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2021 中 INTERIM REPORT

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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
Dato 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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Cayman Islands

CORPORATE INFORMATION



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Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

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

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%.



MANAGEMENT DISCUSSION AND ANALYSIS

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 (RMB Mn)	2020 (RMB Mn)	Change (%)	2021 (%)	2020 (%)
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 (RMB Mn)	2020 (RMB Mn)	Change (%)	2021 (%)	2020 (%)
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 (RMB Mn)	2020 (RMB Mn)	Change (%)	2021 (%)	2020 (%)
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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 54.62% of the Group’s total headcount.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2021 (for the six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

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 2021, 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	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
LUO Lin	1,2	Founder of a discretionary trust and Beneficial owner	737,494,330	24.52%
PI Zhifeng	2	Beneficial owner	14,448,000	0.48%
FAN Yonghong	2	Beneficial owner	26,520,000	0.88%
ZHANG Yongyi	2	Beneficial owner	4,240,000	0.14%
ZHU Xiaoping	2	Beneficial owner	3,800,000	0.12%
WEE Yiaw Hin	2	Beneficial owner	2,900,000	0.09%

OTHER INFORMATION

Note:

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 2021, 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 2021 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 2021	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 2021
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 2021	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 2021
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	-	-	-	-	11,200,000
FAN Yonghong	24 February 2016	24 February 2017- 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	-	-	-	-	12,920,000



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 2021	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 2021
Zhang Yangyi	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	-	-	-	-	3,000,000
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	-	-	-	-	3,000,000

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 2021	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 2021
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	75,801,334	-	-	-	50,000	75,751,334
	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	83,450,000	-	-	-	150,000	83,300,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,7	52,065,333	-	-	-	200,000	51,865,333
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,8	77,279,078	-	-	-	200,000	77,079,078
	01 April 2020	01 April 2021 to 31 March 2026	0.495	1,9	113,439,592	-	-	-	-	113,439,592
Subtotal:					403,535,337	-	-	-	600,000	402,935,337
Total:					441,416,259	-	-	-	600,000	440,816,259



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.

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

As at 30 June 2021, 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%

Note:

- 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.
- 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 2021, 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 2020 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 2021.

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 2021 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, 26 August 2021



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 27 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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
26 August 2021



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	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	9	58,105	66,428
Deferred income tax assets		14,266	21,993
		2,692,984	2,847,367
Current assets			
Inventories	7	923,185	930,618
Trade and notes receivables	8	2,107,811	2,133,789
Contract assets		24,119	30,618
Prepayments and other receivables	9	693,557	605,475
Restricted bank deposits	10	428,958	454,169
Cash and cash equivalents	10	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	11	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at 30 June 2021

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

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds	12	1,845,575	1,855,625
Long-term borrowings	13	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	13	775,323	763,953
Current portion of long-term bonds	12	10,524	11,034
Current portion of long-term borrowings	13	96,249	163,639
Trade and notes payables	14	1,228,413	1,403,295
Accruals and other payables	15	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

The condensed consolidated financial statements on pages 27 to 60 were approved and authorised for issue by the Board of Directors on 26 August 2021 and were signed on its behalf by:

Chairman

Executive Director

The notes on pages 34 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 2021

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

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Revenue			
Contracts with customers	16	1,355,117	1,302,813
Rental	16	66,190	151,125
Total revenue	16	1,421,307	1,453,938
Cost of sales	17	(982,873)	(1,036,455)
Gross profit		438,434	417,483
Other gains, net	18	13,104	8,003
Impairment losses under expected credit loss model, net of reversal	17	(40,569)	(38,194)
Selling expenses	17	(71,034)	(96,459)
Administrative expenses	17	(91,153)	(87,496)
Research and development expenses	17	(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	19	(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	20	(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	21	0.0146	(0.0303)
– Diluted	21	0.0146	(0.0303)

The notes on pages 34 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 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:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
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)

The notes on pages 34 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 2021

(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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

For the six months ended 30 June 2021

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

	Note	Attributable to the owners of the Company						Subtotal	Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves			
Balance at 1 January 2020		276,273	1,049,570	444,191	76,900	1,088,379	(33,175)	2,902,138	55,525	2,957,663
Loss for the period		-	-	-	-	(91,046)	-	(91,046)	3,218	(87,828)
Other comprehensive (expense)/income										
- Net investment hedge		-	-	-	-	-	(29,176)	(29,176)	-	(29,176)
- Currency translation differences		-	-	-	-	-	31,879	31,879	-	31,879
Total comprehensive income		-	-	-	-	(91,046)	2,703	(88,343)	3,218	(85,125)
- Share-based scheme	11(b)	-	-	6,330	-	-	-	6,330	-	6,330
Total transactions with owners, recognised directly in equity		-	-	6,330	-	-	-	6,330	-	6,330
Balance at 30 June 2020		276,273	1,049,570	450,521	76,900	997,333	(30,472)	2,820,125	58,743	2,878,868

The notes on pages 34 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 2021

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

	Notes	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Net cash generated from operating activities	23	93,246	95,385
Net cash used in investing activities	23	(61,182)	(122,874)
Net cash used in financing activities	23	(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	10	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	10	651,576	1,412,254

The notes on pages 34 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 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”).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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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	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

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 2020.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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.

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 the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

	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 16 are carried out at terms mutually agreed between relevant group entities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

5. SEGMENT INFORMATION *(continued)*

	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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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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	As at
	2021	2020	30 June	31 December
	(Unaudited)	(Unaudited)	2021	2020
			(Unaudited)	(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Opening carrying amount	2,099,390	2,137,866
Additions	32,516	123,854
Depreciation	(127,418)	(133,471)
Disposals	(3,382)	(2,196)
Currency translation differences	(8,069)	12,901
Closing carrying amount	1,993,037	2,138,954

As at 30 June 2021, certain borrowings were secured by certain buildings and equipment with carrying amount of RMB290,978,000 (31 December 2020: RMB328,132,000) (Note 13(a)).

7. INVENTORIES

	As at	As at
	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
Project materials, spare parts and other materials	644,729	626,384
Project-in-progress	278,456	304,234
Total	923,185	930,618



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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8. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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8. TRADE AND NOTES RECEIVABLES *(continued)*

Notes: *(continued)*

(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) (Note 13(a) and (b)).

(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.

9. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current		
Advances to suppliers	219,674	236,422
Other receivables	435,227	346,388
Value-added tax recoverable	38,656	22,665
	693,557	605,475
Non-current		
Value-added tax recoverable	31,574	40,358
Advances to engineering equipment suppliers	26,531	26,070
	58,105	66,428



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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10. CASH AND BANK DEPOSITS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Restricted bank deposits (a)	428,958	454,169
Cash and cash equivalents		
– Cash on hand	22,640	19,431
– Deposits in bank	628,936	859,654
	1,080,534	1,333,254

Notes:

- (a) As at 30 June 2021, bank deposits amounting to RMB428,958,000 (31 December 2020: RMB454,169,000) were held as securities for letter of guarantee and issuance of notes payable.
- (b) Cash and bank deposits were denominated in the following currencies:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
RMB	594,187	892,050
United States dollar ("US\$")	454,285	411,981
Hong Kong dollar ("HK\$")	3,010	2,875
Others	29,052	26,348
	1,080,534	1,333,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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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 2021 and 1 January 2021	3,006,563	300,656	276,273
(Unaudited) As at 30 June 2020 and 1 January 2020	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 2021		441,425
Forfeited	0.858	(519)
As at 30 June 2021 (Unaudited)		440,906
As at 1 January 2020		346,187
Granted (on 01 April 2021)	0.495	113,440
Forfeited	0.828	(14,060)
As at 30 June 2020 (Unaudited)		445,567



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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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)
23 February 2022	0.740	78,459
31 March 2022	0.800	6,300
1 December 2022	1.100	2,216
22 May 2023	0.810	91,524
2 April 2024	1.020	62,333
6 January 2025	0.790	86,634
31 March 2026	0.495	113,440
		440,906

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021 for share options amounted to RMB7,012,000 (for the six months ended 30 June 2020: RMB6,330,000), 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.

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.

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021 for the Scheme amounted to RMB15,171,000 (for the six months ended 30 June 2020: Nil), with a corresponding amount credited in capital reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. LONG-TERM BONDS

Issued date:	Par value	Coupon rate	As at 30 June 2021	As at 31 December 2020	Effective interest rate
2 December 2019 (a)	US\$291.4 million	7.50%	1,856,099	1,866,659	8.91%
Subtotal			1,856,099	1,866,659	
Less: Current portion			(10,524)	(11,034)	
			1,845,575	1,855,625	

Note:

- (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 with direct transaction costs amounting to RMB45,359,000, in which US\$8.6 million were repurchased during the period ended 30 June 2020. The notes mature in 3 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 30 June 2021, interest payable amounted to approximately RMB10.5 million (31 December 2020: RMB11.0 million).

13. BORROWINGS

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Amount	Interest rate	Amount	Interest rate
Long-term borrowings				
- Secured or guaranteed				
- RMB denominated (a)	144,249	5.15%-9.70%	295,027	4.25%-9.70%
Less: Current portion	(96,249)		(163,639)	
	48,000		131,388	
Short-term bank borrowings				
- Unsecured and unguaranteed				
- RMB denominated	451,338	5.60%-5.85%	-	
- Secured or guaranteed				
- RMB denominated (b)	323,985	4.25%-6.00%	631,628	3.50%-6.00%
- US\$ denominated (b)	-		82,035	3.02%
Other short-term borrowings				
- Unsecured and unguaranteed				
- RMB denominated (c)	-		50,290	5.65%
	775,323		763,953	



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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13. BORROWINGS *(continued)*

Notes:

- (a) As at 30 June 2021, secured long-term borrowings of RMB8,249,000 (31 December 2020: RMB56,425,000) represented borrowings from China Railway Construction Financial Leasing Co., Ltd., a third party, which will mature in July 2021 (31 December 2020: July 2021), and secured by the Group's equipment with a carrying value of RMB205,207,000 (31 December 2020: RMB240,791,000). Secured long-term bank borrowings of RMB96,000,000 (31 December 2020: RMB96,184,000) were secured by the Group's buildings with a carrying value of RMB85,771,000 (31 December 2020: RMB87,341,000) and right-of-use assets (leasehold lands) with a carrying value of RMB5,470,000 (31 December 2020: RMB5,548,000) respectively.

As at 30 June 2021, long-term bank borrowings of RMB40,000,000 (31 December 2020: RMB45,205,000) 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.

As at 31 December 2020, secured long-term bank borrowings of RMB97,213,000 were secured by the Group's trade receivables amounting to RMB282,420,000 (Note 8(d)).

- (b) As at 30 June 2021, secured short-term bank borrowings of RMB123,985,000 (31 December 2020: RMB500,189,000) were secured by the Group's trade receivables amounting to RMB333,675,000 (31 December 2020: RMB754,199,000) (Note 8(d)). Short-term bank borrowings of RMB200,000,000 (31 December 2020: RMB131,439,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 26(b)).

As at 31 December 2020, US\$ denominated short-term bank borrowings of RMB82,035,000 were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 26(b)).

- (c) As at 31 December 2020, other unsecured short-term borrowings represented a loan borrowed by Anton Oilfield Services (Group) Ltd. from 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.
- (d) As at 30 June 2021, the undrawn bank borrowing facilities of the Group of approximately RMB1,083 million (31 December 2020: RMB930 million), with maturity dates up to 26 September 2023 (31 December 2020: 8 July 2022), were unsecured (31 December 2020: unsecured).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. TRADE AND NOTES PAYABLES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (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 (Unaudited)	As at 31 December 2020 (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

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Payroll and welfare payables	38,724	43,256
Taxes other than income taxes payable	11,339	12,506
Payables to equipment vendors	248,077	273,437
Others	186,060	205,382
	484,200	534,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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16. 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

Segments	For the six months ended 30 June 2021		
	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
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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		
	Drilling technology	Well completion	Oil production services
Revenue disclosed in segment information			
External customers (Note 5)	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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 2020		
	Drilling technology	Well completion	Oil production services
Revenue disclosed in segment information			
External customers (Note 5)	595,088	327,592	531,258
Rental income	(149,977)	(1,148)	-
Revenue from contracts with customers	445,111	326,444	531,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. 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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

18. OTHER GAINS, NET

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Government grants and subsidies (Note)	2,209	1,900
Loss on disposal of property, plant and equipment	(1,404)	(1,671)
Gains on repurchase of long-term bonds	-	7,897
Value added tax preferences	10,512	-
Others	1,787	(123)
	13,104	8,003

Note:

Government grants and subsidies of RMB2,209,000 (2020: RMB1,900,000) were received in the current period towards awarding of research and development expenditures.

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2021 (Unaudited)	2020 (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)
	(115,449)	(218,498)
Finance expenses		
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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

20. 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

21. 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.

22. 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Operating activities:			
Profit/(loss) before income tax		112,717	(33,355)
Adjustments for:			
Property, plant and equipment			
– Depreciation charge		130,637	131,661
– Net loss on disposals		1,404	1,671
Depreciation of right-of-use assets		19,234	26,165
Amortisation of intangible assets		18,060	16,841
Addition of impairment of receivables		40,569	38,194
Addition of impairment of inventories		10,879	11,487
Charge of share-based scheme		22,183	6,330
Share of loss/(profit) of a joint venture		447	(121)
Net foreign exchange (gain)/loss		(8,165)	7,257
Interest income		(6,220)	(7,217)
Interest expenses		107,767	199,141
Gains on repurchase of long-term bonds		-	(7,897)
Changes in working capital:			
Inventories		(7,603)	(172,889)
Trade and notes receivables		(68,170)	(199,291)
Contract assets		6,499	(3,062)
Prepayments and other receivables		(79,298)	8,619
Trade and notes payables		(174,882)	176,802
Accruals and other payables		(25,021)	(11,559)
Contract liabilities		(151)	29
Restricted bank deposits		25,211	(63,474)
Net cash inflows from operations		126,097	125,332
Interest received		6,220	7,217
Income tax paid		(39,071)	(37,164)
Net cash generated from operating activities		93,246	95,385

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(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	
	2021	2020
	(Unaudited)	(Unaudited)
Investing activities:		
Purchases of property, plant and equipment	(58,337)	(113,944)
Purchases of intangible assets	(4,823)	(9,455)
Proceeds from disposal of property, plant and equipment	1,978	525
Net cash used in investing activities	(61,182)	(122,874)
Financing activities:		
Proceeds from short-term borrowings	701,127	543,498
Repayments of short-term borrowings	(686,662)	(511,600)
Repayments of lease liabilities	(19,142)	(26,415)
Proceeds from long-term borrowings	1,070	98,000
Repayments of long-term borrowings	(151,247)	(44,917)
Repurchase of long-term bonds	-	(877,837)
Interest paid	(101,185)	(182,475)
Withdraw of restricted bank deposits	-	10,260
Net cash used in financing activities	(256,039)	(991,486)

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	As at
	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
Contracted but not provided for	61,842	79,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

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 2021	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Notes receivable	149,604,000	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: 5.21%

Reconciliation of Level 3 fair value measurements of notes receivable

	Notes receivable
At 1 January 2021 (audited)	281,083
Addition	417,990
Disposal	(553,794)
Fair value change recognised in other comprehensive income	4,325
At 30 June 2021 (unaudited)	149,604

Included in other comprehensive income is an amount of RMB3,187,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Period ended 30 June 2020: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021
(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 and the current portion of long-term bonds approximate their fair values due to their short maturities.

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

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 2021:

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 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

26. RELATED PARTY TRANSACTIONS *(continued)*

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Short-term borrowings		
Mr. Luo Lin (Note 15(b))	200,000	213,474

(c) Key management compensation

	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Salaries and other short-term employee benefits	4,949	4,907
Pension scheme	127	136
Share-based payments	1,549	728
	6,625	5,771

27. 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.