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PETRO-KING OILFIELD SERVICES LIMITED

百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

The board (the “**Board**”) of directors (the “**Directors**”) of Petro-king Oilfield Services Limited (the “**Company**”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2025 (“**1H2025**”), together with comparative figures for the six months ended 30 June 2024 (“**1H2024**”).

BUSINESS REVIEW

During 1H2025, 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 1H2025, the Group’s revenue decreased by approximately 32.9% from approximately HK\$165.9 million in 1H2024 to approximately HK\$111.3 million in 1H2025. The decrease in revenue was mainly due to the decrease in the provision of production enhancement services in Southwestern China as a customer has postponed the production enhancement works of certain shale gas fields to the second half of 2025 in accordance with its internal extraction plan, In addition, revenue from the Middle East market has decreased as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025.

The Group's net loss and loss attributable to owners of the Company for 1H2025 were approximately HK\$11.5 million and HK\$11.8 million, respectively, which represented increases of approximately HK\$11.1 million and HK\$11.4 million, respectively (1H2024: approximately HK\$0.4 million and HK\$0.4 million, respectively). The increases in net loss and loss attributable to owners of the Company were mainly attributable to the decrease in the Group's revenue in 1H2025.

Basic loss per share attributable to owners of the Company for 1H2025 was approximately HK0.68 cent (1H2024: approximately HK0.02 cent). The Board has resolved not to pay any interim dividend for 1H2025 (1H2024: Nil).

GEOGRAPHICAL MARKET ANALYSIS

	1H2025	1H2024	Approximate percentage change	Approximate percentage of total revenue in 1H2025	Approximate percentage of total revenue in 1H2024
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
China market	108.9	147.9	-26.4	97.8	89.2
Overseas markets	<u>2.4</u>	<u>18.0</u>	<u>-86.7</u>	<u>2.2</u>	<u>10.8</u>
Total	<u>111.3</u>	<u>165.9</u>	<u>-32.9</u>	<u>100</u>	<u>100</u>

The Group's revenue from the China market decreased by approximately HK\$39.0 million or approximately 26.4% to approximately HK\$108.9 million in 1H2025 from approximately HK\$147.9 million in 1H2024. The decrease in revenue from the China market was mainly due to the decrease in the provision of production enhancement services in Southwestern China.

The Group's revenue from the overseas market decreased by approximately HK\$15.6 million or approximately 86.7% to approximately HK\$2.4 million in 1H2025 from approximately HK\$18.0 million in 1H2024. The decrease in revenue from the overseas market was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025. In addition, the Group's revenue from the provision of drilling services in Uzbekistan and the provision of integrated project management services in the Middle East market also decreased in 1H2025.

Revenue from the China Market

	1H2025 (HK\$ million)	1H2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 1H2025 (%)	Approximate percentage of total revenue from the China market in 1H2024 (%)
Southwestern China	73.4	113.7	-35.4	67.4	76.9
Northern China	21.0	21.9	-4.1	19.3	14.8
Northwestern China	11.0	9.4	17.0	10.1	6.3
Other regions in China	3.5	2.9	20.7	3.2	2.0
Total	<u>108.9</u>	<u>147.9</u>	<u>-26.4</u>	<u>100</u>	<u>100</u>

The Group's revenue from Southwestern China amounted to approximately HK\$73.4 million in 1H2025, which decreased by approximately HK\$40.3 million or approximately 35.4% from approximately HK\$113.7 million in 1H2024. The decrease was mainly due to the decrease in the provision of production enhancement services in this region.

In 1H2025, the Group's revenue from Northern China amounted to approximately HK\$21.0 million, which decreased by approximately HK\$0.9 million or approximately 4.1% from approximately HK\$21.9 million in 1H2024. The decrease was mainly due to the decrease in the provision of production enhancement services in this region.

The Group's revenue from Northwestern China amounted to approximately HK\$11.0 million in 1H2025, which increased by approximately HK\$1.6 million or approximately 17.0% from approximately HK\$9.4 million in 1H2024. The increase was mainly due to the increase in the provision of drilling services in Northwestern China, which was partly offset by the decrease in the provision of production enhancement services and the decrease in the well completion revenue in this region.

The Group's revenue from other regions in China amounted to approximately HK\$3.5 million in 1H2025, which increased by approximately HK\$0.6 million or approximately 20.7% from approximately HK\$2.9 million in 1H2024. The increase in revenue from other regions in China was mainly due to the increase in the provision of supervisory services in these regions.

Revenue from the Overseas Markets

	1H2025 <i>(HK\$ million)</i>	1H2024 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue from the overseas markets in 1H2025 <i>(%)</i>	Approximate percentage of total revenue from the overseas markets in 1H2024 <i>(%)</i>
The Middle East	1.4	14.2	-90.1	58.3	78.9
Others	1.0	3.8	-73.7	41.7	21.1
Total	2.4	18.0	-86.7	100	100

In 1H2025, the Group's revenue from the Middle East amounted to approximately HK\$1.4 million, which decreased by approximately HK\$12.8 million or approximately 90.1% from approximately HK\$14.2 million in 1H2024. The decrease was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025. In addition, the revenue from the provision of integrated project management services in the Middle East market also decreased in 1H2025.

The Group's revenue from other overseas regions amounted to approximately HK\$1.0 million in 1H2025, which decreased by approximately HK\$2.8 million or approximately 73.7% from approximately HK\$3.8 million in 1H2024. The decrease in revenue from other overseas regions was mainly due to the decrease in the provision of drilling services in Uzbekistan.

BUSINESS SEGMENT ANALYSIS

	1H2025 <i>(HK\$ million)</i>	1H2024 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2025 (%)	Approximate percentage of total revenue in 1H2024 (%)
Oilfield project tools and services	105.4	147.7	-28.6	94.7	89.0
Consultancy services	5.9	18.2	-67.6	5.3	11.0
Total	111.3	165.9	-32.9	100	100

In 1H2025, the Group's revenue from oilfield project tools and services amounted to approximately HK\$105.4 million, which decreased by approximately HK\$42.3 million or approximately 28.6% from approximately HK\$147.7 million in 1H2024. The decrease in revenue from this segment was mainly due to the decrease in the provision of production enhancement services in Southwestern China.

The Group's revenue from consultancy services amounted to approximately HK\$5.9 million in 1H2025, which decreased by approximately HK\$12.3 million or approximately 67.6%, from approximately HK\$18.2 million in 1H2024. The decrease was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025. In addition, the revenue from the provision of integrated project management services in the Middle East market also decreased in 1H2025.

Oilfield Projects Tools and Services

	1H2025 (HK\$ million)	1H2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2025 (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2024 (%)
Production enhancement	93.7	136.6	-31.4	88.9	92.5
Drilling	10.7	8.1	32.1	10.2	5.5
Well completion	1.0	3.0	-66.7	0.9	2.0
Total	<u>105.4</u>	<u>147.7</u>	<u>-28.6</u>	<u>100</u>	<u>100</u>

Production Enhancement

In 1H2025, the Group's revenue from production enhancement amounted to approximately HK\$93.7 million, which decreased by approximately HK\$42.9 million or approximately 31.4% from approximately HK\$136.6 million in 1H2024. The decrease was mainly due to the decrease in the provision of production enhancement services in Southwestern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$10.7 million in 1H2025, which increased by approximately HK\$2.6 million or approximately 32.1% from approximately HK\$8.1 million in 1H2024. The increase was mainly due to the increase in the provision of drilling services in Northwestern China, which was partly offset by the decrease in the provision of drilling services in Uzbekistan.

Well Completion

The Group's revenue from well completion amounted to approximately HK\$1.0 million in 1H2025, which decreased by approximately HK\$2.0 million or approximately 66.7% from approximately HK\$3.0 million in 1H2024. The decrease was mainly due to the decrease in the sales of well completion tools in Northwestern China, which was partly offset by the increase in the sales of well completion tools in Northern China. In 1H2025, the Group's revenue from well completion includes commission income of approximately HK\$0.3 million arising from facilitating the sales of well completion tools from the Petro-king Energy Technology Co., Ltd. ("**Petro-king Energy**") and its subsidiaries (collectively referred to as the "**Petro-king Energy Group**") to an independent customer. The related gross proceeds of approximately HK\$2.8 million were considered as sales amount receivable by the Group on behalf of the Petro-king Energy Group as an agent. The gross proceeds from these sales, which did not represent revenue, represented the price at which products have been sold inclusive of commission income entitled by the Group. Accordingly, such commission income has been recorded by the Group on a net basis.

CUSTOMER ANALYSIS

Customer	1H2025 (HK\$ million)	1H2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2025 (%)	Approximate percentage of total revenue in 1H2024 (%)
Customer 1	81.0	115.0	-29.6	72.8	69.3
Customer 2	26.4	30.3	-12.9	23.7	18.3
Customer 3	1.4	14.1	-90.1	1.3	8.5
Customer 4	1.2	2.3	-47.8	1.1	1.4
Customer 5	0.5	–	N/A	0.4	–
Other customers	0.8	4.2	-81.0	0.7	2.5
Total	<u>111.3</u>	<u>165.9</u>	<u>-32.9</u>	<u>100</u>	<u>100</u>

The revenue from Customer 1 amounted to approximately HK\$81.0 million in 1H2025, which decreased by approximately HK\$34.0 million or approximately 29.6% from approximately HK\$115.0 million in 1H2024. This decrease was mainly due to the decrease in the provision of production enhancement services in Southwestern China as this customer has postponed the production enhancement works of certain shale gas fields to the second half of 2025 in accordance with its internal extraction plan, which was partly offset by the increase in the provision of drilling services in Northwestern China. The revenue from Customer 2 amounted to approximately HK\$26.4 million in 1H2025, which decreased by approximately HK\$3.9 million or approximately 12.9% from approximately HK\$30.3 million in 1H2024. This decrease was mainly due to the decrease in the revenue of well completion in Northwestern China and the decrease in the provision of production enhancement services in Northern China for this customer. The revenue from Customer 3 amounted to approximately HK\$1.4 million in 1H2025, which decreased by approximately HK\$12.7 million or approximately 90.1% from approximately HK\$14.1 million in 1H2024. This decrease was mainly due to the decrease in the provision of supervisory services to this customer in the Middle East as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025. In addition, the revenue from the provision of integrated project management services to this customer in the Middle East market also decreased in 1H2025. The revenue from Customer 4 amounted to approximately HK\$1.2 million in 1H2025, which decreased by approximately HK\$1.1 million or approximately 47.8% from approximately HK\$2.3 million in 1H2024. This decrease was mainly due to the decrease in the provision of supervisory services to this customer in other regions in China. The revenue from Customer 5 amounted to approximately HK\$0.5 million in 1H2025 (1H2024: Nil), which was derived from the provision of production enhancement services in Southwestern China. The revenue from other customers amounted to approximately HK\$0.8 million in 1H2025, which dropped by approximately HK\$3.4 million or approximately 81.0% from approximately HK\$4.2 million in 1H2024. Such decrease in revenue mainly resulted from the decrease in the provision of production enhancement services to a customer in Southwestern China and the decrease in the provision of drilling services to certain customers in other overseas regions.

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 68 training sessions of more than 2,163 hours in total and 131 employees have attended these training programs in 1H2025. 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 191 employees as at 30 June 2025, representing a decrease of approximately 2.1% as compared with that of 195 employees as at 31 December 2024.

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, surface facilities for safety and flow control, drilling fluids and fracturing liquid.

In 1H2025, apart from the research and development of oilfield service technologies, the Group has also conducted various studies on new energy utilisation including carbon dioxide geological storage, LNG cold energy utilisation, solidification hydrogen storage, geothermal energy utilisation, and in-situ underground coal-to-hydrogen production technologies.

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 2025, the Group had 40 utility model patents and 11 innovation patents and was in the process of applying for 27 utility model patents and 8 innovation patents.

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

OUTLOOK

During 1H2025, Brent crude oil price has fluctuated between approximately US\$58 to approximately US\$83 per barrel. With the international oil price remaining relatively stable 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 stable for the rest of 2025.

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 various kinds of green and renewable energy projects and/or other new energy related businesses. With the committed efforts of our staff and management, we are cautiously optimistic on the prospects of the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Notes	2025	2024
		HK\$'000	HK\$'000
Revenue	4	111,266	165,908
Other income		1,011	1,063
Operating costs			
Material costs		(19,532)	(23,769)
Depreciation of property, plant and equipment		(7,764)	(15,977)
Depreciation of right-of-use assets		(895)	(888)
Expenses related to short-term leases		(1,163)	(1,035)
Employee benefit expenses		(15,681)	(23,485)
Distribution expenses		(688)	(2,493)
Technical service fees		(51,477)	(70,528)
Research and development expenses		(10,078)	(8,950)
Entertainment and marketing expenses		(4,342)	(3,971)
Net reversal of impairment on financial assets		919	3,723
Net impairment loss on contract assets		(50)	(670)
Write-down of inventories to net realisable value		(299)	(256)
Other expenses		(8,734)	(11,261)
Other gains and losses, net	5	2,777	225
Operating (loss)/profit		(4,730)	7,636
Finance income		220	834
Finance costs		(5,890)	(7,584)
Finance costs, net	6	(5,670)	(6,750)
Share of results of associates		(720)	(292)
(Loss)/profit before income tax expense		(11,120)	594
Income tax expense	7	(412)	(1,006)
Loss for the period		(11,532)	(412)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		3,254	185
Release of translation reserve upon disposal of interests in associates		–	(41)
Release of translation reserve upon deregistration of a subsidiary		–	1,598
Share of other comprehensive income of associates		(374)	162
Other comprehensive income for the period, net of tax		2,880	1,904
Total comprehensive income for the period		(8,652)	1,492

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2025	2024
		HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		(11,793)	(395)
Non-controlling interests		<u>261</u>	<u>(17)</u>
		<u>(11,532)</u>	<u>(412)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(8,913)	1,512
Non-controlling interests		<u>261</u>	<u>(20)</u>
		<u>(8,652)</u>	<u>1,492</u>
Loss per share attributable to owners of the Company during the period:			
Loss per share – basic and diluted (<i>HK cent</i>)	8	<u>(0.68)</u>	<u>(0.02)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	103,783	108,239
Intangible assets		26,756	26,756
Right-of-use assets	11	1,127	1,460
Financial asset at fair value through profit or loss ("FVTPL")		5,438	5,355
Interests in associates		82,302	84,376
Other receivables and deposits		22	22
		<u>219,428</u>	<u>226,208</u>
Current assets			
Inventories		8,420	8,406
Trade receivables	12	153,259	201,648
Contract assets		119,399	110,082
Other receivables and deposits		39,405	42,169
Prepayments		10,585	10,089
Cash and cash equivalents		18,832	15,607
Restricted bank deposits		31,679	28,730
		<u>381,579</u>	<u>416,731</u>
Current liabilities			
Trade payables	13	189,432	203,232
Other payables and accruals		85,897	104,175
Contract liabilities		915	1,554
Lease liabilities		690	1,295
Bank and other borrowings		112,083	106,389
Financial liabilities at FVTPL		458	451
		<u>389,475</u>	<u>417,096</u>
Net current liabilities		<u>(7,896)</u>	<u>(365)</u>
Total assets less current liabilities		<u>211,532</u>	<u>225,843</u>

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

	Unaudited	Audited
	30 June	31 December
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	34,592	40,797
Lease liabilities	455	168
Financial liabilities at FVTPL	<u>4,686</u>	<u>4,615</u>
	<u>39,733</u>	<u>45,580</u>
NET ASSETS	<u><u>171,799</u></u>	<u><u>180,263</u></u>
EQUITY		
Capital and reserves		
Share capital	2,001,073	2,001,073
Other reserves	92,460	89,392
Accumulated losses	<u>(1,929,440)</u>	<u>(1,917,647)</u>
Equity attributable to owners of the Company	164,093	172,818
Non-controlling interests	<u>7,706</u>	<u>7,445</u>
TOTAL EQUITY	<u><u>171,799</u></u>	<u><u>180,263</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Petro-king Oilfield Services Limited (the “**Company**”) was incorporated in the British Virgin Islands on 7 September 2007 as an exempted company with limited liability. The address of the Company’s registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, 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 2025 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 announcement should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with IFRS Accounting Standards and any public announcements made by the Group during the interim reporting period.

The Group reported a net loss of approximately HK\$11,532,000 during the six months ended 30 June 2025, and as of that date, the Group had net current liabilities of approximately HK\$7,896,000 and total current bank and other borrowings of approximately HK\$112,083,000, while the Group only had cash and cash equivalents of approximately HK\$18,832,000.

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) In August 2025, the Group has applied for additional loan facilities with a bank located in the People’s Republic of China (the “**PRC**”) which will be pledged by certain of the Group’s trade receivables as security. Based on the historical loan approval pattern of this bank, loan facilities of not less than Renminbi (“**RMB**”) 20,000,000 was expected to be granted by this bank before 31 August 2025 (the “**Expected Loan Facilities**”). In addition, the Group will continue to negotiate additional loan facilities from this bank and other banks in the PRC to fulfill the working capital needs of the Group for the oilfield and gas field projects in the PRC; and
- (b) As at 30 June 2025, the Group has unutilised loan facility with an amount of RMB30,000,000 which is granted by a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. Subsequent to 30 June 2025, the Group has not drawn down such loan facility.

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.

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 obtaining the Expected Loan Facilities and other new loan facilities from the banks located in the PRC to fund the working capital needs of the Group for the oilfield and gas field projects in the PRC;
- (ii) successfully drawing down the loan facility from the relevant money lending company; and
- (iii) operations of the oilfield project tools and services based on the expected project schedules.

Notwithstanding the above, these indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 MATERIAL ACCOUNTING POLICY INFORMATION

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2024.

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 IFRS Accounting Standards that are relevant to its operations and effective for its accounting year beginning on 1 January 2025.

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

4 REVENUE AND SEGMENT INFORMATION

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

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

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

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 |

(a) Revenue

Revenue recognised for the six months ended 30 June 2025 and 2024 are as follows:

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Product enhancement work	93,721	136,623
– Drilling work	10,664	8,061
– Well completion work	991	3,032
	105,376	147,716
Consultancy services		
– Integrated project management services	1,692	3,496
– Supervisory services	4,198	14,696
	5,890	18,192
Total revenue	111,266	165,908
Timing of revenue recognition within the scope of IFRS 15:		
At a point in time	709	1,628
Over time	110,557	164,280
	111,266	165,908

(b) Segment results

The segment information for the six months ended 30 June 2025 and 2024 are as follows:

	Unaudited		
	Oilfield project tools and services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2025			
Revenue from external customers	105,376	5,890	111,266
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Total segment revenue	<u>105,376</u>	<u>5,890</u>	<u>111,266</u>
Segment results	(13,013)	3,764	(9,249)
Net unallocated expenses			<u>(1,871)</u>
Loss before income tax expense			<u>(11,120)</u>
Other information:			
Depreciation of property, plant and equipment	(7,461)	—	(7,461)
Depreciation of right-of-use assets	(192)	—	(192)
Net reversal of impairment/(impairment loss) on financial assets	1,239	(320)	919
Net impairment loss on contract assets	(38)	(12)	(50)
Write-down of inventories to net realisable value	(299)	—	(299)
Finance costs	<u>(4,649)</u>	<u>—</u>	<u>(4,649)</u>

	Unaudited		
	Oilfield project tools and services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024			
Revenue from external customers	147,716	18,192	165,908
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Total segment revenue	<u>147,716</u>	<u>18,192</u>	<u>165,908</u>
Segment results	(4,219)	8,717	4,498
Net unallocated expenses			<u>(3,904)</u>
Profit before income tax expense			<u><u>594</u></u>
Other information:			
Depreciation of property, plant and equipment	(15,687)	—	(15,687)
Depreciation of right-of-use assets	(162)	—	(162)
Net reversal of impairment/(impairment loss) on financial assets	6,022	(2,299)	3,723
Net impairment loss on contract assets	(650)	(20)	(670)
Write-down of inventories to net realisable value	(256)	—	(256)
Finance costs	<u>(6,302)</u>	<u>—</u>	<u>(6,302)</u>

Measurement of profit or loss of the operating segments are the same as the reportable segments. The CODM evaluates the performance of the reportable segments based on a measure of revenue and revenue less all directly attributable costs.

A reconciliation of operating segments' results to total (loss)/profit before income tax expense is provided as follows:

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Segment results	(9,249)	4,498
Depreciation of property, plant and equipment	(303)	(290)
Depreciation of right-of-use assets	(703)	(726)
Finance costs	(1,241)	(1,282)
Finance income	220	834
Other income	1,011	1,063
Other expenses	(2,159)	(2,552)
Other gains and losses, net	2,777	225
Share of results of associates	(720)	(292)
Other unallocated corporate expenses	(753)	(884)
	<hr/>	<hr/>
Consolidated (loss)/profit before income tax expense	<u>(11,120)</u>	<u>594</u>

The segment results included the (loss)/profit of each operating segment without allocation of the following items such as corporate expenses, finance income, other income, other gains and losses, net and share of results of associates.

5 OTHER GAINS AND LOSSES, NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Foreign exchange (losses)/gains, net	(258)	308
Losses on disposals of property, plant and equipment	(19)	(9)
Loss on disposal of a subsidiary	–	(22)
Loss on deregistration of a subsidiary	–	(1,679)
Loss on deemed acquisition of interests in associates	(2,095)	–
Gain on disposal of interests in associates	–	2,184
Government grant	4,390	553
Others	759	(1,110)
	<u>2,777</u>	<u>225</u>

6 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Interest income from bank deposits	56	32
Interest income from related parties	–	468
Interest income from others	164	334
Finance income	<u>220</u>	<u>834</u>
Interest expenses:		
– Bank and other borrowings	(5,858)	(7,492)
– Lease liabilities	(32)	(92)
Finance costs	<u>(5,890)</u>	<u>(7,584)</u>
Finance costs, net	<u>(5,670)</u>	<u>(6,750)</u>

7 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Current tax	98	(21)
Overseas withholding tax	314	1,027
Income tax expense	412	1,006

8 LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2025	2024
Loss for the period attributable to owners of the Company (HK\$'000)	(11,793)	(395)
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)	(0.68)	(0.02)

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 2025 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (six months ended 30 June 2024: same) as the conversion of potential ordinary shares in relation to the share options (six months ended 30 June 2024: share options) has an anti-dilutive effect to the basic loss per share.

9 DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the current period (six months ended 30 June 2024: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group has acquired and disposed of property, plant and equipment of approximately HK\$1,576,000 (six months ended 30 June 2024: approximately HK\$4,472,000) and approximately HK\$32,000 (six months ended 30 June 2024: approximately HK\$210,000), respectively.

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2025, the Group has addition to right-of-use assets of approximately HK\$142,000 (six months ended 30 June 2024: Nil).

12 TRADE RECEIVABLES

	Unaudited As at 30 June 2025 <i>HK\$'000</i>	Audited As at 31 December 2024 <i>HK\$'000</i>
Trade receivables	157,464	206,555
Less: provision for impairment of trade receivables	<u>(4,205)</u>	<u>(4,907)</u>
Trade receivables, net	<u>153,259</u>	<u>201,648</u>

As at 30 June 2025 and 31 December 2024, ageing analysis of gross trade receivables by invoice date is as follows:

	Unaudited As at 30 June 2025 <i>HK\$'000</i>	Audited As at 31 December 2024 <i>HK\$'000</i>
Up to 3 months	39,209	160,362
3 to 6 months	66,401	38,582
6 to 12 months	47,852	2,545
Over 12 months	<u>4,002</u>	<u>5,066</u>
Trade receivables - gross	<u>157,464</u>	<u>206,555</u>

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

13 TRADE PAYABLES

As at 30 June 2025 and 31 December 2024, ageing analysis of trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2025 <i>HK\$'000</i>	Audited As at 31 December 2024 <i>HK\$'000</i>
Up to 3 months	26,990	87,226
3 to 6 months	40,979	9,529
6 to 12 months	49,573	23,619
Over 12 months	71,890	82,858
	<hr/> 189,432 <hr/>	<hr/> 203,232 <hr/>

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately HK\$111.3 million in 1H2025, which decreased by approximately HK\$54.6 million or approximately 32.9% as compared with that of approximately HK\$165.9 million in 1H2024. The decrease in revenue was mainly due to the decrease in the provision of production enhancement services in the China market. The revenue from the provision of production enhancement services decreased by approximately 31.4% from approximately HK\$136.6 million in 1H2024 to approximately HK\$93.7 million in 1H2025 mainly due to the decrease in the provision of production enhancement services in Southwestern China. In addition, revenue from the Middle East market has decreased by approximately 90.1% from approximately HK\$14.2 million in 1H2024 to approximately HK\$1.4 million in 1H2025 as a supervisory service contract has expired in 1H2024 and no income was generated from such service contract in 1H2025.

Material Costs

In 1H2025, the Group's material costs were approximately HK\$19.5 million, which decreased by approximately 18.1% or approximately HK\$4.3 million as compared with that of approximately HK\$23.8 million in 1H2024. Material costs accounted for approximately 17.5% of the revenue in 1H2025, which was higher than that of approximately 14.3% in 1H2024. Material costs as a percentage of revenue increased in 1H2025 as the percentage of revenue derived from the provision of production enhancement services, which utilised more raw materials, increased from approximately 82.3% in 1H2024 to approximately 84.2% in 1H2025.

Depreciation of Property, Plant and Equipment

In 1H2025, the depreciation of property, plant and equipment amounted to approximately HK\$7.8 million, which decreased by approximately HK\$8.2 million or approximately 51.3% as compared with that of approximately HK\$16.0 million in 1H2024. Depreciation expense decreased in 1H2025 as certain property, plant and equipment has been fully depreciated in 2024.

Employee Benefit Expenses

In 1H2025, the Group's employee benefit expenses were approximately HK\$15.7 million, which decreased by approximately HK\$7.8 million or approximately 33.2% as compared with that of approximately HK\$23.5 million in 1H2024. The drop in employee benefit expenses in 1H2025 was consistent with the decrease in revenue of the Group during the period.

Technical Service Fees

In 1H2025, the Group's technical service fees amounted to approximately HK\$51.5 million, which decreased by approximately HK\$19.0 million or approximately 27.0% from approximately HK\$70.5 million in 1H2024. Technical service fees accounted for approximately 46.3% of the revenue in 1H2025, which was higher than that of approximately 42.5% in 1H2024. Technical services fees as a percentage of revenue increased in 1H2025 as the percentage of revenue derived from the provision of production enhancement services, which utilised more technical services, increased from approximately 82.3% in 1H2024 to approximately 84.2% in 1H2025.

Other Expenses

The Group recorded other expenses of approximately HK\$8.7 million in 1H2025, representing a decrease of approximately HK\$2.6 million or approximately 23.0% as compared with that of approximately HK\$11.3 million in 1H2024. The decrease in other expenses was mainly due to the decrease in travelling expenses incurred by the Group resulting from the decrease in revenue in 1H2025.

Other Gains and Losses, net

The Group recorded net other gains of approximately HK\$2.8 million in 1H2025, representing an increase of approximately HK\$2.6 million as compared with that of approximately HK\$0.2 million in 1H2024. The increase in net other gains was mainly due to the increase in government grant received by the Group in 1H2025, being partly offset by the loss on deemed acquisition of interests in associates in 1H2025.

Operating (Loss)/Profit

As a result of the foregoing, the Group recorded an operating loss of approximately HK\$4.7 million in 1H2025 (1H2024: operating profit of approximately HK\$7.6 million).

Net Finance Costs

In 1H2025, the Group's net finance costs amounted to approximately HK\$5.7 million, which decreased by approximately HK\$1.1 million or approximately 16.2% as compared with that of approximately HK\$6.8 million in 1H2024. The decrease in net finance costs was mainly due to the repayments of bank and other borrowings in 1H2025.

Share of Results of Associates

In 1H2025, the Group recorded share of loss of associates of approximately HK\$0.7 million (1H2024: approximately HK\$0.3 million). The balance represented the Group's share of loss of Petro-king Energy Group in 1H2025. Petro-king Energy has not declared any dividend in 1H2025 (1H2024: Nil).

Loss for the Period

As a result of the foregoing, the Group recorded a net loss of approximately HK\$11.5 million in 1H2025 as compared with a net loss of approximately HK\$0.4 million in 1H2024.

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\$11.8 million in 1H2025 as compared with a loss attributable to owners of the Company of approximately HK\$0.4 million in 1H2024.

Interests in Associates

As at 30 June 2025, the Group's interests in associates amounted to approximately HK\$82.3 million, representing a decrease of approximately HK\$2.1 million as compared with that of approximately HK\$84.4 million as at 31 December 2024. The decrease was mainly due to the Group's share of loss in the Petro-king Energy Group in 1H2025 and the effect of exchange difference. As at 30 June 2025, the carrying amount of the Group's interest in Petro-king Energy was approximately HK\$82.3 million (31 December 2024: HK\$84.4 million), which represented approximately 13.7% (31 December 2024: 13.1%) of the Group's total assets. As at 30 June 2025, the Group held approximately 28.11% equity interest in Petro-king Energy (31 December 2024: approximately 27.67%). The Group's equity interest in Petro-king Energy has increased by approximately 0.44% due to the reduction of capital of Petro-king Energy in 1H2025. The Group presently intends to retain its interest in Petro-king Energy for long term investment, but may also consider the needs to partially dispose a portion of its interest in Petro-king Energy depending on the future liquidity requirements of the Group.

Inventories

As at 30 June 2025, the Group's inventories amounted to approximately HK\$8.4 million, which was at the same level as compared with that of approximately HK\$8.4 million as at 31 December 2024. The average turnover days of inventories decreased from approximately 131 days in 1H2024 to approximately 78 days in 1H2025. In 1H2025, the Group has implemented a more stringent policy to control the level of inventories which contributed to the decrease in average inventory turnover days.

Trade Receivables

As at 30 June 2025, the Group's trade receivables amounted to approximately HK\$153.3 million, representing a decrease of approximately HK\$48.3 million or approximately 24.0% as compared with that of approximately HK\$201.6 million as at 31 December 2024. The average turnover days of trade receivables were approximately 289 days in 1H2025, representing an increase of approximately 83 days as compared with that of approximately 206 days in 1H2024. The increase in average turnover days of trade receivables was mainly due to the decrease in revenue in 1H2025.

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 2025, the Group's contract assets amounted to approximately HK\$119.4 million, representing an increase of approximately HK\$9.3 million or approximately 8.4% as compared with that of approximately HK\$110.1 million as at 31 December 2024. The increase was mainly due to the increase in unbilled works related to the provision of production enhancement services to certain customers in 1H2025.

Trade Payables

As at 30 June 2025, the Group's trade payables were approximately HK\$189.4 million, which decreased by approximately HK\$13.8 million or approximately 6.8% as compared with that of approximately HK\$203.2 million as at 31 December 2024. The average turnover days of trade payables increased from approximately 426 days in 1H2024 to approximately 500 days in 1H2025, representing an increase of approximately 74 days. The increase in the average turnover days of trade payables was mainly resulted from the decrease in material costs and technical service fees incurred in 1H2025.

Liquidity and Capital Resources

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

As at 30 June 2025, the Group had cash and cash equivalents of approximately HK\$18.8 million, representing an increase of approximately HK\$3.2 million as compared with that of approximately HK\$15.6 million as at 31 December 2024. The cash and cash equivalents were mainly held in RMB and US dollars ("US\$").

As at 30 June 2025, the Group's bank and other borrowings amounted to approximately HK\$146.7 million (31 December 2024: approximately HK\$147.2 million), of which approximately 76.4% (31 December 2024: approximately 72.3%) was repayable within one year. As at 30 June 2025, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst 92.5% (31 December 2024: 100%) of such borrowings bore interest at fixed lending rate and 7.5% (31 December 2024: Nil) of such borrowings bore interest at floating lending rate.

As at 30 June 2025, bank deposits of approximately RMB28.9 million (equivalent to approximately HK\$31.7 million) (31 December 2024: RMB26.6 million, equivalent to approximately HK\$28.7 million) have been frozen by the courts pending the outcome of an appeal in relation to the claims of technical service fees of approximately RMB28.9 million, together with any interest accrued thereon, by a service provider against an indirectly wholly-owned subsidiary of the Company. Further details of the claims and the appeal were set out in the Company's announcements dated 29 January, 12 June and 2 July 2024. The appeal hearing has taken place on 26 May 2025 but no ruling result has been issued by the court up to the date of this announcement. The Company will keep its shareholders and potential investors informed of further material developments of the appeal, if any, by way of further announcement(s) as and when appropriate.

As at 30 June 2025, the Group has pledged certain machineries with carrying values of approximately HK\$56.7 million to secure certain instalment loans granted to the Group (31 December 2024: approximately HK\$59.1 million). In addition, certain trade receivables of approximately HK\$79.5 million (31 December 2024: HK\$71.9 million) was pledged to secure certain bank borrowings of the Group as at 30 June 2025.

Gearing ratio

As at 30 June 2025, the Group's gearing ratio (calculated as dividing net debt by total capital) was approximately 36.2% (31 December 2024: approximately 36.7%). 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 interim condensed consolidated statement of financial position) less total cash (including "restricted bank deposits" and "cash and cash equivalents" as shown in the interim condensed consolidated statement of financial position). Total capital is calculated as "equity" as shown in the interim 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 1H2025 (31 December 2024: Nil).

Off-balance Sheet Arrangements

As at 30 June 2025, the Group did not have any off-balance sheet arrangements (31 December 2024: Nil).

IMPORTANT EVENTS AFTER THE END OF FINANCIAL PERIOD

There were no important events affecting the Company's business operations in material aspects after the end of financial period up to the date of this announcement.

Others

Save as disclosed in this announcement, 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 2024.

CORPORATE GOVERNANCE

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

The Board comprises three executive Directors, one non-executive 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 Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). During 1H2025, 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 C3 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 1H2025.

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

During 1H2025, 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 1H2025 (1H2024: Nil).

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) which is composed of three independent non-executive Directors, namely Mr. Leung Lin Cheong (the chairman of the Audit Committee), Mr. Xin Junhe and Mr. Zhang Dawei. The unaudited interim condensed consolidated financial information has been reviewed by the Audit Committee.

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

Hong Kong, 21 August 2025

As at the date of this announcement, the executive Directors are Mr. Zhao Jindong, Mr. Lin Jingyu and Ms. Zhou Sisi; the non-executive Director is Mr. Wang Jinlong; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Xin Junhe and Mr. Zhang Dawei.