

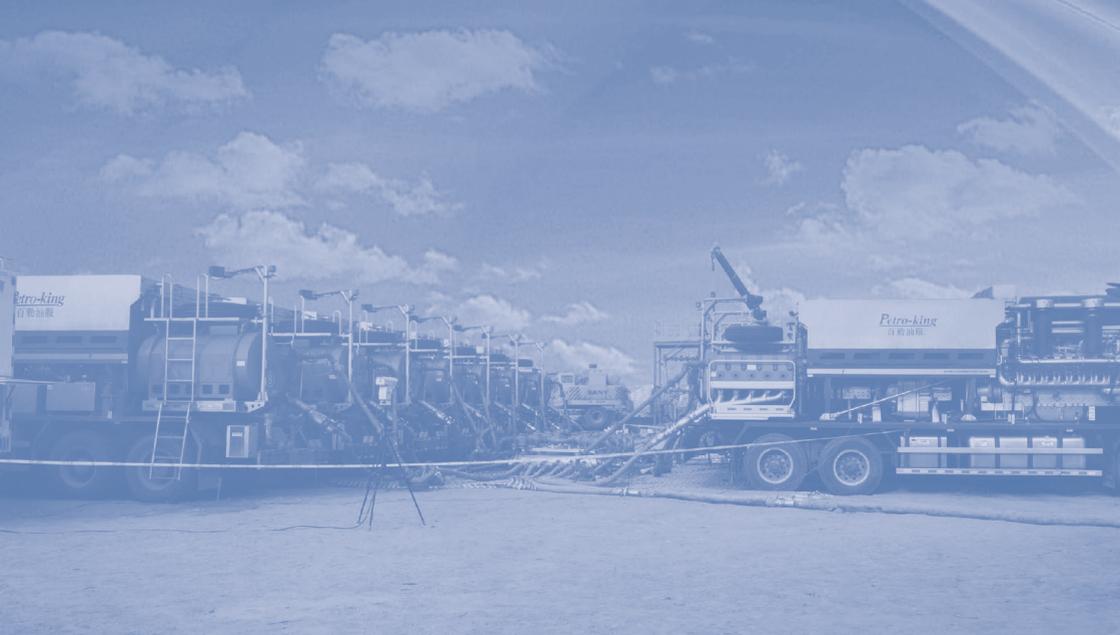
2022 Interim Report

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

Stock Code: 2178



Petro-king
百勤油服



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)
Mr. Huang Yu (黃瑜)

NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)
(redesignated on 1 January 2022)
Mr. Wong Shiu Kee (黃紹基)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawai (張大偉)
(appointed on 30 June 2022)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (*Chairman*)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawai (張大偉)
(appointed on 30 June 2022)

REMUNERATION COMMITTEE

Mr. Xin Junhe (辛俊和) (*Chairman*)
Mr. Wang Jinlong (王金龍)
Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Zhang Dawai (張大偉)
(appointed on 30 June 2022)

NOMINATION COMMITTEE

Mr. Wang Jinlong (王金龍) (*Chairman*)
Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawai (張大偉)
(appointed on 30 June 2022)

SANCTION OVERSIGHT COMMITTEE

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

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)

AUTHORISED REPRESENTATIVES

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LEGAL ADVISERS (HONG KONG LAW)

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STOCK CODE

2178

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 13 November 2020, Petro-King Oilfield Services Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) entered into certain agreements with various parties in relation to (i) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. (“**Star Petrotech**”) to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) (“**PK Huizhou**”), (ii) the capital contribution of RMB41 million made by various parties to PK Huizhou, and (iii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong and his associates (collectively referred to as the “**PK Huizhou Transactions**”). Details of the PK Huizhou Transactions were set out in the announcements of the Company dated 15 November 2020 and 24 June 2021, and the circular of the Company dated 12 January 2021. For the six months ended 30 June 2021 (“**1H2021**”), the Group recorded a pre-tax gain on disposal of approximately HK\$23.5 million in relation to the PK Huizhou Transactions. During the six months ended 30 June 2022 (“**1H2022**”), PK Huizhou has completed a new round of capital increase whereby the Group’s shareholding interest in PK Huizhou was diluted from approximately 38.60% as at 31 December 2021 to approximately 32.73% as at 30 June 2022.

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

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

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

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

Basic loss per share for 1H2022 was approximately HK2.2 cent (1H2021: approximately HK0.8 cent). The board (the "**Board**") of directors (the "**Directors**") of the Company has resolved not to pay any interim dividend for 1H2022 (1H2021: Nil).

GEOGRAPHICAL MARKET ANALYSIS

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

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

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

REVENUE FROM THE CHINA MARKET

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

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

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

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

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

REVENUE FROM THE OVERSEAS MARKETS

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

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

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

BUSINESS SEGMENT ANALYSIS

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

Note:

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

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

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

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

Oilfield Projects Tools and Services

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

Production Enhancement

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

Drilling

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

Well Completion

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

CUSTOMER ANALYSIS

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

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

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures that set out requirements on compensation, termination, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged for a series of training courses that cover technical updates in drilling and completion technology, blast management, control at wells and environment management. We also worked with external organisations such as unions and consultants to provide training for the specific needs of certain operations. The Group has arranged 58 trainings of more than 798 hours in total and 122 employees have attended these training programs in 1H2022. Besides, the Company has implemented a talents selection system to expand the promotion channel for staff in order to realise a win-win situation for both the Company and employees.

To cope with the development trend of the industry, the Group streamlined the organisation structure and the cost structure of all service lines as well as the supporting departments. The Company paid high attention to talent introduction and has recruited some international experts who are good at market development as well. The total headcount was 229 employees as at 30 June 2022, representing an increase of approximately 7.5% as compared with that of 213 employees as at 31 December 2021. The total employee benefit expenses (including directors' emoluments) incurred by the Group for continuing operations in 1H2022 was approximately HK\$25.2 million (1H2021: approximately HK\$22.1 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee.

RESEARCH AND DEVELOPMENT

As a high-end integrated oilfield services provider, the Group attaches great importance to technology, and prides itself on introducing innovative products and services in various oilfield services lines, such as turbine-drilling, directional drilling, multistage fracturing, downhole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid.

The Group pays great attention to the registration of patents and always encourages application for patents to protect its intellectual property rights. As at 30 June 2022, the Group had 12 utility model patents and 6 innovation patents and was in the process of applying for 6 innovation patents.

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

OUTLOOK

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

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

As a result of the stabilisation of international oil price and China's national policy to secure national energy safety and to encourage shale gas consumption for environmental protection, owners of shale gas fields in the PRC (mostly major national oil companies) have accelerated the construction of their shale gas projects. We believe the increasing demand for fracturing services from the construction of shale gas fields in the PRC will continue in the near future and will enhance the performance of the Group's production enhancement business. The Group will continue to monitor the market demands for the Group's production enhancement services so as to assess the needs to purchase additional equipment to enhance its competitiveness and quality of services, as well as to fulfil the uplifted industry standards and requirements. Such purchase of additional equipment, if any, is expected to be funded by obtaining new financing loans and internal financial resources of the Group.

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 ON CONTINUING OPERATIONS

Revenue

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

Material Costs

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

Depreciation of Property, Plant and Equipment

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

Employee Benefit Expenses

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

Research and Development Expenses

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

Write-down of Inventories to Net Realisable Value

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

Other (losses)/gains, net

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

Operating Loss

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

Net Finance Costs

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

Share of Results of Associates

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

Loss for the Period from Continuing Operations

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

REVIEW ON OTHER FINANCIAL DATA

Profit for the Period from Discontinued Operations

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

Loss for the Period Attributable to Owners of the Company

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

Property, Plant and Equipment

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

Interests in Associates

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

Details of the Group's associates as at 30 June 2022 were as follows:

Name of company	Form of business structure	Place of incorporation and business	Approximate percentage of ownership interest	Principal activity
PK 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 deputize petroleum engineering equipment
百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) ("PK Technology")	Limited liability company	PRC	– (Note)	Provision of oilfield tools and equipment technology services and research and development in the PRC
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.*) ("PK 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: PK Technology, Star Petrotech and PK Jinhai are direct wholly-owned subsidiaries of PK Huizhou.

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

The Group presently intends to retain its interest in PK Huizhou for long term investment in the present circumstances, but cannot rule out the needs to partially dispose a portion of its interest in PK Huizhou in the future depending on the future liquidity requirements of the Group.

Inventories

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

Trade Receivables

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

Contract Assets

The contract assets are primarily related to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 30 June 2022, the Group's contract assets amounted to approximately HK\$40.3 million, representing an increase of approximately HK\$16.6 million or approximately 70.0% as compared with that of approximately HK\$23.7 million as at 31 December 2021. The increase was mainly due to the increase in unbilled works related to the provision of fracturing services to certain customers in 1H2022.

Trade Payables

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

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.

Liquidity and Capital Resources

As at 30 June 2022, the Group had cash and cash equivalents of approximately HK\$21.0 million, representing a decrease of approximately HK\$5.5 million as compared with that of approximately HK\$26.5 million as at 31 December 2021. The cash and cash equivalents were mainly held in Renminbi ("**RMB**") and US dollars ("**US\$**").

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

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

Gearing ratio

As at 30 June 2022, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 33.9% (31 December 2021: 35.5%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings" and "current and non-current lease liabilities" as shown in the condensed consolidated statement of financial position) less cash and cash equivalents and pledged bank deposits. Total capital is calculated as "equity" as shown in the condensed consolidated statement of financial position plus net debt.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and RMB. The foreign exchange risk mainly arises from the interest in associates, trade and other receivables, contract assets, cash and cash equivalents, trade and other payables, intra-group balance, bank and others borrowings and lease liabilities in foreign currencies. The Group has not used any financial instrument for hedging purpose in 1H2022 (1H2021: Nil).

Off-balance Sheet Arrangements

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

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

Save as disclosed in this report, during 1H2022, 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 2022 (30 June 2021: Nil).

DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

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

On 13 November 2020, the Group entered into the PK Huizhou Transactions. In addition, the Group has entered into two loan facility agreements by granting two revolving loan facilities with credit limit of RMB15,000,000 and US\$3,500,000 to PK Huizhou and Star Petrotech, respectively (the “**Loan Facilities**”). The Loan Facilities are unsecured and bear interest at 8% per annum, and all the outstanding balances shall be repaid on or before 31 December 2022.

Upon completion of the PK Huizhou Transactions on 23 June 2021, Star Petrotech became a wholly-owned subsidiary of PK Huizhou, and the Group’s equity interest in PK Huizhou was reduced to approximately 38.60%. PK Huizhou and its subsidiaries, including Star Petrotech, ceased to be subsidiaries of the Company, and PK Huizhou will be accounted for as interest in an associate. During 1H2022, PK Huizhou has completed a new round of capital increase whereby the Group’s shareholding interest in PK Huizhou was diluted from approximately 38.60% as at 31 December 2021 to approximately 32.73% as at 30 June 2022.

The loans granted to PK Huizhou and Star Petrotech under the Loan Facilities constituted advance to entities since the completion of the PK Huizhou Transactions on 23 June 2021.

On 30 December 2021, Petro-king Holding Limited (“**Petro-king Holding**”), a wholly-owned subsidiary of the Company (as vender) and PK Huizhou (as purchaser) entered into a supplemental agreement, pursuant to which the parties agreed to extend the payment date of the then balance payment in relation to the sale of the entire equity interest in PK Technology in the amount of RMB8,000,000 (the “**Remaining Consideration**”) from 31 December 2021 to 31 December 2022 (the “**Extension**”). The interest rate applicable to the Remaining Consideration is 8% per annum, to be accrued commencing from 1 January 2022.

As at the date of the Extension, PK Huizhou was a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules. The Extension constitutes a provision of financial assistance by Petro-king Holding to PK Huizhou and a connected transaction of the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules. The Extension also constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements. Further details of the Extension were set out in the Company’s announcement dated 30 December 2021.

On 1 July 2021 and 17 December 2021, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.*) (“**Petro-king Shenzhen**”), an indirectly wholly-owned subsidiary of the Company, has provided two corporate guarantees (the “**Original Guarantees**”) in favour of a commercial bank in the PRC for granting loans (the “**Bank Loans**”) to PK Huizhou. The Original Guarantees amount would be limited to its proportion of shareholding in PK Huizhou. In addition, the Group is entitled to receive from PK Huizhou a guarantee fee of 1.0% per annum of the outstanding principal amount of the Bank Loans multiplied by the then shareholding interest in PK Huizhou held by Petro-king Shenzhen. Further details of the Original Guarantees were set out in the Company’s announcement dated 26 April 2022.

The Original Guarantees constituted provisions of financial assistance by the Group to a commonly held entity at that time, and therefore connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the Original Guarantees were entered into on normal commercial terms or better, and were provided by the Group in proportion to the equity interest held by the Group in PK Huizhou on several but not joint basis, the Original Guarantees were fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules.

On 23 June 2022, Petro-king Shenzhen has provided a new corporate guarantee (the “**New Guarantee**”, together with the Original Guarantees, the “**Guarantees**”) in favour of a commercial bank in the PRC for granting a new loan with principal amount of RMB4,000,000 (approximately HK\$4,681,000, the “**New Bank Loan**”) to PK Huizhou. The New Guarantee amount would be limited to its proportion of shareholding in PK Huizhou. In addition, the Group is entitled to receive from PK Huizhou a guarantee fee of 1.0% per annum of the outstanding principal amount of the New Bank Loan multiplied by the then shareholding interest in PK Huizhou held by Petro-king Shenzhen.

The New Guarantee constituted provisions of financial assistance by the Group to a commonly held entity at that time, and therefore connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the New 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 PK Huizhou on several but not joint basis, the New 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 2022, the outstanding balances of the loans granted to PK Huizhou and Star Petrotech under the Loan Facilities were approximately RMB13,761,000 (equivalent to approximately HK\$16,091,000) and approximately US\$2,457,000 (equivalent to approximately HK\$19,285,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's exposure under the Guarantees provided to PK Huizhou was approximately RMB14,651,000 (equivalent to approximately HK\$17,131,000).

As at 30 June 2022, 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 (HK\$'000) (A)	Unutilised facilities granted to the affiliated companies (HK\$'000) (B)	Committed capital injection (HK\$'000)	Guarantees for facilities granted to the affiliated companies (HK\$'000) (C)	Guaranteed facilities utilised by the affiliated companies (HK\$'000)	Aggregate amount of financial assistance and guarantees (HK\$'000) (A+B+C)
PK Huizhou	32.73%	16,091 (Note 1)	10,803 (Note 1)	- (Note 4)	17,131 (Note 2)	17,131 (Note 2)	44,025
Star Petrotech	- (Note 3)	19,285 (Note 1)	8,182 (Note 1)	- (Note 4)	-	-	27,467
Total		35,376	18,985	-	17,131	17,131	71,492

Notes:

- (1) The loans provided to PK Huizhou and Star Petrotech were to facilitate their continued operation and development and for their daily working capital purpose. Such loans are (i) unsecured, (ii) bearing interest at 8% per annum, and (iii) due in December 2022. For further details, please refer to the announcements of the Company dated 15 November 2020 and 30 December 2021 and the circular of the Company dated 12 January 2021.
- (2) The Guarantees were given by the Group on a several and proportional basis to secure, among others, certain banking facilities granted to PK Huizhou which are, (i) secured by certain personal and corporate guarantees and certain buildings of PK Huizhou; (ii) bearing interest at a range of 4.15% to 6.9% per annum, and (iii) expiring during the period from April 2023 to December 2023.
- (3) Star Petrotech is a direct wholly-owned subsidiary of PK Huizhou.
- (4) 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 2022 is set out below:

	<i>HK\$'000</i>
Current assets	165,432
Non-current assets	207,680
Current liabilities	(172,073)
Non-current liabilities	(26,930)
<hr/>	
Net assets	174,109
<hr/>	
Registered capital	121,250
Reserves	52,859
<hr/>	
Total equity	174,109
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As at 30 June 2022, the consolidated attributable interest of the Group in these affiliated companies amounted to approximately HK\$57,107,000 (31 December 2021: approximately HK\$67,250,000) and accounted for approximately 9.5% (31 December 2021: approximately 9.4%) of the Group's total assets.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, two non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. During 1H2022, the Company has complied with the CG Code in all applicable aspects.

DIRECTORS’ SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during 1H2022.

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

During 1H2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for 1H2022 (1H2021: Nil).

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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 2022, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

The Company

Name of Director	Capacity/Nature of interest	Number of shares <i>(Note 1)</i>	Approximate percentage of interest in the Company
Mr. Wang Jinlong	Interest in a controlled corporation <i>(Note 2)</i>	488,920,138 (L)	28.32%
Mr. Zhao Jindong	Beneficial owner <i>(Note 3)</i>	6,000,000 (L)	0.35%
Mr. Huang Yu	Beneficial owner <i>(Note 4)</i>	17,954,200 (L)	1.04%

OTHER INFORMATION

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 share options were granted to Mr. Zhao Jindong on 26 October 2016. Therefore under Part XV of the SFO, Mr. Zhao Jindong is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.
4. 17,000,000 share options were granted to Mr. Huang Yu on 31 May 2019. Therefore under Part XV of the SFO, Mr. Huang Yu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted. Apart from the grant of share options, 954,200 shares were also beneficially owned by Mr. Huang Yu.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 <i>(Note 1)</i>	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 <i>(Note 2)</i>	488,920,138 (L)	28.32%
Zero Finance Hong Kong Limited ("Zero Finance")	Person having a security interest in shares <i>(Note 3)</i>	488,920,138 (L)	28.32%
aEasy Credit Investment Limited	Interest in a controlled corporation <i>(Note 3)</i>	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 <i>(Notes 3&4)</i>	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 <i>(Notes 3&4)</i>	490,452,153 (L)	28.40%
HSBC International Trustee Limited ("HKIT")	Trustee <i>(Notes 3&4)</i>	826,189,898 (L)	47.85%

OTHER INFORMATION

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%

Notes:

1. "L" denotes long position and "S" denotes short position.
2. Ms. Zhou Xiaojun is the spouse of Mr. Wang Jinlong. Therefore, Ms. Zhou Xiaojun is deemed to be interested in the shares of the Company in which Mr. Wang Jinlong is interested for the purpose of the SFO.
3. On 26 April 2018, King Shine has charged the 488,920,138 shares of the Company held by it to Zero Finance. Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Termbray Wealth Investment Limited ("**Termbray Wealth**"), which is wholly-owned by Termbray Finance Holdings Limited ("**Termbray Finance**"), which is wholly-owned by Termbray Electronics (B.V.I.) Limited ("**Termbray Electronics**"), which is wholly-owned by Termbray Industries (together, the "**Termbray Group**"), which is owned by Lee & Leung (B.V.I.) Limited as to approximately 46.96%, which is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Therefore, HKIT, Lee & Leung Family Investment Limited, Lee & Leung (B.V.I.) Limited, Termbray Industries, Termbray Electronics, Termbray Finance, Termbray Wealth and aEasy Credit Investment Limited are taken to be interested in the number of shares of the Company in which Zero Finance is interested for the purpose of the SFO. In reliance on the wholly-owned group exemption pursuant to Sec 313(10) of the SFO, Lee & Leung Family Investment Limited, Termbray Electronics, Termbray Finance and Termbray Wealth will no longer disclose their interests in listed corporation (i.e. the Company). Lee & Leung Family Investment Limited and Termbray Group's interests in the Company will be disclosed in filings made by HKIT and Termbray Industries respectively.
4. Lee & Leung (B.V.I.) Limited directly holds approximately 19.44% of the total number of issued shares of the Company. It also holds approximately 46.96% of the issued share capital in Termbray Industries, where Termbray Industries directly holds 1,532,015 shares of the Company and indirectly holds a collateral of 488,920,138 shares of the Company through Zero Finance. Therefore, Lee & Leung (B.V.I.) Limited is taken to be interested in the number of shares of the Company held by Termbray Industries pursuant to Part XV of the SFO. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. Therefore, Mr. Lee Lap, HKIT and Lee & Leung Family Investment Limited are taken to be interested in the number of shares of the Company in which Lee & Leung (B.V.I.) Limited is interested for the purpose of the SFO.
5. TCL Corporation directly holds 100% of the issued share capital of 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.

OTHER INFORMATION

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 2022, 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 1H2022, no share option has been granted under the Share Option Scheme. Set out below are details of the movements of share options during 1H2022:

Grantees	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
				outstanding as at 1 January 2022	granted since 1 January 2022	exercised since 1 January 2022	lapsed/ cancelled since 1 January 2022	Options outstanding as at 30 June 2022
Directors, chief executives and substantial shareholders								
Zhao Jindong	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	2,678,833	-	-	2,678,833	-
	26 October 2016	0.529	0.520	6,000,000	-	-	-	6,000,000
Huang Yu	31 May 2019	0.1922	0.183	17,000,000	-	-	-	17,000,000
Employees and senior managements								
	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	15,322,919	-	-	15,322,919	-
	26 October 2016	0.529	0.520	20,400,000	-	-	-	20,400,000
	16 August 2018	0.326	0.32	5,000,000	-	-	-	5,000,000
Others								
	29 May 2015	1.2132 <i>(adjusted)</i>	1.28	107,153	-	-	107,153	-
Total				66,508,905	-	-	18,108,905	48,400,000

OTHER INFORMATION

Notes:

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

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

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

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

The remaining of the share options have been vested on the date falling on the fifth anniversary of the date of grant and exercisable from 29 May 2020 to 28 May 2022, both dates inclusive.
2. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 26 October 2017 to 25 October 2023, both dates inclusive.

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

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

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

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

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

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

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

- 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.

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

Hong Kong, 29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
			(re-presented)
Continuing operations			
Revenue	7	67,068	69,587
Operating costs			
Material costs		(7,408)	(7,775)
Depreciation of property, plant and equipment	14	(17,576)	(21,154)
Depreciation of right-of-use assets		(963)	(865)
Expenses related to short-term leases		(1,641)	(1,479)
Employee benefit expenses		(25,238)	(22,138)
Distribution expenses		(1,967)	(2,810)
Technical service fees		(20,375)	(20,079)
Research and development expenses		(4,998)	(1,720)
Entertainment and marketing expenses		(3,959)	(4,540)
Net impairment loss on financial assets		(655)	(797)
Net reversal of impairment on contract assets		–	234
Write-down of inventories to net realisable value		(2,139)	(3,318)
Other expenses	8	(7,925)	(8,077)
Other (losses)/gains, net	9	(1,357)	6,989
Operating loss		(29,133)	(17,942)
Finance income		2,678	327
Finance costs		(6,970)	(8,449)
Finance costs, net	10	(4,292)	(8,122)
Share of results of associates		(4,101)	(48)
Loss before income tax credit		(37,526)	(26,112)
Income tax credit	11	107	21
Loss for the period from continuing operations		(37,419)	(26,091)
Discontinued operations			
Profit for the period from discontinued operations		–	17,897
Loss for the period		(37,419)	(8,194)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
			(re-presented)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(3,359)	11,421
Release of translation reserve upon disposal of subsidiaries	22	–	1,171
Other comprehensive income for the period, net of tax		(3,359)	12,592
Total comprehensive income for the period		(40,778)	4,398
(Loss)/profit for the period attributable to:			
Owners of the Company			
– Continuing operations		(37,724)	(26,942)
– Discontinued operations		–	12,676
Loss for the period attributable to owners of the Company		(37,724)	(14,266)
Profit for the period attributable to:			
Non-controlling interests			
– Continuing operations		305	851
– Discontinued operations		–	5,221
Profit for the period attributable to non-controlling interests		305	6,072
		(37,419)	(8,194)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
			(re-presented)
Total comprehensive income for the period attributable to:			
Owners of the Company		(41,013)	(5,435)
Non-controlling interests		235	9,833
		(40,778)	4,398
(Loss)/earnings per share attributable to owners of the Company during the period:			
(Loss)/earnings per share – basic and diluted (HK cents)			
Continuing operations	12	(2.2)	(1.5)
Discontinued operations	12	–	0.7
		(2.2)	(0.8)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	14 134,183	157,586
Intangible assets	85,656	85,656
Right-of-use assets	15 1,148	1,683
Financial asset at fair value through profit or loss	6,263	8,587
Interests in associates	21 57,107	67,250
Other receivables and deposits	16(b) 4,599	303
	288,956	321,065
Current assets		
Inventories	20,988	24,348
Trade receivables	16(a) 129,028	184,990
Contract assets	40,304	23,727
Other receivables and deposits	16(b) 91,333	117,521
Prepayments	16(b) 11,913	17,393
Pledged bank deposits	605	969
Cash and cash equivalents	20,965	26,477
	315,136	395,425
Current liabilities		
Trade payables	17(a) 139,282	158,598
Other payables and accruals	17(b) 63,893	79,123
Contract liabilities	928	940
Lease liabilities	862	1,616
Bank and other borrowings	18 93,602	115,060
	298,567	355,337
Net current assets	16,569	40,088
Total assets less current liabilities	305,525	361,153

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Non-current liabilities			
Bank and other borrowings	18	55,123	70,200
Lease liabilities		352	274
		55,475	70,474
NET ASSETS		250,050	290,679
EQUITY			
Share capital	19	2,001,073	2,001,073
Other reserves		40,214	74,217
Accumulated losses		(1,796,139)	(1,789,278)
Equity attributable to owners of the Company		245,148	286,012
Non-controlling interests		4,902	4,667
TOTAL EQUITY		250,050	290,679

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 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 CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Accumulated losses	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2021	2,001,073	38,319	(1,707,493)	331,899	22,517	354,416
Comprehensive income						
Loss for the period	-	-	(14,266)	(14,266)	6,072	(8,194)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	7,660	-	7,660	3,761	11,421
- Release of translation reserve upon disposal of subsidiaries	-	1,171	-	1,171	-	1,171
Total comprehensive income for the period ended 30 June 2021	-	8,831	(14,266)	(5,435)	9,833	4,398
Transactions with owners in their capacity as owners						
- Recognition of share-based payment (Note 20)	-	1,491	-	1,491	-	1,491
- Transactions with non-controlling interests	-	17,821	-	17,821	25,934	43,755
- Release of non-controlling interests upon disposal of subsidiaries (Note 22)	-	-	-	-	(52,567)	(52,567)
Total transactions with owners, recognised directly in equity	-	19,312	-	19,312	(26,633)	(7,321)
Balance at 30 June 2021	2,001,073	66,462	(1,721,759)	345,776	5,717	351,493

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	16,790	(33,080)
Interest paid	(7,043)	(9,749)
Income tax paid	–	(6)
Net cash generated from/(used in) operating activities	9,747	(42,835)
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,474)	(1,051)
Proceeds from disposal of property, plant and equipment	2,089	–
Proceeds from disposal of financial assets through profit or loss	2,257	–
Purchases of intangible assets	–	(1,175)
Proceeds from disposal on equity interest of subsidiaries	–	25,054
Interest received	1,984	343
Decrease in pledged bank deposits	336	2,295
Repayment of loan receivables from related parties	16,208	–
Advances to related parties	(2,421)	–
Net cash generated from investing activities	17,979	25,466
Cash flows from financing activities		
Proceeds from bank and other borrowings, others	56,260	61,881
Repayments of bank and other borrowings, bondholders' loans	(12,000)	(11,500)
Repayments of 2020 Bonds	(3,600)	(7,500)
Repayments of bank and other borrowings, others	(74,787)	(48,764)
Principal elements of lease liabilities	(1,115)	(6,097)
Interest elements of lease liabilities	–	(81)
Capital injection from non-controlling shareholders of subsidiaries	–	19,819
Advances from related parties	2,369	–
Net cash (used in)/generated from financing activities	(32,873)	7,758
Net decrease in cash and cash equivalents	(5,147)	(9,611)
Cash and cash equivalents at beginning of period	26,477	29,553
Effect of foreign exchange rates changes	(365)	209
Cash and cash equivalents at end of period	20,965	20,151

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Petro-king Oilfield Services Limited (the “**Company**”) was incorporated in the British Virgin Islands on 7 September 2007 as an exempted company with limited liability. The address of the Company’s registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands (“**B.V.I.**”).

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

The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 6 March 2013. This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”.

The interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and any public announcements made by the Group during the interim reporting period. The comparative interim condensed consolidated statement of comprehensive income and related notes have been re-presented arising from the presentation and disclosure of the discontinued operations.

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

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

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 covering a period of twelve months (“**Forecast**”). In preparing the Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and also have taken account of the following plans and measures:

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

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

2. BASIS OF PREPARATION (Continued)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021.

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

In the current period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2022.

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

4. 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 2021.

5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's trade receivables, other receivables and deposits, pledged bank deposits, cash and cash equivalents, trade and other payables, 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 2022 and 31 December 2021, the financial asset at fair value through profit or loss is measured at fair value under level 3 valuation method.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

6. SEASONAL NATURE OF THE BUSINESS

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

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

7. REVENUE AND SEGMENT INFORMATION

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

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

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

The segment of oilfield project tools and services comprised of drilling, well completion and production enhancement, with auxiliary activities in trading of oilfield related products (“Oilfield Services Business”) and manufacturing business in relation to oilfield related products (“Manufacturing Business”). During the six months ended 30 June 2021, the Group had discontinued its Manufacturing Business upon the disposal of PK Huizhou.

Others included business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment. During the six months ended 30 June 2021, the Group had discontinued its business under the segment of “Others” upon the disposal of PK Huizhou.

(a) Revenue

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(re-presented)
Continuing operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Drilling work	9,417	20,188
– Well completion work	–	5,214
– Production enhancement work	41,670	29,642
Total oilfield project tools and services	51,087	55,044
Consultancy services		
– Integrated project management services	1,560	2,195
– Supervisory services	14,421	12,348
Total consultancy services	15,981	14,543
	67,068	69,587

7. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (re-presented)
Discontinued operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Well completion work	–	59,840
– Production enhancement work	–	3,312
Total oilfield project tools and services	–	63,152
Others	–	6,676
	–	69,828
Total revenue	67,068	139,415
Timing of revenue recognition within the scope of IFRS 15		
At a point in time	10,929	88,970
Over time	56,139	50,445
	67,068	139,415

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results

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

	Unaudited					Total HK\$'000
	Continuing Operations		Discontinued Operations			
	Oilfield project tools and services – Oilfield Services Business HK\$'000	Consultancy services HK\$'000	Oilfield project tools and services – Manufacturing Business HK\$'000	Others HK\$'000		
Six months ended 30 June 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					(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)	

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

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

Measurement of profit and loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the reportable segments based on a measure of revenue and revenue less all directly attributable costs.

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

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

8. OTHER EXPENSES

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (re-presented)
Continuing operations:		
Communication	119	235
Professional service fees	3,451	3,751
Motor vehicle expenses	390	454
Travelling	2,617	2,592
Office utilities	410	320
Other taxes	210	75
Bank charges	46	80
Others	938	916
Less: other expenses attributable for research and development	(256)	(346)
	7,925	8,077
Discontinued operations:		
Communication	–	128
Professional service fees	–	1,758
Motor vehicle expenses	–	64
Travelling	–	538
Insurance	–	47
Office utilities	–	415
Other taxes	–	1,115
Bank charges	–	67
Others	–	1,898
Less: other expenses attributable for research and development	–	(516)
	–	5,514
	7,925	13,591

9. OTHER (LOSSES)/GAINS, NET

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

10. FINANCE COSTS, NET

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

11. INCOME TAX CREDIT

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

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 2022 (30 June 2021: 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 2021: 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 2022 (30 June 2021: 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	
	2022 '000	2021 '000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	1,726,674	1,726,674

(a) From continuing and discontinued operations

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

(b) From continuing operations

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

12. LOSS PER SHARE (Continued)

(c) From discontinued operations

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

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

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

13. DIVIDENDS

The Directors did not recommend payment of an interim dividend for current period (30 June 2021: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited HK\$'000
Six months ended 30 June 2022	
Net book value	
Opening amount as at 1 January 2022	157,586
Additions	2,474
Depreciation	(17,576)
Disposals	(2,316)
Exchange differences	(5,985)
Closing amount as at 30 June 2022	134,183
Six months ended 30 June 2021	
Net book value	
Opening amount as at 1 January 2021	332,379
Additions	1,051
Depreciation	(25,714)
Disposals	(12,709)
Disposal of subsidiaries (<i>Note 22</i>)	(120,296)
Exchange differences	2,088
Closing amount as at 30 June 2021	176,799

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, additions to right-of-use assets were approximately HK\$475,000 (30 June 2021: Nil). During the six months ended 30 June 2022, the Group has no disposal on right-of-use assets (30 June 2021: disposal of HK\$26,411,000 upon disposal of subsidiaries) (*Note 22*).

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

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

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

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

The Group generally allows a credit period 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 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Other receivables, deposits and prepayments	142,017	174,417
Less: provision for impairment of other receivables	(34,172)	(39,200)
Other receivables, deposits and prepayments, net	107,845	135,217
	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Other receivables and deposits:		
Deposits and other receivables – third parties	15,912	23,488
Receivables from disposal of a subsidiary	279	274
Value-added tax recoverable	33,539	38,138
Rental deposits	745	937
Cash advances to staff	6,878	1,974
Other receivables – related parties (Note 23(b))	38,579	53,013
	95,932	117,824
Less:		
Non-current rental and other deposits	–	(303)
Non-current value-added tax recoverable	(4,599)	–
Non-current portion	(4,599)	(303)
Current portion	91,333	117,521
Prepayments:		
Prepayments for materials	11,112	16,478
Prepayments for others	801	915
Current portion	11,913	17,393

17. TRADE AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade payables	139,282	158,598

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

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

(b) Other payables and accruals

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Other payables – third parties	35,648	48,014
Other payables – staff related expenses	11,376	10,875
Accrued payroll and welfare	5,126	5,210
Government grant	5,541	5,796
Other payables – related parties (Note 23(b))	2,367	64
Other tax and surcharge payables	1,857	8,719
Interest payables	1,978	445
	63,893	79,123

18. BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current		
Other borrowings (Note (b))	55,123	70,200
Current		
Bank borrowings (Note (a))	37,125	62,383
Other borrowings (Note (b))	56,477	49,077
2020 Bonds	–	3,600
	93,602	115,060
	148,725	185,260

(a) Bank borrowings

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Within 1 year	37,125	62,383

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

As at 30 June 2022, banking facilities of approximately HK\$70,158,000 (31 December 2021: HK\$92,232,000) were granted by a bank to a subsidiary of the Group, of which approximately HK\$37,125,000 have been utilised by the Group (31 December 2021: HK\$62,383,000). The Group has undrawn banking facilities of approximately HK\$33,033,000 (31 December 2021: HK\$29,849,000) as at 30 June 2022. The facilities are secured by:

- (i) trade receivables of the Group of approximately HK\$52,634,000 (31 December 2021: approximately HK\$103,780,000);
- (ii) personal guarantee by a director of the Company (31 December 2021: directors of certain subsidiaries of the Group);
- (iii) as at 31 December 2021, corporate guarantee given by certain subsidiaries of the Group; and
- (iv) as at 31 December 2021, pledge of equity interests in certain subsidiaries of the Group.

(b) Other borrowings

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current		
Term loan (<i>Note(i)</i>)	52,200	70,200
Employees' loan	2,923	–
	55,123	70,200
Current		
Bondholders' loans	–	12,000
Term loan (<i>Note(i)</i>)	47,000	36,000
Instalment loans	–	1,077
Independent lender's loan	2,344	–
Employees' loan	7,133	–
	56,477	49,077
	111,600	119,277

18. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Note:

- (i) Balances represented a two-year term loan with an initial principal amount of HK\$140,000,000 which is denominated in HK\$ and bearing interest at 5.5% per annum.

On 26 August 2022, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK\$99,200,000 as at 30 June 2022, which bore interest at 5.5% per annum. The Group has subsequently repaid HK\$1,000,000 to this lender in July 2022. Pursuant to the supplemental agreement, amounts of HK\$1,000,000 and HK\$15,000,000 will be repaid by the Group on 31 August 2022 and 15 September 2022, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK\$1,500,000 on the last day of each month from October 2022 to November 2024, with a final instalment of HK\$43,200,000 to be repaid on 31 December 2024.

19. SHARE CAPITAL

	Unaudited Number of shares '000	Total HK\$'000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	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			
	29 May 2015	26 October 2016	16 August 2018	31 May 2019
Number of ordinary shares issued upon exercise:				
– Directors	2,500,000	6,000,000	–	–
– Senior management	26,000,000	20,000,000	5,000,000	17,000,000
– Employees	31,200,000	42,000,000	–	–
Exercise price	HK\$1.21 (adjusted)	HK\$0.53	HK\$0.33	HK\$0.19
Contractual option term	Seven years	Seven years	Seven years	Seven years
Expiry date	28 May 2022	25 October 2023	15 August 2025	30 May 2026

20. SHARE-BASED PAYMENTS (Continued)

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

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

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

	Share options by grant date			
	29 May 2015	26 October 2016	16 August 2018	31 May 2019
Range of fair value of options granted (HK\$)	0.62-0.66	0.19-0.25	0.14-0.16	0.08-0.10
Weighted average share price at the grant date (HK\$)	1.28	0.52	0.32	0.18
Expected volatility (Note)	56.49%	47.97%	49.45%	53.41%
Expected option life	7 years	7 years	7 years	7 years
Dividend yield	Nil	Nil	Nil	Nil
Annual risk-free interest rate	1.37%	0.75%	2.08%	1.41%

Note:

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

The variables and assumptions used in estimating the fair value of the share options were the 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 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

20. SHARE-BASED PAYMENTS (Continued)

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

	Exercise price per share option	Unaudited Number of share options			As at 30 June 2021
		As at 1 January 2021	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date					
29 May 2015	1.21 (adjusted)	21,430,656	-	(3,321,751)	18,108,905
26 October 2016	0.53	29,500,000	-	(3,100,000)	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
		72,930,656	-	(6,421,751)	66,508,905

Weighted average exercise price
(HK\$)

Grant date					
29 May 2015		1.21	-	1.21	-
26 October 2016		0.53	-	0.53	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 2022 and 2021.

During the six months ended 30 June 2022, share-based payment expense of approximately HK\$149,000 for the Share Option Scheme was recognised in the interim condensed consolidated statement of comprehensive income (30 June 2021: HK\$1,491,000).

21. INTERESTS IN ASSOCIATES

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Share of net assets other than goodwill	56,986	67,107
Goodwill	121	143
	57,107	67,250
Loan receivables from associates (<i>Note</i>)	35,376	52,239

Note:

Balance was included in “Other receivables – related parties” in Note 16(b).

For the six months ended 30 June 2022, the Group had made purchases of approximately HK\$2,118,000 (30 June 2021: HK\$nil) from associates.

22. DISPOSAL OF SUBSIDIARIES

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

	HK\$'000
Property, plant and equipment (<i>Note 14</i>)	120,296
Intangible assets	1,699
Right-of-use assets (<i>Note 15</i>)	26,411
Investment in an associate	1,381
Inventories	46,364
Trade receivables	50,493
Other receivables, deposits and prepayments	16,034
Cash and cash equivalents	4,991
Trade payables	(21,798)
Other payables and accruals	(71,033)
Contract liabilities	(1,400)
Lease liabilities	(16,477)
Bank and other borrowings	(37,435)
Deferred tax liabilities	(403)
<hr/>	
Net assets disposed of	119,123
Release of non-controlling interests	(52,567)
Release of translation reserve	1,171
<hr/>	
	67,727
Fair value of retained interests which became investment in an associate	(61,179)
Gain on disposal of subsidiaries	23,497
<hr/>	
Cash consideration (<i>Note 23(c)(iii)</i>)	30,045

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

23. 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 2022 and 2021, and balances arising from related party transactions as at 30 June 2022 and 31 December 2021.

Name	Relationships
Mr. Wang Jinlong <i>(Note (i))</i>	Shareholder and director
Mr. Zhao Jindong	Director
Mr. Huang Yu	Director
Mr. Lee Tommy <i>(Note (ii))</i>	Director
Ms. Ma Hua <i>(Note (ii))</i>	Director
Mr. Wong Shiu Kee <i>(Note (iii))</i>	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
Mr. Wang Xingkai	Close members of the family of Mr. Wang Jinlong
Ms. Zhou Sisi	Close members of the family of Mr. Wang Jinlong
King Shine Group Limited	Shareholder

Notes:

- (i) Redesignated from an executive Director to a non-executive Director on 1 January 2022.
- (ii) Resigned as an executive Director on 21 April 2021.
- (iii) Appointed as an executive Director on 21 April 2021.
- (iv) Resigned as an independent non-executive Director on 30 June 2022.
- (v) Appointed as an independent non-executive Director on 30 June 2022.

23. 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	
	2022 HK\$'000	2021 HK\$'000
Salaries and other short-term employee benefits	2,286	2,663
Share-based payments	149	242
	2,435	2,905

(b) **Balances with related parties**

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Loan receivables from related parties <i>(Note 16(b))</i> <i>(Note (i))</i>	35,376	52,239
Amounts due from related parties <i>(Note 16(b))</i> <i>(Note (ii))</i>	3,203	774
Amounts due to related parties <i>(Note 17(b))</i> <i>(Note (iii))</i>	(2,367)	(64)

23. RELATED PARTY TRANSACTIONS (Continued)**(b) Balances with related parties (Continued)***Notes:*

- (i) As at 30 June 2022, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US\$2,457,000 (equivalent to approximately HK\$19,285,000) and RMB5,761,000 (equivalent to approximately HK\$6,737,000) respectively. Such loan facilities are unsecured and bear interest at 8% per annum, and all the outstanding balances shall be repaid on or before 31 December 2022.

As at 31 December 2021, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US\$3,217,000 (equivalent to approximately HK\$25,086,000) and RMB14,200,000 (equivalent to approximately HK\$17,368,000) respectively. Such loan facilities are unsecured and bear interest at 8% per annum, and all the outstanding balances shall be repaid on or before 31 December 2022.

Apart from abovementioned, as at 30 June 2022, the remaining balance comprised of remaining consideration of approximately RMB8,000,000 (equivalent to approximately HK\$9,354,000) (31 December 2021: RMB8,000,000) in relation to transfer of 100% equity interest of a then subsidiary of the Company completed in 2019. The balance was unsecured and interest-free as at 31 December 2021, while the balance would become unsecured and bear interest at 8% per annum since 1 January 2022, and all the outstanding balances shall be repaid on or before 31 December 2022.

- (ii) As at 30 June 2022, the balances mainly comprise of receivables from non-controlling interests and other related parties (31 December 2021: receivables from non-controlling interests and other related parties). The balances are unsecured, interest-free and repayable on demand.
- (iii) As at 30 June 2022, the balances mainly comprise of expenses paid on behalf by the Directors and senior management of approximately HK\$126,000 and amounts due to the associates of approximately HK\$2,241,000 (31 December 2021: expenses paid on behalf by the Directors and senior management of approximately HK\$64,000). The balances are interest-free, unsecured and repayable on demand.

23. RELATED PARTY TRANSACTIONS (Continued)**(c) Related party transactions**

Saved as disclosed elsewhere to 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 2022 and 31 December 2021, the Group has provided corporate guarantees for certain banking facilities granted to PK Huizhou which were secured by properties held by PK Huizhou. As at 30 June 2022, the Group's exposure under the corporate guarantees provided to PK Huizhou was approximately RMB14,651,000 (equivalent to approximately HK\$17,131,000) (31 December 2021: RMB16,378,000), with 1.0% per annum financial guarantee income of approximately HK\$78,000 (31 December 2021: HK\$77,000) during the six months ended 30 June 2022. 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 PK Huizhou were fully covered by the secured properties.
- (ii) On 30 April 2021, the Group entered into agreement with a company established in the PRC of which Mr. Zhao Jindong has 50% equity interest for capital injection of RMB2,000,000 in an indirect wholly-owned subsidiary of the Company.
- (iii) During the six months ended 30 June 2021, the Group completed the disposal of 14.62% equity interest in PK Huizhou to Mr. Wang Jinlong, a substantial shareholder and a director of the Company, and his associates at a cash consideration of RMB25,000,000 (equivalent to approximately HK\$30,045,000) as stated in Note 22.
- (iv) All transactions above were entered into at terms mutually agreed with the related parties in the ordinary course of the Group's business.

24. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

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

* *English name is for identification only*