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Petro-king **百勤油服**

PETRO-KING OILFIELD SERVICES LIMITED

百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Petro-king Oilfield Services Limited (the “**Company**”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2024 (“**1H2024**”), together with comparative figures for the six months ended 30 June 2023 (“**1H2023**”).

BUSINESS REVIEW

The Group’s revenue and net loss for 1H2024 were approximately HK\$165.9 million (1H2023: HK\$103.2 million) and approximately HK\$0.4 million (1H2023: approximately HK\$18.0 million), respectively. Basic loss per share attributable to owners of the Company for 1H2024 was approximately HK0.02 cent (1H2023: approximately HK1.0 cent). The Board has resolved not to pay any interim dividend for 1H2024 (1H2023: Nil).

During 1H2024, the Group was principally engaged in the provision of production enhancement services, drilling services, consultancy services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

In 1H2024, the Group's revenue increased by approximately 60.8% from approximately HK\$103.2 million in 1H2023 to approximately HK\$165.9 million in 1H2024. As the international oil price had remained strong in 1H2024 and the national policy of the People's Republic of China (the "PRC") to encourage shale gas consumption for environmental protection, there were strong market demands for production enhancement services offered by the Group for certain shale gas field projects in the PRC, which contributed to a substantial increase in revenue of the Group during 1H2024.

The Group's loss attributable to owners of the Company for 1H2024 decreased by approximately 97.7% to approximately HK\$0.4 million (1H2023: approximately HK\$17.1 million). The decrease in loss attributable to owners of the Company was mainly attributable to the increase in the Group's revenue in 1H2024 generated from the provision of production enhancement services in the China market and the increase in the net reversal of impairment on financial assets during 1H2024.

GEOGRAPHICAL MARKET ANALYSIS

	1H2024	1H2023	Approximate percentage change	Approximate percentage of total revenue in 1H2024	Approximate percentage of total revenue in 1H2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
China market	147.9	82.0	80.4	89.2	79.5
Overseas markets	<u>18.0</u>	<u>21.2</u>	<u>-15.1</u>	<u>10.8</u>	<u>20.5</u>
Total	<u>165.9</u>	<u>103.2</u>	<u>60.8</u>	<u>100</u>	<u>100</u>

The Group's revenue from the China market increased by approximately HK\$65.9 million or approximately 80.4% to approximately HK\$147.9 million in 1H2024 from approximately HK\$82.0 million in 1H2023. The increase in revenue from the China market was mainly due to the increase in the provision of production enhancement services in Southwestern China, which was partly offset by the decrease in the provision of production enhancement services in Northern China.

The Group's revenue from the overseas market decreased by approximately HK\$3.2 million or approximately 15.1% to approximately HK\$18.0 million in 1H2024 from approximately HK\$21.2 million in 1H2023. The decrease in revenue from the overseas market was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has been expired in the first quarter of 2024, which was partly offset by the increase in the provision of integrated project management services in the Middle East market and the increase in the provision of supervisory services and drilling services in other overseas markets.

Revenue from the China Market

	1H2024 (HK\$ million)	1H2023 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 1H2024 (%)	Approximate percentage of total revenue from the China market in 1H2023 (%)
Southwestern China	113.7	38.8	193.0	76.9	47.3
Northern China	21.9	37.8	-42.1	14.8	46.1
Northwestern China	9.4	4.4	113.6	6.3	5.4
Other regions in China	<u>2.9</u>	<u>1.0</u>	<u>190.0</u>	<u>2.0</u>	<u>1.2</u>
Total	<u><u>147.9</u></u>	<u><u>82.0</u></u>	<u><u>80.4</u></u>	<u><u>100</u></u>	<u><u>100</u></u>

The Group's revenue from Southwestern China amounted to approximately HK\$113.7 million in 1H2024, which increased by approximately HK\$74.9 million or approximately 193.0% from approximately HK\$38.8 million in 1H2023. The increase was mainly due to the increase in the provision of production enhancement services in this region.

In 1H2024, the Group's revenue from Northern China amounted to approximately HK\$21.9 million, which decreased by approximately HK\$15.9 million or approximately 42.1% from approximately HK\$37.8 million in 1H2023. The decrease was mainly due to the decrease in the provision of production enhancement services and drilling services in this region.

The Group's revenue from Northwestern China amounted to approximately HK\$9.4 million in 1H2024, which increased by approximately HK\$5.0 million or approximately 113.6% from approximately HK\$4.4 million in 1H2023. The increase was mainly due to the increase in the provision of drilling services, production enhancement services and the sales of well completion tools in this region.

The Group's revenue from other regions in China amounted to approximately HK\$2.9 million in 1H2024, which increased by approximately HK\$1.9 million or approximately 190.0% from approximately HK\$1.0 million in 1H2023. The increase in revenue from other regions in China was mainly due to the increase in the provision of supervisory services in these regions.

Revenue from the Overseas Markets

	1H2024 <i>(HK\$ million)</i>	1H2023 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue from the overseas markets in 1H2024 (%)	Approximate percentage of total revenue from the overseas markets in 1H2023 (%)
The Middle East	14.2	21.1	-32.7	78.9	99.5
Others	3.8	0.1	3,700.0	21.1	0.5
Total	18.0	21.2	-15.1	100	100

In 1H2024, the Group's revenue from the Middle East amounted to approximately HK\$14.2 million, which decreased by approximately HK\$6.9 million or approximately 32.7% from approximately HK\$21.1 million in 1H2023. The decrease was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has been expired in the first quarter of 2024, which was partly offset by the increase in the provision of integrated project management services in the Middle East market.

The Group's revenue from other overseas regions amounted to approximately HK\$3.8 million in 1H2024, which increased by approximately HK\$3.7 million or approximately 3,700.0% from approximately HK\$0.1 million in 1H2023. The increase in revenue from other overseas regions was mainly due to the increase in the provision of supervisory services and drilling services in other overseas markets.

BUSINESS SEGMENT ANALYSIS

	1H2024 <i>(HK\$ million)</i>	1H2023 <i>(HK\$ million)</i>	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2024 (%)	Approximate percentage of total revenue in 1H2023 (%)
Oilfield project tools and services	147.7	81.2	81.9	89.0	78.7
Consultancy services	18.2	22.0	-17.3	11.0	21.3
Total	<u>165.9</u>	<u>103.2</u>	<u>60.8</u>	<u>100</u>	<u>100</u>

In 1H2024, the Group's revenue from oilfield project tools and services amounted to approximately HK\$147.7 million, which increased by approximately HK\$66.5 million or approximately 81.9% from approximately HK\$81.2 million in 1H2023. The increase in revenue from this segment was mainly due to the increase in the provision of production enhancement services in Southwestern China in 1H2024, which was partly offset by the decrease in the provision of production enhancement services in Northern China.

The Group's revenue from consultancy services amounted to approximately HK\$18.2 million in 1H2024, which decreased by approximately HK\$3.8 million or approximately 17.3%, from approximately HK\$22.0 million in 1H2023. The decrease was mainly due to the decrease in the provision of supervisory services in the Middle East market as a supervisory service contract has been expired in the first quarter of 2024, which was partly offset by the increase in the provision of integrated project management services in the Middle East market and the increase in the provision of supervisory services in other overseas markets.

Oilfield Projects Tools and Services

	1H2024 (HK\$ million)	1H2023 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2024 (%)	Approximate percentage of total revenue from oilfield project tools and services in 1H2023 (%)
Production enhancement	136.6	71.8	90.3	92.5	88.4
Drilling	8.1	7.4	9.5	5.5	9.1
Well completion	<u>3.0</u>	<u>2.0</u>	<u>50.0</u>	<u>2.0</u>	<u>2.5</u>
Total	<u><u>147.7</u></u>	<u><u>81.2</u></u>	<u><u>81.9</u></u>	<u><u>100</u></u>	<u><u>100</u></u>

Production Enhancement

In 1H2024, the Group's revenue from production enhancement amounted to approximately HK\$136.6 million, which increased by approximately HK\$64.8 million or approximately 90.3% from approximately HK\$71.8 million in 1H2023. The increase was mainly due to the increase in the provision of production enhancement services in Southwestern China, which was partly offset by the decrease in the provision of production enhancement services in Northern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$8.1 million in 1H2024, which increased by approximately HK\$0.7 million or approximately 9.5% from approximately HK\$7.4 million in 1H2023. The increase was mainly due to the increase in the provision of drilling services in Northwestern China and other overseas markets, which was partly offset by the decrease in the provision of drilling services in Northern China.

Well Completion

The Group's revenue from well completion amounted to approximately HK\$3.0 million in 1H2024, which increased by approximately HK\$1.0 million or approximately 50.0% from approximately HK\$2.0 million in 1H2023. The increase was mainly due to the increase in the sales of well completion tools in Northwestern China, which was partly offset by the decrease in the sales of well completion tools in Northern China.

CUSTOMER ANALYSIS

Customer	1H2024 (HK\$ million)	1H2023 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2024 (%)	Approximate percentage of total revenue in 1H2023 (%)
Customer 1	115.0	45.3	153.9	69.3	43.8
Customer 2	30.3	32.6	-7.1	18.3	31.6
Customer 3	14.1	19.9	-29.1	8.5	19.3
Customer 4	2.3	–	N/A	1.4	–
Customer 5	2.0	–	N/A	1.2	–
Other customers	2.2	5.4	-59.3	1.3	5.3
Total	<u>165.9</u>	<u>103.2</u>	<u>60.8</u>	<u>100</u>	<u>100</u>

The revenue from Customer 1 amounted to approximately HK\$115.0 million in 1H2024, which increased by approximately HK\$69.7 million or approximately 153.9% from approximately HK\$45.3 million in 1H2023. This increase was mainly due to the increase in the provision of production enhancement services to this customer in Southwestern China, which was partly offset by the decrease in the provision of production enhancement services and drilling services in Northern China. The revenue from Customer 2 amounted to approximately HK\$30.3 million in 1H2024, which decreased by approximately HK\$2.3 million or approximately 7.1% from approximately HK\$32.6 million in 1H2023. This decrease was mainly due to the decrease in the provision of production enhancement services to this customer in Northern China, which was partly offset by the increase in the provision of drilling services and the sales of well completion tools in Northwestern China. The revenue from Customer 3 amounted to approximately HK\$14.1 million in 1H2024, which decreased by approximately HK\$5.8 million or approximately 29.1% from approximately HK\$19.9 million in 1H2023. This decrease was mainly due to the decrease in the provision of supervisory services to this customer in the Middle East as a supervisory service contract has been expired in the first quarter of 2024. The revenue from Customer 4 amounted to approximately HK\$2.3 million in 1H2024 (1H2023: Nil), which was derived from the provision of supervisory services in other regions in China. The revenue from Customer 5 amounted to approximately HK\$2.0 million in 1H2024 (1H2023: Nil), which was derived from the provision of drilling services in other overseas markets. The revenue from other customers amounted to approximately HK\$2.2 million in 1H2024, which dropped by approximately HK\$3.2 million or approximately 59.3% from approximately HK\$5.4 million in 1H2023. Such decrease in revenue mainly resulted from the decrease in the provision of supervisory services to a customer in Southwestern China and the decrease in the provision of drilling services to a customer in Northwestern China.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures that set out the requirements on compensation, termination, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged for a series of training courses that cover technical updates in drilling and production enhancement technology, blast management, control at wells and environment management. We also worked with external organisations such as unions and consultants to provide training for the specific needs of certain operations. The Group has arranged 51 training sessions of more than 1,101 hours in total and 121 employees have attended these training programs in 1H2024. Besides, the Company has implemented a talents selection system to expand the promotion channel for employees in order to realise a win-win situation for both the Company and employees.

To cope with the development trend of the industry, the Group streamlined the organisation structure and the cost structure of all service lines as well as the supporting departments. The Company paid high attention to talent introduction and has recruited some international experts who are good at market development as well. The total headcount was 197 employees as at 30 June 2024, representing a decrease of approximately 23.0% as compared with that of 256 employees as at 31 December 2023.

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 2024, the Group had 28 utility model patents and 10 innovation patents and was in the process of applying for 5 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 1H2024, Brent crude oil price has fluctuated between approximately US\$75 to approximately US\$92 per barrel. With the international oil price remaining strong and the PRC's national policy to encourage shale gas consumption for environmental protection, market demands for production enhancement services and other oilfield services offered by the Group is expected to remain robust for the rest of 2024.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Revenue	4	165,908	103,215
Other income		1,063	72
Operating costs			
Material costs		(23,769)	(12,962)
Depreciation of property, plant and equipment		(15,977)	(18,835)
Depreciation of right-of-use assets		(888)	(881)
Expenses related to short-term leases		(1,035)	(1,935)
Employee benefit expenses		(23,485)	(24,565)
Distribution expenses		(2,493)	(415)
Technical service fees		(70,528)	(32,647)
Research and development expenses		(8,950)	(10,066)
Entertainment and marketing expenses		(3,971)	(3,747)
Net reversal of impairment on financial assets		3,723	244
Net (impairment loss)/reversal of impairment on contract assets		(670)	438
Write-down of inventories to net realisable value		(256)	(1,070)
Other expenses		(11,261)	(9,743)
Other gains, net	5	225	2,150
Operating profit/(loss)		7,636	(10,747)
Finance income		834	1,949
Finance costs		(7,584)	(8,201)
Finance costs, net	6	(6,750)	(6,252)
Share of results of associates		(292)	(1,445)
Profit/(loss) before income tax (expense)/credit		594	(18,444)
Income tax (expense)/credit	7	(1,006)	471
Loss for the period		(412)	(17,973)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		185	(5,158)
Release of translation reserve upon disposal of interests in associates		(41)	–
Release of translation reserve upon derecognition of a subsidiary		1,598	–
Share of other comprehensive income of associates		162	1,957
Other comprehensive income for the period, net of tax		1,904	(3,201)
Total comprehensive income for the period		1,492	(21,174)

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

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
Loss for the period attributable to:			
Owners of the Company		(395)	(17,113)
Non-controlling interests		<u>(17)</u>	<u>(860)</u>
		<u>(412)</u>	<u>(17,973)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		1,512	(20,165)
Non-controlling interests		<u>(20)</u>	<u>(1,009)</u>
		<u>1,492</u>	<u>(21,174)</u>
Loss per share attributable to owners of the Company during the period:			
Loss per share – basic and diluted (<i>HK cent(s)</i>)	8	<u>(0.02)</u>	<u>(1.0)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	118,202	127,259
Intangible assets		26,756	26,756
Right-of-use assets	11	1,906	2,808
Financial asset at fair value through profit or loss		8,985	8,493
Interests in associates		88,810	90,670
Other receivables and deposits	12	330	398
		244,989	256,384
Current assets			
Inventories		13,244	21,060
Trade receivables	13	169,362	205,712
Contract assets		157,947	120,067
Other receivables and deposits	12	54,559	65,322
Prepayments		13,834	11,857
Cash and cash equivalents		29,787	26,294
Restricted bank deposits		10,334	5,315
		449,067	455,627
Current liabilities			
Trade payables	14	219,117	222,673
Other payables and accruals		96,158	106,003
Contract liabilities		2,029	773
Lease liabilities		1,753	1,723
Bank and other borrowings		115,467	101,951
		434,524	433,123
Net current assets		14,543	22,504
Total assets less current liabilities		259,532	278,888

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

	Unaudited	Audited
	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Other borrowings	63,781	85,110
Lease liabilities	285	1,169
Financial liabilities at FVTPL	2,358	1,454
	<u>66,424</u>	<u>87,733</u>
NET ASSETS	<u>193,108</u>	<u>191,155</u>
EQUITY		
Share capital	2,001,073	2,001,073
Other reserves	87,983	85,615
Accumulated losses	(1,900,254)	(1,899,859)
Equity attributable to owners of the Company	188,802	186,829
Non-controlling interests	4,306	4,326
TOTAL EQUITY	<u>193,108</u>	<u>191,155</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”.

The interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this announcement should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and any public announcements made by the Group during the interim reporting period.

The Group reported a net loss of approximately HK\$412,000 during the six months ended 30 June 2024, and as of that date, the Group had total current bank and other borrowings of approximately HK\$115,467,000, while the Group only had cash and cash equivalents of approximately HK\$29,787,000.

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

- (a) In July 2024, the Group has obtained and drawn down additional loan facilities with an aggregate amount of Renminbi (“**RMB**”) 19,750,000 from a bank located in the People’s Republic of China (the “**PRC**”). The Group is also actively negotiating with the same bank for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC;
- (b) As at 30 June 2024, the Group had unutilised loan facility with an amount of RMB30,000,000 which is granted by a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. Subsequent to 30 June 2024, the Group has not drawn down such loan facility; and
- (c) Repayment from Star Petrotech Pte. Ltd. (“**Star Petrotech**”), a wholly-owned subsidiary of Petro-king Energy Technology (Huizhou) Co., Ltd. (“**Petro-king Huizhou**”) of which Petro-king Huizhou is an associate of the Group, for a loan facility with outstanding principal amount of approximately US\$837,000 (equivalent to approximately HK\$6.5 million) as at 30 June 2024 (Note 12).

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

Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows through:

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

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.

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

3 MATERIAL ACCOUNTING POLICY INFORMATION

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023.

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 2024.

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

4 REVENUE AND SEGMENT INFORMATION

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

The Group has two operating segments as follows:

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

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

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

(a) Revenue

Revenue recognised for the six months ended 30 June 2024 and 2023 are as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Drilling work	8,061	7,405
– Well completion work	3,032	1,980
– Production enhancement work	136,623	71,800
	147,716	81,185
Consultancy services		
– Integrated project management services	3,496	–
– Supervisory services	14,696	22,030
	18,192	22,030
Total revenue	165,908	103,215
Timing of revenue recognition within the scope of IFRS 15:		
At a point in time	1,628	2,086
Over time	164,280	101,129
	165,908	103,215

(b) **Segment results**

The segment information for the six months ended 30 June 2024 and 2023 are as follows:

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

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

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

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results	4,498	(14,699)
Depreciation of property, plant and equipment	(290)	(200)
Depreciation of right-of-use assets	(726)	(739)
Other expenses	(2,552)	(2,408)
Other gains, net	225	2,150
Finance costs	(1,282)	(1,827)
Finance income	834	1,949
Share of results of associates	(292)	(1,445)
Other unallocated corporate income/(expenses)	179	(1,225)
	<hr/>	<hr/>
Consolidated profit/(loss) before income tax (expense)/credit	<u>594</u>	<u>(18,444)</u>

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

5 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Foreign exchange gains, net	308	1,038
Losses on disposals of property, plant and equipment	(9)	(363)
Loss on disposal of a subsidiary	(22)	–
Loss on derecognition of a subsidiary	(1,679)	–
Gain on disposal of interests in associates	2,184	–
Government grant	553	1,622
Others	(1,110)	(147)
	<u>225</u>	<u>2,150</u>

6 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interest income from bank deposits	32	32
Interest income from related parties	468	1,647
Interest income from others	334	270
Finance income	<u>834</u>	<u>1,949</u>
Interest expenses:		
– Bank and other borrowings	(7,492)	(8,067)
– Lease liabilities	(92)	(134)
Finance costs	<u>(7,584)</u>	<u>(8,201)</u>
Finance costs, net	<u>(6,750)</u>	<u>(6,252)</u>

7 INCOME TAX (EXPENSE)/CREDIT

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current tax	21	471
Overseas withholding tax	<u>(1,027)</u>	<u>–</u>
Income tax (expense)/credit	<u>(1,006)</u>	<u>471</u>

8 LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(395)</u>	<u>(17,113)</u>
Weighted average number of ordinary shares (Number of shares in thousand)	<u>1,726,674</u>	<u>1,726,674</u>
Basic and diluted loss per share (HK cent(s))	<u>(0.02)</u>	<u>(1.0)</u>

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

Diluted loss per share for the six months ended 30 June 2024 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (six months ended 30 June 2023: same) as the conversion of potential ordinary shares in relation to the share options (six months ended 30 June 2023: share options) has an anti-dilutive effect to the basic loss per share.

9 DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the current period (six months ended 30 June 2023: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group has acquired and disposed of property, plant and equipment of approximately HK\$4,472,000 (six months ended 30 June 2023: approximately HK\$299,000) and approximately HK\$210,000 (six months ended 30 June 2023: approximately HK\$363,000), respectively.

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group has no addition to right-of-use assets (six months ended 30 June 2023: Nil).

12 OTHER RECEIVABLES AND DEPOSITS

As at 30 June 2024, loan receivables from associates of approximately HK\$6,534,000 (31 December 2023: approximately HK\$17,742,000) has been included in the current portion of other receivables and deposits.

13 TRADE RECEIVABLES

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Trade receivables	181,933	222,113
Less: provision for impairment of trade receivables	<u>(12,571)</u>	<u>(16,401)</u>
Trade receivables, net	<u>169,362</u>	<u>205,712</u>

As at 30 June 2024 and 31 December 2023, ageing analysis of gross trade receivables by invoice date is as follows:

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Up to 3 months	100,114	153,644
3 to 6 months	12,253	17,466
6 to 12 months	56,919	28,328
Over 12 months	<u>12,647</u>	<u>22,675</u>
Trade receivables	181,933	222,113
Less: provision for impairment of trade receivables	<u>(12,571)</u>	<u>(16,401)</u>
Trade receivables, net	<u>169,362</u>	<u>205,712</u>

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

14 TRADE PAYABLES

As at 30 June 2024 and 31 December 2023, ageing analysis of trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Up to 3 months	55,282	80,910
3 to 6 months	21,270	27,121
6 to 12 months	63,374	43,153
Over 12 months	79,191	71,489
	<u>219,117</u>	<u>222,673</u>

15 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

In January 2024, an indirectly wholly-owned subsidiary of the Company (the “**Defendant**”) has been served with a writ of Summon (the “**Writ**”) issued by 深圳市南山區人民法院 (Shenzhen City Nanshan District People’s Court*) (the “**Court**”) dated on 3 January 2024. As stated in the statement of claims attached to the Writ, a service provider of the Defendant (the “**Plaintiff**”), claimed against the Defendant for technical service fees of approximately RMB28.9 million, together with any accrued interest, payable by the Defendant to the Plaintiff (the “**Claim**”).

On 11 June 2024, the Defendant received a civil ruling issued by the Court dated 31 May 2024 (the “**Ruling**”) in relation to the Claim. Pursuant to the Ruling: (i) the Defendant shall pay the technical service fees in the sum of approximately RMB12.6 million, together with any interest accrued thereon since 30 November 2023 to the Plaintiff (instead of the amount of approximately RMB28.9 million and any interest accrued as claimed by the Plaintiff); (ii) all other claims made by the Plaintiff against the Defendant have been rejected; and (iii) all counterclaims made by the Defendant against the Plaintiff have been rejected.

On 2 July 2024, the Defendant was informed by its PRC legal advisor that the Plaintiff has filed an appeal (the “**Appeal**”) against the Ruling with 深圳市中級人民法院 (Shenzhen Intermediate People’s Court*) (the “**Appeal Court**”). As at the date of this announcement, the Appeal Court has not yet fixed the date of the hearing for the Appeal.

As at the date of this announcement, three bank accounts of the Defendant with aggregate bank balances of approximately RMB14.9 million (equivalent to approximately HK\$16.3 million) have been frozen by the Court pending the outcome of the Appeal.

After consultation with the PRC legal advisor, the Directors considered the respective accrued technical service fees provided were adequate as at 30 June 2024.

Further details of the Claim and the Appeal were set out in the Company’s announcements dated 29 January 2024, 12 June 2024 and 2 July 2024.

* For identification purpose only

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately HK\$165.9 million in 1H2024, which increased by approximately HK\$62.7 million or approximately 60.8% as compared with that of approximately HK\$103.2 million in 1H2023. The increase in revenue was mainly due to the increase in the provision of production enhancement services in the China market. The revenue from the provision of production enhancement services increased by approximately 90.3% from approximately HK\$71.8 million in 1H2023 to approximately HK\$136.6 million in 1H2024 mainly due to the increase in the provision of production enhancement services in Southwestern China, which was partly offset by the decrease in the provision of production enhancement services in Northern China.

Material Costs

In 1H2024, the Group's material costs were approximately HK\$23.8 million, which increased by approximately 83.1% or approximately HK\$10.8 million as compared with that of approximately HK\$13.0 million in 1H2023. Material costs accounted for approximately 14.3% of the revenue in 1H2024, which was higher than that of approximately 12.6% in 1H2023. Material costs as a percentage of revenue increased in 1H2024 as the percentage of revenue derived from the provision of production enhancement services, which utilised more raw materials, increased from approximately 69.6% in 1H2023 to approximately 82.3% in 1H2024.

Depreciation of Property, Plant and Equipment

In 1H2024, the depreciation of property, plant and equipment amounted to approximately HK\$16.0 million, which decreased by approximately HK\$2.8 million or approximately 14.9% as compared with that of approximately HK\$18.8 million in 1H2023. Depreciation expense decreased in 1H2024 as certain property, plant and equipment has been fully depreciated in 2023.

Employee Benefit Expenses

In 1H2024, the Group's employee benefit expenses were approximately HK\$23.5 million, which decreased by approximately HK\$1.1 million or approximately 4.5% as compared with that of approximately HK\$24.6 million in 1H2023. Employee benefit expenses decreased in 1H2024 as a result of the Group's cost control measures over employee costs.

Technical Service Fees

In 1H2024, the Group's technical service fees amounted to approximately HK\$70.5 million, which increased by approximately HK\$37.9 million or approximately 116.3% from approximately HK\$32.6 million in 1H2023. Technical service fees accounted for approximately 42.5% of the revenue in 1H2024, which was higher than that of approximately 31.6% in 1H2023. Technical services fees as a percentage of revenue increased in 1H2024 as the percentage of revenue derived from the provision of production enhancement services, which utilised more technical services, increased from approximately 69.6% in 1H2023 to approximately 82.3% in 1H2024. In addition, the Group has also utilised more technical services for certain production enhancement projects in Southwestern China in 1H2024.

Net Reversal of Impairment on Financial Assets

In 1H2024, the net reversal of impairment on financial assets amounted to approximately HK\$3.7 million (1H2023: approximately HK\$0.2 million). Such increase in the net reversal of impairment on financial assets was due to the overall improvement in the quality of the financial assets in 1H2024.

Other Gains, net

The Group recorded other gains, net of approximately HK\$0.2 million in 1H2024, representing a decrease of approximately HK\$2.0 million or approximately 90.9% as compared with that of approximately HK\$2.2 million in 1H2023. In 1H2024, the Group has recorded gain on disposal of interests in associates of approximately HK\$2.2 million (1H2023: Nil) and loss on derecognition of a subsidiary of approximately HK\$1.7 million (1H2023: Nil). In 1H2024, the Group has also recorded net foreign exchange gains of approximately HK\$0.3 million (1H2023: approximately HK\$1.0 million) and government grant of approximately HK\$0.6 million (1H2023: approximately HK\$1.6 million).

Operating Profit/(Loss)

As a result of the foregoing, the Group recorded an operating profit of approximately HK\$7.6 million in 1H2024 (1H2023: operating loss of approximately HK\$10.7 million).

Net Finance Costs

In 1H2024, the Group's net finance costs amounted to approximately HK\$6.8 million, which increased by approximately HK\$0.5 million or approximately 7.9% as compared with that of approximately HK\$6.3 million in 1H2023. Finance costs has decreased from approximately HK\$8.2 million in 1H2023 to approximately HK\$7.6 million in 1H2024 mainly due to the repayments of other borrowings in 1H2024, being partly offset by the increase in bank borrowings in 1H2024. In addition, the Group recorded a decrease in finance income of approximately HK\$1.1 million in 1H2024 mainly due to the repayment of loans from associates in 1H2024.

Share of Results of Associates

In 1H2024, the Group recorded share of loss of associates of approximately HK\$0.3 million (1H2023: approximately HK\$1.4 million). The balance represented the Group's share of loss of Petro-king Huizhou and its subsidiaries (together the "**Petro-king Huizhou Group**") in 1H2024. Petro-king Huizhou has not declared any dividend in 1H2024 (1H2023: Nil).

Loss for the Period

As a result of the foregoing, the Group recorded a net loss of approximately HK\$0.4 million in 1H2024 as compared with a net loss of approximately HK\$18.0 million in 1H2023.

Loss for the Period Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to approximately HK\$0.4 million in 1H2024 as compared with a loss attributable to owners of the Company of approximately HK\$17.1 million in 1H2023.

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 2024, the Group's property, plant and equipment amounted to approximately HK\$118.2 million, which decreased by approximately HK\$9.1 million or approximately 7.1% from approximately HK\$127.3 million as at 31 December 2023. The decrease was mainly due to the recognition of depreciation expense in 1H2024.

Interests in Associates

As at 30 June 2024, the Group's interests in associates amounted to approximately HK\$88.8 million, representing a decrease of approximately HK\$1.9 million as compared with that of approximately HK\$90.7 million as at 31 December 2023. The decrease was mainly due to the Group's share of loss in the Petro-king Huizhou Group in 1H2024 and the Group's disposal of approximately 0.78% equity interest in Petro-king Huizhou in 1H2024. As at 30 June 2024, the carrying amount of the Group's interest in Petro-king Huizhou was approximately HK\$88.8 million (31 December 2023: HK\$90.7 million), which represented approximately 12.8% (31 December 2023: 12.7%) of the Group's total assets. As at 30 June 2024, the Group held approximately 27.67% equity interest in Petro-king Huizhou (31 December 2023: approximately 28.45%). The Group's equity interest in Petro-king Huizhou has decreased by approximately 0.78% due to the Group's disposal of its equity interest in Petro-king Huizhou in 1H2024. The Group presently intends to retain its interest in Petro-king Huizhou for long term investment, but will also consider the needs to partially dispose a minor portion of its interest in Petro-king Huizhou depending on the future liquidity requirements of the Group.

Inventories

As at 30 June 2024, the Group's inventories amounted to approximately HK\$13.2 million, representing a decrease of approximately HK\$7.9 million or approximately 37.4% as compared with that of approximately HK\$21.1 million as at 31 December 2023. The average turnover days of inventories decreased from approximately 184 days in 1H2023 to approximately 131 days in 1H2024. In 1H2024, the Group has implemented a more stringent policy to control the level of inventories which contributed to the decrease in inventory turnover days.

Trade Receivables

As at 30 June 2024, the Group's trade receivables amounted to approximately HK\$169.4 million, representing a decrease of approximately HK\$36.3 million or approximately 17.6% as compared with that of approximately HK\$205.7 million as at 31 December 2023. The average turnover days of trade receivables were approximately 206 days in 1H2024, representing a decrease of approximately 159 days as compared with that of approximately 365 days in 1H2023. The decrease in turnover days of trade receivables was mainly due to the increase in revenue in 1H2024 and the quicker collection of trade receivables from the Group's customers in 1H2024.

Contract Assets

The contract assets primarily relate to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 30 June 2024, the Group's contract assets amounted to approximately HK\$157.9 million, representing an increase of approximately HK\$37.8 million or approximately 31.5% as compared with that of approximately HK\$120.1 million as at 31 December 2023. The increase was mainly due to the increase in unbilled works related to the provision of production enhancement services to certain customers in 1H2024.

Restricted Bank Deposits

As at 30 June 2024, three bank accounts of the Group with aggregate balances of approximately RMB9.4 million (equivalent to approximately HK\$10.3 million) (31 December 2023: approximately RMB4.8 million (equivalent to approximately HK\$5.3 million)) have been frozen by the Court pending the outcome of the Appeal.

Trade Payables

As at 30 June 2024, the Group's trade payables were approximately HK\$219.1 million, which decreased by approximately HK\$3.6 million or approximately 1.6% as compared with that of approximately HK\$222.7 million as at 31 December 2023. The average turnover days of trade payables decreased from approximately 889 days in 1H2023 to approximately 426 days in 1H2024, representing a decrease of approximately 463 days. The decrease in the turnover days of trade payables was mainly resulted from the increase in material costs and technical service fees incurred in 1H2024 and the quicker payment of trade payables by the Group in 1H2024.

Liquidity and Capital Resources

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

As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$29.8 million, representing an increase of approximately HK\$3.5 million as compared with that of approximately HK\$26.3 million as at 31 December 2023. The cash and cash equivalents were mainly held in RMB and US dollars ("US\$").

As at 30 June 2024, the Group's bank and other borrowings amounted to approximately HK\$179.2 million (31 December 2023: approximately HK\$187.1 million), of which approximately 64.4% (31 December 2023: approximately 54.5%) was repayable within one year. As at 30 June 2024, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2023: 100%) of such borrowings bore interest at fixed lending rate.

As at 30 June 2024, the Group has pledged certain machineries with carrying values of approximately HK\$67.4 million to secure certain instalment loans granted to the Group (31 December 2023: approximately HK\$73.1 million).

Gearing ratio

As at 30 June 2024, the Group's gearing ratio (calculated as dividing net debt by total capital) was approximately 42.2% (31 December 2023: approximately 45.3%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings" and "current and non-current lease liabilities" as shown in the interim condensed consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the interim condensed consolidated statement of financial position plus net debt.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$ and RMB. The foreign exchange risk mainly arises from the trade and other receivables, contract assets, cash and cash equivalents, trade and other payables, intra-group balance, bank and others borrowings and lease liabilities in foreign currencies. The Group has not used any financial instrument for hedging purpose in 1H2024 (1H2023: Nil).

Off-balance Sheet Arrangements

As at 30 June 2024, the Group did not have any off-balance sheet arrangements (31 December 2023: Nil).

Others

Save as disclosed in this announcement, there have been no material changes in the development or future developments of the business and financial position of the Group since the publication of the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE

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

The Board comprises three executive Directors, one non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). During 1H2024, the Company has complied with the CG Code in all applicable aspects.

DIRECTORS’ SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during 1H2024.

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

During 1H2024, 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 1H2024 (1H2023: Nil).

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

Hong Kong, 19 August 2024

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