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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- The Group's consolidated revenue decreased by 2.2% from RMB1,453.9 million in the first half of 2020 to RMB1,421.3 million in the same period of 2021.
- Profit attributable to the equity holders of the Company, however, increased significantly by 147.0%, from a loss of RMB91.0 million in the first half of 2020 to a profit of RMB42.8 million in the same period of 2021.
- The Group's net operating cash inflow decreased by 2.3% from a net inflow of RMB95.4 million in the first half of 2020 to RMB93.2 million in the same period of 2021.

RESULTS AND PERFORMANCE

The Board of Directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**") wishes to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2021 (hereinafter referred to as the "**First Half**", or "**Reporting Period**") and the comparable figures for the same period of 2020 as follows.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

	Note	**As at 30 June 2021** ***(Unaudited)***	As at 31 December 2020 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,993,037**	2,099,390
Right-of-use assets		**119,068**	137,951
Goodwill		**242,004**	242,004
Intangible assets		**261,002**	273,652
Interest in a joint venture		**3,502**	3,949
Interest in an associate		**2,000**	2,000
Prepayments and other receivables		**58,105**	66,428
Deferred income tax assets		**14,266**	21,993
		2,692,984	2,847,367
Current assets			
Inventories		**923,185**	930,618
Trade and notes receivables	*5*	**2,107,811**	2,133,789
Contract assets		**24,119**	30,618
Prepayments and other receivables		**693,557**	605,475
Restricted bank deposits		**428,958**	454,169
Cash and cash equivalents		**651,576**	879,085
		4,829,206	5,033,754
Total assets		**7,522,190**	7,881,121
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**276,273**	276,273
Reserves		**2,359,952**	2,349,839
		2,636,225	2,626,112
Non-controlling interests		**138,181**	137,609
Total equity		**2,774,406**	2,763,721

	Note	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds		**1,845,575**	1,855,625
Long-term borrowings		**48,000**	131,388
Lease liabilities		**15,904**	31,771
Deferred income tax liabilities		**9,850**	9,998
		1,919,329	2,028,782
Current liabilities			
Short-term borrowings		**775,323**	763,953
Current portion of long-term bonds		**10,524**	11,034
Current portion of long-term borrowings		**96,249**	163,639
Trade and notes payables	*6*	**1,228,413**	1,403,295
Accruals and other payables		**484,200**	534,581
Lease liabilities		**33,491**	34,384
Contract liabilities		**37,831**	37,982
Current income tax liabilities		**162,424**	139,750
		2,828,455	3,088,618
Total liabilities		**4,747,784**	5,117,400
Total equity and liabilities		**7,522,190**	7,881,121

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

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

		Six months ended 30 June	
	Notes	**2021**	2020
		(Unaudited)	*(Unaudited)*
Revenue			
Contracts with customers	*7*	**1,355,117**	1,302,813
Rental	*7*	**66,190**	151,125
Total revenue	*7*	**1,421,307**	1,453,938
Cost of sales	*8*	**(982,873)**	(1,036,455)
Gross profit		**438,434**	417,483
Other gains, net		**13,104**	8,003
Impairment losses under expected credit loss model, net of reversal	*8*	**(40,569)**	(38,194)
Selling expenses	*8*	**(71,034)**	(96,459)
Administrative expenses	*8*	**(91,153)**	(87,496)
Research and development expenses	*8*	**(19,858)**	(18,894)
Sales tax and surcharges		**(6,531)**	(6,638)
Operating profit		**222,393**	177,805
Interest income		**6,220**	7,217
Finance expenses		**(115,449)**	(218,498)
Finance costs, net	*9*	**(109,229)**	(211,281)
Share of (loss)/profit of a joint venture		**(447)**	121
Profit/(loss) before income tax		**112,717**	(33,355)
Income tax expense	*10*	**(69,324)**	(54,473)
Profit/(loss) for the period		**43,393**	(87,828)
Profit/(loss) attributable to:			
Owners of the Company		**42,821**	(91,046)
Non-controlling interests		**572**	3,218
		43,393	(87,828)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company (expressed in RMB per share)			
– Basic	*11*	**0.0146**	(0.0303)
– Diluted	*11*	**0.0146**	(0.0303)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Profit/(loss) for the period	**43,393**	(87,828)
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**16,703**	(29,176)
Financial instruments measured at fair value through other comprehensive income	**4,325**	–
Currency translation differences	**(75,919)**	31,879
Other comprehensive (expense)/income for the period, net of tax	**(54,891)**	2,703
Total comprehensive expense for the period	**(11,498)**	(85,125)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(12,070)**	(88,343)
Non-controlling interests	**572**	3,218
	(11,498)	(85,125)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	**93,246**	95,385
Net cash used in investing activities	**(61,182)**	(122,874)
Net cash used in financing activities	**(256,039)**	(991,486)
Net decrease in cash and cash equivalents	**(223,975)**	(1,018,975)
Cash and cash equivalents at beginning of the period	**879,085**	2,422,874
Exchange (loss)/gain on cash and cash equivalents	**(3,534)**	8,355
Cash and cash equivalents at end of the period	**651,576**	1,412,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2021
(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 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

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. 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.

The CODM assess performance of three reportable segments: drilling technology, well completion and oil production services.

All of the three 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 three 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 2020. The CODM evaluate the performance of the operating segments based on profit or loss before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit/(loss) of a joint venture, 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.

	Drilling technology	Well completion	Oil production services	Total
Six months ended 30 June 2021 (Unaudited)				
Revenue (Note)	**476,102**	**315,487**	**629,718**	**1,421,307**
EBITDA	**164,613**	**117,555**	**240,232**	**522,400**
Depreciation and amortisation	**(87,136)**	**(58,589)**	**(13,309)**	**(159,034)**
Impairment provision of				
– Trade receivables	**(12,166)**	**(14,773)**	**(13,630)**	**(40,569)**
– Inventories	**(5,307)**	**(4,198)**	**(1,374)**	**(10,879)**
Interest income	**560**	**852**	**438**	**1,850**
Finance expenses	**(6,363)**	**(2,924)**	**(4,456)**	**(13,743)**
Share of loss of a joint venture	**(447)**	**–**	**–**	**(447)**
Income tax expense	**(18,778)**	**(8,587)**	**(41,959)**	**(69,324)**
Segment results	**34,976**	**29,336**	**165,942**	**230,254**
Unallocated corporate overheads				**(186,861)**
Profit for the period				**43,393**

	Drilling technology	Well completion	Oil production services	Total
Six months ended 30 June 2020 (Unaudited)				
Revenue (Note)	595,088	327,592	531,258	1,453,938
EBITDA	204,669	118,881	182,030	505,580
Depreciation and amortisation	(92,028)	(58,153)	(14,016)	(164,197)
Impairment provision of				
– Trade receivables	(9,510)	(13,877)	(13,162)	(36,549)
– Other receivables	(1,645)	–	–	(1,645)
– Inventories	(5,174)	(4,694)	(1,619)	(11,487)
Interest income	811	1,103	689	2,603
Finance expenses	(4,714)	(1,914)	(3,061)	(9,689)
Share of profit of a joint venture	121	–	–	121
Income tax expense	(18,923)	(7,191)	(28,359)	(54,473)
Segment results	73,607	34,155	122,502	230,264
Unallocated corporate overheads				(318,092)
Loss for the period				(87,828)

Note:

Sales between segments, with details set out in Note 7, are carried out at terms mutually agreed between relevant group entities.

	Drilling technology	Well completion	Oil production services	Total
As at 30 June 2021 (Unaudited)				
Segment assets	**2,591,511**	**2,458,282**	**896,774**	**5,946,567**
Segment assets include:				
Capital expenditures	**20,592**	**11,265**	**5,482**	**37,339**
As at 31 December 2020 (Audited)				
Segment assets	2,573,139	2,533,969	920,734	6,027,842
Segment assets include:				
Capital expenditures	186,049	101,779	49,523	337,351

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 2021 *(Unaudited)*	As at 31 December 2020 *(Audited)*
Assets for reportable segments	**5,946,567**	6,027,842
Corporate assets for general management	**1,575,623**	1,853,279
Total assets	**7,522,190**	7,881,121

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			
	2021 *(Unaudited)*	2020 *(Unaudited)*	**As at 30 June 2021** *(Unaudited)*	As at 31 December 2020 *(Audited)*
PRC	**706,048**	710,178	**1,884,637**	1,938,609
Republic of Iraq ("Iraq")	**506,319**	547,604	**647,874**	723,292
Other countries	**208,940**	196,156	**146,207**	163,473
Total	**1,421,307**	1,453,938	**2,678,718**	2,825,374

Client information

During the period, revenues of approximately RMB771,695,000 (six months ended 30 June 2020: RMB701,525,000) were derived from two (six months ended 30 June 2020: two) external customers, which contributed 32.45% and 21.84% to the total revenue, respectively (six months ended 30 June 2020: 32.38% and 15.87%). These revenues were mainly attributable to drilling technology and oil production services segments.

5. TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Trade receivables, net (a)		
– goods and services	**1,882,010**	1,803,419
– leases	**76,197**	49,287
	1,958,207	1,852,706
Notes receivable (c)	**149,604**	281,083
	2,107,811	2,133,789

Notes:

(a) Ageing analysis based on the invoice date:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
1 – 6 months	**1,039,834**	921,222
6 months – 1 year	**400,306**	396,445
1 – 2 years	**318,497**	335,267
2 – 3 years	**199,570**	199,772
	1,958,207	1,852,706

(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 receivables.

(c) As at 30 June 2021, total notes received amounting to RMB149,604,000 (31 December 2020: RMB281,083,000) are held by the Group as settlement of corresponding trade receivables. During the period ended 30 June 2020, in order to more effectively manage the overall cashflows under COVID-19, the Group further endorsed certain notes for settlement of trade payables and a new business model was adopted by the management whose objective was achieved by both selling and collecting contractual cash flows; therefore, notes receivable was subsequently measured at fair value through other comprehensive income from 1 July 2020. All notes received by the Group are with a maturity period of less than one year.

(d) As at 30 June 2021, trade receivables of RMB333,675,000 (31 December 2020: RMB1,036,619,000) were pledged as security for short-term borrowings of RMB123,985,000 (31 December 2020: RMB500,189,000) and long-term borrowings of RMB Nil (31 December 2020: RMB97,213,000).

(e) Allowance for impairment of trade receivables

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
As at 1 January	**268,490**	185,053
Addition	**40,569**	36,549
As at 30 June	**309,059**	221,602

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

6. TRADE AND NOTES PAYABLES

	As at 30 June 2021	As at 31 December 2020
	(Unaudited)	*(Audited)*
Trade payables	**476,272**	590,670
Notes payable	**752,141**	812,625
	1,228,413	1,403,295

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

	As at 30 June 2021	As at 31 December 2020
	(Unaudited)	*(Audited)*
Less than 1 year	**1,069,076**	1,195,605
1 – 2 years	**72,053**	98,618
2 – 3 years	**45,232**	50,903
Over 3 years	**42,052**	58,169
	1,228,413	1,403,295

7. REVENUE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Sales of goods	**19,259**	116,346
Provision of services	**1,335,858**	1,186,467
Rental	**66,190**	151,125
	1,421,307	1,453,938

Disaggregation of revenue

	For the six months ended 30 June 2021		
Segments	**Drilling technology**	**Well completion**	**Oil production services**
Types of goods or service			
Sales of goods	**–**	**15,349**	**3,910**
Provision of services	**410,415**	**299,635**	**625,808**
Total	**410,415**	**314,984**	**629,718**
Geographical markets			
PRC	**340,866**	**264,603**	**34,389**
Iraq	**16,775**	**32,663**	**456,881**
Other countries	**52,774**	**17,718**	**138,448**
Total	**410,415**	**314,984**	**629,718**
Timing of revenue recognition			
A point in time	**410,415**	**314,984**	**144,467**
Over time	**–**	**–**	**485,251**
Total	**410,415**	**314,984**	**629,718**

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

	For the six months ended 30 June 2021		
	Drilling technology	**Well completion**	**Oil production services**
Revenue disclosed in segment information			
External customers *(Note 4)*	**476,102**	**315,487**	**629,718**
Rental income	**(65,687)**	**(503)**	**–**
Revenue from contracts with customers	**410,415**	**314,984**	**629,718**

	For the six months ended 30 June 2020		
Segments	**Drilling technology**	**Well completion**	**Oil production services**
Types of goods or service			
Sales of goods	24,725	90,325	1,296
Provision of services	420,386	236,119	529,962
Total	445,111	326,444	531,258
Geographical markets			
PRC	266,062	229,306	63,685
Iraq	110,763	71,962	364,879
Other countries	68,286	25,176	102,694
Total	445,111	326,444	531,258
Timing of revenue recognition			
A point in time	445,111	326,444	117,629
Over time	–	–	413,629
Total	445,111	326,444	531,258

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

	For the six months ended 30 June 2020		
	Drilling technology	**Well completion**	**Oil production services**
Revenue disclosed in segment information			
External customers *(Note 4)*	595,088	327,592	531,258
Rental income	(149,977)	(1,148)	–
Revenue from contracts with customers	445,111	326,444	531,258

8. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Materials and services purchased	**371,116**	389,284
Staff costs	**368,003**	385,235
In which:		
– Salaries and other staff expenses	**345,820**	378,905
– Share-based compensation	**22,183**	6,330
Depreciation	**169,481**	180,702
In which:		
– Property, plant and equipment	**148,316**	153,173
– Right-of-use assets	**21,165**	27,529
Less: Capitalised in inventories	**(19,610)**	(22,876)
	149,871	157,826
Amortisation of intangible assets	**21,283**	18,814
Less: Capitalised in inventories	**(3,223)**	(1,973)
	18,060	16,841
In which:		
– Cost of sales	**16,198**	15,454
– Administrative expenses	**457**	346
– Selling expenses	**9**	10
– Research and development expenses	**1,396**	1,031
Other operating expenses	**298,437**	328,312
In which:		
– Increase in impairment of receivables	**40,569**	38,194
– Increase in impairment of inventories	**10,879**	11,487

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Interest expenses		
– on borrowings	**(26,933)**	(25,084)
– on bonds (Note)	**(78,452)**	(169,580)
– on lease liabilities	**(2,382)**	(4,477)
	(107,767)	(199,141)
Exchange gain/(loss), net	**8,165**	(7,257)
Others	**(15,847)**	(12,100)
Finance expenses	**(115,449)**	(218,498)
Interest income	**6,220**	7,217
	(109,229)	(211,281)

Note:

During this interim period, the interest expense was in relation to senior notes issued on 2 December 2019 with initial par value of US$300 million (period ended 30 June 2020: senior notes issued on 2 December 2019 with initial par value of US$300 million and senior notes issued on 5 December 2017 with initial par value of US$300 million which were fully repurchased and repaid in 2020).

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
Current income tax		
– PRC enterprise income tax	**11,763**	8,646
– Iraq corporate income tax	**44,426**	38,702
– Others	**5,556**	2,907
Deferred income tax	**7,579**	4,218
	69,324	54,473

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% (2020: 25%), except that 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.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2021	2020
	(Unaudited)	*(Unaudited)*
Profit/(loss) attributable to the owners of the Company (RMB'000)	**42,821**	(91,046)
Weighted average number of ordinary shares in issue (thousands of shares)	**2,935,422**	3,006,563
Basic earnings/(loss) per share (expressed in RMB per share)	**0.0146**	(0.0303)

(b) Diluted

The computation of diluted earnings/loss 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 2021 and 2020.

12. DIVIDENDS

The Directors have determined that no dividend will be paid in respect of the current interim period (Six months ended 30 June 2020: Nil).

13. EVENT AFTER THE REPORTING PERIOD

In July, the Company issued US$150 million senior notes due 2025 with the coupon rate of 8.75% at discount of par value, in which US$61.9 million were arranged to exchange the senior notes issued on 2 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2021, as COVID vaccines were rolled out worldwide gradually, the tension caused by the pandemic was moderated to a certain extent. The world saw an incipient economic recovery and a rebound in oil and gas demand, evidenced by the near doubling of international oil prices in the First Half. The Group actively seized the opportunity of the improving pandemic situation and recovering oil prices to quickly shift back to a growth track.

In terms of markets, the Group actively promoted the resumption of overseas projects that had been previously stalled by the pandemic and strived to source new orders and venture into new markets where the pandemic was gradually coming under control. In the First Half, the Group made breakthroughs in several overseas markets, securing asset-light orders in the new region of northern Iraq and making inroads into Niger and Australia for the first time with asset-light contracts. The Group's large-scale integrated oilfield services project in Iraq was also successfully renewed for a new term of "2 + 1 year" during the Reporting Period thanks to the excellent services rendered during the first three-year cycle. The Group gained encouraging growth momentum in overseas markets where there was a relentless focus on resuming a level of normalcy post-pandemic. In the domestic market, the Group continued to drive its business restructuring, aggressively pursued asset-light business related to natural gas and unconventional resources development, and promoted precision engineering services that combine the Group's geological and engineering expertise. As a result, the Group maintained stable business operations in China in the First Half.

In terms of management, in the current economic climate, the Group continued to upskill its workforce while actively pursuing new business opportunities. It further refined management processes, implemented comprehensive and rigorous cost discipline, enhanced management efficiency and reduced management costs through information technology, and actively drove up business profitability. In the First Half, the Group's business restructuring efforts, precise management, and the cost discipline proved effective, significantly benefiting its profit margin.

In the context of the global low-carbon transition and China 2060 goal of "carbon neutrality", the Group also ambitiously embarked on a low-carbon transition and digital transformation. In the First Half, the Group established separate business units for a Low Carbon and New Energy Company as well as a Smart Oilfield Company, and it continued to build an open and collaborative ecosystem platform to empower and collaborate with ecosystem partners and to promote the growth of related services.

Performance Results

For the First Half, the Group's revenue totaled RMB1,421.3 million, representing a decrease of RMB32.6 million, or 2.2%, from the first half of 2020. The Group's operating profit was RMB222.4 million, representing an increase of RMB44.6 million, or 25.1%, from RMB177.8 million for the corresponding period of 2020. Net profit was RMB43.4 million, reversing the loss for the same period in 2020 and increasing by RMB131.2 million, or 149.4%, from a loss of RMB87.8 million for the same period last year. Profit attributable to equity holders of the Company was RMB42.8 million, representing an increase of RMB133.8 million, or 147.0%, from a loss of RMB91.0 million in the corresponding period of 2020. The net profit margin attributable to equity holders of the Company was 3.0%.

As at 30 June 2021, the Group's account receivables balance was approximately RMB1,958.2 million and the account receivables average turnover was 241 days, representing a decrease of 20 days as compared to the same period last year; the average inventory turnover was 170 days, representing an increase of 23 days as compared to the same period last year; the average account payables turnover was 98 days, representing a decrease of 4 days as compared to the same period last year. Operating cash flow was RMB93.2 million, down RMB2.2 million from RMB95.4 million in the same period last year.

Geographical Market Analysis

In the First Half, the Group's revenue from overseas markets amounted to RMB715.3 million, representing a decrease of RMB28.4 million, or 3.8%, from RMB743.7 million in the corresponding period in 2020, and its share of the Group's total revenue was 50.3%. In breakdown, revenue from Iraq was RMB506.3 million, representing a decrease of RMB41.3 million, or 7.5%, from RMB547.6 million in the corresponding period in 2020 and accounted for 35.6% of the Group's total revenue. Revenue from other overseas markets was RMB209.0 million, representing an increase of RMB12.9 million, or 6.6%, from RMB196.1 million in the corresponding period in 2020 and accounting for 14.7% of the Group's total revenue. Revenue from the domestic market was RMB706.0 million, representing a decrease of RMB4.2 million, or 0.6%, from RMB710.2 million for the corresponding period of 2020 and accounting for 49.7% of the Group's total revenue.

Breakdown of Revenue by Market

	Six months ended 30 June			% of the Group's total revenue Six months ended 30 June	
	2021	2020	Change	**2021**	2020
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Overseas	**715.3**	743.7	-3.8	**50.3**	51.2
Domestic	**706.0**	710.2	-0.6	**49.7**	48.8
Total	**1,421.3**	1,453.9	-2.2	**100.0**	100.0

Overseas Markets

	Six months ended 30 June			% of the Group's total revenue Six months ended 30 June	
	2021	2020	Change	**2021**	2020
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Iraq	**506.3**	547.6	-7.5	**35.6**	37.7
Other overseas	**209.0**	196.1	6.6	**14.7**	13.5
Total	**715.3**	743.7	-3.8	**50.3**	51.2

Overseas Markets

Iraqi Market

In the First Half, as the epidemic situation in Iraq became more subdued, the Group took active steps towards resuming projects which had previously been suspended as a result of the pandemic. Some major projects in regions such as Halfaya and Buzurgan were successfully restarted in the First Half. At the same time, with the resumption of business, the Group actively sourced orders in new regions. In the First Half, the Group made a breakthrough in the new region of northern Iraq where it secured an order for asset-light services.

The Group also successfully renewed the contract for integrated oilfield management services for a large oilfield in southern Iraq on 30 June 2021, whereby the Group will continue to provide integrated and comprehensive management of the oilfield for the client, including overseeing the overall production and operations of the oilfield, oilfield engineering management, and materials and other management support required for the continuous operation of the oilfield. With the renewal, the scope of the contract was further broadened, which include the management of third parties. The project continues with the "2+1" model (two years of services as of the official commencement of the contract with an option by written agreement of the parties to extend for another year of service, depending on the project circumstances). The new cycle officially began on 1 July 2021. Since the Group took over the integrated management services of this project in 2018, the oilfield has been running smoothly for more than three consecutive years and has achieved an HSE performance of 20 million hours LTI Free (lost time injury free) man-hours, and the Group's excellent performance was strongly recognized by the client. In addition to high-quality services, the Group has also been active in taking up its corporate social responsibility to help the oilfield and the local community fight against flooding in 2019 and the COVID-19 pandemic in 2020, which won the Group high praise from the client, the Ministry of Oil, and local residents. The Group remains committed to providing high-quality services to the client in this oilfield for the long term and actively promoting the adoption of the integrated oilfield management service model throughout Iraq.

In the First Half, the Group received new orders of approximately RMB1,698.6 million in Iraq, representing a significant increase of 122.8% compared to RMB762.4 million in the same period last year. Revenue in Iraq for the First Half was approximately RMB506.3 million, down approximately 7.5% from RMB547.6 million in the same period last year.

Other Overseas Markets – Global Emerging Markets

In the First Half, the Group's projects in other overseas markets also recovered steadily, particularly in Chad, a country in West Africa, where the Group maintained stable operation of an integrated oilfield management project and recorded substantial growth of both new orders and revenue compared to the same period last year. In addition, the Group made inroads into global emerging markets such as Niger and Australia for the first time, winning orders for asset-light services.

In the First Half, the Group's new orders in other overseas markets reached a total value of RMB338.1 million, representing a significant increase of 235.1% compared to the same period last year. In the First Half, the Group recorded revenue of approximately RMB209.0 million from other overseas markets, up approximately 6.6% from RMB196.1 million in the same period last year.

Chinese Market

In the First Half, the Group continued to focus on the development of natural gas and unconventional resources, actively sourced high-quality asset-light service orders, and further promoted precision engineering services that combine its geological and engineering expertise. Concurrently, the Group continued to implement stringent cost control and cash flow management to deliver uncompromised service quality, despite the ongoing pressure from clients' limited service budgets.

In the First Half, the Group's asset-light inspection and evaluation services showed a good growing trend, recorded a revenue growth of about 44.9% comparing with the same period last year. In the context of China's agenda of achieving carbon neutrality by 2060 and of the low-carbon transition, the Group expects tremendous opportunities for growth in the domestic natural gas market. In the First Half, the Group set up a dedicated arm of the Low Carbon and New Energy Technology Company to provide low-carbon energy and new energy solutions to our clients by combining our industry know-how, technological strengths, and market advantages. This will include actively promoting the construction of natural gas storage tanks, carbon capture and storage, geothermal energy development and utilization, low carbon business consulting, and carbon assets management, among others. The Group has also established a Smart Oilfield Technology Company to provide clients with smart oil and gas field solutions, including integrated smart management solutions for industrial parks, smart security, smart environmental solutions, and smart logistics solutions. It also continues to build an open and collaborative ecosystem platform to attract and collaborate with enabling ecosystem partners to provide a full spectrum of efficient services to clients and drive the development of the industry.

In the First Half, the Group received new orders of approximately RMB1,018.7 million in China, representing a decrease of approximately 13.1% from RMB1,172.3 million in the same period last year, but the order mix shifted in favor of asset-light project services. The domestic market recorded revenue of approximately RMB706.0 million in the First Half, down 0.6% from RMB710.2 million in the same period last year.

Business Cluster Analysis

During the Reporting Period, the Group's revenue from the drilling technology services cluster amounted to RMB476.1 million, representing a decrease of approximately 20.0% from the first half of 2020 and accounting for 33.5% of the Group's total revenue in the First Half; revenue from the well completion cluster amounted to RMB315.5 million, representing a decrease of approximately 3.7% from the first half of 2020 and accounting for 22.2% of the Group's total revenue; and revenue from the oil production service cluster amounted to RMB629.7 million, representing an increase of 18.5% compared to the first half of 2020 and accounting for 44.3% of the Group's total revenue.

Revenue Breakdown by Cluster

	Six months ended 30 June			% of the Group's total revenue Six months ended 30 June	
	2021	2020	Change	**2021**	2020
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Drilling technology cluster	**476.1**	595.1	-20.0	**33.5**	40.9
Well completion cluster	**315.5**	327.6	-3.7	**22.2**	22.6
Oil production service cluster	**629.7**	531.2	18.5	**44.3**	36.5
Total	**1,421.3**	1,453.9	-2.2	**100.0**	100.0

Drilling Technology Cluster

During the First Half, oil prices rose and the oil and gas industry began to rebound, but the impact of COVID-19 on business operations persisted. The Group's drilling projects in overseas markets were yet to fully recover from the impact of the pandemic. Due to the impact of COVID-19 on overseas operations lagging and therefore not fully showing in the interim results of the first half of 2020, the Group's revenue from the drilling technology cluster fell when compared to the same period last year. In the First Half, the Group's revenue from the drilling technology cluster was RMB476.1 million, representing a decrease of 20.0% from RMB595.1 million in the first half of 2020.

Analysis of major product lines in this cluster:

1) Integrated drilling services: During the Reporting Period, revenue from integrated drilling services amounted to RMB78.2 million, representing a decrease of approximately 26.0% from revenue of RMB105.7 million in the same period of 2020.

2) Directional drilling services: During the Reporting Period, directional drilling services recorded revenue of RMB72.4 million, representing an increase of approximately 3.0% from RMB70.3 million in the same period of 2020.

3) Drilling rig services: During the Reporting Period, drilling rig services recorded revenue of RMB104.9 million, representing a decline of 23.2% from RMB136.6 million in the same period of 2020.

4) Oilfield waste management services: In the First Half, oilfield waste management services recorded revenue of RMB74.2 million, representing a decrease of approximately 5.7% from RMB78.7 million in the same period of 2020.

Note: As a result of the restructuring of the Group's product lines, the "drilling and completion fluid services" product line was merged into the "oilfield waste management services" product line in 2020. The revenue of this product line in the First Half includes revenue from drilling and completion fluid services. The revenue from the drilling and completion fluid services for the same period of 2020 was incorporated into the "oilfield waste management services" product line to allow for a like-for-like comparison.

5) Drilling tool rentals and services: During the Reporting Period, this product line recorded revenue of RMB67.2 million, representing a decrease of 55.0% from RMB149.2 million for the same period of 2020.

6) Oil production facilities inspection and evaluation services: During the Reporting Period, inspection and evaluation services recorded revenue of RMB79.1 million, up 44.9% from RMB54.6 million for the same period of 2020.

EBITDA of the drilling technology cluster decreased by 19.6% to RMB164.6 million in the First Half, from RMB204.7 million in the same period last year. The EBITDA margin was 34.6% in the First Half, an increase of 0.2 percentage points from 34.4% in the same period last year.

Well Completion Cluster

The Group's well completion cluster continued its gradual recovery in the First Half. During the Reporting Period, the well completion cluster reported revenue of RMB315.5 million, a decrease of 3.7% from RMB327.6 million in the same period last year.

Analysis of major product lines in this cluster:

1) Well completion integration: In the first half of the year, well completion integration services recorded revenue of RMB66.9 million, a decrease of 20.1% from RMB83.7 million in the same period last year.

2) Pressure pumping services: Pressure pumping services recorded revenue of RMB138.9 million in the First Half, an increase of 21.1% from RMB114.7 million in the same period last year.

3) Coiled tubing services: In the First Half, due to the impact of the epidemic, the number of coiled tubing projects in the overseas Iraqi market and other emerging markets decreased, and this product line recorded revenue of RMB39.0 million in the First Half, down 50.9% from RMB79.5 million in the same period last year.

4) Fracturing/acidizing and chemical materials: During the Reporting Period, this service recorded revenue of RMB26.0 million, an increase of 256.2% compared to RMB7.3 million in the same period last year.

5) Gravel packing services: This product line recorded revenue of RMB44.7 million in the First Half, up 5.4% from RMB42.4 million in the same period last year.

EBITDA of the well completion technology cluster was RMB117.6 million for the First Half, down 1.1% from RMB118.9 million in the same period last year. The EBITDA margin was 37.3% in the First Half, up 1.0 percentage points from 36.3% in the same period last year.

Oil Production Service Cluster

In the First Half, the Group's large integrated oilfield management projects in Iraq and oilfield management projects in Chad maintained efficient operations, while overseas asset-light oilfield supervision and management projects recovered rapidly, contributing to revenue growth in the oil production cluster. Revenue from the oil production technology services cluster was RMB629.7 million, up approximately 18.5% from RMB531.2 million in the same period last year.

Analysis of major product lines in this cluster:

1) Production operation services: During the Reporting Period, oil recovery operation management services recorded revenue of RMB476.5 million, representing an increase of 17.5% from RMB405.6 million in the corresponding period last year. This was mainly benefited from the growing work volume of the Group's integrated oilfield management services projects in Iraq and in Chad.

2) Workover services: During the Reporting Period, oil production operation services recorded revenue of RMB123.0 million, representing an increase of 22.0% from RMB100.8 million in the corresponding period last year.

3) Oil tubing and casing and anti-corrosion technology services: During the Reporting Period, this business recorded revenue of RMB30.2 million, representing an increase of 21.3% from RMB24.9 million in the corresponding period last year.

EBITDA of the oil production services cluster was RMB240.2 million for the First Half, an increase of 32.0% from RMB182.0 million for the same period last year. The EBITDA margin of the oil production services cluster was 38.1% in the First Half, up 3.8 percentage points from 34.3% in the same period last year.

Strategic Resources Alignment

In the First Half, the Group continued to strictly control new capital expenditure in accordance with its "asset-light" model and firm-wide discipline with cash flow management at the core. Capital expenditure for the First Half was RMB61.2 million, a decrease of RMB61.7 million from RMB122.9 million in the first half of 2020.

Alignment of Investment

In the First Half, the Group's investments were mainly in supplementary equipment for ongoing projects.

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

In the First Half, the Group focused on addressing the practical customer needs for production stimulation and cost reduction through the improvement and innovation of applicable technologies or tools. It promoted the optimization and upgrade of the Group’s products through technical cooperation. In the First Half, the Group invested RMB19.9 million in research and development, representing an increase of 5.3% from RMB18.9 million in the corresponding period last year. Key R&D projects include:

– Reservoir geology for strengthening the research and application of sweet spot technologies

– Research and development of staged fracturing technology for horizontal wells

– Research and development of shale gas well drilling technology

– Research on well completion technology for multilateral wells

– Research on integrated reservoir geology and engineering technology

– Research and development on synthetic-based drilling fluid systems and key additives for recombinant hydrocarbons

Alignment of Human Resources

In the First Half, the Group launched a full-scale upskilling program for core competencies and implemented the amoeba management model from the top down, while continuing with talent training and development through the Anton Academy. Additionally, the Group further deployed information technology in management to reduce overheads while improving productivity. In the First Half, the Group’s staff costs were approximately RMB368.0 million, accounting for 25.9% of revenue, down 4.5% from RMB385.2 million in the same period last year.

As at 30 June 2021, the Group had a total workforce of 4,033, including 2,203 overseas employees, accounting for 54.63% of the Group’s total headcount.

Outlook

Into the second half of 2021, despite strong recovery momentum in the global economy, emerging variants of concern continue to pose new challenges to the fight against COVID and add uncertainty to the outlook of industry’s recovery. In the face of the increasingly volatile external environment, the Group remains committed to long-term transformation and agile upgrades to revamp itself from the inside out. Internally, the Group will continue to implement the amoeba management model, elevate the organizational culture and teamwork spirit, further refine management processes, and invest in information technology to improve management efficiency. Externally, the Group will fully lift its ambitions and broaden its vision; create an ecosystem platform; bring in a wide range of partners to empower, transform, and upgrade traditional oilfield technical services; and deliver high-caliber, top-quality results to its clients.

In terms of markets, natural gas and unconventional energy remain priority market segments for the Group in China. The Group will provide a full range of technical services to help its clients achieve efficient development of oil and gas resources, and at the same time, actively promote its low-carbon new energy business and its smart oilfield business. In Iraq, the Group will continue to work towards the full resumption of projects, while actively developing new regions. The Group's integrated management services project in the Majnoon oilfield was renewed in the First Half and is now in the next contract cycle. The Group will continue to generate value and profit for the client by maintaining safe and efficient oilfield operations and by expanding production capacity. In other overseas markets, the Group will focus on high-quality project opportunities in West Africa, establish deep client relationships with local national oil companies and international oil companies, further expand market access, and continue to nurture mature regional markets.

In terms of products, technologies, and service capabilities, the Group will continue to pursue an asset-light strategy and upgrade its products and services, use digital technology and geological expertise to empower traditional engineering services, and provide supporting talents and assets to address diverse client needs with turnkey solutions. Meanwhile, the Group will further develop and strengthen its oilfield management services, fully promoting its digital services and inspection services. The Group will continue to lift its asset efficiency, vitalize its assets, and further develop its assets operating lease business.

Concerning strategic resource alignment, the Group will rely on an ecosystem platform strategy, pursue open collaboration with world-leading partners from all sectors, and jointly establish a collaborative ecosystem to deliver a full range of services to clients. In terms of human resources, the Group will design targeted incentives under the amoeba model for its entire workforce, improve workforce productivity, enable its people to play to their strengths, and create fully-engaged entrepreneurs. The Group will continue to adopt strict caps on capital expenditure while prudently seeking investment projects that generate high returns and strong cash flow to prepare opportunities for long-term success.

On the financial side, the Group will encourage its team to set ambitious goals and take on challenges to maximize performance results through comprehensive and refined management. At the same time, it remains focused on core metrics such as cash flow and return on equity, reputable clients and high-quality services, and an asset-light business model going forward. The Group will further deepen the synergies between industry and finance and consolidate external financial resources and assets to drive and support the development of major projects.

With regard to environmental, social, and governance (ESG), the Group will continue to uphold its corporate vision of "becoming a model of efficient and harmonious development between humanity and the environment", further improve ESG management, build an environmentally-friendly business model, help talent prosper, drive stakeholder engagement, foster community progress, and comprehensively advance sustainability goals for the long term.

FINANCIAL REVIEW

Revenue

The Group's revenue for the First Half was RMB1,421.3 million, representing a decrease of RMB32.6 million, or 2.2%, from RMB1,453.9 million for the same period of 2020.

Costs of Sales

Cost of sales decreased by 5.2% to RMB982.9 million in the First Half, from RMB1,036.5 million in the corresponding period of 2020.

Other Gains, Net

Other gains increased by RMB5.1 million from RMB8.0 million in the first half of 2020 to RMB13.1 million in the First Half.

Impairment Loss on Financial Assets

Impairment losses on financial assets rose by 6.3% from RMB38.2 million in the first half of 2020 to RMB40.6 million in the First Half.

Selling Expenses

Selling expenses were RMB71.0 million in the First Half, a decrease of RMB25.5 million, or 26.4%, from RMB96.5 million in the corresponding period of 2020.

Administrative Expenses

Administrative expenses for the First Half amounted to RMB91.2 million, an increase of RMB3.7 million, or 4.2%, from RMB87.5 million for the same period of 2020.

R&D Expenses

Research and development expenses amounted to RMB19.9 million in the First Half, an increase of RMB1.0 million, or 5.3% from RMB18.9 million in the corresponding period of 2020.

Sales Taxes and Surcharges

Sales taxes and surcharges amounted to RMB6.5 million in the First Half, a decrease of RMB0.1 million, or 1.5%, from RMB6.6 million in the corresponding period of 2020.

Operating Profit

Based on the above, operating profit for the First Half was RMB222.4 million, an increase of RMB44.6 million, or 25.1%, from RMB177.8 million for the same period of 2020. The operating profit margin for the First Half was 15.6%, an increase of 3.4 percentage points from 12.2% for the same period of 2020, owing mainly to the Group's improved management efficiency and consistently-strict implementation of cost control measures.

Net Financing Costs

In the First Half, net financing costs were RMB109.2 million, representing a significant drop of approximately RMB102.1 million, or 48.3%, compared to RMB211.3 million in the corresponding period of 2020, mainly due to the reduced financing costs of the Group's USD notes during the Reporting Period. (The Group previously had a USD note with a coupon rate of 9.75%, for a total amount of USD300 million, which was repaid upon maturity in December 2020).

Income Tax Expense

In the First Half, the income tax expense was RMB69.3 million, an increase of RMB14.8 million, or 27.2%, from RMB54.5 million in the same period of 2020.

Profit/Loss for the Reporting Period

The Group reported a net profit of RMB43.4 million for the First Half, representing a significant increase of RMB131.2 million, or 149.4%, from a loss of RMB87.8 million for the corresponding period of 2020.

Profit/Loss Attributable to Equity Holders of the Company

In the First Half, the Group's profit attributable to equity holders of the Company amounted to RMB42.8 million, representing a significant increase of RMB133.8 million from a loss of RMB91.0 million in the corresponding period of 2020.

Trade and Notes Receivables

As at 30 June 2021, the Group's net trade and bills receivables amounted to RMB2,107.8 million, representing a decrease of RMB26.0 million from 31 December 2020. The average trade receivable turnover was 241 days for the First Half, a decrease of 20 days as compared to the same period of 2020.

Inventories

As at 30 June 2021, the Group's inventories were valued at RMB923.2 million, representing a decrease of RMB7.4 million as compared to 31 December 2020.

Liquidity and Capital Resources

As at 30 June 2021, the Group had cash and bank deposits of approximately RMB1,080.5 million (including restricted bank deposits and cash and cash equivalents), representing a decrease of RMB252.8 million as compared to 31 December 2020.

The Group had outstanding short-term borrowings of RMB775.3 million as at 30 June 2021. RMB1,082.5 million of the credit lines underwritten to the Group by Chinese banks remained unused.

As at 30 June 2021, the Group's gearing ratio was 59.4%, representing a decrease of 2.0 percentage points from the gearing ratio of 61.4% as at 31 December 2020. 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 RMB2,636.2 million as at 30 June 2021, an increase of RMB10.1 million from RMB2,626.1 million as at 31 December 2020.

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

During the six months ended 30 June 2021, the Group had no significant 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 not 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 2021, the Group's cash flow from operating activities was a net inflow of RMB93.2 million, representing a decrease of RMB2.1 million as compared to the corresponding period of 2020.

Capital Expenditure and Investment

The Group's capital expenditure for the First Half amounted to RMB61.2 million, of which, RMB56.4 million was invested in fixed assets and RMB4.8 million in intangible assets.

Contractual Commitments

The Group's contractual commitments mainly consist of its capital commitments. As at 30 June 2021, the Group's capital commitments (but not yet provisioned in the condensed consolidated statement of financial position) amounted to approximately RMB61.9 million.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2021, the Group's assets pledged for banking facilities were property and equipment with a net book value of RMB291.0 million, right-of-use assets with a net book value of RMB5.5 million, and trade receivables with a net book value of RMB333.7 million.

Off-Book Arrangements

As at 30 June 2021, the Group had no off-book arrangements.

INTERIM DIVIDEND

The Board of Directors of the Company does not recommend the payout of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2021.

DIRECTOR'S SECURITIES TRANSACTIONS

The directors of the Company (the "**Directors**") have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of practice for securities transactions by the Directors. Having made specific inquiries with all Directors, the Company confirms that all Directors have fully complied with the applicable requirements stipulated in the said Model Code throughout the Reporting Period.

PURCHASE, SALE, OR REDEMPTION OF THE LISTED SECURITIES

For the six months ended 30 June 2021, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

SUBSEQUENT EVENT

On 6 July 2021, the Group announced the exchange of the existing 7.5% senior notes due December 2022 (the "**2022 Notes**") (Stock Code: 40077) and the proposed issuance of new notes, and it completed the pricing and issuance of the new notes on 19 July. As a result of the exchange offer, new notes with principal amount of USD61,903,000 were issued in exchange for the 2022 Notes and new notes with principal amount of USD88,097,000 were issued concurrently, bringing the total amount of new notes issued to USD150 million. The new notes carry a coupon rate of 8.75%, have a term of 3.5 years, and will mature in January 2025. The notes are listed on the Hong Kong Stock Exchange (Stock Code: 40776).

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules and the CG Code. The Audit Committee comprises all three existing independent non-executive Directors, namely Mr. ZHU Xiaoping (Chairman of the Audit Committee), Mr. ZHANG Yongyi, and Mr. WEE Yiaw Hin. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2021.

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

Hong Kong, 26 August 2021

As at the date of this announcement, the Group's Executive Directors are Mr. LUO Lin, Mr. PI Zhifeng, and Mr. FAN Yonghong; Non-Executive Director is Mr. HUANG Song; and Independent Non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping, and Mr. WEE Yiaw Hin.