

2024 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. Lin Jingyu (林景禹)
Ms. Zhou Sisi (周思思)

NON-EXECUTIVE DIRECTOR

Mr. Wang Jinlong (王金龍)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (*Chairman*)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SANCTION OVERSIGHT COMMITTEE

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

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)
(resigned on 20 March 2024)
Mr. Chan Kwok Yuen, Elvis (陳國源)
(appointed on 20 March 2024)

AUTHORISED REPRESENTATIVES

Mr. Wang Jinlong (王金龍)
Mr. Tung Tat Chiu, Michael (佟達釗)
(resigned on 20 March 2024)
Mr. Chan Kwok Yuen, Elvis (陳國源)
(appointed on 20 March 2024)

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2178

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2024 (“**1H2024**”), Petro-king Oilfield Services Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) recorded a revenue and loss of approximately HK\$165.9 million (six months ended 30 June 2023 (“**1H2023**”): approximately 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 <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 (%)
China market	147.9	82.0	80.4	89.2	79.5
Overseas markets	18.0	21.2	-15.1	10.8	20.5
Total	165.9	103.2	60.8	100	100

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 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 <i>(HK\$ million)</i>	1H2023 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue from the China market in 1H2024 <i>(%)</i>	Approximate percentage of total revenue from the China market in 1H2023 <i>(%)</i>
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	2.9	1.0	190.0	2.0	1.2
Total	147.9	82.0	80.4	100	100

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 <i>(%)</i>	Approximate percentage of total revenue from the overseas markets in 1H2024 <i>(%)</i>	Approximate percentage of total revenue from the overseas markets in 1H2023 <i>(%)</i>
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 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	165.9	103.2	60.8	100	100

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 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 <i>(HK\$ million)</i>	1H2023 <i>(HK\$ million)</i>	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	3.0	2.0	50.0	2.0	2.5
Total	147.7	81.2	81.9	100	100

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	165.9	103.2	60.8	100	100

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.

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 Energy Technology (Huizhou) Co., Ltd. (currently known as Petro-king Energy Technology Co., Ltd.) ("**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, which was partly offset by the acquisition of certain property, plant and equipment 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 dispose a minor portion of its interest in Petro-king Huizhou depending on the future liquidity requirements of the Group.

Details of the Group's associates as at 30 June 2024 were as follows:

Name of company	Form of business structure	Place of incorporation and business	Approximate percentage of ownership interest	Principal activity
Petro-king Huizhou	Limited liability company	PRC	27.67%	Research & development of petroleum engineering equipment and repair and maintenance of drilling, well completion equipment and petroleum engineering equipment. Imports, exports, wholesale and deputise petroleum engineering equipment
百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) ("Petro-king Technology")	Limited liability company	PRC	– (Note)	Provision of oilfield tools and equipment technology services and research and development in the PRC
Star Petrotech Pte. Ltd. ("Star Petrotech")	Limited liability company	Singapore	– (Note)	Manufacturing and repairing of other oilfield and gas field machinery and equipment in Singapore
深圳市百勤近海油田服務有限公司 (Shenzhen Petro-king Jinhai Oil Field Services Co., Ltd.*) ("Petro-king Jinhai")	Limited liability company	PRC	– (Note)	Distribution of and provision of technology services for various equipment including petrochemical, oilfield, safety environmental and telecommunication etc. in the PRC

* English name is for identification only.

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

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

Inventories

As at 30 June 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 (as defined in Note 23 to the interim condensed consolidated financial information in this report).

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).

Capital Commitment

As at 30 June 2024, the Group did not have any capital commitment (31 December 2023: Nil).

Significant Events after the End of the Year

Other than those disclosed in Note 23 to the interim condensed consolidated financial information in this report, no other significant event has occurred after the end of 1H2024 and up to the date of this report.

Others

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

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

Save as disclosed in this report, during 1H2024, 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 2024 (31 December 2023: Nil).

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 three executive Directors, one 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 C1 to 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.

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 2024, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

The Company

Name of Director	Capacity/ Nature of interest	Number of shares <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>	6,020,000 (L)	0.35%
Mr. Lin Jingyu	Beneficial owner <i>(Note 4)</i>	9,500,000 (L)	0.55%
Mr. Zhang Dawei	Beneficial owner <i>(Note 5)</i>	500,000 (L)	0.03%
Mr. Xin Junhe	Beneficial owner <i>(Note 5)</i>	500,000 (L)	0.03%
Mr. Leung Lin Cheong	Beneficial owner <i>(Note 5)</i>	500,000 (L)	0.03%

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 10 January 2023. 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. Apart from the grant of share options, 20,000 shares were also beneficially owned by Mr. Zhao Jindong.
4. 9,500,000 share options were granted to Mr. Lin Jingyu on 10 January 2023. Therefore under Part XV of the SFO, Mr. Lin Jingyu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.
5. 500,000 share options were granted to each of Mr. Zhang Dawei, Mr. Xin Junhe and Mr. Leung Lin Cheong, respectively on 10 January 2023. Therefore, under Part XV of the SFO, each of Mr. Zhang Dawei, Mr. Xin Junhe and Mr. Leung Lin Cheong is taken to be interested in the underlying shares of the Company that each of them is entitled to subscribe for subject to the exercise of the respective share options granted.

Save as disclosed above, as at 30 June 2024, 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 2024, 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%
Termbray Industries International (Holdings) Limited (" Termbray Industries ")	Beneficial owner	1,532,015 (L)	0.09%
Lee & Leung (B.V.I.) Limited	Beneficial owner Interest in a controlled corporation <i>(Note 3)</i>	335,737,745 (L) 1,532,015 (L)	19.44% 0.09%
HSBC International Trustee Limited (" HKIT ")	Trustee <i>(Note 3)</i>	337,269,760 (L)	19.53%
Mr. Lee Lap	Founder of a discretionary trust <i>(Note 3)</i>	337,269,760 (L)	19.53%
Jade Win Investment Limited (" Jade Win ")	Beneficial owner	136,303,475 (L)	7.89%

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
Jade Max Holdings Limited (" Jade Max ")	Interest in a controlled corporation <i>(Note 4)</i>	136,303,475 (L)	7.89%
Exceltop Holdings Limited (" Exceltop ")	Interest in a controlled corporation <i>(Note 4)</i>	136,303,475 (L)	7.89%
T.C.L. Industries Holdings (H.K.) Limited (" TCL HK ")	Interest in a controlled corporation <i>(Note 4)</i>	136,303,475 (L)	7.89%
TCL Corporation	Interest in a controlled corporation <i>(Note 4)</i>	136,303,475 (L)	7.89%
UBS Group AG	Interest in a controlled corporation <i>(Note 5)</i>	91,121,334 (L)	5.28%
UBS AG	Beneficial owner <i>(Note 6)</i>	670,857 (L)	0.05%
		670,857 (S)	0.05%
	Person having a security interest in shares <i>(Note 6)</i>	70,093,285 (L)	5.68%
Greenwoods Asset Management Hong Kong Limited	Investment Manager <i>(Note 7)</i>	91,121,270 (L)	5.28%
Invest Partner Group Limited	Interest in a controlled corporation <i>(Note 7)</i>	91,121,270 (L)	5.28%
Mr. Jiang Jinzhi	Interest in a controlled corporation <i>(Note 8)</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. 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. 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.
4. According to the corporate substantial shareholder notices filed by TCL Corporation on 21 June 2016 and by TCL HK, Exceltop, Jade Max and Jade Win on 3 April 2013, TCL Corporation directly holds 100% of the issued share capital of TCL HK, which in turn holds 100% of the issued share capital of Exceltop, which in turn holds 100% of the issued share capital of Jade Max, which in turn holds 100% of the issued share capital of Jade Win. Therefore, TCL Corporation, TCL HK, Exceltop and Jade Max are taken to be interested in the number of shares of the Company directly held by Jade Win pursuant to Part XV of the SFO.
5. Information is extracted from the corporate substantial shareholder notice filed by UBS Group AG on 2 June 2021.
6. Information is extracted from the corporate substantial shareholder notice filed by UBS AG on 9 February 2015.
7. 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.
8. 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 2024, 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 1H2024, no share options has been granted under the Share Option Scheme. The Share Option Scheme has expired on 18 February 2023 and no further share option may be granted thereunder as at 1 January 2024 and 30 June 2024. Set out below are details of the movements of share options during 1H2024:

Grantee	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options outstanding as at 1 January 2024	Options granted since 1 January 2024	Options exercised since 1 January 2024	Options lapsed/ cancelled since 1 January 2024	Options outstanding as at 30 June 2024	Notes
Directors, chief executives and substantial shareholders									
Zhao Jindong	10 January 2023	0.075	0.074	6,000,000	-	-	-	6,000,000	(3)
Lin Jingyu	10 January 2023	0.075	0.074	9,500,000	-	-	-	9,500,000	(3)
Zhang Dawei	10 January 2023	0.075	0.074	500,000	-	-	-	500,000	(3)
Xin Junhe	10 January 2023	0.075	0.074	500,000	-	-	-	500,000	(3)
Leung Lin Cheong	10 January 2023	0.075	0.074	500,000	-	-	-	500,000	(3)
Employees and senior managements									
	16 August 2018	0.326	0.32	5,000,000	-	-	-	5,000,000	(2)
	10 January 2023	0.075	0.074	48,500,000	-	-	-	48,500,000	(3)
Former company secretary	10 January 2023	0.075	0.074	500,000	-	-	(500,000)	-	(5)
Former director									
Huang Yu (deceased on 4 March 2023)	31 May 2019	0.1922	0.183	17,000,000	-	-	-	17,000,000	(1)
	10 January 2023	0.075	0.074	8,000,000	-	-	-	8,000,000	(4)
Total				96,000,000	-	-	(500,000)	95,500,000	

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 31 May 2020 to 31 December 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 31 May 2021 to 31 December 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 31 May 2022 to 31 December 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 31 May 2023 to 31 December 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 31 May 2024 to 31 December 2025, both dates inclusive.

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

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 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.

3. 33% of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 10 January 2024 to 9 January 2033, both dates inclusive.

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

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

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

OTHER INFORMATION

5. These share options were granted to the former company secretary of the Company, Mr. Tung Tat Chiu Michael, ("**Mr. Tung**"). Mr. Tung has resigned as the company secretary of the Company on 20 March 2024 and all of these options have lapsed in June 2024.

The number of options available for grant at 1 January 2024 was zero due to the expiry of the Share Option Scheme on 18 February 2023. There was no service provider sublimit set under the Share Option Scheme.

The number of share that may be issued in respect of options and awards granted under all schemes of the Company during 1H2024 divided by the weighted average number of shares in issue (excluding any treasury shares) for the period was 0%.

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

Hong Kong, 19 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Revenue	7	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	8	(11,261)	(9,743)
Other gains, net	9	225	2,150
Operating profit/(loss)		7,636	(10,747)
Finance income		834	1,949
Finance costs		(7,584)	(8,201)
Finance costs, net	10	(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	11	(1,006)	471
Loss for the period		(412)	(17,973)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		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)
Loss for the period attributable to:			
Owners of the Company		(395)	(17,113)
Non-controlling interests		(17)	(860)
		(412)	(17,973)
Total comprehensive income for the period attributable to:			
Owners of the Company		1,512	(20,165)
Non-controlling interests		(20)	(1,009)
		1,492	(21,174)
Loss per share attributable to owners of the Company during the period:			
Loss per share – basic and diluted (HK cent(s))	12	(0.02)	(1.0)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Notes</i>	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	118,202	127,259
Intangible assets		26,756	26,756
Right-of-use assets	15	1,906	2,808
Financial asset at fair value through profit or loss		8,985	8,493
Interests in associates	21	88,810	90,670
Other receivables and deposits	16(b)	330	398
		244,989	256,384
Current assets			
Inventories		13,244	21,060
Trade receivables	16(a)	169,362	205,712
Contract assets		157,947	120,067
Other receivables and deposits	16(b)	54,559	65,322
Prepayments	16(b)	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	17(a)	219,117	222,673
Other payables and accruals	17(b)	96,158	106,003
Contract liabilities		2,029	773
Lease liabilities		1,753	1,723
Bank and other borrowings	18	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

AS AT 30 JUNE 2024

	<i>Notes</i>	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Non-current liabilities			
Other borrowings	18	63,781	85,110
Lease liabilities		285	1,169
Financial liabilities at fair value through profit or loss		2,358	1,454
		66,424	87,733
NET ASSETS		193,108	191,155
EQUITY			
Share capital	19	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		193,108	191,155

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 January 2024	2,001,073	85,615	(1,899,859)	186,829	4,326	191,155
Comprehensive income						
Loss for the period	-	-	(395)	(395)	(17)	(412)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	188	-	188	(3)	185
- Release of translation reserve upon disposal of interests in associates	-	(41)	-	(41)	-	(41)
- Release of translation reserve upon derecognition of a subsidiary	-	1,598	-	1,598	-	1,598
- Share of other comprehensive income of associates	-	162	-	162	-	162
Total comprehensive income for the period ended 30 June 2024	-	1,907	(395)	1,512	(20)	1,492
Transactions with owners in their capacity as owners						
- Recognition of share-based payment (Note 20)	-	461	-	461	-	461
Total transactions with owners, recognised directly in equity	-	461	-	461	-	461
Balance at 30 June 2024	2,001,073	87,983	(1,900,254)	188,802	4,306	193,108

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited						
	Attributable to owners of the Company					Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000		
Balance at 1 January 2023	2,001,073	44,307	(1,789,334)	256,046	5,689	261,735	
Comprehensive income							
Loss for the period	-	-	(17,113)	(17,113)	(860)	(17,973)	
Other comprehensive income							
- Exchange differences on translation of foreign operations	-	(5,009)	-	(5,009)	(149)	(5,158)	
- Share of other comprehensive income of associates	-	1,957	-	1,957	-	1,957	
Total comprehensive income for the period ended 30 June 2023	-	(3,052)	(17,113)	(20,165)	(1,009)	(21,174)	
Transactions with owners in their capacity as owners							
- Recognition of share-based payment (Note 20)	-	1,243	-	1,243	-	1,243	
Total transactions with owners, recognised directly in equity	-	1,243	-	1,243	-	1,243	
Balance at 30 June 2023	2,001,073	42,498	(1,806,447)	237,124	4,680	241,804	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	4,380	(3,494)
Interest paid	(4,874)	(5,325)
Income tax paid	(1,027)	(225)
Net cash used in operating activities	(1,521)	(9,044)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,472)	(299)
Proceeds from disposal of property, plant and equipment	201	–
Proceeds from disposal of interests in associates	5,479	–
Interest received	990	1,835
Loan advanced to related parties	–	(13,893)
Repayment of loan receivables from related parties	11,208	21,995
Advances to related parties	(147)	(770)
Net cash generated from investing activities	13,259	8,868
Cash flows from financing activities		
Proceeds from borrowings	51,181	41,225
Repayments of borrowings	(58,019)	(57,630)
Principal elements of lease liabilities	(839)	(799)
Advances from related parties	287	149
Net cash used in financing activities	(7,390)	(17,055)
Net increase/(decrease) in cash and cash equivalents	4,348	(17,231)
Cash and cash equivalents at beginning of period	26,294	39,959
Effect of foreign exchange rates changes	(855)	(500)
Cash and cash equivalents at end of period	29,787	22,228

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

Petro-king Oilfield Services Limited (the “**Company**”) was incorporated in the British Virgin Islands (the “**B.V.I.**”) on 7 September 2007 as an exempted company with limited liability. The address of the Company’s registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in the provision of oilfield technology services covering various stages in the life cycle of oilfields including drilling 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 report 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.

2. BASIS OF PREPARATION (Continued)

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

- (a) 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. (currently known as Petro-king Energy Technology 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 United States dollar (“**US\$**”) 837,000 (equivalent to approximately HK\$6.5 million) as at 30 June 2024.

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)

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. 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 2023.

5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's trade receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, bank and other borrowings and lease liabilities are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the financial assets/(liabilities) 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 2024 and 31 December 2023, the financial asset/(liabilities) at fair value through profit or loss are 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 year is normally marked by lower business volumes than in the second half of the financial year as most of the customers, particularly state-owned enterprises, normally set annual budgets and finalise work scope early in the year and request works to be done later in the year, particularly in the third and fourth quarters.

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

7. REVENUE AND SEGMENT INFORMATION

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

The Group has two operating segments as follows:

- Oilfield project tools and services – provision of oilfield technology services including drilling 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 HK\$'000	2023 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

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results

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

	Unaudited		
	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
Six months ended 30 June 2024			
Revenue from external customers	147,716	18,192	165,908
Inter-segment revenue	–	–	–
Total segment revenue	147,716	18,192	165,908
Segment results	(4,219)	8,717	4,498
Net unallocated expenses			(3,904)
Profit before income tax expense			594
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	(6,302)	–	(6,302)

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

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.

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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
	HK\$'000	HK\$'000
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)
Consolidated profit/(loss) before income tax (expense)/credit	594	(18,444)

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

8. OTHER EXPENSES

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Communication	193	228
Professional service fees	4,040	3,482
Motor vehicle expenses	1,920	164
Travelling	3,323	3,252
Office utilities	211	259
Other taxes	161	757
Bank charges	74	67
Others	1,878	3,356
Less: other expenses attributable for research and development	(539)	(1,822)
	11,261	9,743

9. OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 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)
	225	2,150

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

10. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 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	834	1,949
Interest expenses:		
– Bank and other borrowings	(7,492)	(8,067)
– Lease liabilities	(92)	(134)
Finance costs	(7,584)	(8,201)
Finance costs, net	(6,750)	(6,252)

11. INCOME TAX (EXPENSE)/CREDIT

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

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 2024 (six months ended 30 June 2023: 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% (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: Same).

11. INCOME TAX (EXPENSE)/CREDIT (Continued)

Overseas withholding tax was calculated at rates ranging from 15% to 35% from the invoiced amount or the deemed profit earned by certain subsidiaries of the Group in accordance with their respective jurisdictions as determined by the relevant overseas authorities.

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

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.

13. DIVIDENDS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

14. 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.

15. 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).

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

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

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 HK\$'000	Audited As at 31 December 2023 HK\$'000
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	12,647	22,675
Trade receivables	181,933	222,113
Less: provision for impairment of trade receivables	(12,571)	(16,401)
Trade receivables, net	169,362	205,712

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

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Other receivables, deposits and prepayments	102,657	111,549
Less: provision for impairment of other receivables	(33,934)	(33,972)
Other receivables, deposits and prepayments, net	68,723	77,577
	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Other receivables and deposits:		
Deposits and other receivables – third parties	22,887	21,880
Loan receivables from a related party (<i>Note 22(b)</i>)	6,534	17,742
Other receivables from related parties (<i>Note 22(b)</i>)	388	864
Amounts due from non-controlling interests	307	309
Value-added tax recoverable	20,111	21,902
Rental deposits	1,175	1,593
Cash advances to staff	3,212	1,155
Receivables from disposal of a subsidiary in prior years	275	275
	54,889	65,720
Less: Non-current portion		
Rental deposits	(330)	(398)
Current portion	54,559	65,322
Prepayments:		
Prepayments for materials	13,834	11,857
Current portion	13,834	11,857

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

17. TRADE AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Trade payables	219,117	222,673

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
	219,117	222,673

(b) Other payables and accruals

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Other payables – third parties	48,333	49,759
Other payables – staff related expenses	3,691	6,958
Accrued payroll and welfare	3,027	6,317
Accrued technical service fees	16,158	16,158
Other payables – related parties (Note 22(b))	12,515	16,442
Other tax and surcharge payables	10,622	9,894
Interest payables	1,812	475
	96,158	106,003

18. BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Non-current		
Other borrowings <i>(Note (b))</i>	63,781	85,110
Current		
Bank borrowings <i>(Note (a))</i>	76,556	60,615
Other borrowings <i>(Note (b))</i>	38,911	41,336
	115,467	101,951
	179,248	187,061

(a) Bank borrowings

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Secured interest-bearing bank borrowings Repayable within one year or contain a repayment on demand clause	76,556	60,615

As at 30 June 2024, banking facilities of approximately HK\$76,556,000 (31 December 2023: approximately HK\$60,615,000) were granted by a bank located in the PRC to a subsidiary of the Group, of which approximately HK\$76,556,000 (31 December 2023: approximately HK\$60,615,000) have been utilised by the Group during the period. The Group has no undrawn banking facilities as at 30 June 2024 (31 December 2023: Nil). The facilities are secured by trade receivables of the Group of approximately HK\$109,858,000 (31 December 2023: approximately HK\$108,882,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

18. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Non-current		
Term loan	25,500	40,200
Instalment loans	37,515	44,910
Independent lender's loan	766	–
	63,781	85,110
Current		
Term loan	18,000	18,000
Instalment loans	15,706	17,322
Employees' loans	2,685	5,242
Independent lenders' loans	2,520	772
	38,911	41,336
	102,692	126,446

In March 2024, the Group has obtained a revolving term loan facility which is denominated in RMB with RMB30,000,000 from a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. The loan facility is unsecured and bears interest at 7% per annum, and all outstanding balances shall be repaid on or before 14 March 2027. Subsequent to 30 June 2024, the Group has not drawn down such loan facility.

19. SHARE CAPITAL

	Unaudited Issued and fully paid Number of shares '000	Amount HK\$'000
Ordinary shares with no par:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,726,674	2,001,073

20. SHARE-BASED PAYMENTS

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

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

	Share options by grant date			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Number of ordinary shares issued upon exercise:				
– Directors	6,000,000	–	–	17,500,000
– Employees and senior management	62,000,000	5,000,000	–	49,000,000
– Former company secretary	–	–	–	500,000
– Former director	–	–	17,000,000	8,000,000
Exercise price	HK\$0.529	HK\$0.326	HK\$0.1922	HK\$0.075
Contractual option term	Seven years	Seven years	Seven years	Ten years
Expiry date	25 October 2023	15 August 2025	30 May 2026 <i>(Note)</i>	9 January 2033 <i>(Note)</i>

For the share options granted on 10 January 2023, the vesting period of the share options ranges from one to three years. All these options are conditional in which only one-third and two-third are vested and exercisable after one and two years from the grant date respectively. The remaining options are vested and exercisable after three years from the grant date.

Apart from the share options granted on 10 January 2023, for all other share options granted, the vesting period of these share options ranges from one to five years. All these options are conditional in which one-fifth is vested and exercisable on every anniversary since the grant date of the respective share options.

Note:

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

20. SHARE-BASED PAYMENTS (Continued)

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

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

	Share options by grant date			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Range of fair value of options granted (HK\$)	0.188-0.247	0.143-0.163	0.080-0.095	0.037-0.049
Share price at the grant date (HK\$)	0.520	0.32	0.183	0.075
Expected volatility (<i>Note</i>)	47.97%	49.45%	53.41%	78.50%
Expected option life	7 years	7 years	7 years	10 years
Dividend yield	Nil	Nil	Nil	Nil
Annual risk-free interest rate	0.75%	2.08%	1.41%	3.28%

Note:

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

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

20. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable during the six months ended 30 June 2024 are as follows:

	Exercise price per share option	Unaudited Number of share options			As at 30 June 2024
		As at 1 January 2024	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date					
16 August 2018	0.326	5,000,000	-	-	5,000,000
31 May 2019	0.1922	17,000,000	-	-	17,000,000
10 January 2023	0.075	74,000,000	-	(500,000)	73,500,000
		96,000,000	-	(500,000)	95,500,000
Weighted average exercise price (HK\$)					
Grant date					
16 August 2018		0.326	-	-	0.326
31 May 2019		0.1922	-	-	0.1922
10 January 2023		0.075	-	0.075	0.075

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

20. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable during the six months ended 30 June 2023 are as follows:

	Exercise price per share option	Unaudited Number of share options			As at 30 June 2023
		As at 1 January 2023	Granted during the period	Forfeited, lapsed or expired during the period	
Grant date					
26 October 2016	0.529	26,400,000	-	-	26,400,000
16 August 2018	0.326	5,000,000	-	-	5,000,000
31 May 2019	0.1922	17,000,000	-	-	17,000,000
10 January 2023	0.075	-	75,000,000	-	75,000,000
		48,400,000	75,000,000	-	123,400,000

Weighted average exercise price
(HK\$)

Grant date				
26 October 2016	0.529	-	-	0.529
16 August 2018	0.326	-	-	0.326
31 May 2019	0.1922	-	-	0.1922
10 January 2023	-	0.075	-	0.075

No share options have been exercised by the option holders during the six months ended 30 June 2024 and 2023.

During the six months ended 30 June 2024, share-based payment expense of approximately HK\$461,000 (six months ended 30 June 2023: approximately HK\$1,243,000) for the Share Option Scheme was recognised in the interim condensed consolidated statement of comprehensive income.

21. INTERESTS IN ASSOCIATES

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Share of net assets other than goodwill	88,707	90,565
Goodwill	103	105
	88,810	90,670
Loan receivables from an associate (<i>Note 16(b)</i>)	6,534	17,742
Other receivables from associates (<i>Note (i)</i>)	104	834
Other payables to associates (<i>Note (ii)</i>)	12,332	15,884

Notes:

(i) Balance was included in "Other receivables from related parties" in Note 16(b).

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

For the six months ended 30 June 2024, the Group had made sales of approximately HK\$156,000 (six months ended 30 June 2023: Nil) to associates and purchases of approximately HK\$333,000 (six months ended 30 June 2023: approximately HK\$4,316,000) from associates.

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2024 and 2023, and balances arising from related party transactions as at 30 June 2024 and 31 December 2023.

Name	Relationships
Mr. Wang Jinlong	Shareholder and director
Mr. Lin Jingyu (<i>Note (i)</i>)	Director and chief executive director
Mr. Zhao Jindong	Director
Ms. Zhou Sisi (<i>Note (ii)</i>)	Director and close family member of Mr. Wang Jinlong
Mr. Huang Yu (<i>Note (iii)</i>)	Director
Mr. Wong Shiu Kee (<i>Note (iv)</i>)	Director
Mr. Leung Lin Cheong	Director
Mr. Xin Junhe	Director
Mr. Zhang Dawei	Director
Mr. Chan Kwok Yuen Elvis	Senior management
Mr. Wang Xingkai	Close family member of Mr. Wang Jinlong
Petro-king Huizhou	Associate of the Company
Star Petrotech	Wholly-owned subsidiary of Petro-king Huizhou

Notes:

- (i) Appointed as an executive Director and the chief executive officer on 22 March 2023.
- (ii) Appointed as an executive Director on 20 December 2023.
- (iii) Deceased on 4 March 2023.
- (iv) Resigned as a non-executive Director on 29 December 2023.

22. RELATED PARTY TRANSACTIONS (Continued)

(a) Key management compensation

Key management personnel are deemed to be the members of the board of directors and senior management of the Company who have the responsibility for the planning and controlling the activities of the Group.

	Unaudited Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	2,279	2,514
Share-based payments	135	570
	2,414	3,084

(b) Balances with related parties

	Unaudited As at 30 June 2024	Audited As at 31 December 2023
	HK\$'000	HK\$'000
Loan receivables from a related party <i>(Note 16(b))</i>	6,534	17,742
Amounts due from related parties <i>(Note 16(b))</i>		
– Associates	104	834
– Close family member of Mr. Wang Jinlong	–	30
– Director	284	–
	388	864
Amounts due to related parties <i>(Note 17(b))</i>		
– Associates	(12,332)	(15,884)
– Directors	(183)	(533)
– Senior management	–	(25)
	(12,515)	(16,442)

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

Notes:

- (i) As at 30 June 2024, the balance represented an irrevocable revolving loan facility granted to Star Petrotech with outstanding amount of approximately US\$837,000 (equivalent to approximately HK\$6,534,000) (31 December 2023: US\$2,270,000). Such loan facility is secured by personal guarantee and bear interest at 7% per annum, and the outstanding balance shall be repaid on or before 31 December 2024.
- (ii) The balances are unsecured, interest-free and repayable on demand.
- (iii) The balance is in trade nature with a credit term of 60 days.
- (iv) The balances mainly comprise expenses paid on behalf by certain directors and senior management. The balances are unsecured, interest-free and repayable on demand.

(c) Related party transactions

Save as disclosed elsewhere in the interim condensed consolidated financial statements, the Group had entered into the following transaction with a related party during the period:

- (i) As at 30 June 2024 and 31 December 2023, Petro-king Oil (Shenzhen) Co., Ltd. ("**Petro-king Shenzhen**"), an indirect wholly-owned subsidiary of the Company, has provided corporate guarantees for certain banking facilities granted to Petro-king Huizhou which were secured by properties held by Petro-king Huizhou. As at 30 June 2024, the Group's maximum exposure of the principal amount under the corporate guarantee for banking facilities granted to Petro-king Huizhou limited to the Petro-king Shenzhen's proportion was approximately RMB14,666,000 (equivalent to approximately HK\$16,070,000) (31 December 2023: approximately RMB15,077,000) of which approximately RMB13,538,000 (equivalent to approximately HK14,834,000) (31 December 2023: approximately RMB15,077,000) was utilised by Petro-king Huizhou. For the six months ended 30 June 2024, the financial guarantee income was approximately HK\$52,000 (six months ended 30 June 2023: approximately HK\$83,000) which is charged at 1.0% per annum of the Petro-king Shenzhen's proportion of the utilised amount of banking facilities by Petro-king Huizhou. In the opinion of the Directors, no provision for the obligation of the Group under corporate guarantees have been made as the banking facilities granted to Petro-king Huizhou were fully covered by the secured properties.

The transaction above was entered into at terms mutually agreed with the related party in the ordinary course of the Group's business.

23. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Save as disclosed elsewhere in the interim condensed consolidated financial statements, the Group has the following significant 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 report, the Appeal Court has not yet fixed the date of the hearing for the Appeal.

As at the date of this report, 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*