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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)

Mr. Huang Yu (黃瑜)

(deceased on 4 March 2023)

Mr. Lin Jingyu (林景禹)

(appointed on 22 March 2023)

NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)

Mr. Wong Shiu Kee (黃紹基)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)

Mr. Xin Junhe (辛俊和)

Mr. Zhang Dawei (張大偉)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (*Chairman*)

Mr. Xin Junhe (辛俊和)

Mr. Zhang Dawei (張大偉)

REMUNERATION COMMITTEE

Mr. Xin Junhe (辛俊和) (*Chairman*)

Mr. Wang Jinlong (王金龍)

Mr. Leung Lin Cheong (梁年昌)

Mr. Zhang Dawei (張大偉)

NOMINATION COMMITTEE

Mr. Wang Jinlong (王金龍) (*Chairman*)

Mr. Leung Lin Cheong (梁年昌)

Mr. Xin Junhe (辛俊和)

Mr. Zhang Dawei (張大偉)

SANCTION OVERSIGHT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (*Chairman*)

Mr. Wang Jinlong (王金龍)

Mr. Xin Junhe (辛俊和)

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)

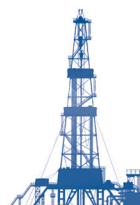
AUTHORISED REPRESENTATIVES

Mr. Wang Jinlong (王金龍)

Mr. Tung Tat Chiu, Michael (佟達釗)

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2178



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2023 (“**1H 2023**”), Petro-king Oilfield Services Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) recorded a revenue and loss of approximately HK\$103.2 million (six months ended 30 June 2022 (“**1H2022**”): approximately HK\$67.1 million) and approximately HK\$18.0 million (1H2022: approximately HK\$37.4 million), respectively. Basic loss per share attributable to owners of the Company for 1H2023 was approximately HK1.0 cent (1H2022: approximately HK2.2 cents). The Board has resolved not to pay any interim dividend for 1H2023 (1H2022: Nil).

During 1H2023, the Group was principally engaged in the provision of production enhancement services, drilling services, consultancy services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

In 1H2023, the Group’s revenue increased by approximately 53.8% from approximately HK\$67.1 million in 1H2022 to approximately HK\$103.2 million in 1H2023. As the international oil price had remained strong in 1H2023 and the national policy of the People’s Republic of China (the “**PRC**”) encouraged shale gas consumption for environmental protection, there were strong market demands for production enhancement services offered by the Group for certain shale gas field projects in the PRC, which contributed to a substantial increase in revenue of the Group during 1H2023.

The Group’s loss attributable to owners of the Company for 1H2023 decreased by approximately 54.6% to approximately HK\$17.1 million (1H2022: approximately HK\$37.7 million). The decrease in loss attributable to owners of the Company was mainly attributable to the increase in the Group’s revenue in 1H2023.

GEOGRAPHICAL MARKET ANALYSIS

	1H2023 <i>(HK\$ million)</i>	1H2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2023 (%)	Approximate percentage of total revenue in 1H2022 (%)
China market	82.0	50.9	61.1	79.5	75.9
Overseas markets	21.2	16.2	30.9	20.5	24.1
Total	103.2	67.1	53.8	100	100



The Group's revenue from the China market increased by approximately HK\$31.1 million or approximately 61.1% to approximately HK\$82.0 million in 1H2023 from approximately HK\$50.9 million in 1H2022. The increase in revenue from the China market was mainly due to the increase in the provision of production enhancement services in Northern China and Southwestern China in 1H2023.

The Group's revenue from the overseas market increased by approximately HK\$5.0 million or approximately 30.9% to approximately HK\$21.2 million in 1H2023 from approximately HK\$16.2 million in 1H2022. The increase in revenue from the overseas market was mainly due to the increase in the provision of supervisory services in the Middle East market, which was partly offset by the decrease in the provision of integrated project management services in other overseas markets.

REVENUE FROM THE CHINA MARKET

	1H2023 (HK\$ million)	1H2022 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 1H2023 (%)	Approximate percentage of total revenue from the China market in 1H2022 (%)
Southwestern China	38.8	22.3	74.0	47.3	43.8
Northern China	37.8	18.9	100.0	46.1	37.1
Northwestern China	4.4	8.5	-48.2	5.4	16.7
Other regions in China	1.0	1.2	-16.7	1.2	2.4
Total	82.0	50.9	61.1	100	100

The Group's revenue from Southwestern China amounted to approximately HK\$38.8 million in 1H2023, which increased by approximately HK\$16.5 million or approximately 74.0% from approximately HK\$22.3 million in 1H2022. The increase was mainly due to the increase in the provision of fracturing production enhancement services in this region.

In 1H2023, the Group's revenue from Northern China amounted to approximately HK\$37.8 million, which increased by approximately HK\$18.9 million or approximately 100.0% from approximately HK\$18.9 million in 1H2022. The increase was mainly due to the increase in the provision of plug and perforation fracturing services and coiled tubing fracturing services in this region.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from Northwestern China amounted to approximately HK\$4.4 million in 1H2023, which decreased by approximately HK\$4.1 million or approximately 48.2% from approximately HK\$8.5 million in 1H2022. The decrease was mainly due to the decrease in the provision of drilling services in this region.

The Group's revenue from other regions in China amounted to approximately HK\$1.0 million in 1H2023, which decreased by approximately HK\$0.2 million or approximately 16.7% from approximately HK\$1.2 million in 1H2022. The decrease in revenue from other regions in China was mainly due to the decrease in the provision of supervisory services in these regions.

REVENUE FROM THE OVERSEAS MARKETS

	1H2023 <i>(HK\$ million)</i>	1H2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue from the overseas markets in 1H2023 (%)	Approximate percentage of total revenue from the overseas markets in 1H2022 (%)
The Middle East	21.1	14.6	44.5	99.5	90.1
Others	0.1	1.6	-93.8	0.5	9.9
Total	21.2	16.2	30.9	100	100

In 1H2023, the Group's revenue from the Middle East amounted to approximately HK\$21.1 million, which increased by approximately HK\$6.5 million or approximately 44.5% from approximately HK\$14.6 million in 1H2022. The increase was mainly due to the increase in the provision of supervisory services in the Middle East market.

The Group's revenue from other overseas regions amounted to approximately HK\$0.1 million in 1H2023, which decreased by approximately HK\$1.5 million or approximately 93.8% from approximately HK\$1.6 million in 1H2022. The decrease in revenue from other overseas regions was mainly due to the decrease in the provision of integrated project management services in other overseas markets.



BUSINESS SEGMENT ANALYSIS

	1H2023 <i>(HK\$ million)</i>	1H2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2023 (%)	Approximate percentage of total revenue in 1H2022 (%)
Oilfield project tools and services	81.2	51.1	58.9	78.7	76.2
Consultancy services	22.0	16.0	37.5	21.3	23.8
Total	103.2	67.1	53.8	100	100

In 1H2023, the Group's revenue from oilfield project tools and services amounted to approximately HK\$81.2 million, which increased by approximately HK\$30.1 million or approximately 58.9% from approximately HK\$51.1 million in 1H2022. The increase in revenue from this segment was mainly due to the increase in the provision of production enhancement services in Northern China and Southwestern China in 1H2023.

The Group's revenue from consultancy services amounted to approximately HK\$22.0 million in 1H2023, which increased by approximately HK\$6.0 million or approximately 37.5% from approximately HK\$16.0 million in 1H2022. The increase was mainly due to the increase in the provision of supervisory services in the Middle East market.

Oilfield Projects Tools and Services

	1H2023 <i>(HK\$ million)</i>	1H2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2023 (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2022 (%)
Production enhancement	71.8	41.7	72.2	88.4	81.6
Drilling	7.4	9.4	-21.3	9.1	18.4
Well completion	2.0	–	N/A	2.5	–
Total	81.2	51.1	58.9	100	100

Production Enhancement

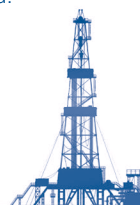
In 1H2023, the Group's revenue from production enhancement amounted to approximately HK\$71.8 million, which increased by approximately HK\$30.1 million or approximately 72.2% from approximately HK\$41.7 million in 1H2022. The increase was mainly due to the increase in the provision of plug and perforation fracturing services and coiled tubing fracturing services in Northern China and the provision of fracturing production enhancement services in Southwestern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$7.4 million in 1H2023, which decreased by approximately HK\$2.0 million or approximately 21.3% from approximately HK\$9.4 million in 1H2022. The decrease was mainly due to the decrease in the provision of drilling services in Northwestern China.

Well Completion

In 1H2023, the Group's revenue from well completion amounted to approximately HK\$2.0 million (1H2022: Nil). The well completion tools were sold to customers in Northern China.



CUSTOMER ANALYSIS

Customer	1H2023 (HK\$ million)	1H2022 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2023 (%)	Approximate percentage of total revenue in 1H2022 (%)
Customer 1	45.3	30.6	48.0	43.8	45.6
Customer 2	32.6	15.1	115.9	31.6	22.5
Customer 3	19.9	15.5	28.4	19.3	23.1
Customer 4	1.1	–	N/A	1.1	–
Customer 5	1.0	–	N/A	1.0	–
Other customers	3.3	5.9	-44.0	3.2	8.8
Total	103.2	67.1	53.8	100	100

The revenue from Customer 1 amounted to approximately HK\$45.3 million in 1H2023, which increased by approximately HK\$14.7 million or approximately 48.0% from approximately HK\$30.6 million in 1H2022. This increase was mainly due to the increase in the provision of fracturing production enhancement services to this customer in Southwestern China. The revenue from Customer 2 amounted to approximately HK\$32.6 million in 1H2023, which increased by approximately HK\$17.5 million or approximately 115.9% from approximately HK\$15.1 million in 1H2022. This increase was mainly due to the increase in the provision of plug and perforation fracturing services and coiled tubing fracturing services to this customer in Northern China. The revenue from Customer 3 amounted to approximately HK\$19.9 million in 1H2023, which increased by approximately HK\$4.4 million or approximately 28.4% from approximately HK\$15.5 million in 1H2022. This increase was mainly due to the increase in the provision of supervisory services to this customer in the Middle East. The revenue from Customer 4 amounted to approximately HK\$1.1 million in 1H2023 (1H2022: Nil), which was derived from the provision of supervisory services in Southwestern China. The revenue from Customer 5 amounted to approximately HK\$1.0 million in 1H2023 (1H2022: Nil), which was derived from the provision of drilling services in Northwestern China. The revenue from other customers amounted to approximately HK\$3.3 million in 1H2023, which dropped by approximately HK\$2.6 million or approximately 44.0% from approximately HK\$5.9 million in 1H2022. Such decrease in revenue mainly resulted from the decrease in the provision of production enhancement services to certain 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 set out the 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 production enhancement 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 75 trainings of more than 4,578 hours in total and 154 employees have attended these training programs in 1H2023. Besides, the Company has implemented a talents selection system to expand the promotion channel for employees in order to realise a win-win situation for both the Company and employees.

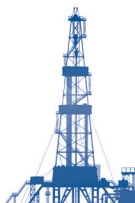
To cope with the development trend of the industry, the Group streamlined the organisation structure and the cost structure of all service lines as well as the supporting departments. The Company paid high attention to talent introduction and has recruited some international experts who are good at market development as well. The total headcount was 255 employees as at 30 June 2023, representing an increase of approximately 2.8% as compared with that of 248 employees as at 31 December 2022.

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 2023, the Group had 12 utility model patents and 6 innovation patents and was in the process of applying for 7 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 1H2023, Brent crude oil price has fluctuated between approximately US\$70 to approximately US\$89 per barrel. With the international oil price remaining strong and the PRC's national policy to encourage shale gas consumption for environmental protection, market demands for production enhancement services and other oilfield services offered by the Group is expected to remain robust for the rest of 2023.

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.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately HK\$103.2 million in 1H2023, which increased by approximately HK\$36.1 million or approximately 53.8% as compared with that of approximately HK\$67.1 million in 1H2022. The revenue from the provision of production enhancement services increased by approximately 72.2% from approximately HK\$41.7 million in 1H2022 to approximately HK\$71.8 million in 1H2023 due to the increase in the provision of plug and perforation fracturing services and coiled tubing fracturing services in Northern China and the provision of fracturing production enhancement services in Southwestern China. In 1H2023, the Group also recorded revenue of approximately HK\$2.0 million (1H2022: Nil) from the sales of well completion tools to customers in Northern China. The above increases in revenue in 1H2023 were partly offset by the decrease in revenue from the provision of drilling services in Northwestern China.

Material Costs

In 1H2023, the Group's material costs were approximately HK\$13.0 million, which increased by approximately 75.7% or approximately HK\$5.6 million as compared with that of approximately HK\$7.4 million in 1H2022. Material costs accounted for approximately 12.6% of the revenue in 1H2023, which was higher than that of approximately 11.0% in 1H2022. The increase in material costs as a percentage of revenue in 1H2023 mainly resulted from the decrease in the unit price of certain production enhancement services provided by the Group in the China market in 1H2023.



Depreciation of Property, Plant and Equipment

In 1H2023, the depreciation of property, plant and equipment amounted to approximately HK\$18.8 million, which increased by approximately HK\$1.2 million or approximately 6.8% as compared with that of approximately HK\$17.6 million in 1H2022. Depreciation expense increased in 1H2023 as the Group has acquired certain new fracturing equipment in the second half of 2022.

Employee Benefit Expenses

In 1H2023, the Group's employee benefit expenses were approximately HK\$24.6 million, which decreased by approximately HK\$0.6 million or approximately 2.4% as compared with that of approximately HK\$25.2 million in 1H2022. Employee benefit expenses decreased in 1H2023 as a result of the Group's cost control measures over employee costs.

Research and Development Expenses

In 1H2023, the Group's research and development expenses amounted to approximately HK\$10.1 million, which increased by approximately HK\$5.1 million or approximately 102.0% from approximately HK\$5.0 million in 1H2022. The research and development expenses increased in 1H2023 as the Group has devoted more resources in the research and development of natural gas hydrate technology in 1H2023.

Write-down of Inventories to Net Realisable Value

For 1H2023, the write-down of inventories to net realisable value amounted to approximately HK\$1.1 million (1H2022: approximately HK\$2.1 million). The write-down in 1H2023 was mainly related to certain obsolete drilling tools and accessories with no future plan of usage.

Other Expenses

In 1H2023, the Group's other expenses were approximately HK\$9.7 million, which increased by approximately HK\$1.8 million or approximately 22.8% as compared with that of approximately HK\$7.9 million in 1H2022. Other expenses increased in 1H2023 mainly due to the increases in safety expenses and travelling expenses.



Other Gains/(Losses), net

The Group recorded other gains, net of approximately HK\$2.2 million in 1H2023 while having recorded other losses, net of approximately HK\$1.4 million in 1H2022. In 1H2023, the Group recorded foreign exchange gains of approximately HK\$1.0 million (1H2022: approximately HK\$2.8 million) and government grant of approximately HK\$1.6 million (1H2022: Nil). In 1H2023, the Group has not recorded any loss on dilution of interests in associates (1H2022: approximately HK\$4.0 million).

Operating Loss

As a result of the foregoing, the Group recorded an operating loss of approximately HK\$10.7 million in 1H2023 (1H2022: approximately HK\$29.1 million).

Net Finance Costs

In 1H2023, the Group's net finance costs amounted to approximately HK\$6.3 million, which increased by approximately HK\$2.0 million or approximately 46.5% as compared with that of approximately HK\$4.3 million in 1H2022. Such increase in net finance costs mainly resulted from the additional borrowings in relation to the acquisitions of certain fracturing equipment in the second half of 2022. In addition, the Group recorded a decrease in finance income of approximately HK\$0.7 million in 1H2023.

Share of Results of Associates

In 1H2023, the Group recorded share of loss of associates of approximately HK\$1.4 million (1H2022: approximately HK\$4.1 million). The balance represented the Group's share of loss of Petro-king Energy Technology (Huizhou) Co., Ltd.* ("**Petro-king Huizhou**") and its subsidiaries (together the "**Petro-king Huizhou Group**") in 1H2023. Petro-king Huizhou has not declared any dividend in 1H2023 (1H2022: Nil).

* For identification purpose only



Loss for the Period

As a result of the foregoing, the Group recorded a loss of approximately HK\$18.0 million in 1H2023 as compared with a loss of approximately HK\$37.4 million in 1H2022.

Loss for the Period Attributable to Owners of the Company

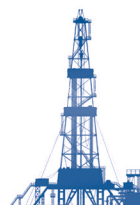
As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to approximately HK\$17.1 million in 1H2023 as compared with a loss attributable to owners of the Company of approximately HK\$37.7 million in 1H2022.

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 2023, the Group's property, plant and equipment amounted to approximately HK\$140.5 million, which decreased by approximately HK\$23.2 million or approximately 14.2% from approximately HK\$163.7 million as at 31 December 2022. The decrease was mainly due to the recognition of depreciation expense in 1H2023 and the depreciation of Renminbi ("**RMB**") in 1H2023.

Interests in Associates

As at 30 June 2023, the Group's interests in associates amounted to approximately HK\$68.1 million, representing a decrease of approximately HK\$5.6 million as compared with that of approximately HK\$73.7 million as at 31 December 2022. The decrease was mainly due to the Group's share of loss in the Petro-king Huizhou Group in 1H2023 and the depreciation of RMB in 1H2023. As at 30 June 2023, the fair value of the Group's interest in Petro-king Huizhou was approximately HK\$68.1 million (31 December 2022: approximately HK\$73.7 million), which represented approximately 9.4% (31 December 2022: approximately 9.0%) of the Group's total assets. The Group presently intends to retain the majority part of its interest in Petro-king Huizhou for long term investment, but will also consider the needs to partially dispose a minority portion of its interest in Petro-king Huizhou depending on the future liquidity requirements of the Group.



Details of the Group's associates as at 30 June 2023 were as follows:

Name of company	Form of business structure	Place of incorporation and business	Approximate percentage of ownership interest	Principal activity
Petro-king Huizhou	Limited liability company	PRC	32.73%	Research & development of petroleum engineering equipment and repair and maintenance of drilling, well completion equipment and petroleum engineering equipment. Imports, exports, wholesale and deputed petroleum engineering equipment
百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) ("Petro-king Technology")	Limited liability company	PRC	– (Note)	Provision of oilfield tools and equipment technology services and research and development in the PRC
Star Petrotech Pte. Ltd. ("Star Petrotech")	Limited liability company	Singapore	– (Note)	Manufacturing and repairing of other oilfield and gas field machinery and equipment in Singapore
深圳市百勤近海油田服務有限公司 (Shenzhen Petro-king Jinhai Oil Field Services Co., Ltd.*) ("Petro-king Jinhai")	Limited liability company	PRC	– (Note)	Distribution of and provision of technology services for various equipment including petrochemical, oilfield, safety environmental and telecommunication etc. in the PRC

* English name is for identification only.

Note: Petro-king Technology, Star Petrotech and Petro-king Jinhai are direct wholly-owned subsidiaries of Petro-king Huizhou.

The above associates are accounted for using equity method in the interim condensed consolidated financial statements.



Inventories

As at 30 June 2023, the Group's inventories amounted to approximately HK\$13.5 million, representing an increase of approximately HK\$0.6 million or approximately 4.7% as compared with that of approximately HK\$12.9 million as at 31 December 2022. The average turnover days of inventories decreased from approximately 554 days in 1H2022 to approximately 184 days in 1H2023. In 1H2023, the Group has implemented a more stringent policy to control the level of inventories which contributed to the decrease in inventory turnover days.

Trade Receivables

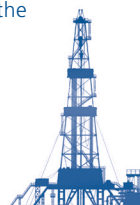
As at 30 June 2023, the Group's trade receivables amounted to approximately HK\$195.9 million, representing a decrease of approximately HK\$24.8 million or approximately 11.2% as compared with that of approximately HK\$220.7 million as at 31 December 2022. The average turnover days of trade receivables were approximately 365 days in 1H2023, representing a decrease of approximately 59 days as compared with that of approximately 424 days in 1H2022. The decrease in turnover days of trade receivables was mainly due to the increase in revenue in 1H2023.

Contract Assets

The contract assets primarily relate 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 2023, the Group's contract assets amounted to approximately HK\$87.4 million, representing a decrease of approximately HK\$20.3 million or approximately 18.8% as compared with that of approximately HK\$107.7 million as at 31 December 2022. In 1H2023, the Group has sped up the billing of production enhancement services, which contributed to the decrease in contract assets.

Trade Payables

As at 30 June 2023, the Group's trade payables were approximately HK\$204.1 million, which decreased by approximately HK\$39.6 million or approximately 16.2% as compared with that of approximately HK\$243.7 million as at 31 December 2022. The average turnover days of trade payables decreased from approximately 970 days in 1H2022 to approximately 889 days in 1H2023, representing a decrease of approximately 81 days. The decrease in trade payables turnover days was mainly due to the speeding up in the payment of trade payables by the Group in 1H2023.



Funding and Treasury Policies and Objectives

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 2023, the Group had cash and cash equivalents of approximately HK\$22.2 million, representing a decrease of approximately HK\$17.8 million as compared with that of approximately HK\$40.0 million as at 31 December 2022. The cash and cash equivalents were mainly held in RMB and US dollars ("US\$").

As at 30 June 2023, the Group's bank and other borrowings amounted to approximately HK\$206.4 million (31 December 2022: approximately HK\$227.4 million), of which approximately 48.8% (31 December 2022: approximately 41.9%) was repayable within one year. As at 30 June 2023, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2022: 100%) of such borrowings bore interest at fixed lending rate.

As at 30 June 2023, the Group has pledged certain machineries with carrying values of approximately HK\$76.9 million to secure certain instalment loans granted to the Group (31 December 2022: approximately HK\$84.7 million).

Gearing ratio

As at 30 June 2023, the Group's gearing ratio (calculated as dividing net debt by total capital) was approximately 43.6% (31 December 2022: approximately 42.2%). 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. 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 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 1H2023 (1H2022: Nil).

Off-balance Sheet Arrangements

As at 30 June 2023, the Group did not have any off-balance sheet arrangements (31 December 2022: Nil).

Others

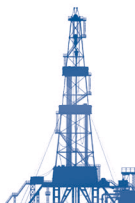
Save as disclosed in this report, there have been no material changes in the development or future developments of the business and financial position of the Group since the publication of the annual report of the Company for the year ended 31 December 2022.

Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Save as disclosed in this report, during 1H2023, the Group did not have other significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2023 (30 June 2022: Nil).



DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (“THE LISTING RULES”)

Advance to entity and financial assistance and guarantees to affiliated companies of the Company

A. Provision of financial assistance to Petro-king Huizhou Group

- (a) On 9 November 2022, Petro-king International Co., Limited (“**Petro-king International**”), an indirect wholly-owned subsidiary of the Company and Star Petrotech, a wholly-owned subsidiary of Petro-king Huizhou, entered into a supplemental agreement (the “**Supplemental Agreement I**”), pursuant to which Petro-king International agreed to offer to Star Petrotech an irrevocable revolving credit facility in a reduced principal amount of up to US\$2.7 million for a term up to 31 December 2024 (the “**Loan Facility I**”). On the same date, Mr. Wang Jinlong (“**Mr. Wang**”) (as the guarantor) executed a deed of guarantee, so as to provide a personal guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under the Loan Facility I.
- (b) On 9 November 2022, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.*) (“**Petro-king Shenzhen**”), an indirect wholly-owned subsidiary of the Company, Petro-king Huizhou and Mr. Wang entered into a supplemental agreement (the “**Supplemental Agreement II**”), pursuant to which (i) Petro-king Shenzhen agreed to continue to offer to Petro-king Huizhou an irrevocable revolving credit facility in the principal amount of up to RMB15 million for a term up to 31 December 2024 (the “**Loan Facility II**”), and (ii) Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Shenzhen in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II.
- (c) On 9 November 2022, Petro-king Holding Limited (“**Petro-king Holding**”), a direct wholly-owned subsidiary of the Company, Petro-king Huizhou, and Mr. Wang entered into a supplemental agreement (the “**Supplemental Agreement III**”), pursuant to which (i) Petro-king Holding agreed to further extend the payment date of the remaining consideration of RMB8 million in respect of the transfer of the entire equity interest in 百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) by Petro-king Holding to Petro-king Huizhou pursuant to the equity transfer agreement dated 31 October 2019 (as subsequently amended and supplemented) (the “**Remaining Consideration**”) from 31 December 2022 to 31 December 2023, and (ii) Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Holding in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement III.

* For identification purpose only



The transactions contemplated under the Supplemental Agreement I, the Supplemental Agreement II and the Supplemental Agreement III (the “**Transactions**”) constituted a provision of financial assistance by the Group to the Petro-king Huizhou Group and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules. As the highest applicable percentage ratios in respect of the Transactions, both on standalone and aggregate basis, exceeded 5%, the Transactions were subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, was more than 25% but less than 100%, the Transactions also constituted a major transaction of the Company and were subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The provision of the personal guarantees to the Group by Mr. Wang was fully exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Rule 14A.90 of the Listing Rules, as the provision of such personal guarantees constituted a financial assistance received by the Group from a connected person, which was conducted on normal commercial terms or better and was not secured by the assets of the Group.

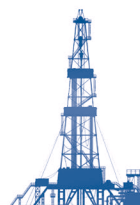
Further details of the Transactions are set out in the Company’s announcement and circular dated 9 November 2022 and 30 November 2022, respectively.

B. Provision of guarantee to Petro-king Huizhou

On 22 February 2023, Petro-king Shenzhen, an indirect wholly-owned subsidiary of the Company, entered into a new guarantee agreement with the Huizhou Rural Commercial Bank (the “**HRC Bank**”) for the purpose of providing a guarantee for a new bank revolving loan facility in the principal amount of RMB53 million granted by the HRC Bank to Petro-king Huizhou (the “**Guarantee**”), pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou.

Further details of the Guarantee are set out in the Company’s announcement dated 22 February 2023.

The Guarantee constituted a provision of financial assistance by the Group to Petro-king Huizhou, being an associate of Mr. Wang, and therefore a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the Guarantee was entered into on normal commercial terms or better, and was provided by the Group in proportion to the equity interest held by the Group in Petro-king Huizhou on several but not joint basis, the Guarantee was fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules.



As at 30 June 2023, the outstanding balances of the loans granted to Petro-king Huizhou and Star Petrotech under the Loan Facility I and the Loan Facility II were approximately RMB11,500,000 (equivalent to approximately HK\$12,473,000) and approximately US\$2,070,000 (equivalent to approximately HK\$16,224,000), respectively. In addition, the Remaining Consideration of RMB8,000,000 (equivalent to approximately HK\$8,676,000) remained unpaid as at 30 June 2023.

As at 30 June 2023, the Group's maximum exposure of the principal amount under the Guarantee for banking facilities granted to Petro-king Huizhou limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou was approximately RMB17,347,000 (equivalent to approximately HK\$18,814,000). As at 30 June 2023, the Group's exposure under the Guarantee for banking facilities utilised by Petro-king Huizhou was approximately RMB16,316,000 (equivalent to approximately HK\$17,695,000).

As at 30 June 2023, the aggregate amount of the Group's advances to an entity and financial assistance given to and guarantees given for facilities granted to affiliated companies of the Group (as defined under Rule 13.11(2)(a) of the Listing Rules) exceeded 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). Details are set out as follows:

Name of affiliated companies	The Group's attributable interest in the affiliated companies	Loans to the affiliated companies	Unutilised facilities granted to the affiliated companies	Committed capital injection	Guarantees for facilities granted to the affiliated companies	Guaranteed facilities utilised by the affiliated companies	Aggregate amount of financial assistance and guarantees
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(A)	(B)	(C)	(D)	(E)	(F)	(A+B+C+D+E+F)
Petro-king Huizhou	32.73%	21,149 (Note 1)	3,796 (Note 1)	- (Note 5)	18,814 (Note 3)	17,695 (Note 3)	43,759
Star Petrotech	- (Note 4)	16,224 (Note 2)	4,937 (Note 2)	- (Note 5)	-	-	21,161
Total		37,373	8,733	-	18,814	17,695	64,920

Notes:

- The loans provided to Petro-king Huizhou were to facilitate its continuous operation and development and for its daily working capital purpose. Such loans are (i) unsecured, (ii) bearing interest at 7% per annum, and (iii) due in December 2023 and December 2024.



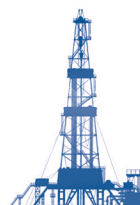
MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The loan provided to Star Petrotech was to facilitate its continuous operation and development and for its daily working capital purpose. Such loan is (i) unsecured, (ii) bearing interest at 7% per annum, and (iii) due in December 2024.
- (3) The Guarantee was given by the Group on a several and proportional basis to secure a bank revolving loan facility granted to Petro-king Huizhou which are, (i) secured by certain personal and corporate guarantees and certain buildings of Petro-king Technology; (ii) bearing interest at 5.3% per annum, and (iii) expiring in February 2026.
- (4) Star Petrotech is a direct wholly-owned subsidiary of Petro-king Huizhou.
- (5) There was no committed capital injection by the Group to its affiliated companies.

A combined statement of financial position of the affiliated companies as at 30 June 2023 is set out below:

	<i>HK\$'000</i>
Current assets	257,460
Non-current assets	198,665
Current liabilities	(208,909)
Non-current liabilities	(39,585)
<hr/>	
Net assets	207,631
<hr/>	
Registered capital	121,250
Reserves	86,381
<hr/>	
Total equity	207,631
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As at 30 June 2023, the consolidated attributable interest of the Group in these affiliated companies amounted to approximately HK\$68,079,000 (31 December 2022: approximately HK\$73,724,000) and accounted for approximately 9.4% (31 December 2022: approximately 9.0%) of the Group's total assets.



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 Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix 14 to the Listing Rules. During 1H2023, 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 to 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 1H2023.

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

During 1H2023, 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 1H2023 (1H2022: 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.

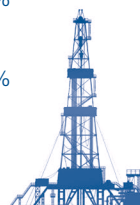


DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2023, 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 of Hong Kong Limited (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 (Note 1)	Approximate percentage of interest in the Company
Mr. Wang Jinlong	Interest in a controlled corporation (Note 2)	488,920,138 (L)	28.32%
Mr. Zhao Jindong	Beneficial owner (Note 3)	12,000,000 (L)	0.69%
Mr. Huang Yu (deceased)	Beneficial owner (Note 4)	25,954,200 (L)	1.50%
Mr. Lin Jingyu	Beneficial owner (Note 5)	13,984,854 (L)	0.81%
Mr. Zhang Dawei	Beneficial owner (Note 6)	500,000 (L)	0.03%
Mr. Xin Junhe	Beneficial owner (Note 6)	500,000 (L)	0.03%
Mr. Wong Shiu Kee	Beneficial owner (Note 6)	500,000 (L)	0.03%
Mr. Leung Lin Cheong	Beneficial owner (Note 6)	500,000 (L)	0.03%



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. 6,000,000 and 6,000,000 share options were granted to Mr. Zhao Jindong on 26 October 2016 and 10 January 2023, respectively. 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 and 8,000,000 share options were granted to Mr. Huang Yu (deceased) on 31 May 2019 and 10 January 2023, respectively. Therefore, under Part XV of the SFO, Mr. Huang Yu (deceased) was taken to be interested in the underlying shares of the Company that he was 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 (deceased).
5. 3,000,000 and 9,500,000 share options were granted to Mr. Lin Jingyu on 26 October 2016 and 10 January 2023, respectively. Therefore, under Part XV of the SFO, Mr. Lin Jingyu 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, 1,484,854 shares are also beneficially owned by Mr. Lin Jingyu.
6. 500,000 share options were granted to each of Mr. Zhang Dawei, Mr. Xin Junhe, Mr. Wong Shiu Kee and Mr. Leung Lin Cheong, respectively on 10 January 2023. Therefore, under Part XV of the SFO, each of Mr. Zhang Dawei, Mr. Xin Junhe, Mr. Wong Shiu Kee and Mr. Leung Lin Cheong is taken to be interested in the underlying shares of the Company that each of them is entitled to subscribe for subject to the exercise of the respective share options granted.

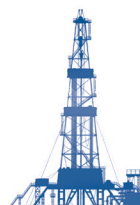
Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to 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 2023, 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%

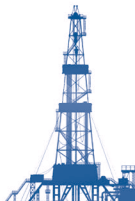


Name of shareholder	Capacity/ Nature of interest	Number of shares interested <i>(Note 1)</i>	Approximate percentage of the issued share capital of the Company
Mr. Lee Lap	Founder of a discretionary trust <i>(Note 4)</i>	826,189,898 (L)	47.85%
Jade Win Investment Limited ("Jade Win")	Beneficial owner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

OTHER INFORMATION

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 section 313(10) of the SFO, Lee & Leung Family Investment Limited, Termbray Electronics, Termbray Industries and Termbray Wealth will no longer disclose their interests in the listed corporation (i.e. the Company). Lee & Leung Family Investment Limited and the 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. According to the corporate substantial shareholder notices filed by TCL Corporation on 21 June 2016 and by TCL HK, Exceltop, Jade Max and Jade Win on 3 April 2013, TCL Corporation directly holds 100% of the issued share capital of TCL HK, which in turn holds 100% of the issued share capital of Exceltop, which in turn holds 100% of the issued share capital of Jade Max, which in turn holds 100% of the issued share capital of 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.

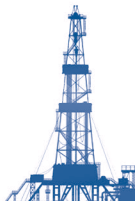
Save as disclosed above, as at 30 June 2023, the Directors are not aware that there is any party (not being a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock 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 1H2023, 75,000,000 share options have been granted under the Share Option Scheme. The Share Option Scheme has expired on 18 February 2023 and no further share options may be granted thereunder. Set out below are details of the movements of share options during 1H2023:

Grantee	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
				outstanding as at 1 January 2023	granted since 1 January 2023	exercised since 1 January 2023	lapsed/ cancelled since 1 January 2023	outstanding as at 30 June 2023
Directors, chief executives and substantial shareholders								
Zhao Jindong	26 October 2016	0.529	0.520	6,000,000	-	-	-	6,000,000
	10 January 2023	0.075	0.074	-	6,000,000	-	-	6,000,000
Huang Yu (deceased on 4 March 2023) (Note 5)	31 May 2019	0.1922	0.183	17,000,000	-	-	-	17,000,000
	10 January 2023	0.075	0.074	-	8,000,000	-	-	8,000,000
Lin Jingyu (appointed on 22 March 2023)	26 October 2016	0.529	0.520	3,000,000	-	-	-	3,000,000
	10 January 2023	0.075	0.074	-	9,500,000	-	-	9,500,000
Zhang Dawei	10 January 2023	0.075	0.074	-	500,000	-	-	500,000
Xin Junhe	10 January 2023	0.075	0.074	-	500,000	-	-	500,000
Wong Shiu Kee	10 January 2023	0.075	0.074	-	500,000	-	-	500,000



Grantee	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
				outstanding as at 1 January 2023	granted since 1 January 2023	exercised since 1 January 2023	lapsed/ cancelled since 1 January 2023	outstanding as at 30 June 2023
Leung Lin Cheong	10 January 2023	0.075	0.074	-	500,000	-	-	500,000 <i>(Note 4)</i>
Employees and senior managements	26 October 2016	0.529	0.520	17,400,000	-	-	-	17,400,000 <i>(Note 1)</i>
	16 August 2018	0.326	0.32	5,000,000	-	-	-	5,000,000 <i>(Note 3)</i>
	10 January 2023	0.075	0.074	-	49,000,000	-	-	49,000,000 <i>(Note 4)</i>
Others	10 January 2023	0.075	0.074	-	500,000	-	-	500,000 <i>(Note 4)</i>
Total				48,400,000	75,000,000	-	-	123,400,000

Notes:

- 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 have been 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.

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 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 have been 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 have been 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.

- 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 have been 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.

- 33% of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 10 January 2024 to 9 January 2033, both dates inclusive.

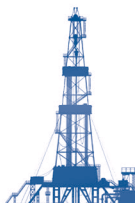
Another 33% of the share options shall be vested on the date falling on the second anniversary of the date of grant and exercisable from 10 January 2025 to 9 January 2033, both dates inclusive.

The remaining of the share options shall be vested on the date falling on the third anniversary of the date of grant and exercisable from 10 January 2026 to 9 January 2033, both dates inclusive.

- Pursuant to the terms and conditions of the Share Option Scheme, the Board has allowed the personal representative(s) of Mr. Huang Yu (deceased) to exercise his share options up to 31 December 2025.

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

Hong Kong, 21 August 2023



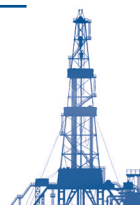
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2023	2022
Notes		HK\$'000	HK\$'000
Revenue	7	103,215	67,068
Other income		72	–
Operating costs			
Material costs		(12,962)	(7,408)
Depreciation of property, plant and equipment	14	(18,835)	(17,576)
Depreciation of right-of-use assets		(881)	(963)
Expenses related to short-term leases		(1,935)	(1,641)
Employee benefit expenses		(24,565)	(25,238)
Distribution expenses		(415)	(1,967)
Technical service fees		(32,647)	(20,375)
Research and development expenses		(10,066)	(4,998)
Entertainment and marketing expenses		(3,747)	(3,959)
Net reversal of impairment/(impairment loss) on financial assets		244	(655)
Net reversal of impairment on contract assets		438	–
Write-down of inventories to net realisable value		(1,070)	(2,139)
Other expenses	8	(9,743)	(7,925)
Other gains/(losses), net	9	2,150	(1,357)
Operating loss		(10,747)	(29,133)
Finance income		1,949	2,678
Finance costs		(8,201)	(6,970)
Finance costs, net	10	(6,252)	(4,292)
Share of results of associates		(1,445)	(4,101)
Loss before income tax credit		(18,444)	(37,526)
Income tax credit	11	471	107
Loss for the period		(17,973)	(37,419)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
<i>Notes</i>		2023	2022
		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		(5,158)	(3,359)
Share of other comprehensive income of associates		1,957	–
Other comprehensive income for the period, net of tax		(3,201)	(3,359)
Total comprehensive income for the period		(21,174)	(40,778)
Loss for the period attributable to:			
Owners of the Company		(17,113)	(37,724)
Non-controlling interests		(860)	305
		(17,973)	(37,419)
Total comprehensive income for the period attributable to:			
Owners of the Company		(20,165)	(41,013)
Non-controlling interests		(1,009)	235
		(21,174)	(40,778)
Loss per share attributable to owners of the Company during the period:			
Loss per share – basic and diluted (HK cent(s))	12	(1.0)	(2.2)



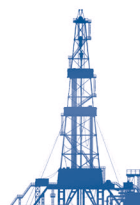
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	140,483	163,713
Intangible assets		85,656	85,656
Right-of-use assets	15	2,827	3,790
Financial asset at fair value through profit or loss		6,170	6,170
Interests in associates	21	68,079	73,724
Other receivables and deposits	16(b)	28,977	37,370
		332,192	370,423
Current assets			
Inventories		13,476	12,860
Trade receivables	16(a)	195,863	220,653
Contract assets		87,443	107,673
Other receivables and deposits	16(b)	60,377	59,773
Prepayments	16(b)	13,850	12,071
Cash and cash equivalents		22,228	39,959
		393,237	452,989
Current liabilities			
Trade payables	17(a)	204,056	243,720
Other payables and accruals	17(b)	66,773	86,187
Contract liabilities		3,529	625
Lease liabilities		1,354	1,521
Bank and other borrowings	18	100,764	95,225
		376,476	427,278
Net current assets		16,761	25,711
Total assets less current liabilities		348,953	396,134



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Non-current liabilities			
Bank and other borrowings	18	105,593	132,126
Lease liabilities		1,556	2,273
		107,149	134,399
NET ASSETS		241,804	261,735
EQUITY			
Share capital	19	2,001,073	2,001,073
Other reserves		42,498	44,307
Accumulated losses		(1,806,447)	(1,789,334)
Equity attributable to owners of the Company		237,124	256,046
Non-controlling interests		4,680	5,689
TOTAL EQUITY		241,804	261,735

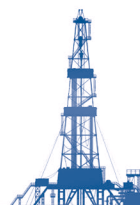


INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 HK\$'000
Balance at 1 January 2023	2,001,073	44,307	(1,789,334)	250,046	5,689	261,735
Comprehensive income						
Loss for the period	-	-	(17,113)	(17,113)	(860)	(17,973)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	(5,009)	-	(5,009)	(149)	(5,158)
- Share of other comprehensive income of associates	-	1,957	-	1,957	-	1,957
Total comprehensive income for the period ended 30 June 2023	-	(3,052)	(17,113)	(20,165)	(1,009)	(21,174)
Transactions with owners in their capacity as owners						
- Recognition of share-based payment (Note 20)	-	1,243	-	1,243	-	1,243
Total transactions with owners, recognised directly in equity	-	1,243	-	1,243	-	1,243
Balance at 30 June 2023	2,001,073	42,498	(1,806,447)	237,124	4,680	241,804

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 January 2022	2,001,073	74,217	(1,789,278)	286,012	4,667	290,679
Comprehensive income						
Loss for the period	-	-	(37,724)	(37,724)	305	(37,419)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	(3,289)	-	(3,289)	(70)	(3,359)
Total comprehensive income for the period ended 30 June 2022	-	(3,289)	(37,724)	(41,013)	235	(40,778)
Transactions with owners in their capacity as owners						
- Recognition of share-based payment (Note 20)	-	149	-	149	-	149
- Transfer of warrant reserve upon derecognition of bonds issued in 2020 (" 2020 Bonds ")	-	(2,331)	2,331	-	-	-
- Transfer of share-based payment reserve upon expiry of share options	-	(28,532)	28,532	-	-	-
Total transactions with owners, recognised directly in equity	-	(30,714)	30,863	149	-	149
Balance at 30 June 2022	2,001,073	40,214	(1,796,139)	245,148	4,902	250,050



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(3,494)	16,790
Interest paid	(5,325)	(7,043)
Income tax paid	(225)	–
Net cash (used in)/generated from operating activities	(9,044)	9,747
Cash flows from investing activities		
Purchases of property, plant and equipment	(299)	(2,474)
Proceeds from disposal of property, plant and equipment	–	2,089
Proceeds from disposal of financial assets through profit or loss	–	2,257
Interest received	1,835	1,984
Withdrawal of pledged bank deposits	–	336
Loan advanced to related parties	(13,893)	–
Repayment of loan receivables from related parties	21,995	16,208
Advances to related parties	(770)	(2,421)
Net cash generated from investing activities	8,868	17,979
Cash flows from financing activities		
Proceeds from borrowings	41,225	56,260
Repayments of bondholders' loans	–	(12,000)
Repayments principal portion of 2020 Bonds	–	(3,600)
Repayments of borrowings (excluding bondholders' loans and 2020 Bonds)	(57,630)	(74,787)
Principal elements of lease liabilities	(799)	(1,115)
Advances from related parties	149	2,369
Net cash used in financing activities	(17,055)	(32,873)
Net decrease in cash and cash equivalents	(17,231)	(5,147)
Cash and cash equivalents at beginning of period	39,959	26,477
Effect of foreign exchange rates changes	(500)	(365)
Cash and cash equivalents at end of period	22,228	20,965

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 (the “**B.V.I.**”) 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, VG1110.

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

The Company had its 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.

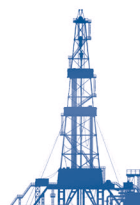
2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022, 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 Group reported a net loss of approximately HK\$17,973,000 during the six months ended 30 June 2023, and as of that date, the Group had total current bank and other borrowings of approximately HK\$100,764,000, while the Group only had cash and cash equivalents of approximately HK\$22,228,000.

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



2. BASIS OF PREPARATION (Continued)

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 (the “**Forecast**”) covering the next fifteen months from the end of reporting period. 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) As at 30 June 2023, the Group had unutilised facilities available for drawdown totalling RMB53,610,000 (the “**Unutilised Facilities**”), comprising RMB30,000,000 from a shareholder, and RMB19,000,000 and HK\$5,000,000 from certain independent lenders. Subsequent to 30 June 2023, the Group has not drawn down the Unutilised Facilities;
- (b) The Group is actively negotiating with a bank located in the People’s Republic of China (the “**PRC**”) for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC. The Group has drawn down bank loans in the aggregate amount of RMB36,010,000 from this same bank during the six months ended 30 June 2023; and
- (c) Repayment from Petro-king Energy Technology (Huizhou) Co., Ltd. (“**Petro-king Huizhou**”) and its subsidiaries (together the “**Petro-king Huizhou Group**”) of certain loan facilities with outstanding principal amount of approximately US\$2,070,000, RMB11,500,000 and RMB8,000,000 as at 30 June 2023, respectively.

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.



2. BASIS OF PREPARATION (Continued)

Notwithstanding the above, a material uncertainty exists relating to the above conditions that may cast significant doubt on the Group's ability to continue as a 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:

- (i) successfully drawing down the Unutilised Facilities as and when needed;
- (ii) successfully obtaining new loan facilities from the bank located in the PRC to fund the working capital needs of the Group for the oilfield and gas field projects in the PRC; and
- (iii) repayment from the 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 2022.

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 2023.

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

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 2022.



5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's trade receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, bank and other borrowings and lease liabilities 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 2023 and 31 December 2022, 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 segments based on these reports.

The Group has two operating segments as follows:

- Oilfield project tools and services – provision of oilfield technology services including drilling, well completion and production enhancement with auxiliary activities in trading of oilfield and gas field related products
- Consultancy services – provision of integrated project management services and supervisory services

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 2023 and 2022 are as follows:

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Drilling work	7,405	9,417
– Well completion work	1,980	–
– Production enhancement work	71,800	41,670
	81,185	51,087
Consultancy services		
– Integrated project management services	–	1,560
– Supervisory services	22,030	14,421
	22,030	15,981
Total revenue	103,215	67,068
Timing of revenue recognition within the scope of IFRS 15:		
At a point in time	2,086	10,929
Over time	101,129	56,139
	103,215	67,068



7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results

The segment information for the six months ended 30 June 2023 and 2022 are as follows:

	Unaudited		
	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
Six months ended 30 June 2023			
Revenue from external customers	81,185	22,030	103,215
Inter-segment revenue	–	–	–
Total segment revenue	81,185	22,030	103,215
Segment results	(24,440)	9,741	(14,699)
Net unallocated expenses			(3,745)
Loss before income tax credit			(18,444)
Other information:			
Depreciation of property, plant and equipment	(18,635)	–	(18,635)
Depreciation of right-of-use assets	(142)	–	(142)
Net reversal of impairment on financial assets	244	–	244
Net reversal of impairment on contract assets	438	–	438
Write-down of inventories to net realisable value	(1,070)	–	(1,070)
Finance costs	(6,374)	–	(6,374)

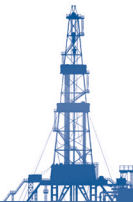


7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

	Unaudited		Total HK\$'000
	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	
Six months ended 30 June 2022			
Revenue from external customers	51,087	15,981	67,068
Inter-segment revenue	–	–	–
Total segment revenue	51,087	15,981	67,068
Segment results	(32,079)	6,057	(26,022)
Net unallocated expenses			(11,504)
Loss before income tax credit			(37,526)
Other information:			
Depreciation of property, plant and 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	(3,068)	–	(3,068)

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.



7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Segment results	(14,699)	(26,022)
Depreciation of property, plant and equipment	(200)	(205)
Depreciation of right-of-use assets	(739)	(837)
Other expenses	(2,408)	(2,906)
Other gains/(losses), net	2,150	(1,357)
Finance costs	(1,827)	(3,902)
Finance income	1,949	2,678
Share of results of associates	(1,445)	(4,101)
Other unallocated corporate expenses	(1,225)	(874)
Loss before income tax credit	(18,444)	(37,526)

The segment results included material costs, depreciation of property, plant and equipment, depreciation of right-of-use 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 reversal of impairment/(impairment loss) on financial assets, net reversal of impairment on contract assets, write-down of inventories to net realisable value and finance income and costs, allocated to each operating segment.



8. OTHER EXPENSES

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Communication	228	119
Professional service fees	3,482	3,451
Motor vehicle expenses	164	390
Travelling	3,252	2,617
Office utilities	259	410
Other taxes	757	210
Bank charges	67	46
Others	3,356	938
Less: other expenses attributable for research and development	(1,822)	(256)
	9,743	7,925

9. OTHER GAINS/(LOSSES), NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Foreign exchange gains, net	1,038	2,790
Losses on disposals of property, plant and equipment	(363)	(227)
Loss on dilution of interests in associates	–	(4,048)
Government grant	1,622	–
Others	(147)	128
	2,150	(1,357)



10. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest income from bank deposits	32	25
Interest income from related parties	1,647	1,922
Interest income from others	270	731
Finance income	1,949	2,678
Interest expenses:		
– Bank and other borrowings	(8,067)	(6,520)
– Lease liabilities	(134)	(47)
– 2020 Bonds	–	(403)
Finance costs	(8,201)	(6,970)
Finance costs, net	(6,252)	(4,292)

11. INCOME TAX CREDIT

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax	(471)	(107)
Income tax credit	(471)	(107)

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 2023 (30 June 2022: 25%), based on the relevant PRC tax laws and regulations, except those subsidiaries that were approved by relevant local tax bureau authorities as a High and New Technological Enterprise, and were entitled to a preferential Enterprise income tax rate of 15% (30 June 2022: 15%) 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 six months ended 30 June 2023 (30 June 2022: Same).

12. 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.

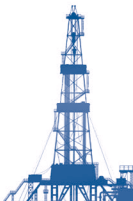
	Unaudited Six months ended 30 June	
	2023	2022
Loss for the period attributable to owners of the Company (HK\$'000)	(17,113)	(37,724)
Weighted average number of ordinary shares (Number of shares in thousand)	1,726,674	1,726,674
Basic and diluted loss per share (HK cent(s))	(1.0)	(2.2)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would increase loss per share.

Diluted loss per share for the six months ended 30 June 2023 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (30 June 2022: same) as the conversion of potential ordinary shares in relation to the share options (30 June 2022: share options) has an anti-dilutive effect to the basic loss per share.

13. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the current period (30 June 2022: Nil).



14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited HK\$'000
Six months ended 30 June 2023	
Net book value	
Opening amount as at 1 January 2023	163,713
Additions	299
Depreciation	(18,835)
Disposals	(363)
Exchange differences	(4,331)
Closing amount as at 30 June 2023	140,483
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

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group has no addition to right-of-use assets (30 June 2022: approximately HK\$475,000).



16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

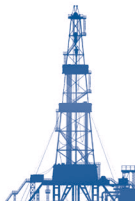
(a) Trade Receivables

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade receivables	211,561	236,554
Less: provision for impairment of trade receivables	(15,698)	(15,901)
Trade receivables, net	195,863	220,653

As at 30 June 2023 and 31 December 2022, ageing analysis of gross trade receivables by services completion and delivery date are as follows:

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Up to 3 months	91,952	203,191
3 to 6 months	56,711	2,098
6 to 12 months	45,272	11,745
Over 12 months	17,626	19,520
Trade receivables	211,561	236,554
Less: provision for impairment of trade receivables	(15,698)	(15,901)
Trade receivables, net	195,863	220,653

The Group generally allows a credit period of up to 1 year 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 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Other receivables, deposits and prepayments	137,248	143,122
Less: provision for impairment of other receivables	(34,044)	(33,908)
Other receivables, deposits and prepayments, net	103,204	109,214
	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Other receivables and deposits:		
Deposits and other receivables – third parties	21,943	24,311
Loan receivables – related parties (<i>Note 22(b)</i>)	37,373	46,030
Other receivables – related parties (<i>Note 22(b)</i>)	1,816	1,514
Value-added tax recoverable	21,879	21,242
Rental deposits	1,228	1,414
Cash advances to staff	4,837	2,359
Receivables from disposal of a subsidiary in prior years	278	273
	89,354	97,143
Less: Non-current portion		
Loan receivables – related parties	(28,697)	(37,070)
Rental deposits	(280)	(300)
Non-current portion	(28,977)	(37,370)
Current portion	60,377	59,773
Prepayments:		
Prepayments for materials	13,850	12,071
Current portion	13,850	12,071



17. TRADE AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

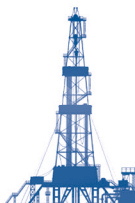
	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade payables	204,056	243,720

As at 30 June 2023 and 31 December 2022, ageing analysis of trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Up to 3 months	26,908	120,492
3 to 6 months	17,235	24,697
6 to 12 months	88,236	30,429
Over 12 months	71,677	68,102
	204,056	243,720

(b) Other payables and accruals

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Other payables – third parties	41,868	57,619
Other payables – staff related expenses	5,050	6,554
Accrued payroll and welfare	4,625	6,571
Government grant	4,050	4,180
Other payables – related parties (Note 22(b))	5,362	6,068
Other tax and surcharge payables	3,012	5,122
Interest payables	2,806	73
	66,773	86,187



18. BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Non-current		
Other borrowings (Note (b))	105,593	132,126
Current		
Bank borrowings (Note (a))	50,889	58,132
Other borrowings (Note (b))	49,875	37,093
	100,764	95,225
	206,357	227,351

(a) Bank borrowings

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Secured interest-bearing bank borrowings Repayable within 1 year or contain a repayment on demand clause	50,889	58,132

As at 30 June 2023, banking facilities of approximately HK\$50,889,000 (31 December 2022: approximately HK\$58,132,000) were granted by a bank located in the PRC to a subsidiary of the Group, all of which have been utilised by the Group (31 December 2022: All). The Group has no undrawn banking facilities (31 December 2022: Nil) as at 30 June 2023. The facilities are secured by:

- (i) trade receivables of the Group of approximately HK\$78,253,000 (31 December 2022: approximately HK\$149,958,000); and
- (ii) personal guarantee by a director of the Company (31 December 2022: same).



18. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Non-current		
Term loan	50,200	59,700
Instalment loans	52,681	63,134
Employees' loan	2,712	9,292
	105,593	132,126
Current		
Term loan	18,000	18,000
Instalment loans	22,873	16,630
Independent lender's loan	2,169	2,239
Employees' loan	6,833	224
	49,875	37,093
	155,468	169,219

19. SHARE CAPITAL

	Unaudited Number of shares '000	Total HK\$'000
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,726,674	2,001,073



20. SHARE-BASED PAYMENTS

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

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

	Share options by grant date			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Number of ordinary shares issued upon exercise:				
– Directors	6,000,000	–	17,000,000	25,500,000
– Employees and senior management	62,000,000	5,000,000	–	49,000,000
– Others	–	–	–	500,000
Exercise price	HK\$0.53	HK\$0.33	HK\$0.19	HK\$0.08
Contractual option term	Seven years	Seven years	Seven years	Ten years
Expiry date	25 October 2023	15 August 2025	30 May 2026 <i>(Note)</i>	9 January 2033 <i>(Note)</i>

For the share options granted on 10 January 2023, 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 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.

Note:

Regarding the share options granted to Mr. Huang Yu (deceased on 4 March 2023), the board of directors has allowed the personal representative(s) of Mr. Huang Yu to exercise his share options up to 31 December 2025 pursuant to the terms and conditions of the Share Option Scheme.



20. SHARE-BASED PAYMENTS (Continued)

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

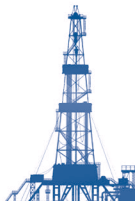
The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs to the model were as follows:

	Share options by grant date			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Range of fair value of options granted (HK\$)	0.19-0.25	0.14-0.16	0.08-0.10	0.04-0.05
Share price at the grant date (HK\$)	0.52	0.32	0.18	0.08
Expected volatility (Note)	47.97%	49.45%	53.41%	78.50%
Expected option life	7 years	7 years	7 years	10 years
Dividend yield	Nil	Nil	Nil	Nil
Annual risk-free interest rate	0.75%	2.08%	1.41%	3.28%

Note:

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

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



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 2023 are as follows:

	Exercise price per share option	Unaudited Number of share options			As at 30 June 2023
		As at 1 January 2023	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date					
26 October 2016	0.53	26,400,000	–	–	26,400,000
16 August 2018	0.33	5,000,000	–	–	5,000,000
31 May 2019	0.19	17,000,000	–	–	17,000,000
10 January 2023	0.08	–	75,000,000	–	75,000,000
		48,400,000	75,000,000	–	123,400,000
<hr/>					
Weighted average exercise price (HK\$)					
Grant date					
26 October 2016	0.53	–	–	–	0.53
16 August 2018	0.33	–	–	–	0.33
31 May 2019	0.19	–	–	–	0.19
10 January 2023	–	–	0.08	–	0.08



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 2022 are as follows:

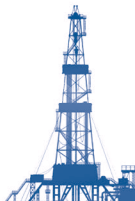
	Exercise price per share option	Unaudited Number of share options			As at 30 June 2022
		As at 1 January 2022	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date					
29 May 2015	1.21 (adjusted)	18,108,905	-	(18,108,905)	-
26 October 2016	0.53	26,400,000	-	-	26,400,000
16 August 2018	0.33	5,000,000	-	-	5,000,000
31 May 2019	0.19	17,000,000	-	-	17,000,000
		66,508,905	-	(18,108,905)	48,400,000

Weighted average exercise price
(HK\$)

Grant date					
29 May 2015		1.21	-	1.21	N/A
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 six months ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, share-based payment expense of approximately HK\$1,243,000 (30 June 2022: approximately HK\$149,000) for the Share Option Scheme was recognised in the interim condensed consolidated statement of comprehensive income.



21. INTERESTS IN ASSOCIATES

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Share of net assets other than goodwill	67,958	73,603
Goodwill	121	121
	68,079	73,724
Loan receivables from associates <i>(Note 22(b))</i>	37,373	46,030
Other receivables from associates <i>(Note (i))</i>	493	42
Other payables to associates <i>(Note (ii))</i>	(5,362)	(6,068)

Notes:

- (i) Balance was included in "Other receivables – related parties" in Note 16(b).
- (ii) Balance was included in "Other payables – related parties" in Note 17(b).

For the six months ended 30 June 2023, the Group had made purchases of approximately HK\$4,316,000 (30 June 2022: approximately HK\$2,118,000) from associates.



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 2023 and 2022, and balances arising from related party transactions as at 30 June 2023 and 31 December 2022.

Name	Relationships
Mr. Wang Jinlong <i>(Note (i))</i>	Shareholder and director
Mr. Zhao Jindong	Director
Mr. Huang Yu <i>(Note (ii))</i>	Director
Mr. Lin Jingyu <i>(Note (iii))</i>	Director and chief executive officer
Mr. Wong Shiu Kee	Director
Mr. Leung Lin Cheong	Director
Mr. Tong Hin Wor <i>(Note (iv))</i>	Director
Mr. Xin Junhe	Director
Mr. Zhang Dawei <i>(Note (v))</i>	Director
Mr. Chan Kwok Yuen Elvis	Senior Management
Petro-king Huizhou	Associate of the Company
Star Petrotech Pte. Ltd.	Associate of the Company

Notes:

- (i) Redesignated from an executive Director to a non-executive Director on 1 January 2022.
- (ii) Deceased on 4 March 2023.
- (iii) Appointed as an executive Director on 22 March 2023.
- (iv) Resigned as an independent non-executive Director on 30 June 2022.
- (v) Appointed as an independent non-executive Director on 30 June 2022.



22. RELATED PARTY TRANSACTIONS (Continued)

(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	
	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term employee benefits	2,514	2,286
Share-based payments	570	149
	3,084	2,435

(b) Balances with related parties

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Loan receivables from related parties <i>(Note 16(b))</i> <i>(Note (i))</i>	37,373	46,030
Amounts due from related parties <i>(Note 16(b))</i> <i>(Note (ii))</i>	1,816	1,514
Amounts due to related parties <i>(Note 17(b))</i> <i>(Note (iii))</i>	(5,362)	(6,068)



22. RELATED PARTY TRANSACTIONS (Continued)

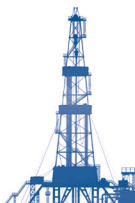
(b) Balances with related parties (Continued)

Notes:

- (i) As at 30 June 2023, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US\$2,070,000 (equivalent to approximately HK\$16,224,000) and RMB11,500,000 (equivalent to approximately HK\$12,473,000) respectively. Such loan facilities are unsecured and bear interest at 7% per annum, and all the outstanding balances shall be repaid on or before 31 December 2024.

As at 31 December 2022, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US\$2,601,000 (equivalent to approximately HK\$20,281,000) and RMB15,000,000 (equivalent to approximately HK\$16,793,000) respectively bearing interest at 8% per annum with original expiry on 31 December 2022. Pursuant to the supplementary agreements dated 9 November 2022, the Group agreed to offer the associates an irrevocable revolving credit facility in a reduced principal amount of up to US\$2,700,000 (equivalent to approximately HK\$21,051,000) and an irrevocable revolving credit facility in the principal amount of up to RMB15,000,000 (equivalent to approximately HK\$16,793,000) respectively for a term up to 31 December 2024. The interest rate applicable to all the outstanding amounts under the relevant loan facilities shall be 7% per annum commencing from 1 January 2023. All the outstanding balances shall be repaid on or before 31 December 2024.

Apart from abovementioned, as at 30 June 2023, the remaining balance comprised of remaining consideration receivables from an associate of RMB8,000,000 (equivalent to approximately HK\$8,676,000) (31 December 2022: RMB8,000,000) bearing interest at 8% per annum with original expiry on 31 December 2022 for transfer of 100% equity interest of a former subsidiary of the Company completed in 2019. Pursuant to the supplementary agreements dated 9 November 2022, the Group agreed to further extend the payment date of the remaining consideration from 31 December 2022 to 31 December 2023. The interest rate applicable to all the remaining consideration shall be 7% per annum commencing from 1 January 2023. All the outstanding balances shall be repaid on or before 31 December 2023.



22. RELATED PARTY TRANSACTIONS (Continued)**(b) Balances with related parties (Continued)**

Notes: (Continued)

- (ii) As at 30 June 2023, the balances mainly comprise of receivables from the associates and other related parties (31 December 2022: receivables from the associates and other related parties). The balances are unsecured, interest-free and repayable on demand.
- (iii) As at 30 June 2023, the balances mainly comprise of amounts due to the associates (31 December 2022: expenses paid on behalf by the Directors and senior management). The balances are unsecured, interest-free and repayable on demand.

(c) Related party transactions

Save as disclose elsewhere in the interim condensed consolidated financial statements, the Group had entered into the following transactions with related parties during the period:

- (i) As at 30 June 2023 and 31 December 2022, Petro-king Oil (Shenzhen) Co., Ltd. (“Petro-king Shenzhen”), an indirect wholly-owned subsidiary of the Company, has provided corporate guarantees for certain banking facilities granted to Petro-king Huizhou which were secured by properties held by Petro-king Huizhou Group, pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou (the “Petro-king Shenzhen’s proportion”). As at 30 June 2023, the Group’s maximum exposure of the principal amount under the corporate guarantee for banking facilities granted to Petro-king Huizhou limited to the Petro-king Shenzhen’s proportion was approximately RMB17,347,000 (equivalent to approximately HK\$18,814,000) (31 December 2022: approximately RMB20,947,000) of which approximately RMB16,316,000 (equivalent to approximately HK\$17,695,000) (31 December 2022: approximately RMB12,545,000) was utilised by Petro-king Huizhou. For the six months ended 30 June 2023, the financial guarantee income was approximately HK\$83,000 (31 December 2022: approximately HK\$223,000) which is charged at 1.0% per annum of the Petro-king Shenzhen’s proportion of the utilised amount of banking facilities by Petro-king Huizhou. In the opinion of the Directors, no provision for the obligation of the Group under corporate guarantees have been made as the banking facilities granted to Petro-king Huizhou were fully covered by the secured properties.

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



23. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

On 18 July 2023, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with an independent third party (the “**Purchaser**”) to dispose of 0.8547% equity interest in Petro-king Huizhou for a consideration of RMB5.0 million (the “**Equity Transfer**”). Pursuant to the Equity Transfer Agreement, the Group granted a buy-back option to the Purchaser, such that the Purchaser has the right to request the Group to buy back such 0.8547% equity interest in Petro-king Huizhou in cash, at the repurchase price based on an agreed formula and subject to the terms and conditions of the Equity Transfer Agreement. In addition, on 7 July 2023, Petro-king Huizhou, Mr. Wang Jinlong and a new investor entered into an investment agreement, pursuant to which, among others, the new investor agreed to make a capital contribution of RMB20.0 million (the “**Capital Enlargement**”) to Petro-king Huizhou in exchange for 3.3058% of the enlarged equity interest in Petro-king Huizhou. Following completion of the Equity Transfer and the Capital Enlargement on 15 August 2023, the Group’s equity interest in Petro-king Huizhou has been diluted to 30.8236%. Further details of the Equity Transfer and the Capital Enlargement were set out in the Company’s announcement dated 18 July 2023.

The Directors consider that the overall financial effects of the Equity Transfer and the Capital Enlargement on the Group cannot be reasonably assessed as at the date of the interim condensed financial statements, but will be reflected in the Group’s financial statements for the year ending 31 December 2023.

