



2022

INTERIM REPORT

ANTON 安東

安東油田服務集團
Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)



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CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Mr. LUO Lin
Mr. PI Zhifeng
Mr. FAN Yonghong

Non-executive Director

Mr. HUANG Song

Independent Non-executive Directors

Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Mr. Wee Yiau Hin

AUDIT COMMITTEE

Mr. ZHU Xiaoping (Chairman)
Mr. ZHANG Yongyi
Mr. Wee Yiau Hin

REMUNERATION COMMITTEE

Mr. Wee Yiau Hin (Chairman)
Mr. ZHU Xiaoping
Mr. LUO Lin

NOMINATION COMMITTEE

Mr. ZHANG Yongyi (Chairman)
Mr. Wee Yiau Hin
Mr. LUO Lin

ESG (“ENVIRONMENT, SOCIETY AND GOVERNANCE”) COMMITTEE

Mr. PI Zhifeng (Chairman)
Mr. LUO Lin
Mr. FAN Yonghong

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Ms. Nelly AU-YEUNG

COMPANY SECRETARY

Ms. Nelly AU-YEUNG

COMPANY’S WEBSITE

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PRINCIPAL PLACE OF BUSINESS IN PRC

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CORPORATE INFORMATION

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

as to Hong Kong and U.S. law:

Sidley Austin

as to PRC law:

TIGER PARTNERS

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

Citi Bank
Shanghai Pudong Development Bank
China Merchants Bank
Industrial Bank Co., Ltd

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the First Half, oil and gas demand further recovered around the globe. Oil prices soared due to a supply shortfall resulting from years of subdued capital expenditure in major oil- and gas-producing regions around the world. Under such market conditions, oil companies increased their capital expenditures to drive capacity expansion and production growth. The oil and gas industry entered a new upward cycle.

Under such favorable market environment, the Group seized the opportunity to actively promote business development with strong growth momentum. Overseas, in the Iraqi market, with the successful restart of our second drilling rig in May, the Group's projects in this market, which were previously delayed due to COVID have been fully resumed. Meanwhile, as our customers vigorously build new capacities and intensify resource development, the Group has actively participated in and continued to win bids for high-quality technical service contracts, such as oilfield operation and maintenance services, stimulation technology and operations, and inspection services. In the Chinese market, the government's 14th Five-Year Plan for a modern energy system clearly states the need to improve strategic energy security, enhance oil and gas supply capacities, and increase domestic oil and gas exploration and development. At the same time, the government has committed to both conventional and non-conventional energy sources; to actively expand the exploration and development of non-conventional resources; and to accelerate the development of shale oil, shale gas, and coal-bed methane. In this context, the Group fully leveraged its technological strengths to help oil company customers with resource development, while actively implementing sustainability principles and pursuing business model innovation. The Chinese market achieved 80.8% growth in new orders during the First Half, laying a solid foundation for subsequent growth. In other overseas markets, the Group maintained stable operation of its oilfield management project in Chad and successfully concluded the renewal of the management service contract. Additionally, the Group entered the Algerian market for the first time, winning an order for asset-light oilfield supervision and management services. Overall, emerging markets have shown buoyant upstream oil and gas development activity and broad prospects for growth.

In terms of management, in the face of strong industry growth and while actively expanding its business, the Group further enhanced operational and management efficiency through a series of managerial reforms and optimizations. During the Reporting Period, the Group implemented the OKR methodology across the organization, set aspirational goals, and motivated its entire workforce to focus on the goals to drive transformational growth. Additionally, the Group prudently responded to the potential risk of global inflation and the associated cost increases. It further strengthened supplier management and harnessed the Group's platformization advantages to select the top suppliers for strategic partnerships to counter inflationary risks. The Group continued its rigorous cost control while optimizing management processes to achieve continuous gains in management efficiency. In the First Half, the Group's profit attributable to the equity holders of the Company increased 111.9% over the same period of 2021, and its net operating cash flow hit a new milestone with an increased inflow of RMB227.5 million compared to the same period in 2021.

In terms of debt management, bond prices experienced volatility due to broader market conditions. In this market climate, the Company adopted a nimble approach to debt management to ensure debt security. In the First Half, the Group made further repurchases of the USD300,000,000/7.5% senior notes due December 2022 (the "2022 Bonds") through the secondary market. As at 30 June 2022, the Group had repurchased additionally USD43,205,000 of the 2022 Bonds from the secondary market. Upon successful cancellation of all the repurchased bonds, the balance of the 2022 Bonds will be reduced to USD134,382,000, representing approximately 44.8% of the bonds' total initial principal.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of environmental, social, and governance (ESG) considerations, the Group continued to uphold its vision of becoming “a model for the efficient and harmonious development of humanity and the environment” and further improved its sustainability framework in all aspects. During the Reporting Period, the Group formulated a long-term plan to address climate change, formally announced the abatement target of “achieving 60% reduction in GHG emissions per unit of revenue by 2030 compared with the base year (2019), and achieving carbon neutrality and net zero emissions by 2060”, and achieved commendable results in decarbonization during the year. We continued to protect and enable our employees, and we further improved our corporate social responsibility by formulating and publishing our Human Resources Social Responsibility Policy. We also further improved our cultural system and established systems and processes related to transformation and innovation.

Performance Results

For the First Half, the Group’s revenue totaled RMB1,688.0 million, representing an increase of RMB266.7 million, or 18.8%, from the first half of 2021. The Group’s operating profit was RMB294.7 million, representing an increase of RMB72.3 million, or 32.5%, from RMB222.4 million for the corresponding period in 2021. Net profit was RMB88.5 million, a substantial increase of 103.9% from RMB43.4 million in the same period of 2021. Profits attributable to equity holders of the Company was RMB90.7 million, representing an increase of RMB47.9 million, or 111.9%, from RMB42.8 million in the corresponding period in 2021. The net profit margin attributable to equity holders of the Company was 5.4%.

As at 30 June 2022, the Group’s accounts receivable balance was approximately RMB2,185.6 million, and the average accounts receivable turnover was 221 days, representing a decrease of 20 days as compared to the same period last year; the average inventory turnover was 144 days, representing a decrease of 26 days as compared to the same period last year; the average account payables turnover was 88 days, representing a decrease of 10 days as compared to the same period last year. Operating cash flow was RMB320.7 million, a significant increase of RMB227.5 million from RMB93.2 million in the same period last year.

Geographical Market Analysis

In the First Half, the Group’s revenue from the overseas markets amounted to RMB934.8 million, representing an increase of RMB219.5 million, or 30.7%, from RMB715.3 million in the corresponding period in 2021, and its share of the Group’s total revenue was 55.4%. In breakdown, revenue from Iraq was RMB720.0 million, an increase of RMB213.7 million, or 42.2%, from RMB506.3 million in the corresponding period in 2021 and accounted for 42.7% of the Group’s total revenue. Revenue from other overseas markets was RMB214.8 million, representing an increase of RMB5.8 million, or 2.8%, from RMB209.0 million in the corresponding period in 2021 and accounting for 12.7% of the Group’s total revenue. Revenue from the domestic market was RMB753.2 million, representing an increase of RMB47.2 million, or 6.7%, from RMB706.0 million for the corresponding period of 2021 and accounting for 44.6% of the Group’s total revenue.



Breakdown of Revenue by Market

	Six months ended 30 June			% of the Group's total revenue	
	2022 (RMB Mn)	2021 (RMB Mn)	Change (%)	Six months ended 30 June 2022 (%)	2021 (%)
Overseas	934.8	715.3	30.7%	55.4%	50.3%
Domestic	753.2	706.0	6.7%	44.6%	49.7%
Total	1,688.0	1,421.3	18.8%	100.0%	100.0%

Overseas Markets

	Six months ended 30 June			% of the Group's total revenue	
	2022 (RMB Mn)	2021 (RMB Mn)	Change (%)	Six months ended 30 June 2022 (%)	2021 (%)
Iraq	720.0	506.3	42.2%	42.7%	35.6%
Other overseas	214.8	209.0	2.8%	12.7%	14.7%
Total	934.8	715.3	30.7%	55.4%	50.3%

Overseas Markets

Iraq

In the First Half, due to a global supply shortfall and the sharp rise in oil prices, capacity expansion in this region accelerated, driving the rapid growth of the Group's business in Iraq. On the marketing front, the Group seized the market recovery opportunity and vigorously pursued high-quality orders in oilfield management, oilfield operation and maintenance, inspection, and stimulation technology services. In the Al-Ahdeb oilfield, thanks to its multi-year track record of high-quality, high-efficiency, and world-class services, the Group officially took over the site operation and management of the oilfield in February as the biggest contractor in the oilfield and continues to provide integrated site management services to the customer. In terms of order execution, the Group's integrated large-scale oilfield management project in southern Iraq maintained smooth and efficient operations during the Reporting Period. In the Halfaya oilfield, the Group resumed the operation of a drilling rig in May that had previously been suspended due to COVID. With that, the Group has fully resumed all its projects in this market that were previously delayed due to the pandemic, and this is expected to drive the Group's revenue growth in the Iraqi market for the whole year.

MANAGEMENT DISCUSSION AND ANALYSIS

In the First Half, the Group obtained new orders of approximately RMB588.3 million in total in the Iraqi market. The Group renewed the mega contract of integrated management services at the Majnoon oilfield project in the same period of 2021, which significantly expanded the comparable total order book; therefore, in pure year-over-year terms, new orders in the Iraqi market in the First Half decreased by 65.4% compared to the same period last year, but in terms of market momentum, the Iraqi market has shown an encouraging trend of significantly outperforming in the same period last year. In the First Half, the Iraqi market recorded revenue of approximately RMB720.0 million, up approximately 42.2% from RMB506.3 million in the same period last year.

Other Overseas Markets – Global Emerging Markets

In the First Half, with persistently-high oil prices and active oil and gas development in global emerging markets, the Group actively sought out business opportunities in emerging markets. In the First Half, the Group's projects in these markets mainly concerned asset-light oilfield management, supervision and management, and inspection services. In Chad, the Group successfully completed the renewal of its integrated oilfield development and management contract to continue offering high-quality and efficient oilfield management services to its customer. Additionally, the Group made its first inroad into the Algerian market by securing service orders for oilfield supervision and management and well completion.

In the First Half, the Group's new orders in other overseas markets reached a total value of RMB440.2 million, representing an increase of 30.2% compared to the same period last year. In the First Half, the Group recorded revenue of approximately RMB214.8 million from other overseas markets, up approximately 2.8% from RMB209.0 million in the same period last year.

Domestic Market

In the First Half, the Chinese government's 14th Five-Year Plan for a modern energy system clearly articulated the objectives to improve strategic energy security, enhance oil and gas supply capacities, and increase domestic oil and gas exploration and development. Under this plan, natural gas production is projected to grow rapidly, reaching at least 230 billion m³ by 2025. At the same time, China will actively expand the exploration and development of non-conventional resources and accelerate the development of shale oil, shale gas, and coal-bed methane.

In the face of booming market opportunities, the Group actively leveraged its technological advantages to assist its customers in the development of oil and gas resources. Through our Center for Reservoir Geology Studies, we provide our customers with integrated geo-engineering expertise to help them reduce costs, increase efficiency, and maximize asset value. Meanwhile, the Group actively implemented the principles of sustainable development and achieved business model innovation. In the First Half, the Group undertook a natural gas purification and transport operation and maintenance service contract in Sichuan to provide the customer with facilities and services related to natural gas purification, transport, and operation and maintenance services. The project is expected to start execution in October this year, with a contract performance term of five years and an estimated contract value of approximately RMB450.0 million.

In the First Half, the Group received new orders of approximately RMB1,841.9 million in China, representing a substantial increase of approximately 80.8% from RMB1,018.7 million in the same period last year, and the order portfolio was further optimized in favor of asset-light project services. The Chinese market recorded revenue of approximately RMB753.2 million in the First Half, up 6.7% from RMB706.0 million in the same period last year.



Business Cluster Analysis

During the Reporting Period, the Group's revenue from the inspection services cluster amounted to RMB129.6 million, representing an increase of approximately 18.6% over the first half of 2021 and accounting for 7.7% of the Group's total revenue in the First Half. Revenue from the oilfield management services cluster amounted to RMB525.7 million, representing an increase of approximately 8.3% over the first half of 2021 and accounting for 31.1% of the Group's total revenue in the First Half. Revenue from the oilfield technical services cluster amounted to RMB782.5 million, representing an increase of approximately 20.8% over the first half of 2021 and accounting for 46.4% of the Group's total revenue in the First Half. Revenue from the drilling services cluster amounted to RMB250.2 million, representing an increase of approximately 39.6% over the first half of 2021 and accounting for 14.8% of the Group's total revenue in the First Half.

Revenue Breakdown by Cluster

	Six months ended 30 June			% of the Group's total revenue	
	2022 (RMB Mn)	2021 (RMB Mn)	Change (%)	Six months ended 30 June 2022 (%)	2021 (%)
Inspection services cluster	129.6	109.3	18.6%	7.7%	7.7%
Oilfield management services cluster	525.7	485.3	8.3%	31.1%	34.1%
Oilfield technical services cluster	782.5	647.5	20.8%	46.4%	45.6%
Drilling services cluster	250.2	179.2	39.6%	14.8%	12.6%
Total	1,688.0	1,421.3	18.8%	100.0%	100.0%

Inspection Services Cluster

The inspection services cluster has been a core business since the Group's inception. It is an asset-light service that has been prioritized by the Group in recent years. The inspection services cluster follows the development plan of, "one core business and two emerging businesses". The one core business, "inspection technical services focusing on asset integrity management at the core", provides technical services such as non-invasive inspection, oil casing/tubing inspection, gas leakage testing, pipeline inspection, and metrological inspection that cover the whole process of natural gas development, production, storage and transportation, and metering. At the same time, we are strategically promoting the "two new" businesses: "dual carbon technical services" and "online monitoring technical services". We are developing environmental testing services around carbon neutrality and carbon peaking, and we are using next-generation technologies such as big data, artificial intelligence, and 5G communications to develop intelligent inspection that helps customers reduce costs; protect assets; and achieve energy savings, efficiency gains, safety, and environmental protection.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group owns multiple inspection service facilities across China, as well as field service bases in overseas markets such as Iraq, Chad, and Kazakhstan, among others. The Group has established its position as a leading independent third-party inspection services provider in oil and gas fields in China, with the most comprehensive service capabilities.

In the First Half, the Group's revenue from inspection services amounted to RMB129.6 million, representing an increase of 18.6% over the revenue of RMB109.3 million in the same period last year.

EBITDA of the inspection services cluster increased by 26.9% to RMB54.2 million in the First Half, from RMB42.7 million in the first half of 2021, and with an EBITDA margin of 41.8%, an increase of 2.7 percentage points from 39.1% in the same period last year.

Oilfield Management Services Cluster

This cluster comprises high-quality, asset-light management services. The Group leverages its full spectrum of oil and gas resources development technologies and oil and gas field management professionals to provide best-in-class oil and gas field management and ancillary services to help customers maximize their asset value. The Group targets markets such as Iraq, West Africa, and China, among others, for oil field management services and has established strong relationships with customers through high-quality management services. The Group is actively looking to further replicate this business model in emerging markets around the world.

In the First Half, the oilfield management services cluster continued to grow steadily, posting revenue of RMB525.7 million, up 8.3% from RMB485.3 million in the same period last year.

Analysis of major product lines in this cluster:

- 1) Integrated oilfield management services: In the First Half, the integrated oilfield management services product line recorded revenue of RMB356.8 million, an increase of 4.4% compared to RMB341.9 million in the same period last year.
- 2) Oilfield operation and maintenance services: In the First Half, the oilfield operation and maintenance services product line recorded revenue of RMB168.9 million, an increase of 17.8% compared to RMB143.4 million in the same period last year.

EBITDA of the oilfield management services cluster increased by 7.0% to RMB208.9 million in the First Half, from RMB195.3 million in the first half of 2021, with an EBITDA margin of 39.7%, largely on par with the first half of 2021.



Oilfield Technical Services Cluster

Oilfield technical services is a cluster that showcases the Group's traditional strengths in technical services. The Group has integrated technical services capabilities that cover the entire life cycle of oil and gas development, with reservoir geology technology as the core. It provides customers with technical services around geology, drilling, well completion, and production stimulation, as well as asset leasing services in the industry. Its targeted services help customers enhance resource development efficiency and maximize reservoir asset value. The Group is also actively promoting green transformation and driving the development of low-carbon, renewable business.

In the First Half, revenue from the oilfield technical services cluster reached RMB782.5 million, an increase of 20.8% over RMB647.5 million in the same period last year.

Analysis of major product lines in this cluster:

- 1) Drilling technical services: This product line recorded revenue of RMB118.0 million in the First Half, representing an increase of approximately 11.2% compared to RMB106.1 million in the same period last year.
- 2) Well completion technical services: This product line recorded revenue of RMB114.9 million in the First Half, representing a significant increase of 71.7% compared to RMB66.9 million in the same period last year.
- 3) Stimulation technical services: This product line recorded revenue of RMB416.8 million in the First Half, representing an increase of approximately 2.3% from RMB407.4 million in the first half of 2021.
- 4) Asset leasing services: This product line recorded revenue of RMB132.8 million in the First Half, representing a remarkable increase of 97.9% from RMB67.1 million in the same period last year.

EBITDA of the oilfield technical services cluster increased by 3.2% to RMB220.3 million in the First Half from RMB213.4 million in the first half of 2021, with an EBITDA margin of 28.2%, down 4.8 percentage points from 33.0% in the same period last year.

Drilling Services Cluster

The drilling services cluster is the Group's asset-heavy business and is heavily influenced by the industry's capital expenditure. The Group strives to combine its existing high-quality drilling technology and utilize its own drilling equipment and partnership ecosystem platform to align industry-wide resources to achieve low-input, efficient services.

In the First Half, revenue from the drilling services cluster reached RMB250.2 million, representing an increase of 39.6% from RMB179.2 million in the corresponding period last year, mainly due to the resumption of drilling projects in the Iraqi market and the increase in business volume brought about by favorable market trends surrounding oil and gas development.

EBITDA of the drilling services cluster increased by 15.6% to RMB82.2 million in the First Half from RMB71.1 million in the first half of 2021, with an EBITDA margin of 32.9%, a drop of 6.8 percentage points from 39.7% in the same period last year, mainly due to the increase in raw material costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Alignment of Strategic Resources

In the First Half, the Group continued to curb new capital expenditure, strictly in accordance with its “asset-light” business model and its “cash flow” focus. Capital expenditure for the First Half was RMB65.4 million, an increase of RMB2.2 million from RMB63.2 million in the first half of 2021.

Alignment of Investment

In the First Half, the Group primarily made supplementary investments in support of equipment deployed on ongoing projects.

Alignment of Research and Development (“R&D”)

In the First Half, the Group implemented improvements and innovations to relevant technologies or tools, in line with customers’ concrete needs, to stimulate production and reduce costs. It also drove the optimization and upgrade of its product mix through technical partnerships. In the First Half, the Group invested RMB36.7 million in research and development (“R&D”), representing an 84.4% increase from RMB19.9 million in the corresponding period last year. Key R&D projects include:

- Research on real-time iterative fracturing technology;
- Research on fiber optic fracturing monitoring technology;
- Research and development of high-temperature, high-density water-based drilling fluid technology;
- Research and development of a self-healing cement slurry system; and
- Research on intelligent well completion tools.

Alignment of Human Resources

In the First Half, while actively growing its business under favorable market conditions, the Group further enhanced its internal operations and management efficiency through a series of managerial reforms and optimization.

During the Reporting Period, the Group implemented the OKR methodology across the organization, set aspirational goals, and motivated its entire workforce to focus on the goals to drive transformational growth. At the same time, the Group further implemented the amoeba management concept and strengthened management based on small teams to improve management efficiency across the board. Relying on Anton College, the Group continued to recruit outstanding graduates to replenish its top talent reserves for business development, while strengthening talent training and facilitating talent progression in all aspects.

As of 30 June 2022, the Group had a total workforce of 4,521. Among them, 2,525 are overseas employees, accounting for 55.9% of the Group’s total headcount.



Outlook

In the face of the global oil and gas supply shortage, the Group expects further capital expenditure and intensified capacity expansion to unlock production to fill the supply gap in the second half of 2022 in all of the Group's major markets. In the Chinese market, the Group will continue to target growth opportunities in natural gas development while actively sourcing and addressing business opportunities in markets such as gas storage and carbon capture, utilization and storage (CCUS) under the Dual Carbon goals and accelerating industry transformation and new business development. In the Iraqi market, many of the Group's existing oilfield customers have formulated clear growth plans. The Group will seize the market opportunities and secure more orders for technical services while vigorously promoting and replicating the integrated oilfield management model for new business breakthroughs. In other overseas markets, the Group will further tap into opportunities for resource development in other emerging markets in the high oil price environment and penetrate more global emerging markets, such as Indonesia and Algeria, in search of high-quality opportunities so as to add new growth drivers for the Group.

In terms of product, technology, and service capabilities, the Group will further advance its multi-entity configuration to create separate business entities for inspection services, oilfield management, oilfield technical services, and drilling services, and to encourage the stand-alone operation of each entity that leverages the comparative strengths of each in its respective field, as well as efficient and synergetic collaboration among the entities. In the second half of this year, the Group will continue to build up its precision technology capabilities with geological technology as the core and help customers stimulate production and reduce costs through "targeted development". Additionally, the Group will continue to drive innovation on all fronts, work on the scheduled launch of the on-line "Anton Oil & Gas Development Mall" for the global oil and gas industry in the second half of the year, and aggregate industry resources in China to offer a full range of products and services for global oil and gas customers.

Concerning strategic resource alignment, the Group will continue to adopt an open and diversified approach to working with strategic partners from various industries and continue to implement the "New Anton" ecosystem and platform-based strategy to enable ecosystem development of China's oilfield services industry.

In terms of finance, the Group will seize market opportunities to achieve dual growth in revenue and profit; insist on "cash is king" and pursue sustainable and healthy cash flow; ensure on-time bond repayment through prudent financial management; and optimize the capital structure by implementing a multi-entity strategy and promoting asset securitization.

With regard to environmental, social, and governance (ESG) considerations, the Group reaffirms its vision of becoming "a model for the efficient and harmonious development of humanity and the environment". The Group will strive to further contribute to green development with its technology and efficient services, actively fulfill its corporate social responsibility, nurture talent, engage communities, promote social progress, ensure sustainable organizational growth with a scientific governance structure, and become a benchmark of excellence for the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue for the First Half was RMB1,688.0 million, representing an increase of RMB266.7 million, or 18.8%, from RMB1,421.3 million for the same period of 2021.

Costs of Sales

Cost of sales increased by 19.2% to RMB1,171.8 million in the First Half, from RMB982.9 million in the corresponding period of 2021 in line with the increase in revenue.

Other Gains, Net

Other gains increased by RMB8.4 million from RMB13.1 million in the first half of 2021 to RMB21.5 million in the First Half.

Impairment Loss on Financial Assets

Impairment losses on financial assets decreased by 59.1%, from RMB40.6 million in the first half of 2021 to RMB16.6 million in the First Half.

Selling Expenses

Selling expenses were RMB72.9 million in the First Half, an increase of RMB1.9 million, or 2.7%, from RMB71.0 million in the corresponding period of 2021.

Administrative Expenses

Administrative expenses for the First Half amounted to RMB110.9 million, an increase of RMB19.7 million, or 21.6%, from RMB91.2 million for the same period of 2021.

R&D Expenses

Research and development expenses amounted to RMB36.7 million in the First Half, an increase of RMB16.8 million, or 84.4% from RMB19.9 million in the corresponding period of 2021.

Sales Taxes and Surcharges

Sales taxes and surcharges amounted to RMB5.9 million in the First Half, a decrease of RMB0.6 million, or 9.2%, from RMB6.5 million in the corresponding period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS



Operating Profit

Operating profit for the First Half was RMB294.7 million, an increase of RMB72.3 million, or 32.5%, from RMB222.4 million for the same period of 2021. The operating profit margin for the First Half was 17.5%, an increase of 1.9 percentage points from 15.6% for the same period of 2021.

Net Financing Costs

In the First Half, net financing costs were RMB131.0 million, representing an increase of approximately RMB21.8 million, or 20.0%, compared to RMB109.2 million in the corresponding period of 2021.

Income Tax Expense

In the First Half, the income tax expense was RMB74.6 million, an increase of RMB5.3 million, or 7.6%, from RMB69.3 million in the same period of 2021.

Profit for the Reporting Period

The Group reported a net profit of RMB88.5 million for the First Half, representing a significant increase of RMB45.1 million, or 103.9%, from RMB43.4 million for the corresponding period of 2021.

Profit Attributable to Equity Holders of the Company

In the First Half, the Group's profit attributable to equity holders of the Company amounted to RMB90.7 million, representing a significant increase of RMB47.9 million, or 111.9%, from RMB42.8 million in the corresponding period of 2021.

Trade and Notes Receivable

As at 30 June 2022, the Group's net trade and bills receivables amounted to RMB2,276.9 million, representing an increase of RMB180.6 million from 31 December 2021. The average trade receivable turnover was 221 days for the First Half, a decrease of 20 days as compared to the same period of 2021.

Inventories

As at 30 June 2022, the Group's inventories were valued at RMB926.2 million, representing a decrease of RMB18.8 million as compared to 31 December 2021.

Liquidity and Capital Resources

As at 30 June 2022, the Group had cash and bank deposits of approximately RMB1,596.2 million (including restricted bank deposits and cash and cash equivalents), representing an increase of RMB8.1 million as compared to 31 December 2021.

The Group had outstanding short-term borrowings of RMB852.6 million as at 30 June 2022. RMB1,132 million of the credit lines underwritten to the Group by Chinese banks remained unused.

As at 30 June 2022, the Group's gearing ratio was 60.0%, representing a decrease of 1.4 percentage points from the gearing ratio of 61.4% as at 31 December 2021. The calculation of the gearing ratio is based on total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities, and trade and notes payables (as shown in the condensed consolidated statement of financial position). Total capital is calculated based on equity (as shown in the condensed consolidated statement of financial position) plus total borrowings.

The equity attributable to equity holders of the Company amounted to RMB2,867.5 million as at 30 June 2022, an increase of RMB180.1 million from RMB2,687.4 million as at 31 December 2021.

Material Acquisition and Disposal of Subsidiaries, Associates, and Joint Ventures

During the six months ended 30 June 2022, the Group had no material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Currency Risk

The Group conducts its business mainly in RMB and USD, and some of its imports and exports are settled in foreign currencies. The Group maintains that the currency risk associated with the Group's settlement amounts denominated in foreign currencies is non-material. The Group's currency risk mainly arises from its foreign currency deposits and long-term bonds and trade receivables denominated in foreign currencies. Fluctuations in the exchange rate of RMB against USD may adversely affect the Group's operating results and financial position.

Cash Flow from Operating Activities

For the six months ended 30 June 2022, the Group's cash flow from operating activities was a net inflow of RMB320.7 million, representing an increase of RMB227.5 million as compared to the corresponding period of 2021.

Capital Expenditure and Investment

The Group's capital expenditure for the six months ended 30 June 2022 amounted to RMB65.4 million, of which, RMB49.0 million was invested in fixed assets and RMB16.4 million in intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Contractual Obligations

The Group's contractual obligations mainly consist of its capital commitments. As at 30 June 2022, the Group's capital commitments (but not yet provisioned in the condensed consolidated statement of financial position) amounted to approximately RMB70.8 million.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities or guarantees.

Asset Collateralization

As at 30 June 2022, the Group's assets collateralized for bank financing facilities were property and equipment with a net book value of RMB87.6 million, right-of-use assets with a net book value of RMB5.8 million, and trade receivables with a net book value of RMB305.5 million.

Off-Book Arrangements

As at 30 June 2022, the Group had no off-book arrangements.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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

For the six months ended 30 June 2022, the Company repurchased a total of USD43,205,000 of the 2022 Bonds from the secondary market. Upon completion of the cancellation of all repurchased bonds, the outstanding portion of the 2022 Bonds will be reduced to USD134,382,000, representing approximately 44.8% of the total initial principal amount of the bonds.

During the First Half, the trustee of the Company's Restricted Share Incentive Scheme purchased a total of 29,004,000 shares of the Company in the secondary market with its own cash for the Restricted Share Incentive Scheme, representing 1.0% of the total number of issued shares of the Company as at the date of this interim report.

Save as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold, or repurchased any listed securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the directors (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")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions the shares of HK\$0.10 each:

Name of Director	Notes	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
LUO Lin	1,2	Founder of a discretionary trust and Beneficial owner	736,698,330	24.50%
PI Zhifeng	2	Beneficial owner	11,448,000	0.38%
FAN Yonghong	2	Beneficial owner	23,820,000	0.79%
ZHANG Yongyi	2	Beneficial owner	3,340,000	0.11%
ZHU Xiaoping	2	Beneficial owner	2,900,000	0.09%
WEE Yiaw Hin	2	Beneficial owner	2,900,000	0.09%

OTHER INFORMATION

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Serangoon Limited and Seletar Limited owns 50% interest of Avalon Assets Limited respectively. Serangoon Limited and Seletar Limited are wholly-owned by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Credit Suisse Trust Limited, Serangoon Limited, Seletar Limited, Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.
2. These shares include the share options granted to each director pursuant to the Company's Share Option Scheme ("Share Option Scheme") as well as the shares granted to each director pursuant to the Company's Restricted Share Award Scheme ("Restricted Share Award Scheme"). Details of such options of each director were disclosed in the following "SHARE OPTION SCHEME" section.

Save as disclosed, at no time during the six months ended 30 June 2022, the Directors and chief executive (including their spouses and children under the age of 18 years) had or were redeemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, its particular undertakings or its associated corporations as required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 26 May 2017, which has a life of 10 years, to replace the share option scheme adopted on 17 November 2007 that expired on 26 May 2017.

The movements in the share options of the Company during the six months ended 30 June 2022 are set out as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Notes	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2022
Directors										
LUO Lin	2 December 2016	2 December 2017 to 1 December 2022	1.100	1,5	2,216,000	-	-	-	-	2,216,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	442,000	-	-	-	-	442,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,7	2,218,000	-	-	-	-	2,218,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,8	784,922	-	-	-	-	784,922
Subtotal:					5,660,922	-	-	-	-	5,660,922

OTHER INFORMATION

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Notes	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2022
Pi Zhifeng	01 April 2016	01 April 2017 to 31 March 2022	0.800	1,4	3,000,000	-	-	-	3,000,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	3,000,000	-	-	-	-	3,000,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,7	2,600,000	-	-	-	-	2,600,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,8	2,600,000	-	-	-	-	2,600,000
				Subtotal:	11,200,000	-	-	-	3,000,000	8,200,000
FAN Yonghong	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,3	2,700,000	-	-	-	2,700,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	2,700,000	-	-	-	-	2,700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,7	3,500,000	-	-	-	-	3,500,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,8	4,020,000	-	-	-	-	4,020,000
				Subtotal	12,920,000	-	-	-	2,700,000	10,220,000

OTHER INFORMATION

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Notes	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2022
Zhang Yongyi	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,4	900,000	-	-	-	900,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,7	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,8	700,000	-	-	-	-	700,000
Subtotal:					3,000,000	-	-	-	900,000	2,100,000
Zhu Xiaoping	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,4	900,000	-	-	-	900,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,7	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,8	700,000	-	-	-	-	700,000
Subtotal:					3,000,000	-	-	-	900,000	2,100,000

OTHER INFORMATION

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Notes	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2022
Wee Yaw Hin	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,7	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,8	700,000	-	-	-	-	700,000
Subtotal:					2,100,000	-	-	-	-	2,100,000
Employees in aggregate	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,3	74,617,334	-	-	-	74,617,334	-
	01 April 2016	01 April 2017 to 31 March 2022	0.800	1,4	1,500,000	-	-	-	1,500,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	80,650,000	-	-	-	1,400,000	79,250,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,7	47,915,333	-	-	-	950,000	46,965,333
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,8	73,249,078	-	-	-	1,540,000	71,709,078
	01 April 2020	01 April 2021 to 31 March 2026	0.495	1,9	113,439,592	-	-	-	-	113,439,592
Subtotal					391,371,337	-	-	-	80,007,334	311,364,003
Total:					429,252,259	-	-	-	87,507,334	341,744,925

OTHER INFORMATION



Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of the first, second and third anniversary of the date of grant.
2. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of the first and second anniversary of the date of grant.
3. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.77.*
4. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.81.*
5. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$1.12.*
6. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.84.*
7. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.97.*
8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.84.*
9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK\$0.495.*

* Source from website of Hong Kong Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, so far as is known to any Director or the chief executive of the Company, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long/Short positions in the shares or underlying shares of the Company:

Name of substantial shareholders	Notes	Capacity	Long/Short Position	Number of ordinary shares held	Approximate percentage of shareholding
Pro Development Holdings Corp.	1	Beneficiary owner	Long Position	664,140,740	22.08%
China Oil HBP Science & Technology Co., Ltd.	2	Interest of controlled corporation	Long Position	193,766,678	6.44%

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Serangoon Limited and Seletar Limited owns 50% interest of Avalon Assets Limited respectively. Serangoon Limited and Seletar Limited are wholly owned by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Credit Suisse Trust Limited, Serangoon Limited, Seletar Limited, Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.
2. Hong Kong Huihua Global Technology Limited, which is a company wholly-owned by China Oil HBP Science & Technology Co., Ltd. and holds 193,766,678 shares. By virtue of the SFO, China Oil HBP Science & Technology Co., Ltd. is deemed to be interested in the shares held by Hong Kong Huihua Global Technology Limited.

Save as disclosed above, as at 30 June 2022, so far as was known to the Directors, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during the reporting period.

CHANGE IN INFORMATION REGARDING THE DIRECTORS AND CHIEF EXECUTIVES ACCORDING TO RULE 13.51B(1) OF THE LISTING RULES

There has been no change in the information regarding the Directors and chief executives of the Company since the date of the Company's 2021 Annual Report.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules during the six months ended 30 June 2022.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wee Yaw Hin. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and confirms that the applicable accounting principals, standards and requirements have been complied with, and that adequate disclosures have been made.

By Order of the Board
Anton Oilfield Services Group
LUO Lin
Chairman

Hong Kong, 29 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

**TO THE BOARD OF DIRECTORS OF
ANTON OILFIELD SERVICES GROUP**

(Incorporated in the Cayman Islands with limited liability)

德勤

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries set out on pages 26 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Notes	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,947,013	1,997,604
Right-of-use assets		107,136	103,469
Goodwill		242,004	242,004
Intangible assets		285,178	285,479
Interest in a joint venture		2,104	2,706
Interests in associates		2,094	4,018
Prepayments and other receivables	9	67,374	55,017
Deferred income tax assets		27,285	19,140
		2,680,188	2,709,437
Current assets			
Inventories	7	926,190	944,959
Trade and notes receivables	8	2,276,906	2,096,280
Contract assets		21,313	20,699
Prepayments and other receivables	9	868,838	789,912
Restricted bank deposits	10	445,274	414,892
Cash and cash equivalents	10	1,150,929	1,173,186
		5,689,450	5,439,928
Total assets		8,369,638	8,149,365
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	276,274	276,274
Reserves		2,591,265	2,411,146
		2,867,539	2,687,420
Non-controlling interests		137,743	140,741
Total equity		3,005,282	2,828,161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds	12	983,022	929,984
Long-term borrowings	13	95,659	48,152
Lease liabilities		18,522	8,236
Deferred income tax liabilities		9,658	9,748
		1,106,861	996,120
Current liabilities			
Short-term borrowings	13	852,602	718,125
Current portion of long-term bonds	12	941,160	1,164,144
Current portion of long-term borrowings	13	501	83,195
Trade and notes payables	14	1,606,842	1,525,467
Accruals and other payables	15	598,836	599,158
Lease liabilities		17,512	24,426
Contract liabilities		23,144	33,400
Current income tax liabilities		216,898	177,169
		4,257,495	4,325,084
Total liabilities		5,364,356	5,321,204
Total equity and liabilities		8,369,638	8,149,365

The condensed consolidated financial statements on pages 26 to 60 were approved and authorised for issue by the Board of Directors on 29 August 2022 and were signed on its behalf by:

Chairman

Executive Director

The notes on pages 33 to 60 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Revenue			
Contracts with customers	16	1,553,965	1,355,117
Rental	16	134,061	66,190
Total revenue	16	1,688,026	1,421,307
Cost of sales	17	(1,171,776)	(982,873)
Gross profit		516,250	438,434
Other gains, net	18	21,509	13,104
Impairment losses under expected credit loss model, net of reversal	17	(16,564)	(40,569)
Selling expenses	17	(72,885)	(71,034)
Administrative expenses	17	(110,941)	(91,153)
Research and development expenses	17	(36,733)	(19,858)
Sales tax and surcharges		(5,937)	(6,531)
Operating profit		294,699	222,393
Interest income		12,903	6,220
Finance expenses		(143,945)	(115,449)
Finance costs, net	19	(131,042)	(109,229)
Share of loss of a joint venture		(602)	(447)
Share of profit of associates		93	-
Profit before income tax		163,148	112,717
Income tax expense	20	(74,623)	(69,324)
Profit for the period		88,525	43,393
Profit/(loss) attributable to:			
Owners of the Company		90,697	42,821
Non-controlling interests		(2,172)	572
		88,525	43,393
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
- Basic	21	0.0313	0.0146
- Diluted	21	0.0311	0.0144

The notes on pages 33 to 60 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period	88,525	43,393
Other comprehensive (expense)/income, net of tax: <i>Items that may be reclassified subsequently to profit or loss</i>		
Net investment hedge	(91,572)	16,703
Financial instruments measured at fair value through other comprehensive income	4,177	4,325
Currency translation differences	181,159	(75,919)
Other comprehensive income/(expense) for the period, net of tax	93,764	(54,891)
Total comprehensive income/(expense) for the period	182,289	(11,498)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	184,461	(12,070)
Non-controlling interests	(2,172)	572
	182,289	(11,498)

The notes on pages 33 to 60 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Note	Attributable to the owners of the Company							Non-controlling interests	Total equity	
		Share capital	Treasury shares	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves			Subtotal
Balance at 1 January 2022		276,274	(41,868)	1,049,578	479,262	76,900	1,064,753	(217,479)	2,687,420	140,741	2,828,161
Profit/(loss) for the period		-	-	-	-	-	90,697	-	90,697	(2,172)	88,525
Other comprehensive (expense)/income											
- Net investment hedge		-	-	-	-	-	-	(91,572)	(91,572)	-	(91,572)
- Financial instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	4,177	4,177	-	4,177
- Currency translation differences		-	-	-	-	-	-	181,159	181,159	-	181,159
Total comprehensive (expense)/income		-	-	-	-	-	90,697	93,764	184,461	(2,172)	182,289
- Repurchase of ordinary shares	11(c)	-	(11,207)	-	-	-	-	-	(11,207)	-	(11,207)
- Share-based scheme	11(b) (c)	-	-	-	6,865	-	-	-	6,865	-	6,865
- Vesting of shares under restricted share award scheme		-	9,439	-	(9,439)	-	-	-	-	-	-
- Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(826)	(826)
Total transactions with owners, recognised directly in equity		-	(1,768)	-	(2,574)	-	-	-	(4,342)	(826)	(5,168)
Balance at 30 June 2022		276,274	(43,636)	1,049,578	476,688	76,900	1,155,450	(123,715)	2,867,539	137,743	3,005,282

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Note	Attributable to the owners of the Company							Non-controlling interests	Total equity	
		Share capital	Treasury shares	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves			Subtotal
Balance at 1 January 2021		276,273	(32,600)	1,049,570	461,560	76,900	992,535	(198,126)	2,626,112	137,609	2,763,721
Profit for the period		-	-	-	-	-	42,821	-	42,821	572	43,393
Other comprehensive income/(expense)											
- Net investment hedge		-	-	-	-	-	-	16,703	16,703	-	16,703
- Financial instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	4,325	4,325	-	4,325
- Currency translation differences		-	-	-	-	-	-	(75,919)	(75,919)	-	(75,919)
Total comprehensive (expense)/income		-	-	-	-	-	42,821	(54,891)	(12,070)	572	(11,498)
- Share-based scheme	11(b) (c)	-	-	-	22,183	-	-	-	22,183	-	22,183
- Vesting of shares under restricted share award scheme		-	9,829	-	(9,829)	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		-	9,829	-	12,354	-	-	-	22,183	-	22,183
Balance at 30 June 2021		276,273	(22,771)	1,049,570	473,914	76,900	1,035,356	(253,017)	2,636,225	138,181	2,774,406

The notes on pages 33 to 60 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Net cash generated from operating activities	23	320,705	93,246
Net cash used in investing activities	23	(63,238)	(61,182)
Net cash used in financing activities	23	(304,206)	(256,039)
Net decrease in cash and cash equivalents		(46,739)	(223,975)
Cash and cash equivalents at beginning of the period	10	1,173,186	879,085
Exchange gain/(loss) on cash and cash equivalents		24,482	(3,534)
Cash and cash equivalents at end of the period	10	1,150,929	651,576

The notes on pages 33 to 60 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

1. GENERAL INFORMATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the "PRC") and other overseas countries. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2007.

The directors of the Company (the "Directors") regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

This unaudited condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. ESTIMATES

The preparation of these condensed consolidated financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, 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 applied to the Group's consolidated financial statements for the year ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION

The chief executive officer, president, executive vice presidents and the Directors are the Group's chief operating decision makers (the "CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the CODM make decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

In 2021, in order to optimise resource allocation and achieve efficient synergy, the CODM assess performance of reportable segments from the previous three of "drilling technology services", "well completion service" and "oil production services" into four new segments as "oilfield technical services", "oilfield management services", "drilling rig services" and "inspection services".

Oilfield technical services cover the full life cycle of oil and gas development, including geological technology, drilling technology, well completion and stimulation technology as well as asset leasing services for the industry.

Oilfield management services are the asset management services the Group provides to the oil companies worldwide, featured with profound capacity and light-asset. The services include integrated field management services, production capacity construction, development management, field operation and maintenance, etc.

Drilling rig services provide customers with services which require rigs, including drilling and workover services.

Inspection services provide customers with various assets inspection, detections and repairing services together with digital and intelligent transformation solutions, assisting our customers to assure asset security and to achieve energy saving, efficiency lifting, and environment protection.

All of the four reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into four single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customers for their services and products and the method used to provide their services and distribute their products.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the Group's consolidated financial statements for the year ended 31 December 2021. The CODM evaluate the performance of the operating segments based on the profit or loss before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of loss of a joint venture and share of profit of associates, asset impairment provisions and corporate overheads ("EBITDA") and the reconciliation of EBITDA to profit or loss. The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION (continued)

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
Six months ended 30 June 2022 (Unaudited)					
Revenue	782,551	525,698	250,178	129,599	1,688,026
EBITDA	220,310	208,942	82,176	54,225	565,653
Depreciation and amortisation	(118,000)	(3,989)	(29,599)	(5,103)	(156,691)
Impairment provision of					
– Trade receivables, net of reversal	(8,773)	(3,103)	(2,518)	(2,170)	(16,564)
– Inventories	(7,669)	(464)	(1,290)	-	(9,423)
Interest income	588	764	299	510	2,161
Finance expenses	(9,531)	(2,908)	(2,676)	(1,281)	(16,396)
Share of loss of a joint venture	(602)	-	-	-	(602)
Share of profit of associates	93	-	-	-	93
Income tax expense	(24,120)	(31,029)	(11,302)	(8,172)	(74,623)
Segment results	52,296	168,213	35,090	38,009	293,608
Unallocated corporate overheads					(205,083)
Profit for the period					88,525

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
Six months ended 30 June 2021 (Note) (Unaudited)					
Revenue	647,497	485,251	179,233	109,326	1,421,307
EBITDA	213,380	195,256	71,076	42,688	522,400
Depreciation and amortisation	(120,768)	(4,244)	(27,253)	(6,769)	(159,034)
Impairment provision of					
– Trade receivables, net of reversal	(33,754)	(2,847)	(1,891)	(2,077)	(40,569)
– Inventories	(8,854)	(536)	(1,489)	-	(10,879)
Interest income	132	1,634	30	54	1,850
Finance expenses	(8,825)	(2,011)	(2,089)	(818)	(13,743)
Share of loss of a joint venture	(447)	-	-	-	(447)
Income tax expense	(20,412)	(35,872)	(8,596)	(4,444)	(69,324)
Segment results	20,452	151,380	29,788	28,634	230,254
Unallocated corporate overheads					(186,861)
Profit for the period					43,393

Note:

The segment information for the six months ended 30 June 2021 has been restated according to the new segment presentation for the year ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
As at 30 June 2022 (Unaudited)					
Segment assets	3,985,023	981,262	902,748	374,494	6,243,527
Segment assets include:					
Capital expenditures incurred in the period	40,208	3,181	8,956	4,002	56,347
As at 31 December 2021 (Audited)					
Segment assets	3,977,983	867,121	811,823	339,897	5,996,824
Segment assets include:					
Capital expenditures incurred in the year	188,128	14,372	39,333	10,817	252,650

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

Reportable segments' assets are reconciled to total assets as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Assets for reportable segments	6,243,527	5,996,824
Corporate assets for general management	2,126,111	2,152,541
Total assets	8,369,638	8,149,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

The Group allocates revenue on the basis of the location in which the sales are originated.

Geographical Information

	Revenue		Non-current assets	
	Six months ended 30 June		As at 30 June 2022	As at 31 December 2021
	2022 (Unaudited)	2021 (Unaudited)	(Unaudited)	(Audited)
PRC	753,209	706,048	1,736,846	1,788,601
Republic of Iraq ("Iraq")	720,034	506,319	722,893	717,840
Other countries	214,783	208,940	193,164	183,856
Total	1,688,026	1,421,307	2,652,903	2,690,297

Client information

During the period, revenues of approximately RMB1,019,090,000 (six months ended 30 June 2021: RMB771,695,000) were derived from two (six months ended 30 June 2021: two) external customers, which contributed 43.08% and 17.29% to the total revenue, respectively (six months ended 30 June 2021: 32.45% and 21.84%). These revenues were mainly attributable to oilfield technical services and oilfield management services segments (six months ended 30 June 2021: oilfield technical services and oilfield management services segments).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Opening carrying amount	1,997,604	2,099,390
Additions	35,094	32,516
Depreciation	(129,526)	(127,418)
Disposals	(168)	(3,382)
Currency translation differences	44,009	(8,069)
Closing carrying amount	1,947,013	1,993,037

As at 30 June 2022, certain borrowings were secured by certain buildings and equipment with carrying amount of RMB87, 581,000 (31 December 2021: RMB84, 203,000) (Note 13(a)).

7. INVENTORIES

	As at	As at
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
Project materials, spare parts and other materials	621,854	658,488
Project-in-progress	304,336	286,471
Total	926,190	944,959

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

8. TRADE AND NOTES RECEIVABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Trade receivables, net (a)		
– contracts with customers	2,061,069	1,916,216
– lease receivables	124,500	42,934
	2,185,569	1,959,150
Notes receivable (e)	91,337	137,130
	2,276,906	2,096,280

Notes:

(a) Aging analysis based on the invoice date:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
1 – 6 months	1,323,121	981,349
6 months – 1 year	399,289	374,286
1 – 2 years	179,831	304,689
2 – 3 years	154,617	149,209
Over 3 years	128,711	149,617
	2,185,569	1,959,150

(b) Most of the trade receivables are with credit terms of one year or less. The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables.

(c) As at 30 June 2022, trade receivables of RMB305,531,000 (31 December 2021: RMB222,786,000) were pledged as security for short-term borrowings of RMB312,520,000 (31 December 2021: RMB212,288,000) (Note 13(b)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

8. TRADE AND NOTES RECEIVABLES (Continued)

Notes: (continued)

(d) Allowance for impairment of trade receivables

	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
As at 1 January	314,381	268,490
Addition	42,344	40,569
Reversal	(25,780)	-
As at 30 June	330,945	309,059

During this interim, there was a reversal of RMB25,780,000 based on the latest development with a credit impaired trade debtor.

For impairment assessment on trade receivables subject to expected credit loss model, the basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

(e) As at 30 June 2022, total notes receivable amounting to RMB91,337,000 (31 December 2021: RMB137,130,000) are held by the Group as settlement of corresponding trade receivables. Notes receivable was measured at fair value through other comprehensive income (Note 25). All notes receivable held by the Group are with a maturity period of less than one year.

9. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current		
Advances to suppliers	316,701	215,524
Deposits and other receivables	530,734	539,786
Value-added tax recoverable	21,403	34,602
	868,838	789,912
Non-current		
Value-added tax recoverable	17,856	19,907
Advances to engineering equipment suppliers	49,518	35,110
	67,374	55,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

10. CASH AND BANK DEPOSITS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Restricted bank deposits (a)	445,274	414,892
Cash and cash equivalents		
– Cash on hand	27,027	16,621
– Deposits in bank	1,123,902	1,156,565
	1,596,203	1,588,078

Notes:

- (a) As at 30 June 2022, bank deposits amounting to RMB445,274,000 (31 December 2021: RMB414,892,000) were held as security for letter of guarantee and issuance of notes payable.
- (b) Cash and bank deposits were denominated in the following currencies:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
RMB	901,449	864,312
United States dollar ("US\$")	643,417	687,822
Hong Kong dollar ("HK\$")	25,433	2,873
Others	25,904	33,071
	1,596,203	1,588,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

11. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Number of ordinary shares issued and fully paid of HK\$0.1 each (thousands)	Share capital	
		HK\$'000	RMB'000
(Unaudited) As at 30 June 2022 and 1 January 2022	3,006,571	300,657	276,274
(Unaudited) As at 30 June 2021 and 1 January 2021	3,006,563	300,656	276,273

(b) Share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK\$ per share	Number of share options (thousands)
As at 1 January 2022		429,253
Forfeited	0.842	(4,310)
Expired	0.745	(83,198)
As at 30 June 2022 (Unaudited)		341,745
As at 1 January 2021		441,425
Forfeited	0.858	(519)
As at 30 June 2021 (Unaudited)		440,906

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

11. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options *(Continued)*

Share options outstanding (in thousands) at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK\$ per share)	Number of share options (thousands)
1 December 2022	1.100	2,216
22 May 2023	0.810	87,492
2 April 2024	1.020	57,383
6 January 2025	0.790	81,214
31 March 2026	0.495	113,440
		341,745

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2022 for share options amounted to RMB2,297,000 (for the six months ended 30 June 2021: RMB7,012,000), with a corresponding amount credited in capital reserve.

(c) Restricted share award scheme ("Scheme")

According to the Scheme approved on 30 December 2019 by the Directors, share of the Company will be awarded to the Group's certain directors and key employees as an incentive.

The total number of shares under the Scheme will not exceed 10% of the current total number of shares in issue, and the Scheme will be gradually implemented by purchasing shares on the secondary market. The Scheme will be valid and effective for a period of ten years from the approval date and all eligible participants are entitled to participate in the Scheme.

In 2020, the Company repurchased 95,226,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK\$0.330 to HK\$0.490. The aggregate consideration paid was RMB32,600,000.

In 2021, the Company repurchased 48,266,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK\$0.414 to HK\$0.550. The aggregate consideration paid was RMB19,438,000.

In 2022, the Company repurchased 29,004,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK\$0.450 to HK\$0.475. The aggregate consideration paid was RMB11,207,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

11. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(c) Restricted share award scheme (“Scheme”) *(Continued)*

On 1 January 2021, 86,430,000 shares with the fair value of HK\$0.435 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 5 months to 29 months.

Movements in the number of restricted shares outstanding are as follows:

	Number of restricted shares (thousands)
As at 31 December 2020	-
Granted	86,430
Vested	(29,710)
Forfeited	(2,367)
As at 31 December 2021 (Audited)	54,353
As at 1 January 2022	54,353
Vested	(27,577)
Forfeited	(400)
As at 30 June 2022 (Unaudited)	26,376

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2022 for the Scheme amounted to RMB4,568,000 (for the six months ended 30 June 2021: RMB15,171,000), with a corresponding amount credited in capital reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

12. LONG-TERM BONDS

Issued date:	Par value	Coupon rate	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Effective interest rate
2 December 2019 (a)	US\$134.3 million	7.50%	903,478	1,128,114	8.91%
26 July 2021 (b)	US\$61.9 million	8.75%	423,823	401,440	8.91%
26 July 2021 (b)	US\$88.1 million	8.75%	596,881	564,574	10.25%
Subtotal			1,924,182	2,094,128	
Less: Current portion			(941,160)	(1,164,144)	
			983,022	929,984	

Notes:

- (a) The Company issued US\$300 million senior notes with the coupon rate of 7.50% at discount of par value on 2 December 2019. The notes mature in 3 years from the issue date at their nominal value. After the repurchase and exchange in prior years, the outstanding par value on 1 January 2022 was US\$177.5 million, in which US\$43.2 million were repurchased during the period ended 30 June 2022. Interest is payable on a semi-annually basis. As at 30 June 2022, interest payable amounted to approximately RMB5.3 million (31 December 2021: RMB6.6 million).
- (b) The Company issued US\$150 million senior notes with the coupon rate of 8.75% at discount of par value on 26 July 2021. The notes mature in 3.5 years from the issue date at their nominal value. During the year ended 31 December 2021, US\$61.9 million were arranged to exchange the senior notes issued on 2 December 2019. Interest is payable on a semi-annually basis. As at 30 June 2022, interest payable amounted to approximately RMB37.7 million (31 December 2021: RMB36.0 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

13. BORROWINGS

	As at 30 June 2022 (Unaudited)		As at 31 December 2021 (Audited)	
	Amount	Interest rate	Amount	Interest rate
Long-term borrowings				
- Secured or guaranteed				
- RMB denominated (a)	96,160	6.90%	131,347	4.25%-6.90%
Less: Current portion	(501)		(83,195)	
	95,659		48,152	
Short-term bank borrowings				
- Unsecured and unguaranteed				
- RMB denominated	125,375	4.70%	100,196	4.83%-5.10%
- Secured or guaranteed				
- RMB denominated (b)	727,227	3.95%-6.00%	617,929	4.35%-6.00%
	852,602		718,125	

Notes:

- (a) As at 30 June 2022, secured long-term bank borrowings of RMB96,160,000 (31 December 2021: RMB96,253,000) were secured by the Group's buildings with a carrying value of RMB87,581,000 (31 December 2021: RMB84,203,000) (Note 6) and right-of-use assets (leasehold lands) with a carrying value of RMB5,766,000 (31 December 2021: RMB5,392,000) respectively.

As at 31 December 2021, long-term bank borrowings of RMB35,094,000 were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

- (b) As at 30 June 2022, secured short-term bank borrowings of RMB312,520,000 (31 December 2021: RMB212,288,000) were secured by the Group's trade receivables amounting to RMB305,531,000 (31 December 2021: RMB222,786,000) (Note 8(c)).

As at 30 June 2022, short-term bank borrowings of RMB414,707,000 (31 December 2021: RMB405,641,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 26(b)).

- (c) As at 30 June 2022, the undrawn bank borrowing facilities of the Group of approximately RMB1,132 million (31 December 2021: RMB803 million), with maturity dates up to 16 March 2024 (31 December 2021: 26 September 2023), were unsecured (31 December 2021: unsecured).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

14. TRADE AND NOTES PAYABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Trade payables	558,168	591,566
Notes payable	1,048,674	933,901
	1,606,842	1,525,467

Aging analysis of trade and notes payables at the reporting date was as following:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Less than 1 year	1,439,150	1,360,747
1 – 2 years	60,356	61,602
2 – 3 years	48,522	54,011
Over 3 years	58,814	49,107
	1,606,842	1,525,467

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Payroll and welfare payables	38,177	40,902
Taxes other than income taxes payable	26,698	23,057
Payables to equipment vendors	299,401	298,909
Others	234,560	236,290
	598,836	599,158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

16. REVENUE

	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
Sales of goods	143,632	19,259
Provision of services	1,410,333	1,335,858
Rental	134,061	66,190
	1,688,026	1,421,307

Disaggregation of revenue

Segments	For the six months ended 30 June 2022			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Types of goods or service				
Sales of goods	140,639	-	-	2,993
Provision of services	507,851	525,698	250,178	126,606
Total	648,490	525,698	250,178	129,599
Geographical markets				
PRC	307,664	1,275	192,838	117,371
Iraq	217,038	444,340	51,715	6,941
Other countries	123,788	80,083	5,625	5,287
Total	648,490	525,698	250,178	129,599
Timing of revenue recognition				
A point in time	648,490	-	250,178	129,599
Over time	-	525,698	-	-
Total	648,490	525,698	250,178	129,599

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

16. REVENUE (Continued)

Disaggregation of revenue (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

Segments	For the six months ended 30 June 2022			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Revenue disclosed in segment information				
External customers (Note 5)	782,551	525,698	250,178	129,599
Rental income	(134,061)	-	-	-
Revenue from contracts with customers	648,490	525,698	250,178	129,599

Segments	For the six months ended 30 June 2021			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Types of goods or service				
Sales of goods	19,259	-	-	-
Provision of services	562,048	485,251	179,233	109,326
Total	581,307	485,251	179,233	109,326
Geographical markets				
PRC	371,391	5,167	160,689	102,611
Iraq	116,829	379,407	6,241	3,842
Other countries	93,087	100,677	12,303	2,873
Total	581,307	485,251	179,233	109,326
Timing of revenue recognition				
A point in time	581,307	-	179,233	109,326
Over time	-	485,251	-	-
Total	581,307	485,251	179,233	109,326

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16. REVENUE (Continued)

Disaggregation of revenue (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

	For the six months ended 30 June 2021			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Revenue disclosed in segment information				
External customers (Note 5)	647,497	485,251	179,233	109,326
Rental income	(66,190)	-	-	-
Revenue from contracts with customers	581,307	485,251	179,233	109,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

17. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Materials and services purchased	488,128	371,116
Staff costs	425,662	368,003
In which:		
– Salaries and other staff expenses	418,797	345,820
– Share-based compensation	6,865	22,183
Depreciation	166,488	169,481
In which:		
– Property, plant and equipment	149,204	148,316
– Right-of-use assets	17,284	21,165
Less: Capitalised in inventories	(23,188)	(19,610)
	143,300	149,871
Amortisation of intangible assets	23,097	21,283
Less: Capitalised in inventories	(3,811)	(3,223)
	19,286	18,060
In which:		
– Cost of sales	17,575	16,198
– Administrative expenses	457	457
– Selling expenses	15	9
– Research and development expenses	1,239	1,396
Other operating expenses	332,523	298,437
In which:		
– Impairment of receivables	16,564	40,569
– Impairment of inventories	9,423	10,879

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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18. OTHER GAINS, NET

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Government grants and subsidies (Note)	2,829	2,209
Gains/(loss) on disposal of property, plant and equipment	34	(1,404)
Gains on repurchase of long-term bonds	15,286	-
Value added tax preferences	2,874	10,512
Others	486	1,787
	21,509	13,104

Note:

Government grants and subsidies of RMB2,829,000 (2021: RMB2,209,000) were received in the current period towards awarding of research and development expenditures.

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest expenses		
- on borrowings	(24,985)	(26,933)
- on bonds	(90,699)	(78,452)
- on lease liabilities	(1,177)	(2,382)
	(116,861)	(107,767)
Exchange (loss)/gain, net	(8,688)	8,165
Others	(18,396)	(15,847)
	(143,945)	(115,449)
Finance expenses	12,903	6,220
Interest income		
	(131,042)	(109,229)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

20. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	31,215	11,763
– Iraq corporate income tax	48,904	44,426
– Others	2,739	5,556
Deferred income tax	(8,235)	7,579
	74,623	69,324

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

For the Company's PRC subsidiaries, enterprise income tax is provided on estimated taxation profits at applicable tax rate of 25% (2021: 25%), except for certain subsidiaries which have applied preferential tax rates of 15%.

The corporate income tax of Iraq entities is levied at the higher of 7% on the total turnover and 35% on the net taxable profit. Entities registered in United Arab Emirates are exempted from income tax.

21. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (RMB'000)	90,697	42,821
Weighted average number of ordinary shares in issue (thousands of shares)	2,899,313	2,935,422
Basic earnings per share (expressed in RMB per share)	0.0313	0.0146

Note:

The effect of treasury shares has been included in the calculation of weighted average number of ordinary shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

21. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. For the period ended 30 June 2022 and 2021, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both period ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (RMB'000)	90,697	42,821
Weighted average number of ordinary shares in issue (thousands of shares)	2,899,313	2,935,422
Adjustments for the effect of restricted share award scheme (thousands of shares)	16,873	28,500
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	2,916,186	2,963,922
Diluted earnings per share (expressed in RMB per share)	0.0311	0.0144

22. DIVIDENDS

The Directors have determined that no dividend will be paid in respect of the current interim period (Six months ended 30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Operating activities:		
Profit before income tax	163,148	112,717
Adjustments for:		
Property, plant and equipment		
– Depreciation charge	128,299	130,637
– Net (gain)/loss on disposals	(34)	1,404
Gains on repurchase of long-term bonds	(15,286)	–
Depreciation of right-of-use assets	15,001	19,234
Amortisation of intangible assets	19,286	18,060
Addition of impairment of receivables	16,564	40,569
Addition of impairment of inventories	9,423	10,879
Charge of share option scheme and restricted share award scheme	6,865	22,183
Share of loss of a joint venture	602	447
Share of profit of associates	(93)	–
Net foreign exchange loss/(gain)	8,688	(8,165)
Interest income	(12,903)	(6,220)
Interest expenses	116,861	107,767
Changes in working capital:		
Inventories	10,931	(7,603)
Trade and notes receivables	(75,266)	(68,170)
Contract assets	(614)	6,499
Prepayments and other receivables	(76,875)	(79,298)
Trade and notes payables	78,612	(174,882)
Accruals and other payables	(1,640)	(25,021)
Contract liabilities	(10,256)	(151)
Restricted bank deposits	(30,382)	25,211
Net cash inflows from operations	350,931	126,097
Interest received	12,903	6,220
Income tax paid	(43,129)	(39,071)
Net cash generated from operating activities	320,705	93,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB, unless otherwise stated)

23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Investing activities:		
Purchases of property, plant and equipment	(49,010)	(58,337)
Purchases of intangible assets	(16,447)	(4,823)
Proceeds from disposal of property, plant and equipment	202	1,978
Proceeds on disposal of investment in an associate	2,017	-
Net cash used in investing activities	(63,238)	(61,182)
Financing activities:		
Proceeds from short-term borrowings	439,527	701,127
Repayments of short-term borrowings	(305,050)	(686,662)
Repayments of lease liabilities	(16,608)	(19,142)
Proceeds from long-term borrowings	48,000	1,070
Repayments of long-term borrowings	(83,187)	(151,247)
Repurchase of long-term bonds	(268,375)	-
Interest paid	(107,306)	(101,185)
Repurchase of ordinary shares	(11,207)	-
Net cash used in financing activities	(304,206)	(256,039)

24. COMMITMENTS

Capital commitments

Capital commitments related to investments in property, plant and equipment at the reporting date but not yet provided for in the condensed consolidated statement of financial position were as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Contracted but not provided for	70,809	71,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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25. FINANCIAL RISK MANAGEMENT

Fair value relevant estimation

The fair value of notes receivable is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The Group measures its following financial instruments at fair value at the end of the reporting period:

Financial asset	Fair value as at 30 June 2022	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Notes receivable	91,337,000	Level 3	Fair value is estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk.	Discount rate: 5.12%

Reconciliation of Level 3 fair value measurements of notes receivable

	Notes receivable
At 1 January 2022 (audited)	137,130
Addition	228,524
Disposal	(278,494)
Fair value change recognized in other comprehensive income	4,177
At 30 June 2022 (unaudited)	91,337

Included in other comprehensive income is an amount of RMB1,766,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Period ended 30 June 2021: RMB3,187,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value relevant estimation *(Continued)*

Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial liabilities including trade and notes payables, other payables, short-term borrowings, the current portion of long-term borrowings approximate their fair values due to their short maturities.

The carrying amount of long-term borrowings approximated their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

The carrying amounts and fair values of long-term bonds

As at 30 June 2022	Carrying value	Fair value
Long-term bonds	1,924,182	1,584,356

As at 31 December 2021	Carrying value	Fair value
Long-term bonds	2,094,128	1,948,202

26. RELATED PARTY TRANSACTIONS

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

(a) The following person is related party of the Group during the six months period ended 30 June 2022:

Name of related party	Nature of relationship
Mr. Luo Lin	The ultimate controlling shareholder of the Company

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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26. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Short-term bank borrowings guaranteed by related party

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Short-term borrowings		
Mr. Luo Lin (Note 13(b))	414,707	405,641

(c) Key management compensation

	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
Salaries and other short-term employee benefits	6,985	4,949
Pension scheme	135	127
Share-based payments	1,352	1,549
	8,472	6,625