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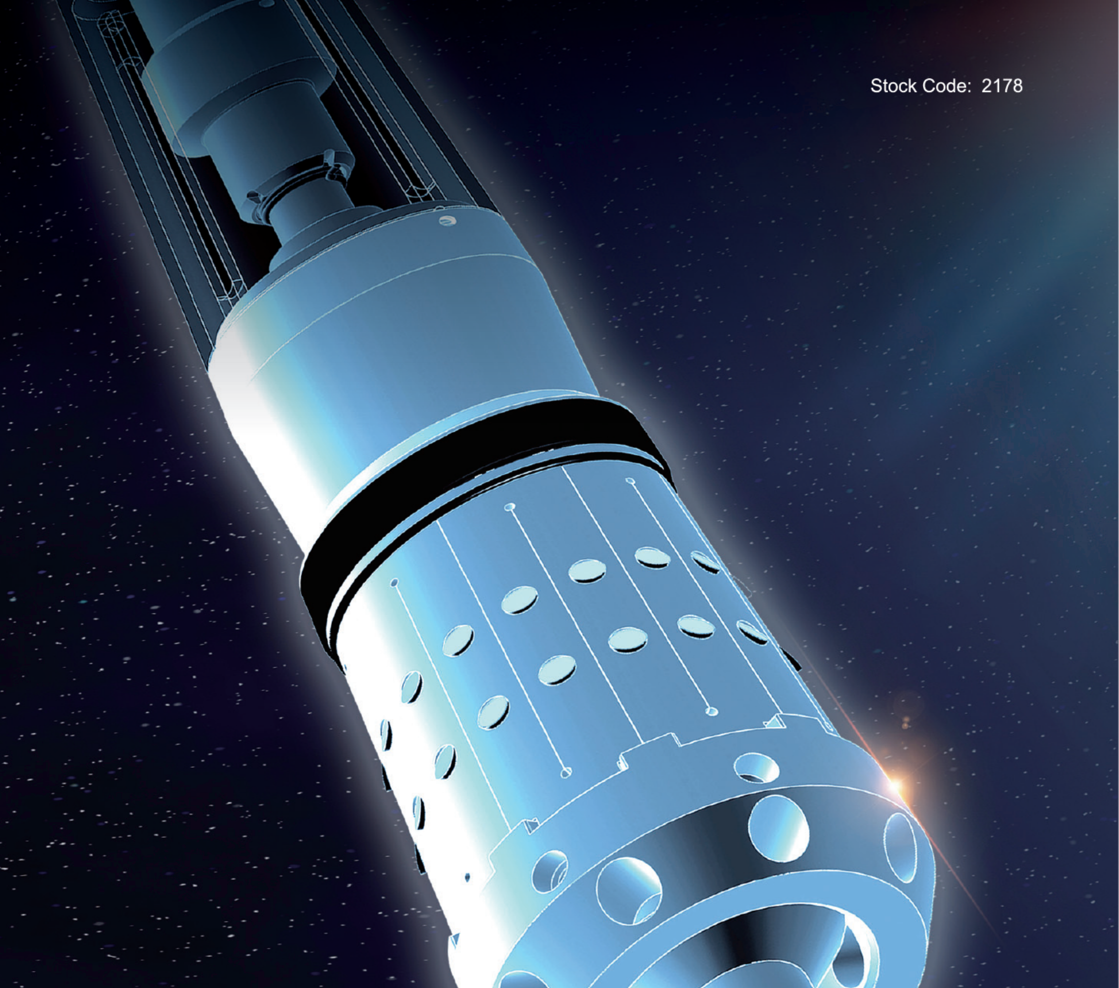
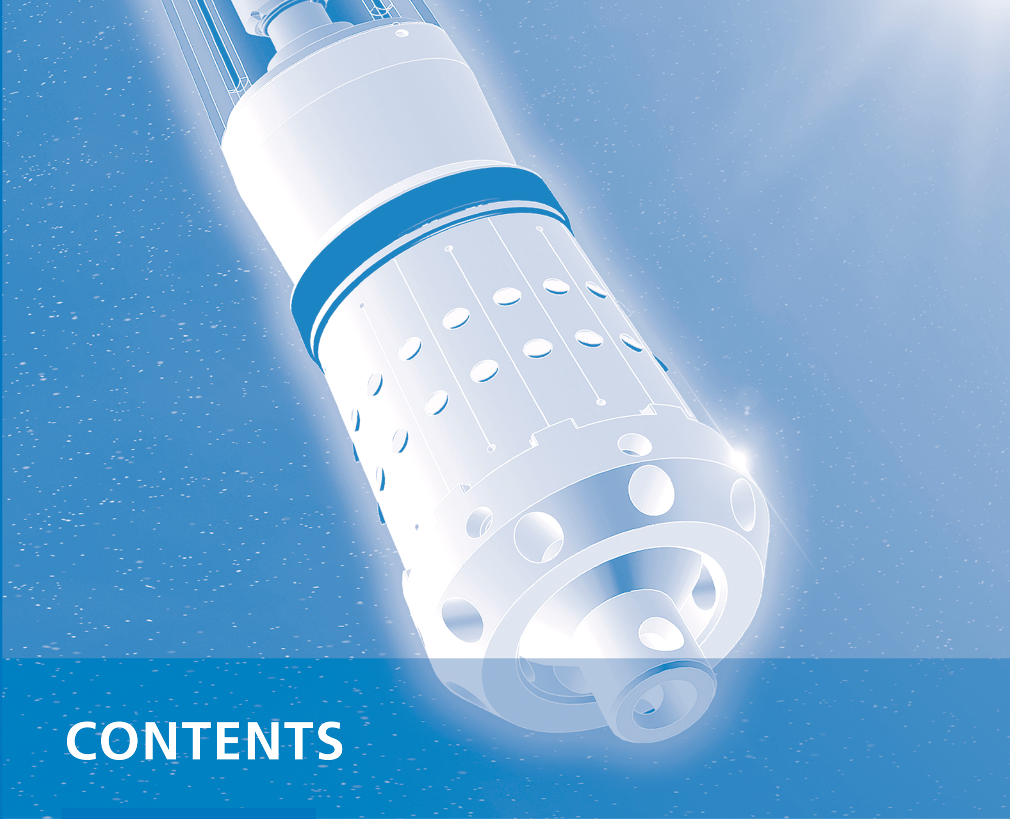


Interim Report 2019

PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Petro-king
百勤油服



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Mr. Wang Jinlong (王金龍)
Mr. Zhao Jindong (趙錦棟)

NON-EXECUTIVE DIRECTORS

Mr. Lee Tommy (李銘浚)
Ms. Ma Hua (馬華)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
Mr. Xin Junhe (辛俊和)

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Mr. Leung Lin Cheong (梁年昌) *(Chairman)*
Mr. Tong Hin Wor (湯顯和)
Mr. Xin Junhe (辛俊和)

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Mr. Wang Jinlong (王金龍)
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2178

BUSINESS REVIEW

For the six months ended 30 June 2019 ("**1H2019**"), the Group recorded a revenue of approximately HK$205.5 million (1H2018: HK$105.2 million), representing an increase of approximately 95.4% as compared with the revenue for the six months ended 30 June 2018 ("**1H2018**"). The Group's profit for the period attributable to owners of the Company was approximately HK$8.0 million (1H2018: loss attributable to owners of the Company of HK$75.5 million). Basic earnings per share for 1H2019 was approximately HK0.5 cents (1H2018: basic loss per share of HK4.4 cents). The Board has resolved not to pay any interim dividend for 1H2019 (1H2018: nil).

For 1H2019, the Group continued to engage in the provision of oilfield technology and oilfield services covering various stages in the life of an oilfield including drilling, well completion and production enhancement with ancillary activities in trading and manufacturing of oilfield services related products. The Brent crude oil price started at approximately US$54/barrel at the beginning of the year and rose to approximately US$65/barrel by the end of June 2019. With the continual stabilisation in the international crude oil price, domestic and overseas oilfield and gas field companies have increased their capital expenditures for the construction of oilfield and shale gas field projects. Coupled with the national policy to secure national energy safety and to encourage shale gas consumption for environmental protection in the People's Republic of China (the "**PRC**" or "**China**"), the owners of shale gas fields in the PRC (mostly major national oil companies) have accelerated their construction works for their shale gas projects since the fourth quarter of 2018. The acquisition of additional fracturing equipment by the Group in 2018 also enabled the Group to participate in large-scale shale gas production enhancement projects which enhanced the Group's revenue and profit in 1H2019. In 1H2019, the growing demands for the Group's well completion tools from the PRC market and the increase in oilfield services provided to a customer in the Middle East also contributed to the Group's increase in revenue and improvement in profitability.

GEOGRAPHICAL MARKET ANALYSIS

	1H2019 ***(HK$ million)***	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2019** ***(%)***	Approximate percentage of total revenue in 1H2018 *(%)*
China market	**158.5**	77.6	104.3%	**77.1%**	73.8%
Overseas markets	**47.0**	27.6	70.3%	**22.9%**	26.2%
Total	**205.5**	105.2	95.4%	**100%**	100%

The Group's revenue from the China market increased by approximately HK$80.9 million or approximately 104.3% to approximately HK$158.5 million in 1H2019 from approximately HK$77.6 million in 1H2018. The increase in revenue from the China market was mainly due to the increase in the provision of fracturing services.

The Group's revenue from the overseas markets increased by approximately HK$19.4 million or approximately 70.3% to approximately HK$47.0 million in 1H2019 from approximately HK$27.6 million in 1H2018. The increase in revenue in the overseas markets was mainly attributable to the increase in the provision of oilfield services to a customer in the Middle East.

REVENUE FROM THE CHINA MARKET

	1H2019 ***(HK$ million)***	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the China market in 1H2019** ***(%)***	Approximate percentage of total revenue from the China market in 1H2018 *(%)*
Northern China	**21.4**	2.1	919.0%	**13.5%**	2.7%
Southwestern China	**69.8**	17.3	303.5%	**44.0%**	22.3%
Northwestern China	**14.4**	13.2	9.1%	**9.1%**	17.0%
Other regions in China	**52.9**	45.0	17.6%	**33.4%**	58.0%
Total	**158.5**	77.6	104.3%	**100%**	100%

In 1H2019, the Group's revenue from Northern China amounted to approximately HK$21.4 million, which increased by approximately HK$19.3 million or approximately 919.0% from approximately HK$2.1 million in 1H2018. The increase in revenue was mainly attributable to the increase in the provision of production enhancement services to a customer in Northern China.

The revenue from Southwestern China amounted to approximately HK$69.8 million in 1H2019, which increased by approximately HK$52.5 million or approximately 303.5% from approximately HK$17.3 million in 1H2018. The increase in revenue was mainly attributable to the provision of fracturing services to a customer in Southwestern China.

The revenue from Northwestern China amounted to approximately HK$14.4 million in 1H2019, which increased by approximately HK$1.2 million or approximately 9.1% from approximately HK$13.2 million in 1H2018. The increase in revenue was mainly attributable to the increase in drilling services provided in Northwestern China.

The revenue from other regions in China amounted to approximately HK$52.9 million in 1H2019, which increased by approximately HK$7.9 million or approximately 17.6% from approximately HK$45.0 million in 1H2018. The increase in revenue was mainly due to the increase in the sales of well completion tools in other regions in China.

REVENUE FROM THE OVERSEAS MARKETS

	1H2019 ***(HK$ million)***	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the overseas markets in 1H2019** ***(%)***	Approximate percentage of total revenue from the overseas markets in 1H2018 *(%)*
Middle East	**35.2**	18.0	95.6%	**74.9%**	65.2%
Others	**11.8**	9.6	22.9%	**25.1%**	34.8%
Total	**47.0**	27.6	70.3%	**100%**	100%

The revenue from the Group's business operations in the Middle East amounted to approximately HK$35.2 million in 1H2019, which increased by approximately HK$17.2 million or approximately 95.6% from approximately HK$18.0 million in 1H2018. The increase was mainly attributable to the increase in oilfield services provided to a customer in the Middle East.

The revenue from other overseas regions amounted to approximately HK$11.8 million in 1H2019, which increased by approximately HK$2.2 million or approximately 22.9% from approximately HK$9.6 million in 1H2018. This increase in revenue was mainly attributable to the increase in well completion services provided in other overseas regions.

BUSINESS SEGMENT ANALYSIS

	1H2019 ***(HK$ million)***	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2019** ***(%)***	Approximate percentage of total revenue in 1H2018 *(%)*
Oilfield project tools and services	**188.0**	90.3	108.2%	**91.5%**	85.8%
Consultancy services	**17.5**	14.9	17.4%	**8.5%**	14.2%
Total	**205.5**	105.2	95.3%	**100%**	100%

In 1H2019, the Group's revenue from the provision of oilfield project tools and services amounted to approximately HK$188.0 million, which increased by approximately HK$97.7 million or approximately 108.2% from approximately HK$90.3 million in 1H2018. The increase was mainly attributable to (i) the increase in the provision of production enhancement services in the China market; (ii) the increase in the sale of well completion tools to the China market; and (iii) the increase in the oilfield services provided in the Middle East.

The Group's revenue from consultancy services amounted to approximately HK$17.5 million in 1H2019 which increased by approximately HK$2.6 million or approximately 17.4% from approximately HK$14.9 million in 1H2018. The revenue increased mainly because of the increase in the consultancy services provided in the China market.

OILFIELD PROJECT TOOLS AND SERVICES

	1H2019 ***(HK$ million)***	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from oilfield project tools and services in 1H2019** ***(%)***	Approximate percentage of total revenue from oilfield project tools and services in 1H2018 *(%)*
Drilling	**15.4**	11.4	35.1%	**8.2%**	12.6%
Well completion	**61.4**	36.9	66.4%	**32.7%**	40.9%
Production enhancement	**111.2**	42.0	164.8%	**59.1%**	46.5%
Total	**188.0**	90.3	108.2%	**100%**	100%

Drilling

The Group's revenue from drilling amounted to approximately HK$15.4 million in 1H2019, which increased by approximately HK$4.0 million or approximately 35.1% from approximately HK$11.4 million in 1H2018. The increase was mainly due to the increase in the drilling services provided in the China market.

Well Completion

In 1H2019, the Group's revenue from well completion amounted to approximately HK$61.4 million, which increased by approximately HK$24.5 million or approximately 66.4% from approximately HK$36.9 million in 1H2018. The increase was mainly due to the increase in the sales of well completion tools in the China market and the increase in the well completion services provided in other overseas region.

Production Enhancement

In 1H2019, the Group's revenue from production enhancement amounted to approximately HK$111.2 million, which increased by approximately HK$69.2 million or approximately 164.8% from approximately HK$42.0 million in 1H2018. The increase was mainly due to the provision of production enhancement services and fracturing services in the China market.

CUSTOMER ANALYSIS

Customer	**1H2019** *(HK$ million)*	1H2018 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 1H2019** *(%)*	Approximate percentage of total revenue in 1H2018 *(%)*
Customer 1	**81.9**	14.1	480.9%	**39.9%**	13.4%
Customer 2	**25.1**	–	N/A	**12.2%**	0.0%
Customer 3	**22.3**	9.8	127.6%	**10.8%**	9.3%
Customer 4	**18.7**	17.3	8.1%	**9.1%**	16.4%
Customer 5	**12.6**	30.9	-59.2%	**6.1%**	29.4%
Customer 6	**8.6**	–	N/A	**4.2%**	0.0%
Customer 7	**6.9**	1.8	283.3%	**3.4%**	1.7%
Customer 8	**4.1**	–	N/A	**2.0%**	0.0%
Other customers	**25.3**	31.3	-19.2%	**12.3%**	29.8%
Total	**205.5**	105.2	95.3%	**100%**	100%

The revenue from Customer 1 amounted to approximately HK$81.9 million, which increased by approximately HK$67.8 million or approximately 480.9% from approximately HK$14.1 million in 1H2018. This increase was mainly attributable to the growth of fracturing services provided in Southwestern China. The revenue from Customer 2 amounted to approximately HK$25.1 million, which was related to the sale of well completion tools in other regions in China. The revenue from Customer 3 amounted to approximately HK$22.3 million, which increased by approximately HK$12.5 million or approximately 127.6% from approximately HK$9.8 million in 1H2018. Such increase was mainly attributable to the increase in the oilfield services provided to a customer in the Middle East. The revenue from Customer 4 increased by approximately HK$1.4 million or approximately 8.1%, from approximately HK$17.3 million in 1H2018 to approximately HK$18.7 million in 1H2019. This increase was mainly attributable to the growth of production enhancement services provided to a customer in Northern China. The revenue from Customer 5 decreased by approximately HK$18.3 million or approximately 59.2% from approximately HK$30.9 million in 1H2018 to approximately HK$12.6 million in 1H2019. Such decrease in revenue was mainly due to the drop in the sale of well completion tools to this customer in the China market. The revenue from Customer 6 amounted to approximately HK$8.6 million and such revenue was generated from the provision of drilling services in Northwestern China. The revenue from Customer 7 amounted to approximately HK$6.9 million, which increased by approximately HK$5.1 million or approximately 283.3% from approximately HK$1.8 million in 1H2018. This increase was mainly attributable to the increase in the provision of consultancy services in the China market. The revenue from Customer 8 amounted to approximately HK$4.1 million and was generated from the well completion services provided to a customer in other overseas markets. The revenue from other customers amounted to approximately HK$25.3 million in 1H2019, which decreased by approximately HK$6.0 million or approximately 19.2% from approximately HK$31.3 million in 1H2018.

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 detail requirements on compensation, dismissal, 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 update of drilling and completion technology, blast management, control at wells and environment management. We also worked with external organisations such as unions and consultants to provide trainings for the specific needs of the operations. Up until 30 June 2019, the Group has arranged 32 trainings consisting of more than 2,989 hours in total and 97 employees have attended these training programs. Besides, the Company also implemented a new talents selection system to expand the promotion channel for staff in order to realise a win-win situation for both the Company and the 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 341 employees as at 30 June 2019, which remained nearly flat as compared to that of 340 employees as at 31 December 2018.

In order to keep the Group's human resources policies and procedures abreast with the industry development, the Group reviewed its human resources management system and made certain transformation aiming at a long-term development of the Group's engineer talents and implemented a new performance based compensation system in 2019 encouraging staff ownership and team spirit.

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 service lines, such as turbine-drilling, directional drilling, multistage fracturing, downhole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid. In 1H2019, the Group continued to seek advancement in technology and introduced new products to the market, including the following:

- Successfully designed, tested and produced the $3\ {}^{1}/_{2}$" and the $4\ {}^{1}/_{2}$" big bore dissolvable bridge plug to meet the demand of the China and overseas markets. This kind of tools can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Successfully designed, tested and produced the $9\ {}^{5}/_{8}$" 5000 PSI electric submersible pump packer which can be used in well completion projects with extra-high pressure and high temperatures.

- Successfully designed, tested and produced the $4\ {}^{1}/_{2}$" slimline tubing retrievable safety valve, N2 tubing retrievable safety valve lockout tools for the $2\ {}^{7}/_{8}$" and the $4\ {}^{1}/_{2}$" slimline tubing retrievable safety valve, the 3.688" gauge hanger, the 7" 32-35# retrievable feedthrough packer and the $9\ {}^{5}/_{8}$" water injection packer, which can be used in the Group's well completion projects.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 30 June 2019, the Group had 30 utility model patents and 14 innovation patents and was applying for 3 utility model patents and 15 innovation patents.

The Group will continue to focus on developing down hole completion tools and technologies, as well as certain specific high-end drilling tools and technologies. In order to maintain its leading position in the high-end oilfield service sector, the Group will continue to put its effort in developing oilfield service tools and technologies through in-house research and development and through cooperation with oilfield service technology companies.

OUTLOOK

The Brent crude oil price remained quite stable at over US$50/barrel since the beginning of 2019. With the continual stabilisation in the international crude oil price and China's national policy to secure national energy safety and to encourage shale gas consumption for environmental protection, owners of shale gas fields in the PRC (mostly major national oil companies) have accelerated the construction of their shale gas projects. We believe the increasing demand for fracturing services from the construction of shale gas fields will continue in the remaining part of 2019 and will continue to enhance the profitability of the Group's production enhancement business.

As for the overseas markets, the Group will continue to explore market opportunities in the Middle East, South Asia, Africa and Southern Europe regions and we have been invited to bid for various oilfield services contracts in these regions.

Looking ahead to the second half of 2019, we will continue to put efforts into the marketing and promotion of the Group's oilfield services, tools and technologies so as to increase our market penetration. In addition, the Group will continue to focus on the advancement of its oilfield service technologies and tools in order to further enhance our capability to provide high-end oilfield services in the China and overseas markets. We are positive about the prospect of the oilfield service industry in the second half of 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately HK$205.5 million in 1H2019, which has increased by approximately HK$100.3 million or approximately 95.4% as compared to that of approximately HK$105.2 million in 1H2018. The increase in revenue was mainly due to the increase in the provision of production enhancement services and fracturing services in the China market, the growing demands for the Group's well completion tools from the PRC market and the increase in the oilfield services provided to a customer in the Middle East.

Material Costs

In 1H2019, the Group's material costs were approximately HK$51.7 million, which has increased by approximately 34.0% or approximately HK$13.1 million as compared to that of approximately HK$38.6 million in 1H2018. The material costs accounted for approximately 25.2% of the revenue in 1H2019, which was lower than that of approximately 36.7% in 1H2018. As the Group generated more revenue from the provision of fracturing services in 1H2019 which utilise fewer materials than other projects, coupled with the overall improvement in the profit margin of the Group's projects and products, the overall material costs as a percentage of revenue decreased in 1H2019.

Depreciation of Property, Plant and Equipment

In 1H2019, the depreciation of property, plant and equipment amounted to approximately HK$29.9 million, which has decreased by approximately HK$7.9 million or approximately 20.8% as compared to that of approximately HK$37.7 million in 1H2018, which primarily resulted from the write-off of certain plant and machineries in the second half of 2018.

Employee Benefit Expenses

In 1H2019, the Group's employee benefit expenses were approximately HK$48.1 million, which has decreased by approximately HK$2.4 million or approximately 4.8% as compared to that of approximately HK$50.6 million in 1H2018.

Distribution Expenses

In 1H2019, the Group's distribution expenses amounted to approximately HK$3.9 million, which has increased by approximately HK$2.6 million or approximately 183.9% from approximately HK$1.4 million in 1H2018. The increase in distribution expenses mainly resulted from the increase in revenue and sales activities in 1H2019.

Technical Service Fees

In 1H2019, the Group's technical service fees amounted to approximately HK$15.2 million, which has increased by approximately HK$7.9 million or approximately 109.8% from approximately HK$7.2 million in 1H2018, and such increase was in line with the increase in the revenue in 1H2019.

Net Impairment Loss on Financial Assets/Provision for Impairment of Trade and Other Receivables, Net

In 1H2019, the net impairment loss on financial assets amounted to approximately HK$1.8 million, which has decreased by approximately HK$5.4 million from approximately HK$7.2 million in 1H2018. The net impairment loss on financial assets in 1H2019 was mainly relating to certain customers in the China market.

Other Expenses

In 1H2019, the Group's other expenses were approximately HK$26.5 million, which has increased by approximately HK$8.4 million or approximately 46.8% from approximately HK$18.0 million in 1H2018. The increase was mainly due to the recognition of non-employee share based compensation of approximately HK$6.3 million in 1H2019 (1H2018: nil).

Operating Profit/(Loss)

In 1H2019, the Group has recorded an operating profit of approximately HK$22.1 million, as compared with the operating loss of approximately HK$59.6 million in 1H2018, which was mainly due to the increase in the revenue and the resulted improvement in the profit margin.

Net Finance Costs

In 1H2019, the Group's net finance costs amounted to approximately HK$11.9 million, which has decreased by approximately HK$3.4 million or approximately 22.1% as compared to that of approximately HK$15.3 million in 1H2018. Such decrease was mainly attributable to the decrease in the modification losses on the trade and other receivables in 1H2019.

Income Tax Expense

In 1H2019, the Group's income tax expense amounted to approximately HK$2.4 million, representing an increase of approximately HK$1.4 million or approximately 145.0% as compared to approximately HK$1.0 million in 1H2018, which was mainly due to the increase in the deferred tax expense during 1H2019.

Profit/(Loss) for the Period

As a result of the foregoing, the Group recorded a profit of approximately HK$7.8 million in 1H2019 as compared to the loss of approximately HK$75.9 million in 1H2018.

Profit/(Loss) Attributable to the Owners of the Company

As a result of the foregoing, the Group's profit attributable to the owners of the Company amounted to approximately HK$8.0 million in 1H2019 as compared to the loss of approximately HK$75.5 million in 1H2018.

Property, Plant and Equipment

Property, plant and equipment include items such as service equipment, buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 30 June 2019, the Group's property, plant and equipment amounted to approximately HK$365.2 million, which has decreased by approximately HK$19.1 million or approximately 5.0% from approximately HK$384.4 million as at 31 December 2018. The decrease was primarily due to the recognition of the depreciation expense in 1H2019, which was partly offset by the additions of certain plant and machineries during 1H2019.

Intangible Assets

As at 30 June 2019, the Group's intangible assets, including goodwill, amounted to approximately HK$95.5 million, which was almost the same as the balance as at 31 December 2018.

Right-of-use Assets/Land Use Right

Due to the adoption of IFRS 16 Leases by the Group on 1 January 2019, the total right-of-use assets has increased by approximately HK$15.9 million as at 30 June 2019 while the land use right has decreased by approximately HK$9.7 million as compared with that as at 31 December 2018. Further details of such accounting treatment are disclosed in note 3.2 of this interim report.

Inventories

As at 30 June 2019, the Group's inventories amounted to approximately HK$84.4 million, representing an increase of approximately HK$3.4 million or approximately 4.2% as compared to that of approximately HK$81.0 million as at 31 December 2018. The average turnover days of inventories decreased from approximately 598 days in 1H2018 to approximately 289 days in 1H2019. The decrease of inventories turnover days was partly due to the write-off of certain inventories in the second half of 2018 and also resulted from the usage of less materials in the provision of more fracturing services in 1H2019 as compared with other projects or products.

Trade Receivables

As at 30 June 2019, the Group's trade receivables amounted to approximately HK$207.7 million, representing an increase of approximately HK$1.8 million or approximately 0.9% as compared to that of approximately HK$206.0 million as at 31 December 2018. The average turnover days of trade receivables were approximately 182 days in 1H2019, representing a decrease of approximately 465 days as compared to approximately 647 days in 1H2018. The decrease of turnover days of trade receivables was mainly due to (i) the provision and write-off of certain trade receivables during the second half of 2018 and (ii) faster settlement of trade receivables from customers in 1H2019.

Contract Assets

The contract assets are primarily related to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 30 June 2019, the contract assets amounted to approximately HK$51.0 million, representing an increase of approximately HK$43.9 million or approximately 622.4% as compared to that of approximately HK$7.1 million as at 31 December 2018. The increase was mainly due to the increase in the performance of fracturing services to a customer during 1H2019.

Trade Payables

As at 30 June 2019, the Group's trade payables were approximately HK$109.8 million, which has decreased by approximately HK$18.0 million or approximately 14.1% as compared to that of approximately HK$127.8 million as at 31 December 2018. The average turnover days of trade payables has decreased from approximately 453 days in 1H2018 to approximately 322 days in 1H2019, representing a decrease of approximately 131 days. The decrease of trade payables days was mainly due to the faster settlement of trade payables to suppliers during 1H2019.

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 the returns to shareholders through improving the debts and equity balance.

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately HK$15.2 million, representing a decrease of approximately HK$24.1 million as compared to approximately HK$39.3 million as at 31 December 2018. The cash and cash equivalents were mainly held in HK$, RMB and US$.

As at 30 June 2019, the Group's bank and other borrowings amounted to approximately HK$301.2 million (31 December 2018: HK$288.7 million), of which approximately 46.0% (31 December 2018: 25.0%) was repayable within one year. As at 30 June 2019, the Group's bank borrowings were mainly denominated in HK$, RMB and SG$ whilst approximately 95.7% (31 December 2018: 85.5%) of such borrowings bore interests at fixed lending rates.

As at 30 June 2019, certain buildings and machineries of the Group with carrying values of approximately HK$128.1 million and HK$33.3 million, respectively, (31 December 2018: HK$128.8 million and HK$16.9 million) were pledged to secure general banking facilities and the instalment loan granted to the Group.

Gearing ratio

As at 30 June 2019, the Group's gearing ratio (calculated as the net debt divided by the total capital) was approximately 37.5% (31 December 2018: 33.9%). The net debt is calculated as the total borrowings (including "current and non-current borrowings" as shown in the interim condensed consolidated statement of financial position) and lease liabilities less the cash and cash equivalents and pledged bank deposits. The total capital is calculated as "equity" as shown in the interim condensed consolidated statement of financial position plus the net debt.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR, US$ and RMB. The foreign exchange risk mainly arises from the trade and other receivables, cash and cash equivalents, trade and other payables, intra-group balance and bank and others borrowings in foreign currencies. The Group had not used any financial instrument for hedging during 1H2019 (1H2018: nil).

Use of Proceeds

On 3 April 2019, the Company has completed the issue of convertible bonds (the "**2019 Convertible Bonds**") in aggregate principal amounts of HK$30,000,000 to Asian Equity Special Opportunities Portfolio Master Fund Limited and Ms. Ng Man Chi. These convertible bonds bear interest at the rate of 10% per annum with maturity date on 23 May 2021. Further details of these convertible bonds were disclosed in the Company's announcements dated 21 March and 3 April 2019 and set out in note 12(iii) of this interim report.

As the subscription money payable by the subscribers of the 2019 Convertible Bonds in the aggregate principal amount of HK$30,000,000 has been applied towards the payment of and set-off against the redemption money payable by the Company to the bondholders of the Group's convertible bonds issued on 24 May 2018 in the same aggregate principal amount of HK$30,000,000, the Company did not receive any net proceeds from the issue of the 2019 Convertible Bonds.

Off-balance Sheet Arrangements

As at 30 June 2019, the Group did not have any off-balance sheet arrangements (31 December 2018: nil).

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. During 1H2019, the Company has complied with the Code Provisions, save for the deviation discussed below.

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xin Junhe, being an independent non-executive Director, and Mr. Lee Tommy, being a non-executive Director, could not attend the annual general meeting of the Company held on 6 June 2019 because of their respective other business commitments. Aiming for compliance with this Code Provision, the Company will continue to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way to enable all Directors to attend the general meetings as far as possible.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during 1H2019.

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

For 1H2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for 1H2019 (1H2018: nil).

AUDIT COMMITTEE

Pursuant to the requirements of the Code Provisions and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") which consists of three independent non-executive Directors, namely Mr. Leung Lin Cheong (Chairman of the Audit Committee), Mr. Xin Junhe and Mr. Tong Hin Wor. 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 2019, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

The Company

Name of Director/ chief executive	**Capacity/Nature of interest**	**Number of shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Mr. Wang Jinlong	Interest in a controlled Corporation *(Note 2)*	488,920,138(L)	28.32%
Mr. Lee Tommy	Beneficiary of trust *(Note 3)*	337,269,760(L)	19.53%
Mr. Zhao Jindong	Beneficial owner *(Note 4)*	8,678,833(L)	0.50%
Mr. Huang Yu	Beneficial owner *(Note 5)*	17,954,200(L)	1.04%

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. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy, a non-executive Director) and the offspring of such children. Therefore, Mr. Lee Lap, Mr. Lee Tommy, HSBC International Trustee Limited and Lee & Leung Family Investment Limited are taken to be interested in the number of Shares held by Lee & Leung (B.V.I.) Limited pursuant to Part XV of the SFO.

4. 2,500,000 share options were conditionally granted to Mr. Zhao Jindong on 29 May 2015 and became unconditional on 7 September 2015 and were adjusted to 2,678,833 share options after the completion of the rights issue of the Company on 8 July 2016. 6,000,000 share options were unconditionally granted to Mr. Zhao Jindong on 26 October 2016. Therefore under Part XV of the SFO, Mr. Zhao Jindong is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.

5. 17,000,000 share options were unconditionally granted to Mr. Huang Yu on 31 May 2019. Therefore under Part XV of the SFO, Mr. Huang Yu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted. Apart from the grant of share options, 954,200 shares were also beneficially owned by Mr. Huang Yu.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 *(Note 1)*	Approximate percentage of interest in the Company
Mr. Lee Lap	Founder of a discretionary trust *(Note 2)*	337,269,760(L)	19.53%
	Interest in a controlled corporation *(Note 8)*	488,920,138(L)	28.32%
aEasy Finance Holdings Limited	Interest in a controlled corporation *(Note 8)*	488,920,138(L)	28.32%
Zero Finance Group Holdings Limited	Interest in a controlled corporation *(Note 8)*	488,920,138(L)	28.32%
Earth Axis Investment Limited	Interest in a controlled corporation *(Note 8)*	488,920,138(L)	28.32%
aEasy Credit Investment Limited	Interest in a controlled corporation *(Note 8)*	488,920,138(L)	28.32%
Zero Finance Hong Kong Limited ("**Zero Finance**")	Person having a security interest *(Note 8)*	488,920,138(L)	28.32%
HSBC International Trustee Limited	Trustee *(Note 2)*	337,269,760(L)	19.53%
Lee & Leung Family Investment Limited	Interest in a controlled corporation *(Note 2)*	337,269,760(L)	19.53%

Name of shareholder	Capacity/Nature of interest	Number of shares *(Note 1)*	Approximate percentage of interest in the Company
Lee & Leung (B.V.I.) Limited	Beneficial owner *(Note 2)*	335,737,745(L)	19.44%
	Interest in a controlled corporation *(Note 2)*	1,532,015(L)	0.09%
TCL Corporation	Interest in a controlled corporation *(Note 3)*	136,303,475(L)	7.89%
T.C.L. Industries Holdings (H.K.) Limited ("**TCL HK**")	Interest in a controlled corporation *(Note 3)*	136,303,475(L)	7.89%
Exceltop Holdings Limited	Interest in a controlled corporation *(Note 3)*	136,303,475(L)	7.89%
Jade Max Holdings Limited	Interest in a controlled corporation *(Note 3)*	136,303,475(L)	7.89%
Jade Win Investment Limited ("**Jade Win**")	Beneficial owner	136,303,475(L)	7.89%
Ms. Zhou Xiaojun	Interest of spouse *(Note 4)*	488,920,138(L)	28.32%
King Shine	Beneficial owner	488,920,138(L)	28.32%
UBS Group AG	Person having a security interest in shares *(Note 5)*	91,121,270(L)	5.28%
UBS AG	Beneficial owner *(Note 6)*	670,857(L) 670,857(S)	0.05% 0.05%
	Person having a security interest in shares *(Note 6)*	70,093,285(L)	5.68%

Name of shareholder	Capacity/Nature of interest	Number of shares *(Note 1)*	Approximate percentage of interest in the Company
Greenwoods Asset Management Holdings Limited	Interest in a controlled corporation *(Note 7)*	62,824,713(L)	5.08%
Greenwoods Asset Management Limited	Interest in a controlled corporation *(Note 7)*	62,824,713(L)	5.08%
Jiang Jinzhi	Interest in a controlled corporation *(Note 7)*	62,824,713(L)	5.08%
Unique Element Corp.	Interest in a controlled corporation *(Note 7)*	62,824,713(L)	5.08%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. 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 63.99% of the issued share capital in Termbray Industries International (Holdings) Limited ("**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 HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy, a non-executive Director) and the offspring of such children. Therefore, Mr. Lee Lap, Mr. Lee Tommy, HSBC International Trustee Limited and Lee & Leung Family Investment Limited are taken to be interested in the number of shares held by Lee & Leung (B.V.I.) Limited pursuant to Part XV of the SFO.

3. 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 Holdings Limited, which in turn holds 100% of the issued share capital of Jade Max Holdings Limited, which in turn holds 100% of the issued share capital of Jade Win. Therefore, TCL Corporation, TCL HK, Exceltop Holdings Limited and Jade Max Holdings Limited are taken to be interested in the number of shares of the Company held by Jade Win pursuant to Part XV of the SFO.

4. Ms. Zhou is the spouse of Mr. Wang. Therefore, Ms. Zhou is deemed to be interested in the shares of the Company in which Mr. Wang is interested for the purpose of the SFO.

5. Information is extracted from the corporate substantial shareholder notice filed by UBS Group AG on 24 November 2017.

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 Holdings Limited, Greenwoods Asset Management Limited and Unique Element Corp. on 5 February 2015, and the individual substantial shareholder notice filed by Mr. Jiang Jinzhi on 5 February 2015.

8. On 26 April 2018, King Shine has charged the shares of the Company held by it to Zero Finance. Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Earth Axis Investment Limited, which is wholly-owned by Zero Finance Group Holdings Limited, which is wholly-owned by aEasy Finance Holdings Limited, which is wholly-owned by Mr. Lee Lap. Therefore, Mr. Lee Lap, aEasy Finance Holdings Limited, Zero Finance Group Holdings Limited, Earth Axis Investment Limited and aEasy Credit Investment Limited are taken to be interested in the number of shares of the Company in which Zero Finance is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, 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.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme on 20 December 2010 (as supplemented and amended by an addendum on 25 September 2012). There was no outstanding option under the Pre-IPO Share Option Scheme at the beginning of the reporting period and no option was granted during the period under review. Thus, there was no outstanding option under the Pre-IPO Share Option Scheme at the end of the reporting period.

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. For the six months ended 30 June 2019, 17,000,000 share options have been granted to Mr. Huang Yu under the Share Option Scheme on 31 May 2019. Set out below are details of the movements of share options during the six months ended 30 June 2019:

Grantees	Date of grant	Exercise price (HK$)	Closing price immediately before the date of grant	Options outstanding as at 1 January 2019	Options granted since 1 January 2019	Options exercised since 1 January 2019	Options lapsed/ cancelled since 1 January 2019	Options outstanding as at 30 June 2019
Directors, chief executives and substantial shareholders								
Wang Jinlong	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
Zhao Jindong	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
	29 May 2015	1.2132 *(adjusted)*	1.28	2,678,833	–	– *(Note 2)*	–	2,678,833
	26 October 2016	0.529	0.520	6,000,000	–	– *(Note 3)*	–	6,000,000
Lee Tommy	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
Ma Hua	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
Tong Hin Wor	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
Zeng Weizhong (resigned on 31 May 2019)	1 December 2016	0.530	0.530	17,000,000	–	– *(Note 4)*	10,200,000	6,800,000
	28 June 2018	0.381	0.350	3,000,000	–	– *(Note 5)*	3,000,000	–
Huang Yu	31 May 2019	0.1922	0.183	–	17,000,000	– *(Note 6)*	–	17,000,000
Employees and senior managements	29 April 2014	2.3803 *(adjusted)*	2.44	4,488,779	–	– *(Note 1)*	4,488,779	–
	29 May 2015	1.2132 *(adjusted)*	1.28	32,253,135	–	– *(Note 2)*	3,107,449	29,145,686
	26 October 2016	0.529	0.520	39,860,000	–	– *(Note 3)*	4,860,000	35,000,000
	16 August 2018	0.326	0.32	5,000,000	–	– *(Note 7)*	–	5,000,000
Others	29 April 2014	2.3803 *(adjusted)*	2.44	109,481	–	– *(Note 1)*	109,481	–
	29 May 2015	1.2132 *(adjusted)*	1.28	107,153	–	– *(Note 2)*	–	107,153
Total				111,044,786	17,000,000	–	26,313,114	101,731,672

Notes:

1. The share options have a validity period of 5 years from 29 April 2014 to 28 April 2019 and have lapsed upon the expiry of the validity period.

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 29 May 2016 to 28 May 2022, both dates inclusive.

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

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

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

   The remaining of the share options shall be vested on the date falling on the fifth anniversary of the date of grant and exercisable from 29 May 2020 to 28 May 2022, both dates inclusive.

3. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 26 October 2017 to 25 October 2023, both dates inclusive.

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

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

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

   The remaining of the share options shall be vested on the date falling on the fifth anniversary of the date of grant and exercisable from 26 October 2021 to 25 October 2023, both dates inclusive.

4. Mr. Zeng Weizhong has resigned as the chief executive officer of the Company with effect from 31 May 2019. Thus as at 30 June 2019, 10,200,000 unvested share options have lapsed and 6,800,000 vested share options remain outstanding in accordance with the terms of the scheme.

5. Mr. Zeng Weizhong has resigned as the chief executive officer of the Company with effect from 31 May 2019. Thus as at 30 June 2019, all of the 3,000,000 unvested share options have lapsed in accordance with the terms of the scheme.

6. 20% of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 31 May 2020 to 30 May 2026, both dates inclusive.

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

   Another 20% of the share options shall be vested on the date falling on the third anniversary of the date of grant and exercisable from 31 May 2022 to 30 May 2026, both dates inclusive.

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

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

7. 20% of the share options shall be 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 shall be 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 shall be 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 shall be vested on the date falling on the fourth anniversary of the date of grant and exercisable from 16 August 2022 to 15 August 2025, both dates inclusive.

   The remaining of the share options shall be vested on the date falling on the fifth anniversary of the date of grant and exercisable from 16 August 2023 to 15 August 2025, both dates inclusive.

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

Hong Kong, 15 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**365,210**	384,354
Intangible assets	*8*	**95,471**	95,485
Right-of-use assets	*8*	**15,856**	–
Land use right	*8*	**–**	9,731
Financial asset at fair value through profit or loss		**5,184**	5,184
Other receivables, deposits and prepayments	*9(b)*	**40,886**	38,824
Deferred tax assets		**–**	2,193
		522,607	535,771
Current assets			
Inventories		**84,364**	80,951
Trade receivables	*9(a)*	**207,718**	205,957
Contract assets		**50,994**	7,059
Other receivables, deposits and prepayments	*9(b)*	**96,798**	103,142
Pledged bank deposits		**7,051**	11,702
Cash and cash equivalents		**15,188**	39,315
		462,113	448,126
Total assets		**984,720**	983,897
EQUITY AND LIABILITIES			
Equity			
Share capital	*10*	**2,001,073**	2,001,073
Other reserves		**21,017**	34,872
Accumulated losses		**(1,546,393)**	(1,573,284)
		475,697	462,661
Non-controlling interests		**704**	959
Total equity		**476,401**	463,620

	Note	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*12*	**162,673**	216,460
Lease liabilities	*20*	**5,926**	–
Deferred tax liabilities		**232**	230
		168,831	216,690
Current liabilities			
Trade payables	*11(a)*	**109,832**	127,803
Other payables and accruals	*11(b)*	**73,567**	95,087
Contract liabilities		**17,161**	8,449
Lease liabilities	*20*	**438**	–
Bank and other borrowings	*12*	**138,490**	72,248
		339,488	303,587
Total liabilities		**508,319**	520,277
Total equity and liabilities		**984,720**	983,897

The notes on pages 38 to 70 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Revenue	*7*	**205,489**	105,179
Other income		**796**	606
Operating costs			
Material costs		**(51,714)**	(38,591)
Depreciation of property, plant and equipment	*8*	**(29,876)**	(37,736)
Depreciation of right-of-use assets	*8*	**(416)**	–
Amortisation of intangible assets and land use right	*8*	**(14)**	(661)
Operating lease rental		**(2,898)**	(3,388)
Employee benefit expenses		**(48,138)**	(50,553)
Distribution expenses		**(3,943)**	(1,389)
Technical service fees		**(15,161)**	(7,227)
Entertainment and marketing expenses		**(3,504)**	(3,348)
Net impairment loss on financial assets	*9(a)*	**(1,798)**	(7,236)
Other expenses	*13*	**(26,454)**	(18,022)
Other (losses)/gains, net	*14*	**(228)**	2,792
Operating profit/(loss)		**22,141**	(59,574)
Finance income		**54**	26
Finance costs		**(12,001)**	(15,360)
Finance costs, net	*16*	**(11,947)**	(15,334)
Profit/(loss) before income tax		**10,194**	(74,908)
Income tax expense	*17*	**(2,443)**	(997)
Profit/(loss) for the period		**7,751**	(75,905)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,426)**	(8,965)
Other comprehensive loss for the period, net of tax		**(5,426)**	(8,965)
Total comprehensive income/(loss) for the period		**2,325**	(84,870)

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		**8,006**	(75,518)
Non-controlling interests		**(255)**	(387)
		7,751	(75,905)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**2,580**	(84,483)
Non-controlling interests		**(255)**	(387)
		2,325	(84,870)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:	*18*		
Basic earnings/(loss) per share (HK cents)		**0.5**	(4.4)
Diluted earnings/(loss) per share (HK cents)		**0.5**	(4.4)

The notes on pages 38 to 70 form an integral part of this unaudited interim condensed consolidated financial information.

	Unaudited					
	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	2,001,073	34,872	(1,573,284)	462,661	959	463,620
Total comprehensive income for the period ended 30 June 2019	–	(5,426)	8,006	2,580	(255)	2,325
Total transaction with owners in their capacity as owners						
– Issuance of 2019 Convertible Bonds	–	1,750	–	1,750	–	1,750
– Recognition of share-based payment	–	8,706	–	8,706	–	8,706
– Transfer of share-based payment upon expiry of share options	–	(18,885)	18,885	–	–	–
Total transaction with owners, recognised directly in equity	–	(8,429)	18,885	10,456	–	10,456
Balance at 30 June 2019	2,001,073	21,017	(1,546,393)	475,697	704	476,401

	Unaudited					
	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018 as originally presented	2,001,073	83,308	(962,556)	1,121,825	1,960	1,123,785
– Change in accounting policies – IFRS 9	–	2,237	(16,120)	(13,883)	–	(13,883)
Restated total equity as at 1 January 2018	2,001,073	85,545	(978,676)	1,107,942	1,960	1,109,902
Total comprehensive loss for the period ended 30 June 2018	–	(8,965)	(75,518)	(84,483)	(387)	(84,870)
Total transaction with owners in their capacity as owners						
– Issuance of convertible bonds	–	3,715	–	3,715	–	3,715
– Recognition of share-based payment	–	6,538	–	6,538	–	6,538
Total transaction with owners, recognised directly in equity	–	10,253	–	10,253	–	10,253
Balance at 30 June 2018	2,001,073	86,833	(1,054,194)	1,033,712	1,573	1,035,285

The notes on pages 38 to 70 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(18,618)**	9,053
Interest paid	**(9,630)**	(1,175)
Income tax paid	**(250)**	–
Net cash (used in)/generated from operating activities	**(28,498)**	7,878
Cash flows from investing activities		
Purchases of property, plant and equipment	**(7,879)**	(538)
Proceeds from disposal of property, plant and equipment	**128**	1,690
Interest received	**54**	26
Decrease in pledged bank deposits	**4,651**	384
Net cash (used in)/generated from investing activities	**(3,046)**	1,562
Cash flows from financing activities		
Proceeds from bank and other borrowings	**48,343**	70,998
Repayments of bank and other borrowings	**(40,437)**	(19,855)
Proceeds from issuance of 2019 Convertible Bonds	**–**	29,500
Repayment of convertible bonds	**(1,338)**	(99,790)
Proceeds from shareholder's loan	**20,000**	–
Repayment of shareholder's loan	**(20,000)**	–
Advance from related parties	**1,136**	699
Net cash generated from/(used in) financing activities	**7,704**	(18,448)
Net decrease in cash and cash equivalents	**(23,840)**	(9,008)
Cash and cash equivalents at beginning of period	**39,315**	24,708
Exchange losses on cash and cash equivalents	**(287)**	(212)
Cash and cash equivalents at end of period	**15,188**	15,488

The notes on pages 38 to 70 form an integral part of this unaudited interim condensed consolidated financial information.

1 GENERAL INFORMATION

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

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

The Company has its primary listing on the Main Board of 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 2019 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 an annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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.

Certain comparative figures have been revised to be consistent with the classification of current reporting period.

During the period ended 30 June 2019, the Group reported an operating cash outflow of approximately HK$28,498,000. As at the same date, the Group's total bank and other borrowings amounted to HK$301,163,000, including current bank and other borrowings of HK$138,490,000, while its cash and cash equivalents amounted to HK$15,188,000 only.

The Group did not comply with one of the financial covenant requirements of a bank borrowing with carrying amount of approximately HK$33,819,000 as at 31 December 2018. On 27 March 2019, the Group agreed with the relevant bank to early repay the entire outstanding amount by several instalments from 28 March 2019 to 30 September 2019 and the relevant bank agreed to waive the relevant financial covenant requirement. As at 30 June 2019, the outstanding bank borrowings with the relevant bank approximate to HK$13,072,000 (Note 12).

All of the above indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

2 BASIS OF PREPARATION (Continued)

In view of such circumstances, the directors of the Company (the "**Directors**") have completed a series of transactions to repay the bank and other borrowings and strengthen the Group's working capital, including:

(i) On 21 March 2019, the Group has agreed in writing with all the bondholders of the Group's convertible bonds issued in 2018 ("**2018 Convertible Bonds**") with a total principal amount of HK$30,000,000 to redeem such bonds in full through new convertible bonds issued to the same bondholders by the Group on 3 April 2019 ("**2019 Convertible Bonds**") with the same principal. The 2019 Convertible Bonds will expire on 23 May 2021 and can be early redeemed from 15 April 2020 onward;

(ii) On 25 March 2019, the Group has entered into a loan agreement to borrow HK$20,000,000 from a shareholder (the "**Shareholder's Loan**") for a term of 18 months from the date of drawdown. Such loan is unsecured and bears interest at 10% per annum. The Group had drawn down the entire amount and subsequently repaid to the shareholder before 30 June 2019;

(iii) On 15 January 2019, 9 May 2019 and 26 June 2019, the Group has entered into borrowing facilities agreements with a bank located in the PRC with aggregate borrowing facilities of approximately RMB69 million to fund the Group's working capital needs. As at 30 June 2019, the Group has drawn down approximately RMB29,907,000 (equivalent to approximately HK$33,986,000) from these facilities where approximately RMB20 million will be repayable in May 2020, approximately RMB5 million will be repayable in June 2020 and approximately RMB5 million will be repayable in January 2021. These borrowings are interest-bearing and secured by the Group's trade receivables. The remaining unutilised borrowing facilities of approximately RMB14 million and RMB25 million will expire in June 2020 and January 2021, respectively, and any amounts drawn under such facilities will be repayable upon the maturity of the facilities;

(iv) The Group continues its efforts to implement measures to strengthen its working capital position by expediting collection of outstanding trade receivables and had agreed with certain customers on the repayment plan for the outstanding trade receivables during the year;

(v) The Group continues its efforts to implement measures to generating cash from new sales or service contracts, and to further control capital and operating expenditures to strengthen its working capital; and

(vi) The Group is actively looking for additional sources of financing to enhance its financial position and support the plans to expand its operations.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 30 June 2019. In the opinion of the Directors, in light of the above, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2019. Accordingly, the Directors consider that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2018, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2019.

3.1 New and amended standards and interpretations adopted by the Group

New and amended standards and interpretations, which are mandatory for the first time for the financial period beginning 1 January 2019, are as follows:

Annual improvements project	Annual Improvements to IFRSs 2015 – 2017 Cycle
IAS 19 (Amendment)	Employee Benefits
IAS 28 (Amendment)	Investments in Associate and Joint Ventures
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments

Except as disclosed in Note 3.2 for the adoption of IFRS 16, the adoption of the above new and amended standards and interpretations did not have any significant impact on the preparation of these consolidated financial information.

3.2 Adoption of IFRS 16 Leases

The Group has adopted IFRS 16 on 1 January 2019 without restating comparative information for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Statement of financial position (extract)	31 December 2018 As originally presented HK$'000	IFRS 16 HK$'000	**1 January 2019 Restated HK$'000**
Non-current assets			
Right-of-use-assets	–	16,335	**16,335**
Land use right	9,731	(9,731)	**–**
Non-current liabilities			
Lease liabilities	–	6,116	**6,116**
Contract liabilities			
Lease liabilities	–	488	**488**

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Adoption of IFRS 16 Leases (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	15,964
Discounted using the lessee's incremental borrowing rate at the date of initial application	10,571
Less: short-term leases recognised on a straight-line basis as expense	(3,967)
Lease liabilities recognised as at 1 January 2019	6,604
Of which are:	
Current lease liabilities	488
Non-current lease liabilities	6,116

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that leases recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 HK$'000	1 January 2019 HK$'000
Properties leases	320	512
Land use right	15,536	15,823
Total right-of-use assets	15,856	16,335

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Adoption of IFRS 16 Leases (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17.

(b) The Group's leasing activities and how these are accounted for

Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liabilities and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Adoption of IFRS 16 Leases (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 ESTIMATES

The preparation of interim 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 consolidated financial statements for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

5.2 Credit risk

Credit risk arises from cash and cash equivalents and pledged bank deposits, as well as credit exposures to the customers, including outstanding receivables and committed transactions.

(i) Risk management

To manage risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with state-owned or reputable financial institutions in the PRC and the reputable international financial institutions outside of the PRC. There has been no history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that sales of its services and products are made to customers with sufficient level of creditworthiness and the Group generally grants its customers a credit term of up to three months.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Credit risk (Continued)

(i) Risk management (Continued)

Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. The Group maintains different billing policies for different customers based on the negotiated terms with each customer. The Group will issue progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment and due date of payment varies from contract to contract. The Group negotiates with those debtors with overdue balances to agree a repayment schedule by both parties and regularly evaluates the credit quality of its debtors to assess the necessity to revise the credit term.

The credit risk of the other receivables is managed on Group basis, taking into account the historical default experience and the future prospectus of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default in each of these counterparties, as well as the loss upon default in each case.

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- other receivables and deposits;
- pledged bank deposit; and
- cash and cash equivalents.

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under IFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

Contract assets are subject to the impairment requirements under IFRS 9, yet the identified impairment loss is immaterial because the contract asset are related to contracts which are still in progress and the payment is not yet due for repayment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables without financing components.

To measure the expected credit losses, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due.

For trade receivables with financing component, the Group choose to recognise lifetime expected losses or assets if there is any significant increase in credit risk over the life of instrument.

The Group divided trade receivables into two categories by the settlement pattern of customers to measure the expected loss. Category 1 is for customers conducting business in the Middle East. Category 2 is for customers conducting business in the PRC and other regions. With different types of customers, the Group calculated the expected loss respectively.

For category 1, the expected credit losses for these customers are measured at individual basis with the receivables of these customers assessed individually for provision for impairment allowance. Trade receivables more than 24 months overdue are 100% provided for.

For category 2, the expected credit losses rate for the trade receivables is determined according to a provision matrix where balances that are less than 12 months overdue are provided for at expected losses rate of 1-14% and trade receivables more than 12 months overdue are 100% provided for.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables and deposits

Other receivables and deposits are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime expected credit losses. As at 30 June 2019, the Group's allowance for impairment of other receivables approximate to HK$15,674,000 (31 December 2018: HK$15,581,000).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of receiving additional cash.

5.3 Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

During the period ended 30 June 2019, the Group reported an operating cash outflow of approximately HK$28,498,000. As at the same date, the Group's total bank and other borrowings amounted to HK$301,163,000, including current bank and other borrowings of HK$138,490,000, while its cash and cash equivalents amounted to HK$15,188,000 only.

The Group did not comply with one of the financial covenant requirements of a bank borrowing with carrying amount of approximately HK$33,819,000 as at 31 December 2018. On 27 March 2019, the Group agreed with the relevant bank to early repay the entire outstanding amount by several instalments from 28 March 2019 to 30 September 2019 and the relevant bank agreed to waive the relevant financial covenant requirement. As at 30 June 2019, the outstanding bank borrowings with the relevant bank approximate to HK$13,072,000.

In view of such circumstances, the Directors have completed a series of transactions to repay the bank and other borrowings and strengthen the Group's working capital as summarised in Note 2 of these interim condensed consolidated financial information.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.4 Fair value estimation

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 2019 and 31 December 2018, the financial asset at fair value through profit or loss is measured at fair value under level 3 valuation method.

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6 SEASONAL NATURE OF THE BUSINESS

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

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

7 SEGMENT INFORMATION

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

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

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

7 SEGMENT INFORMATION (Continued)

(a) Revenue

Revenue recognised during the six months ended 30 June 2019 and 2018 are as follows:

	Unaudited Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
Oilfield project tools and services		
– Drilling work	**15,354**	11,444
– Well completion work	**61,435**	36,934
– Production enhancement work	**111,205**	41,950
Total oilfield project tools and services	**187,994**	90,328
Consultancy services	**17,495**	14,851
Total revenue	**205,489**	105,179
Timing of revenue recognition		
At a point in time	**74,720**	45,847
Over time	**130,769**	59,332
	205,489	105,179

For the Group's oilfield project tools and services, contracts are for periods of one year or less. For the Group's consultancy services, the Group bills the amount based on the time incurred to provide the services, therefore, the Group uses "right to invoice" practical expedient to recognise revenue in the amount to which the Group has a right to invoice. As permitted under IFRS15, the transaction price allocated to these unsatisfied contracts are not discussed.

7 SEGMENT INFORMATION (Continued)

(b) Segment results

The segment information for the six months ended 30 June 2019 and 2018 are as follows:

	Unaudited		
	Oilfield project tools and services HK$'000	Consultancy services HK$'000	Total HK$'000
Six months ended 30 June 2019			
Total segment revenue	**187,994**	**17,495**	**205,489**
Inter-segment revenue	**–**	**–**	**–**
Revenue from external customers	**187,994**	**17,495**	**205,489**
Segment results	**79,082**	**13,266**	**92,348**
Net unallocated expenses			**(82,154)**
Profit before income tax			**10,194**
Other information:			
Amortisation of intangible assets	**(14)**	**–**	**(14)**
Depreciation of property, plant and equipment	**(25,362)**	**–**	**(25,362)**
Depreciation of right-of-use assets	**(416)**	**–**	**(416)**
Net impairment loss on financial assets	**(1,645)**	**(153)**	**(1,798)**
Six months ended 30 June 2018			
Total segment revenue	90,328	14,851	105,179
Inter-segment revenue	–	–	–
Revenue from external customers	90,328	14,851	105,179
Segment results	(15,179)	7,710	(7,469)
Net unallocated expenses			(67,439)
Loss before income tax			(74,908)
Other information:			
Amortisation of intangible assets	(506)	–	(506)
Depreciation of property, plant and equipment	(33,360)	–	(33,360)
Net impairment loss on financial assets	(6,214)	(1,022)	(7,236)

7 SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

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

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Segment results	**92,348**	(7,469)
Other income	**796**	606
Depreciation of property, plant and equipment	**(4,514)**	(4,376)
Amortisation of other intangible assets	**–**	(155)
Operating lease rental	**(2,898)**	(2,227)
Employee benefit expenses	**(39,962)**	(38,594)
Entertainment and marketing expenses	**(3,450)**	(3,107)
Other expenses	**(23,179)**	(12,828)
Other gains, net	**1,946**	2,792
Finance income	**54**	26
Finance costs	**(10,947)**	(9,576)
Profit/(loss) before income tax	**10,194**	(74,908)

The segment results included the material costs, technical service fees, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, distribution expenses, operating lease rental, employee benefit expenses, entertainment and marketing expenses, net impairment loss on financial assets, other expenses, other gains, net, and finance costs allocated to each operating segment.

8 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, LAND USE RIGHT AND RIGHT-OF-USE ASSETS

	Unaudited				
	Property, plant and equipment HK$'000	Intangible assets – computer software HK$'000	Intangible assets – goodwill HK$'000	Land use Right (Note 3.2) HK$'000	Right-of-use assets (Note 3.2) HK$'000
Six months ended 30 June 2019					
Net book value					
Opening amount as at 1 January 2019	**384,354**	**29**	**95,456**	**–**	**16,335**
Additions	**15,506**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(29,876)**	**(14)**	**–**	**–**	**(416)**
Disposals	**(1,295)**	**–**	**–**	**–**	**–**
Exchange differences	**(3,479)**	**–**	**–**	**–**	**(63)**
Closing amount as at 30 June 2019	**365,210**	**15**	**95,456**	**–**	**15,856**
Six months ended 30 June 2018					
Net book value					
Opening amount as at 1 January 2018	501,271	693	305,941	10,452	–
Additions	538	–	–	–	–
Depreciation and amortisation	(37,736)	(542)	–	(119)	–
Disposals	(1,807)	–	–	–	–
Exchange differences	(4,324)	1	(667)	(130)	–
Closing amount as at 30 June 2018	457,942	152	305,274	10,203	–

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Trade receivables	**420,493**	420,559
Less: provision for impairment of trade receivables	**(212,775)**	(214,602)
Trade receivables – net	**207,718**	205,957

As at 30 June 2019 and 31 December 2018, ageing analysis of gross trade receivables by services completion and delivery date are as follows:

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Up to 3 months	**73,740**	82,314
3 to 6 months	**39,343**	24,920
6 to 12 months	**28,450**	60,344
Over 12 months	**278,960**	252,981
Trade receivables	**420,493**	420,559
Less: provision for impairment of trade receivables	**(212,775)**	(214,602)
Trade receivables - net	**207,718**	205,957

The carrying values of trade receivables approximate to their fair values.

Before accepting any new customers, the Group entities apply an internal credit assessment policy to assess the potential customer's credit quality. Management closely monitors the credit quality of trade receivables and considers that the trade receivables to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults. The Group generally allows a credit period of 90 days after invoice date to its customers.

Management has assessed the credit quality of customers on a case-by-case basis, taking into account of the financial positions, historical record, amounts and timing expected receipts and other factors. For customers with higher inherent credit risk, the Group increases the price premium of the transactions to manage the risk. The Group has reviewed the credit risk exposure and the customers' expected pattern of settlement at each year/period end.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movement on the Group's allowance for impairment of trade receivables are as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Opening amount	**214,602**	152,867
Opening loss allowance as at 1 January 2018		
– calculated under IFRS 9	**–**	12,503
Provision for receivables impairment	**1,798**	7,236
Write off of provision for receivables impairment	**(1,417)**	(16,997)
Exchange differences	**(2,208)**	(970)
Closing amount	**212,775**	154,639

As at 30 June 2019 and 2018, the Group applied the expected credit loss model resulted in the recognition of impairment loss on receivable of HK$1,798,000 (30 June 2018: HK$7,236,000).

During the period ended 30 June 2019, management has write off the receivables from customers which have been previously fully period of approximately HK$1,417,000 (2018: HK$16,997,000).

The Group divided trade receivables into two categories by the settlement pattern of customers to measure the expected loss rates. Category 1 is for the customers conducting business in the Middle East. Category 2 is for the customers conducting business in the PRC and other regions. With different types of customers, the Group calculated the expected loss respectively.

For category 1, the expected credit losses for these customers are measured at individual basis with the receivables of such customers assessed individually for provision for impairment allowance. Trade receivables more than 24 months overdue are 100% provided for.

For category 2, the expected credit losses rate for trade receivables is determined according to a provision matrix where balances that are less than 12 months overdue are provided for at expected losses rate of 1-14% and trade receivables more than 12 months overdue are 100% provided for.

The loss allowances for trade receivables of category 1 and category 2 customers as at 30 June 2019 are HK$142,550,000 and HK$70,225,000 respectively (31 December 2018: HK$142,549,000 and HK$72,053,000 respectively).

As at 30 June 2019, bank borrowings are secured by the trade receivables of a subsidiary of the Group of approximately HK$33,986,000 (31 December 2018: nil).

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Deposits and other receivables – third parties	**28,270**	25,288
Receivables from disposal of machines, net of provision of HK$15,674,000 (31 December 2018: HK$15,581,000)	**15,674**	15,581
Value-added tax recoverable	**63,299**	69,551
Rental deposits	**793**	854
Cash advances to staff	**6,579**	5,244
Advances to the Directors and senior management *(Note 21)*	**1,341**	1,748
Prepayments for materials	**20,505**	22,772
Prepayments for rents and others	**1,223**	928
	137,684	141,966
Less:		
Non-current value-added tax recoverables	**(40,886)**	(38,824)
Non-current portion	**(40,886)**	(38,824)
Current portion	**96,798**	103,142

10 SHARE CAPITAL

	Unaudited Number of shares '000	**Unaudited Total HK$'000**
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	**1,726,674**	**2,001,073**
At 1 January 2018 and 30 June 2018	1,726,674	2,001,073

11 TRADE AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade payables based on invoice date are as follows:

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Up to 3 months	**32,006**	37,882
3 to 6 months	**8,060**	7,165
6 to 12 months	**14,171**	18,337
Over 12 months	**55,595**	64,419
	109,832	127,803

(b) Other payables and accruals

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Other payables		
– Third parties	**58,099**	76,480
– Related parties *(Note 21)*	**911**	182
Accrued payroll and welfare	**6,627**	10,302
Other tax and surcharge payables	**7,930**	8,123
	73,567	95,087

12 BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Non-current		
Bank borrowings *(Note (i))*	**10,027**	5,867
Other borrowings *(Note (ii))*	**152,646**	210,593
	162,673	216,460
Current		
Bank borrowings *(Note (i))*	**30,816**	2,071
Bank borrowings immediately repayable *(Note (i))*	**13,072**	33,819
Convertible bonds – liability component *(Note (iii))*	**26,765**	27,482
Other borrowings *(Note (ii))*	**67,837**	8,876
	138,490	72,248
	301,163	288,708

(i) Bank borrowings

As at 30 June 2019, banking facilities of approximately HK$98,000,000 (31 December 2018: HK$42,000,000) were granted by banks to the Group, of which approximately HK$54,000,000 have been utilised by the Group (31 December 2018: HK$42,000,000). The Group has undrawn banking facilities of approximately HK$44,000,000 (31 December 2018: nil). The facilities are secured by:

(i) corporate guarantee given by the Company and its subsidiary;

(ii) personal guarantee by certain directors of the Group;

(iii) buildings of the Group; and

(iv) trade receivables of the Group.

Pursuant to the requirements of the banking facilities dated 26 December 2014, the Group is obliged to comply with restrictive financial covenant and certain undertakings. Based on the consolidated financial information for the year ended 31 December 2018, the Group did not comply with one of the financial covenants of a bank borrowing with carrying value of approximately HK$33,819,000 and such borrowing became immediately repayable on demand. In this connection, the Group had classified the entire outstanding bank borrowings under current liabilities as at 31 December 2018. On 27 March 2019, the Group agreed with the relevant bank to early repay the entire outstanding amount by several instalments from 28 March 2019 to 30 September 2019 and the relevant bank agreed to waive the relevant financial covenant requirement. As at 30 June 2019, the outstanding bank borrowings with the relevant bank approximate to HK$13,072,000.

12 BANK AND OTHER BORROWINGS (Continued)

(ii) Other borrowings

As at 30 June 2019, other borrowings of the Group include:

(a) bondholders loans agreed with certain bondholders of HK$51,000,000, bearing interest at 10% per annum, over which approximately HK$27,000,000 will mature in April 2020 and the remaining will mature in September 2020.

(b) a two-year borrowing with a principal amount of HK$140,000,000, bearing interest at 5.5% per annum, over which approximately HK$30,000,000 will mature in April 2020 and the remaining will mature in July 2020.

(c) three-year instalment loans with a carrying amount of RMB25,944,000 (equivalent to approximate HK$29,483,000), bearing interest of 6.7% per annum. The loans were utilised for the purpose of acquiring machineries for the Group's operation and are secured by the corresponding machineries acquired.

(iii) Convertible bonds

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Convertible bonds	**26,765**	27,482

On 21 March 2019, the Group has agreed in writing with all bondholders of the 2018 Convertible Bonds to redeem such bonds in full through the issuance of the 2019 Convertible Bonds to the same bondholders on 3 April 2019 ("**Modification Date**") with the same principal amount of HK$30,000,000. The 2019 Convertible Bonds bear coupon rate of 10% per annum, payable monthly in arrears, and have a maturity date of 23 May 2021. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$0.288 per conversion share at any period commencing from the date of issuance of the convertible bonds and up to the business day immediately prior to the maturity date. In addition, the holder has the right to early redeem the convertible bonds in amounts of HK$1,000,000 or integral multiples thereof, together with all interests accrued up to the date of early redemption, commencing from 15 April 2020 and up to the maturity date. The values of the liability component and the equity conversion component were determined at the completion of the issuance of the 2019 Convertible Bonds.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 20% which is based on market interest rates for a number of comparable convertible bonds and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the net proceeds from the bonds and the fair value of the liability component and is included in other reserves in equity. Subsequently, the liability component is carried at amortised cost.

12 BANK AND OTHER BORROWINGS (Continued)

(iii) Convertible bonds (Continued)

On the Modification Date, the difference of fair values of the 2019 Convertible Bonds and 2018 Convertible Bonds of HK$6,279,000 was charged into the interim condensed consolidated statement of comprehensive income as share-based compensation for the period ended 30 June 2019 given no vesting conditions existed (Note 13).

The 2019 Convertible Bonds is calculated as follows:

	HK$'000
Net proceeds of convertible bonds issued on 3 April 2019	30,000
Equity component	(3,923)
Liability component at initial recognition	26,077

Movements in convertible bonds are analysed as follows:

	Unaudited Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
Opening amount	**27,482**	155,576
Issuance of 2018 Convertible Bonds	**–**	25,785
Settlement of convertible bonds	**–**	(95,000)
Modification of the 2018 Convertible Bonds	**(1,750)**	–
Conversion to bondholder loans	**–**	(62,000)
Interest expenses	**2,371**	6,706
Interest paid	**(1,338)**	(4,790)
Closing amount	**26,765**	26,277
Less: Non-current convertible bonds	**–**	(24,132)
Current portion	**26,765**	2,145

13 OTHER EXPENSES

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Communications	**456**	525
Professional service fees	**6,816**	5,332
Motor vehicle expenses	**873**	503
Travelling	**6,084**	4,899
Office utilities	**3,817**	2,722
Other tax-related expenses and custom duties	**458**	130
Share-based compensation – non-employee *(Note)*	**6,279**	–
Others	**1,671**	3,911
	26,454	18,022

Note:

On 3 April 2019, the Group issued the 2019 Convertible Bonds to the same bondholders of the 2018 Convertible Bonds with the same principal, bearing interest at the rate of 10% per annum and payable monthly in arrears. The difference of fair values of the 2019 Convertible Bonds and 2018 Convertible Bonds of HK$6,279,000 at the Modification Date was charged into the interim condensed consolidated statement of comprehensive income for the period ended 30 June 2019 given no vesting conditions existed.

14 OTHER (LOSSES)/GAINS, NET

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Foreign exchange gains	**279**	2,258
Gains/(loss) on disposals of property, plant and equipment	**914**	(117)
Government grant	**1,112**	–
Loss on disposal of a subsidiary	**(3,089)**	–
Others	**556**	651
	(228)	2,792

15 SHARE-BASED PAYMENTS

The Company adopted a share option scheme (the "**Scheme**" or "**Share Option Scheme**") 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, selected employees and a consultant of the Company.

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

	Share options by grant date						
	29 April 2014	**29 May 2015**	**26 October 2016**	**1 December 2016**	**28 June 2018**	**16 August 2018**	**31 May 2019**
Number of ordinary shares granted:							
– Directors	800,000	2,500,000	6,000,000	–	–	–	–
– Senior management	12,100,000	26,000,000	20,000,000	17,000,000	3,000,000	5,000,000	17,000,000
– Employees	7,100,000	31,200,000	42,000,000	–	–	–	–
Exercise price	HK$2.60	HK$1.30	HK$0.53	HK$0.53	HK$0.38	HK$0.33	HK$0.19
Contractual option term	Five years	Seven years	Seven years	Seven years	Seven years	Seven years	Seven years
Expiry date	28 April 2019	28 May 2022	25 October 2023	30 November 2023	27 June 2025	15 August 2025	30 May 2026

For the share options granted on 29 April 2014, the vesting period of the share options ranges from one to three years. All the options are conditional in which only one-third and two-third are vested and exercisable after one and two years from the grant date, respectively. The remaining options are vested and exercisable after three years from the grant date.

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

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

15 SHARE-BASED PAYMENTS (Continued)

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 into the model were as follows:

	Share options by grant date						
	29 April 2014	29 May 2015	26 October 2016	1 December 2016	28 June 2018	16 August 2018	31 May 2019
Range of fair value of options granted (HK$)	0.87 – 0.88	0.62 – 0.66	0.19 – 0.25	0.23 – 0.26	0.15 – 0.17	0.14 – 0.16	0.08 – 0.10
Weighted average share price at the grant date (HK$)	2.44	1.28	0.52	0.53	0.35	0.32	0.18
Expected volatility *(Note)*	49.72%	56.49%	47.97%	47.75%	49.59%	49.45%	53.41%
Expected option life	5 years	7 years	7 years	7 years	7 years	7 years	7 years
Dividend yield	1.15%	Nil	Nil	Nil	Nil	Nil	Nil
Annual risk-free interest rate	1.42%	1.37%	0.75%	1.18%	2.19%	2.08%	1.41%

Note:

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

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

15 SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 30 June 2019 are as follow:

	Number of share options			
	As at 1 January 2019	Granted during the period	Forfeited/ lapsed during the period	As at 30 June 2019
Grant date				
29 April 2014	5,145,665	–	(5,145,665)	–
29 May 2015	35,012,121	–	(3,080,449)	31,931,672
26 October 2016	45,860,000	–	(4,860,000)	41,000,000
1 December 2016	17,000,000	–	(10,200,000)	6,800,000
28 June 2018	3,000,000	–	(3,000,000)	–
16 August 2018	5,000,000	–	–	5,000,000
31 May 2019	–	17,000,000	–	17,000,000
Total	111,017,786	17,000,000	(26,286,114)	101,731,672
Weighted average exercise price (HK$)				
Grant date				
29 April 2014	2.38	–	–	2.38
29 May 2015	1.21	–	–	1.21
26 October 2016	0.53	–	–	0.53
1 December 2016	0.53	–	–	0.53
28 June 2018	0.38	–	–	0.38
16 August 2018	0.33	–	–	0.33
31 May 2019	–	0.19	–	0.19

15 SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 30 June 2018 are as follow:

	Number of share options			
	As at 1 January 2018	Granted during the period	Forfeited/ lapsed during the period	As at 30 June 2018
Grant date				
29 April 2014	15,546,499	–	(109,481)	15,437,018
29 May 2015	45,754,449	–	(985,809)	44,768,640
26 October 2016	58,200,000	–	(1,800,000)	56,400,000
1 December 2016	17,000,000	–	–	17,000,000
28 June 2018	–	3,000,000	–	3,000,000
Total	136,500,948	3,000,000	(2,895,290)	136,605,658
Weighted average exercise price (HK$)				
Grant date				
29 April 2014	2.38	–	–	2.38
29 May 2015	1.21	–	–	1.21
26 October 2016	0.53	–	–	0.53
1 December 2016	0.53	–	–	0.53
28 June 2018	–	0.38	–	0.38

No share options have been exercised by the option holders during the period ended 30 June 2019 and 2018.

During the period ended 30 June 2019, share-based payment expense of HK$2,427,000 for the Share Option Scheme was recognised in the interim condensed consolidated statement of comprehensive income (30 June 2018: HK$6,538,000).

16 FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest expenses:		
– Bank and other borrowings (excluding convertible bonds)	**(9,465)**	(3,472)
– Finance lease liabilities	**–**	(48)
– Lease liabilities	**(165)**	–
– Interest cost for convertible bonds	**(2,371)**	(6,706)
– Modification losses on trade and other receivables	**–**	(5,134)
Finance costs	**(12,001)**	(15,360)
Finance income:		
– Interest income from bank deposits	**54**	26
Finance income	**54**	26
Finance costs, net	**(11,947)**	(15,334)

17 INCOME TAX EXPENSE

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 2019 (30 June 2018: 25%), based on the relevant PRC tax laws and regulations, except those subsidiaries that were approved by relevant local tax bureau authorities as the High-technological Enterprise, and were entitled to a preferential Enterprise income tax rate of 15% (30 June 2018: 15%) during the period. Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% (30 June 2018: 17%) 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 period ended 30 June 2019 (30 June 2018: 16.5%).

17 INCOME TAX EXPENSE (Continued)

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax	**250**	–
Deferred tax	**2,193**	997
Income tax expense	**2,443**	997

18 EARNINGS/(LOSS) PER SHARE FOR THE PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Unaudited Six months ended 30 June	
	2019	2018
Profit/(loss) attributable to owners of the Company (HK$'000)	**8,006**	(75,518)
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**1,726,674**	1,726,674
Basic and diluted earnings/(loss) per share (HK cents)	**0.5**	(4.4)

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of shares in issue.

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

For the period ended 30 June 2019 and 2018, diluted earnings/(loss) per share was the same as basic earnings/(loss) per share since all potential ordinary shares are anti-dilutive as both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds have an anti-dilutive effect to the basic earnings/(loss) per share.

19 CONTINGENCIES

	Unaudited As at 30 June 2019 HK$'000	Audited As at 31 December 2018 HK$'000
Performance bonds *(Note)*	**2,174**	1,749

Note:

Performance bonds related to the guarantees provided by the banks to the Group's customers in respect of the sales of tools and equipment or provision of services in overseas projects. In the event of non-performance, the customers might call upon the performance bonds and the Group would be liable to the banks in respect of the performance bonds provided.

20 LEASE LIABILITIES

	Unaudited As at 30 June 2019 HK$'000	Unaudited As at 1 January 2019 HK$'000
Total lease liabilities	**6,364**	6,604
Less: Current portion	**(438)**	(488)
Non-current portion	**5,926**	6,116

The Group leases various office premises and land use rights under lease agreements. The majority of lease liabilities are denominated in SGD and USD. No arrangement has been entered into for variable lease payments.

During the six months ended 30 June 2019, the Group's operating lease rental payments relating to short-term and low-value leases of HK$2,898,000 have been recognised as expenses and included in 'operating lease rental' in the interim condensed consolidated statements of comprehensive income.

21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or excise 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 2019 and 2018, and balances arising from related party transactions as at 30 June 2019 and 31 December 2018.

Name	**Relationships**
Mr. Wang JinLong	Director
Mr. Zhao JinDong	Director
Mr. Zheng WeiZhong *(Note (i))*	Senior management
Ms. Sun JinXia *(Note (ii))*	Senior management
Mr. Shu WaTung Laurence *(Note (iii))*	Senior management
Mr. Lin JingYu	Senior management
Mr. Zhang TaiYuan	Senior management
Mr. Ren Wensheng	Senior management
Mr. Chan KwokYuen Elvis *(Note (iv))*	Senior management
Mr. Huang Yu *(Note (v))*	Senior management
King Shine Group Limited	Shareholder

Note:

(i) Resigned from the Group on 31 May 2019.

(ii) Resigned from the Group on 7 May 2019.

(iii) Resigned from the Group on 31 July 2018.

(iv) Appointed as Chief Financial Officer on 31 July 2018.

(v) Appointed as Chief Executive Officer on 31 May 2019.

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Key management compensation

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

	Unaudited Six months ended 30 June	
	2019 **HK$'000**	2018 HK$'000
Salaries and other short-term employee benefits	**3,690**	5,087
Share-based payments	**941**	3,209
	4,631	8,296

(b) Amounts due from/(to) related parties

	Unaudited **As at** **30 June** **2019** **HK$'000**	Audited As at 31 December 2018 HK$'000
Amounts due from related parties *(Note 9) (Note (i))*	**1,341**	1,748
Amounts due to related parties *(Note 11) (Note (ii))*	**(911)**	(182)

As at 30 June 2019 and 31 December 2018, the balances are interest-free, unsecured, receivable or repayable on demand and approximate to their fair values.

Note (i):

The balances mainly comprise of advances to the Directors and senior management.

Note (ii):

The balances mainly comprise of expenses paid on behalf by the Directors and senior management.