increase was mainly due to the increase in the provision of supervisory services in both domestic market and the Middle East market.

In 1H2022, the Group did not generate any revenue from the others segment subsequent to the discontinuation of the Group's manufacturing business in June 2021 (1H2021: approximately HK\$6.7 million).

Oilfield Projects Tools and Services

	1H2022	1H2021	Approximate percentage change	Approximate percentage of total revenue from oilfield project tools and services in 1H2022	Approximate percentage of total revenue from oilfield project tools and services in 1H2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Production enhancement	41.7	33.0	26.4%	81.6%	27.9%
Drilling	9.4	20.2	-53.5%	18.4%	17.1%
Well completion	–	65.0	-100%	–	55.0%
Total	<u>51.1</u>	<u>118.2</u>	<u>-56.8%</u>	<u>100%</u>	<u>100%</u>

Production Enhancement

In 1H2022, the Group's revenue from production enhancement amounted to approximately HK\$41.7 million, which increased by approximately HK\$8.7 million or approximately 26.4% from approximately HK\$33.0 million in 1H2021. The increase was mainly due to the increase in the provision of fracturing services in Southwestern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$9.4 million in 1H2022, which decreased by approximately HK\$10.8 million or approximately 53.5% from approximately HK\$20.2 million in 1H2021. The decrease was mainly due to the decrease in the provision of drilling services to a customer in Northern China. In 1H2022, the drilling services were mainly provided in Northern China and Northwestern China.

Well Completion

In 1H2022, the Group did not generate any revenue from well completion following the discontinuation of the Group's manufacturing business in June 2021.

CUSTOMER ANALYSIS

Customer	1H2022 <i>(HK\$ million)</i>	1H2021 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue in 1H2022 <i>(%)</i>	Approximate percentage of total revenue in 1H2021 <i>(%)</i>
Customer 1	30.6	40.3	-24.1%	45.6%	28.9%
Customer 2	15.5	11.3	37.2%	23.1%	8.1%
Customer 3	15.1	21.0	-28.1%	22.5%	15.1%
Customer 4	2.5	–	N/A	3.7%	–
Customer 5	1.3	0.3	333.3%	2.0%	0.2%
Other customers	2.1	66.5	-96.8%	3.1%	47.7%
Total	67.1	139.4	-51.9%	100%	100%

The revenue from customer 1 amounted to approximately HK\$30.6 million in 1H2022, which decreased by approximately HK\$9.7 million or approximately 24.1% from approximately HK\$40.3 million in 1H2021. The decrease was mainly due to the decrease in the sales of well completion products to this customer in Northern China and the Middle East and the decrease in drilling services provided to this customer in Northern China, which was partly offset by the increase in the provision of production enhancement services to this customer in Southwestern China. The revenue from customer 2 amounted to approximately HK\$15.5 million in 1H2022, which increased by approximately HK\$4.2 million or approximately 37.2% from approximately HK\$11.3 million in 1H2021. This increase was mainly due to the increase in the provision of supervisory services and integrated project management services in the Middle East and other overseas regions to this customer. The revenue from customer 3 amounted to approximately HK\$15.1 million in 1H2022, which decreased by approximately HK\$5.9 million or approximately 28.1% from approximately HK\$21.0 million in 1H2021. Such decrease was mainly attributable to the decrease in the provision of production enhancement services to this customer in Northern China and Southwestern China. The revenue from customer 4 amounted to approximately HK\$2.5 million in 1H2022 (1H2021: Nil), which was derived from the provision of production enhancement services in Southwestern China. The revenue from customer 5 amounted to approximately HK\$1.3 million in 1H2022, which increased by approximately HK\$1.0 million or approximately 333.3% from approximately HK\$0.3 million in 1H2021. Such increase was resulted from the increase in the provision of production enhancement services to this customer in Northern China. The revenue from other customers amounted to approximately HK\$2.1 million in 1H2022, which dropped by approximately HK\$64.4 million or approximately 96.8% from approximately HK\$66.5 million in 1H2021. Such decrease in revenue was mainly resulted from the decrease in the sales of well completion tools in both domestic and overseas markets.

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 set out 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 updates in 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 certain operations. The Group has arranged 58 trainings of more than 798 hours in total and 122 employees have attended these training programs in 1H2022. 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 229 employees as at 30 June 2022, representing an increase of approximately 7.5% as compared with that of 213 employees as at 31 December 2021.

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 rights. As at 30 June 2022, the Group had 12 utility model patents and 6 innovation patents and was in the process of applying for 6 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 cooperation with oilfield services technology companies.

OUTLOOK

During 1H2022, Brent crude oil price has continued to rebound from approximately US\$78/barrel in January 2022 to approximately US\$109/barrel in June 2022. With the continual rebound and stabilisation of international oil price, market demands for production enhancement services and other oilfield services offered by the Group would be improved.

Following the completion of the PK Huizhou Transactions and the discontinuation of the Group's manufacturing business in the second quarter of 2021, the principal activities of the Group consisted of the provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000 (re-presented)
Continuing operations			
Revenue	4	67,068	69,587
Operating costs			
Material costs		(7,408)	(7,775)
Depreciation of property, plant and equipment	9	(17,576)	(21,154)
Depreciation of right-of-use assets		(963)	(865)
Expenses related to short-term leases		(1,641)	(1,479)
Employee benefit expenses		(25,238)	(22,138)
Distribution expenses		(1,967)	(2,810)
Technical service fees		(20,375)	(20,079)
Research and development expenses		(4,998)	(1,720)
Entertainment and marketing expenses		(3,959)	(4,540)
Net impairment loss on financial assets		(655)	(797)
Net reversal of impairment on contract assets		–	234
Write-down of inventories to net realisable value		(2,139)	(3,318)
Other expenses		(7,925)	(8,077)
Other (losses)/gains, net	5	(1,357)	6,989
Operating loss		(29,133)	(17,942)
Finance income		2,678	327
Finance costs		(6,970)	(8,449)
Finance costs, net	6	(4,292)	(8,122)
Share of results of associates		(4,101)	(48)
Loss before income tax expense		(37,526)	(26,112)
Income tax credit	7	107	21
Loss for the period from continuing operations		(37,419)	(26,091)
Discontinued operations			
Profit for the period from discontinued operations		–	17,897
Loss for the period		(37,419)	(8,194)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(3,359)	11,421
Release of translation reserve upon disposal of subsidiaries		–	1,171
Other comprehensive income for the period, net of tax		(3,359)	12,592
Total comprehensive income for the period		(40,778)	4,398

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
			(re-presented)
(Loss)/profit for the period attributable to:			
Owners of the Company			
– Continuing operations		(37,724)	(26,942)
– Discontinued operations		–	12,676
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(37,724)	(14,266)
		<hr/>	<hr/>
Profit for the period attributable to:			
Non-controlling interests			
– Continuing operations		305	851
– Discontinued operations		–	5,221
		<hr/>	<hr/>
Profit for the period attributable to non-controlling interests		305	6,072
		<hr/>	<hr/>
		(37,419)	(8,194)
		<hr/>	<hr/>
Total comprehensive income for the period attributable to:			
Owners of the Company		(41,013)	(5,435)
Non-controlling interests		235	9,833
		<hr/>	<hr/>
		(40,778)	4,398
		<hr/>	<hr/>
(Loss)/earnings per share attributable to owners of the Company during the period:			
(Loss)/earnings per share – basic and diluted			
(HK cents)			
Continuing operations	8	(2.2)	(1.5)
Discontinued operations	8	–	0.7
		<hr/>	<hr/>
		(2.2)	(0.8)
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	134,183	157,586
Intangible assets		85,656	85,656
Right-of-use assets	10	1,148	1,683
Financial asset at fair value through profit or loss		6,263	8,587
Interests in associates		57,107	67,250
Other receivables and deposits	11	4,599	303
		288,956	321,065
		288,956	321,065
Current assets			
Inventories		20,988	24,348
Trade receivables	12	129,028	184,990
Contract assets		40,304	23,727
Other receivables and deposits	11	91,333	117,521
Prepayments		11,913	17,393
Pledged bank deposits		605	969
Cash and cash equivalents		20,965	26,477
		315,136	395,425
		315,136	395,425
Current liabilities			
Trade payables	13	139,282	158,598
Other payables and accruals		63,893	79,123
Contract liabilities		928	940
Lease liabilities		862	1,616
Bank and other borrowings		93,602	115,060
		298,567	355,337
		298,567	355,337
Net current assets		16,569	40,088
Total assets less current liabilities		305,525	361,153

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	55,123	70,200
Lease liabilities	352	274
	<u>55,475</u>	<u>70,474</u>
NET ASSETS	<u>250,050</u>	<u>290,679</u>
EQUITY		
Share capital	2,001,073	2,001,073
Other reserves	40,214	74,217
Accumulated losses	(1,796,139)	(1,789,278)
	<u>245,148</u>	<u>286,012</u>
Equity attributable to owners of the Company	245,148	286,012
Non-controlling interests	4,902	4,667
	<u>250,050</u>	<u>290,679</u>
TOTAL EQUITY	<u>250,050</u>	<u>290,679</u>

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.

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

The Company had its primary listing on 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 2022 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 2021, 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. The comparative interim condensed consolidated statement of comprehensive income and related notes have been re-presented arising from the presentation and disclosure of the discontinued operations.

The Group reported a loss from continuing operations of approximately HK\$37,419,000 during the six months ended 30 June 2022, and as of that date, the Group had total current bank and other borrowings amounted to approximately HK\$93,602,000. However, the Group only had cash and cash equivalents of approximately HK\$20,965,000 as at 30 June 2022.

These conditions may cast significant doubt on the Group's ability to continue as a going concern.

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

- (a) Up to the date of approval for issue of these interim condensed consolidated financial statements, the Group had unutilised facilities available for drawdown totaling RMB74,726,000, comprising approximately RMB20,450,000 from bank, approximately RMB30,000,000 from a shareholder, and approximately RMB24,276,000 from certain independent lenders.
- (b) On 26 August 2022, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK\$99,200,000 as at 30 June 2022, which bore interest at 5.5% per annum. The Group has subsequently repaid HK\$1,000,000 to this lender in July 2022. Pursuant to the supplemental agreement, amounts of HK\$1,000,000 and HK\$15,000,000 will be repaid by the Group on 31 August 2022 and 15 September 2022, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK\$1,500,000 on the last day of each month from October 2022 to November 2024, with a final instalment of HK\$43,200,000 to be repaid on 31 December 2024.
- (c) In August 2022, the Group entered into various loan agreements with certain employees, pursuant to which the employees have extended the repayment date of certain loan facilities with an aggregate amount of RMB5,800,000 provided to the Group for a period of twelve months. Such facilities are unsecured and bear interest at 15% per annum.
- (d) Repayment from Petro-king Energy Technology (Huizhou) Co., Ltd. (“**PK Huizhou**”) and its subsidiaries (the “**PK Huizhou Group**”) of certain loan facilities with outstanding principal amount of approximately US\$2,457,000 and RMB13,761,000 as at 30 June 2022 respectively, which shall be repaid on or before 31 December 2022 pursuant to the term of relevant loan facilities.

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

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through:

- (a) successfully maintaining the current facilities from the bank located in the PRC to fund the Group's working capital need for the oilfield and gas field projects in the PRC;
- (b) successful draw down the unutilised facilities of the shareholder's loan and of the loans from certain independent lenders as and when needed; and
- (c) repayment from Petro-king Huizhou Group.

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

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 2021.

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 2022.

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

4 REVENUE AND SEGMENT INFORMATION

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

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

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

(a) **Revenue**

Revenue recognised for the six months ended 30 June 2022 and 2021 are as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Continuing operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Drilling work	9,417	20,188
– Well completion work	–	5,214
– Production enhancement work	41,670	29,642
	<hr/>	<hr/>
Total oilfield project tools and services	51,087	55,044
Consultancy services		
– Integrated project management services	1,560	2,195
– Supervisory services	14,421	12,348
	<hr/>	<hr/>
Total consultancy services	15,981	14,543
	<hr/>	<hr/>
	67,068	69,587
	<hr/>	<hr/>
Discontinued operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Well completion work	–	59,840
– Production enhancement work	–	3,312
	<hr/>	<hr/>
Total oilfield project tools and services	–	63,152
	<hr/>	<hr/>
Others (<i>Note</i>)	–	6,676
	<hr/>	<hr/>
	–	69,828
	<hr/>	<hr/>
Total revenue	67,068	139,415
	<hr/>	<hr/>
Timing of revenue recognition within the scope of IFRS 15:		
At a point in time	10,929	88,970
Over time	56,139	50,445
	<hr/>	<hr/>
	67,068	139,415
	<hr/>	<hr/>

Note:

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

(b) Segment results

The segment information for the six months ended 30 June 2022 and 2021 are as follows:

	Continuing Operations		Unaudited Discontinued Operations		
	Oilfield project tools and services – Oilfield Services Business <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Oilfield project tools and services – Manufacturing Business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2022					
Revenue from external customers	51,087	15,981	-	-	67,068
Inter-segment revenue	-	-	-	-	-
Total segment revenue	<u>51,087</u>	<u>15,981</u>	<u>-</u>	<u>-</u>	<u>67,068</u>
Segment results	(32,079)	6,057	-	-	(26,022)
Net unallocated expenses					<u>(11,504)</u>
Loss before income tax					<u>(37,526)</u>
Other information:					
Depreciation of property, plant equipment	(17,371)	-	-	-	(17,371)
Depreciation of right-of-use assets	(126)	-	-	-	(126)
Net impairment loss on financial assets	(655)	-	-	-	(655)
Write-down of inventories to net realisable value	(2,139)	-	-	-	(2,139)
Finance costs	<u>(3,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,068)</u>

	Continuing Operations		Unaudited Discontinued Operations		Total HK\$'000
	Oilfield project tools and services – Oilfield Services Business HK\$'000	Consultancy services HK\$'000	Oilfield project tools and services – Manufacturing Business HK\$'000	Others HK\$'000	
Six months ended 30 June 2021 (re-presented)					
Revenue from external customers	55,044	14,543	63,152	6,676	139,415
Inter-segment revenue	–	–	9,649	–	9,649
Reconciliation	55,044	14,543	72,801	6,676	149,064
Elimination of inter-segment revenue	–	–	(9,649)	–	(9,649)
Total segment revenue	55,044	14,543	63,152	6,676	139,415
Segment results	(17,469)	4,826	22,182	(1,258)	8,281
Net unallocated expenses					(13,469)
Loss before income tax					(5,188)
Other information:					
Depreciation of property, plant equipment	(15,560)	–	(4,560)	–	(20,120)
Amortisation of intangible assets	–	–	(74)	–	(74)
Depreciation of right-of-use assets	(110)	–	(4,632)	–	(4,742)
Net impairment loss on financial assets	(797)	–	–	–	(797)
Net reversal of impairment on contract assets	234	–	–	–	234
Write-down of inventories to net realisable value	(3,318)	–	–	–	(3,318)
Finance costs	(7,245)	–	(2,510)	–	(9,755)
Finance income	–	–	16	–	16

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 segments' results to total loss before income tax credit is provided as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(re-presented)	
Segment results	(26,022)	8,281
Segment profit from discontinued operations	–	(20,924)
Depreciation of property, plant and equipment	(205)	(5,594)
Depreciation of right-of-use assets	(837)	(755)
Other expenses	(2,906)	(2,910)
Other (losses)/gains, net	(1,357)	6,989
Finance costs	(3,902)	(1,204)
Finance income	2,678	327
Share of results of associates	(4,101)	(48)
Other unallocated corporate expenses	(874)	(10,274)
	<u> </u>	<u> </u>
Consolidated loss before income tax credit from continuing operations	<u>(37,526)</u>	<u>(26,112)</u>

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

5 OTHER (LOSSES)/GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(re-presented)
Continuing operations:		
Foreign exchange gains/(losses), net	2,790	(1,560)
Losses on disposals of property, plant and equipment	(227)	(351)
Loss on dilution of interests in associates	(4,048)	–
Others	128	8,900
	(1,357)	6,989
Discontinued operations:		
Foreign exchange gains, net	–	888
Others	–	(3,935)
	–	(3,047)
	(1,357)	3,942

6 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(re-presented)	
Continuing operations:		
Interest expenses:		
– Bank and other borrowings	(6,520)	(7,239)
– Lease liabilities	(47)	(81)
– 2020 Bonds	(403)	(1,129)
	<u>(6,970)</u>	<u>(8,449)</u>
Discontinued operations:		
Interest expenses:		
– Bank and other borrowings	–	(2,038)
– Lease liabilities	–	(472)
	<u>–</u>	<u>(2,510)</u>
Finance costs	(6,970)	(10,959)
Continuing operations:		
Interest income from bank deposits	25	81
Interest income from related parties	1,922	–
Interest income from others	731	246
	<u>2,678</u>	<u>327</u>
Discontinued operations:		
Interest income from bank deposits	–	16
Finance income	2,678	343
Finance costs, net	<u>(4,292)</u>	<u>(10,616)</u>

7 INCOME TAX CREDIT

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(re-presented)	
Continuing operations:		
Current tax	(107)	(21)
Discontinued operations:		
Current tax		
– PRC corporate income tax	–	3,027
Income tax (credit)/expense	<u>(107)</u>	<u>3,006</u>

8 LOSS PER SHARE

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.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>1,726,674</u>	<u>1,726,674</u>

(a) From continuing and discontinued operations

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(37,724)</u>	<u>(14,266)</u>

(b) From continuing operations

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(re-presented)
Loss for the period attributable to owners of the Company	(37,724)	(14,266)
Less: profit for the period from discontinued operations	<u>–</u>	<u>12,676</u>
Loss for the purpose of calculating basic loss per share from continuing operations	<u>(37,724)</u>	<u>(26,942)</u>

(c) From discontinued operations

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(re-presented)
Profit for the period attributable to owners of the Company	<u>–</u>	<u>12,676</u>

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 decrease earnings per share or increase loss per share from continuing operations.

Diluted loss per share for the six months ended 30 June 2022 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (30 June 2021: same) as the conversion of potential ordinary shares in relation to the share options (30 June 2021: share options and warrants) has an anti-dilutive effect to the basic loss per share from continuing operations.

9 PROPERTY, PLANT AND EQUIPMENT

Unaudited
HK\$'000

Six months ended 30 June 2022

Net book value

Opening amount as at 1 January 2022	157,586
Additions	2,474
Depreciation	(17,576)
Disposals	(2,316)
Exchange differences	(5,985)

Closing amount as at 30 June 2022 **134,183**

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 (<i>Note 14</i>)	(120,296)
Exchange differences	2,088

Closing amount as at 30 June 2021 **176,799**

10 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, additions to right-of-use assets were approximately HK\$475,000 (30 June 2021: Nil). During the six months ended 30 June 2022, the Group has no disposal on right-of-use assets (30 June 2021: disposal of HK\$26,411,000 upon disposal of subsidiaries) (Note 14).

11 OTHER RECEIVABLES AND DEPOSITS

As at 30 June 2022, amount of approximately HK\$35,376,000 (31 December 2021: HK\$52,239,000) loan receivables from associates has been included in the current portion of other receivables and deposits.

12 TRADE RECEIVABLES

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	152,527	203,700
Less: provision for impairment of trade receivables	<u>(23,499)</u>	<u>(18,710)</u>
Trade receivables, net	<u>129,028</u>	<u>184,990</u>

As at 30 June 2022 and 31 December 2021, ageing analysis of gross trade receivables by services completion and delivery date are as follows:

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Up to 3 months	19,567	68,883
3 to 6 months	9,644	16,176
6 to 12 months	31,210	18,762
Over 12 months	<u>92,106</u>	<u>99,879</u>
Trade receivables	152,527	203,700
Less: provision for impairment of trade receivables	<u>(23,499)</u>	<u>(18,710)</u>
Trade receivables, net	<u>129,028</u>	<u>184,990</u>

The Group generally allows a credit period up to 1 year after invoice date to its customers.

13 TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, ageing analysis of trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Up to 3 months	59,267	80,974
3 to 6 months	16,365	10,796
6 to 12 months	31,536	32,747
Over 12 months	<u>32,114</u>	<u>34,081</u>
	<u>139,282</u>	<u>158,598</u>

14 DISPOSAL OF SUBSIDIARIES

On 23 June 2021, the Group completed the disposal of 14.62% equity interest in PK Huizhou to Mr. Wang Jinlong, a substantial shareholder and a director of the Company, and his associates at a cash consideration of RMB25,000,000 (equivalent to approximately HK\$30,045,000). Upon completion of the disposal, PK Huizhou became an associate with 38.60% effective equity interest held by the Group. The net assets of PK Huizhou at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment (<i>Note 9</i>)	120,296
Intangible assets	1,699
Right-of-use assets (<i>Note 10</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 disposal 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	23,497
	<hr/>
Cash consideration	<u>30,045</u>

The comparative interim condensed consolidated statement of comprehensive income and the related notes have been re-presented arising from the presentation and disclosure of the discontinued operations.

15 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Save as disclose elsewhere in the interim condensed consolidated financial statements, the Group has following significant events after the reporting period.

On 26 August 2022, 百勤(重慶)油氣工程技術服務有限公司 (Petro-king (Chongqing) Oil and Gas Engineering Technology Service Co., Ltd.*) (“**Petro-king (Chongqing)**”), an indirectly 80%-owned subsidiary of the Company, has entered into a sales and purchase agreement for the purchase of 3 units of 2500 mechanical fracturing trucks at a consideration of RMB28,500,000 (equivalent to approximately HK\$32,652,000). On the same date, Petro-king Chongqing has entered into a second sales and purchase agreement for the disposal of 4 units of hydraulic fracturing trucks (“**Disposal Equipment**”) at a consideration of RMB20,000,000 (equivalent to approximately HK\$22,914,000). Further details of the above-mentioned purchase and disposal were set out in the announcement of the Company dated 26 August 2022.

* *English name is for identification only*

FINANCIAL REVIEW ON CONTINUING OPERATIONS

Revenue

The Group's revenue amounted to approximately HK\$67.1 million in 1H2022, which decreased by approximately HK\$2.5 million or approximately 3.6% as compared with that of approximately HK\$69.6 million in 1H2021. The revenue from the provision of drilling services decreased by approximately 53.5% from approximately HK\$20.2 million in 1H2021 to approximately HK\$9.4 million in 1H2022 due to the decrease in the provision of drilling services to a customer in Northern China. The above decreases in revenue in 1H2022 was partly offset by the increase in revenue from the provision of production enhancement services in Southwestern China.

Material Costs

In 1H2022, the Group's material costs were approximately HK\$7.4 million, which decreased by approximately 5.1% or approximately HK\$0.4 million as compared with that of approximately HK\$7.8 million in 1H2021. Material costs accounted for approximately 11.0% of the revenue in 1H2022, which was similar to that of approximately 11.2% in 1H2021.

Depreciation of Property, Plant and Equipment

In 1H2022, the depreciation of property, plant and equipment amounted to approximately HK\$17.6 million, which decreased by approximately HK\$3.6 million or approximately 17.0% as compared with that of approximately HK\$21.2 million in 1H2021. Depreciation expense decreased in 1H2022 as certain property, plant and equipment have been fully depreciated.

Employee Benefit Expenses

In 1H2022, the Group's employee benefit expenses were approximately HK\$25.2 million, which increased by approximately HK\$3.1 million or approximately 14.0% as compared with that of approximately HK\$22.1 million in 1H2021. Employee benefit expenses increased as more employees were recruited to participate in the production enhancement projects in the PRC.

Research and Development Expenses

In 1H2022, the Group's research and development expenses amounted to approximately HK\$5.0 million, which increased by approximately HK\$3.3 million or approximately 194.1% from approximately HK\$1.7 million in 1H2021. The research and development expenses increased in 1H2022 as the Group has devoted more resources in the research and development of natural gas hydrate and turbo drilling tools in 1H2022.

Write-down of Inventories to Net Realisable Value

For 1H2022, the write-down of inventories to net realisable value amounted to approximately HK\$2.1 million (1H2021: approximately HK\$3.3 million). The write-down in 1H2022 was mainly related to certain obsolete drilling tools and accessories with no future plan of usage.

Other (losses)/gains, net

The Group recorded other losses, net of approximately HK\$1.4 million in 1H2022 while recorded other gains, net of approximately HK\$7.0 million in 1H2021. In 1H2022, the Group recorded foreign exchange gains of approximately HK\$2.8 million (1H2021: loss of approximately HK\$1.6 million). In 1H2022, the Group recorded a loss on dilution of interests in associates of approximately HK\$4.0 million (1H2021: Nil).

Operating Loss

As a result of the foregoing, the Group recorded an operating loss of approximately HK\$29.1 million in 1H2022 (1H2021: approximately HK\$17.9 million).

Net Finance Costs

In 1H2022, the Group's net finance costs amounted to approximately HK\$4.3 million, which decreased by approximately HK\$3.8 million or approximately 46.9% as compared with that of approximately HK\$8.1 million in 1H2021. Such decrease in net finance costs was mainly resulted from the repayment of certain borrowings by the Group. In addition, the Group recorded an interest income of approximately HK\$1.9 million from PK Huizhou and its subsidiaries ("**PK Huizhou Group**") in 1H2022 (1H2021: Nil).

Share of Results of Associates

In 1H2022, the Group recorded share of loss of associates of approximately HK\$4.1 million (1H2021: approximately HK\$48,000). The balance represented the Group's share of loss of PK Huizhou Group subsequent to the completion of the PK Huizhou Transactions in June 2021. PK Huizhou has not declared any dividend in 1H2022 (1H2021: Nil).

Loss for the Period from Continuing Operations

As a result of the foregoing, the Group recorded a loss of approximately HK\$37.4 million from continuing operations in 1H2022 as compared with a loss of approximately HK\$26.1 million in 1H2021.

REVIEW ON OTHER FINANCIAL DATA

Profit for the Period from Discontinued Operations

In 1H2022, the Group did not record any profit from Discontinued Operations. Profit from Discontinued Operations in 1H2021 was mainly resulted from the gain on disposal of PK Huizhou Group in June 2021, which was partly offset by the loss generated from the manufacturing business of PK Huizhou Group in 1H2021.

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 (including both continuing operations and discontinued operations) amounted to approximately HK\$37.7 million in 1H2022 as compared with a loss attributable to owners of the Company of approximately HK\$14.3 million in 1H2021.

Property, Plant and Equipment

Property, plant and equipment include items such as service equipment, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 30 June 2022, the Group's property, plant and equipment amounted to approximately HK\$134.2 million, which decreased by approximately HK\$23.4 million or approximately 14.8% from approximately HK\$157.6 million as at 31 December 2021. The decrease was mainly due to the recognition of depreciation expense in 1H2022 and the depreciation of RMB in 1H2022.

Interests in Associates

As at 30 June 2022, the Group's interests in associates amounted to approximately HK\$57.1 million, representing a decrease of approximately HK\$10.2 million as compared with that of approximately HK\$67.3 million as at 31 December 2021. The decrease was mainly due to the Group's share of loss in the PK Huizhou Group in 1H2022, the loss on dilution of interest in associates in 1H2022 and the depreciation of RMB in 1H2022.

Inventories

As at 30 June 2022, the Group's inventories amounted to approximately HK\$21.0 million, representing a decrease of approximately HK\$3.3 million or approximately 13.6% as compared with that of approximately HK\$24.3 million as at 31 December 2021. The average turnover days of inventories increased from approximately 213 days in 1H2021 to approximately 554 days in 1H2022. Subsequent to the discontinuation of the Group's manufacturing business in June 2021, the Group's revenue are mainly generated from the provision of various oilfields and gas field services, which generally utilised less materials than the manufacturing business, which contributed to an increase in inventories turnover days in 1H2022.

Trade Receivables

As at 30 June 2022, the Group's trade receivables amounted to approximately HK\$129.0 million, representing a decrease of approximately HK\$56.0 million or approximately 30.3% as compared with that of approximately HK\$185.0 million as at 31 December 2021. The average turnover days of trade receivables were approximately 424 days in 1H2022, representing an increase of approximately 168 days as compared with that of approximately 256 days in 1H2021. The increase of turnover days of trade receivables was mainly due to the decrease in revenue following the discontinuation of the Group's manufacturing business in June 2021.

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 2022, the Group's contract assets amounted to approximately HK\$40.3 million, representing an increase of approximately HK\$16.6 million or approximately 70.0% as compared with that of approximately HK\$23.7 million as at 31 December 2021. The increase was mainly due to the increase in unbilled works related to the provision of fracturing services to certain customers in 1H2022.

Trade Payables

As at 30 June 2022, the Group's trade payables were approximately HK\$139.3 million, which decreased by approximately HK\$19.3 million or approximately 12.2% as compared with that of approximately HK\$158.6 million as at 31 December 2021. The average turnover days of trade payables increased from approximately 433 days in 1H2021 to approximately 970 days in 1H2022, representing an increase of approximately 537 days. The increase in trade payables turnover days were mainly due to the decrease in the consumption of materials subsequent to the discontinuation of the Group's manufacturing business in June 2021.

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 2022, the Group had cash and cash equivalents of approximately HK\$21.0 million, representing a decrease of approximately HK\$5.5 million as compared with that of approximately HK\$26.5 million as at 31 December 2021. The cash and cash equivalents were mainly held in Renminbi (“**RMB**”) and US dollars (“**US\$**”).

As at 30 June 2022, the Group's bank and other borrowings amounted to approximately HK\$148.7 million (31 December 2021: approximately HK\$185.3 million), of which approximately 62.9% (31 December 2021: approximately 62.1%) was repayable within one year. As at 30 June 2022, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2021: 100%) of such borrowings bore interest at fixed lending rate.

As at 30 June 2022, the Group has not pledged any machinery to secure general banking facilities, instalment loans or lease liabilities granted to the Group (31 December 2021: approximately HK\$7.2 million).

Gearing ratio

As at 30 June 2022, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 33.9% (31 December 2021: 35.5%). 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 1H2022 (1H2021: Nil).

Off-balance Sheet Arrangements

As at 30 June 2022, the Group did not have any off-balance sheet arrangements (31 December 2021: nil).

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, two non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. During 1H2022, 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 1H2022.

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

During 1H2022, 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 1H2022 (1H2021: 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. Zhang Dawei. The unaudited interim condensed consolidated financial information has been reviewed by the Audit Committee.

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

Hong Kong, 29 August 2022

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