ANTON 安東

安東油田服務集團
Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 11.9% from RMB1,650.6 million in the same period in 2019 to RMB1,453.9 million in the first half of 2020.
- The profit attributable to equity holders of the Company decreased by 162.6% from a profit of RMB145.4 million in the same period in 2019 to a loss of RMB91.0 million in the first half of 2020.
- The Company's net operating cash inflow decreased by 64.4% from RMB268.0 million in the same period in 2019 to RMB95.4 million in the first half of 2020.

RESULTS

The board of directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 (hereinafter referred to as "**the first half of the year**", "**during the period under review**" or "**during the reporting period**") with comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

	Notes	**As at 30 June 2020 *(Unaudited)***	As at 31 December 2019 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,138,954**	2,137,866
Right-of-use assets		**169,797**	189,901
Goodwill		**242,004**	242,004
Intangible assets		**256,149**	259,986
Interest in a joint venture		**3,929**	3,808
Interest in an associate		**2,000**	2,000
Prepayments and other receivables		**163,069**	155,696
Deferred income tax assets		**30,309**	34,637
		3,006,211	3,025,898
Current assets			
Inventories		**926,302**	765,496
Trade and notes receivables	*6*	**2,381,029**	2,200,247
Contract assets	*7*	**78,581**	75,519
Prepayments and other receivables		**636,384**	648,048
Restricted bank deposits		**421,944**	368,730
Cash and cash equivalents		**1,412,254**	2,422,874
		5,856,494	6,480,914
Total assets		**8,862,705**	9,506,812
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**276,273**	276,273
Reserves		**2,543,852**	2,625,865
		2,820,125	2,902,138
Non-controlling interests		**58,743**	55,525
Total equity		**2,878,868**	2,957,663

	Note	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds		**2,014,454**	2,028,423
Long-term borrowings		**106,249**	202,426
Lease liabilities		**55,360**	69,259
Deferred income tax liabilities		**10,109**	10,219
		2,186,172	2,310,327
Current liabilities			
Short-term borrowings		**529,313**	497,749
Current portion of long-term bonds		**1,311,546**	2,116,445
Current portion of long-term borrowings		**241,566**	92,174
Trade and notes payables	8	**1,144,547**	957,406
Accruals and other payables		**389,819**	404,528
Lease liabilities		**43,068**	45,834
Contract liabilities		**14,005**	13,976
Current income tax liabilities		**123,801**	110,710
		3,797,665	4,238,822
Total liabilities		**5,983,837**	6,549,149
Total equity and liabilities		**8,862,705**	9,506,812

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

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

	Notes	**Six months ended 30 June** **2020** ***(Unaudited)***	2019 *(Unaudited)*
Revenue			
Contracts with customers	*9*	**1,302,813**	1,556,302
Rental	*9*	**151,125**	94,286
Total revenue	*9*	**1,453,938**	1,650,588
Cost of sales	*10*	**(1,036,455)**	(1,090,951)
Gross profit		**417,483**	559,637
Other gains, net		**8,003**	5,331
Impairment losses under expected credit loss model, net of reversal	*10*	**(38,194)**	(26,356)
Selling expenses	*10*	**(96,459)**	(80,836)
Administrative expenses	*10*	**(87,496)**	(70,964)
Research and development expenses	*10*	**(18,894)**	(13,913)
Sales tax and surcharges		**(6,638)**	(6,637)
Operating profit		**177,805**	366,262
Interest income		**7,217**	456
Finance expenses		**(218,498)**	(154,391)
Finance costs, net	*11*	**(211,281)**	(153,935)
Share of profit of a joint venture		**121**	356
(Loss)/profit before income tax		**(33,355)**	212,683
Income tax expense	*12*	**(54,473)**	(67,403)
(Loss)/profit for the period		**(87,828)**	145,280
(Loss)/profit attributable to:			
Owners of the Company		**(91,046)**	145,357
Non-controlling interests		**3,218**	(77)
		(87,828)	145,280
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in RMB per share)			
– Basic	*13*	**(0.0303)**	0.0484
– Diluted	*13*	**(0.0303)**	0.0480

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
(Loss)/profit for the period	**(87,828)**	145,280
Other comprehensive (expense)/income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**(29,176)**	(3,055)
Currency translation differences	**31,879**	6,031
Other comprehensive income for the period, net of tax	**2,703**	2,976
Total comprehensive (expense)/income for the period	**(85,125)**	148,256
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(88,343)**	148,333
Non-controlling interests	**3,218**	(77)
	(85,125)	148,256

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2020
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	**95,385**	267,981
Net cash used in investing activities	**(122,874)**	(69,944)
Net cash used in financing activities	**(991,486)**	(251,293)
Net decrease in cash and cash equivalents	**(1,018,975)**	(53,256)
Cash and cash equivalents at beginning of the period	**2,422,874**	686,636
Exchange gain/(loss) on cash and cash equivalents	**8,355**	(1,680)
Cash and cash equivalents at end of the period	**1,412,254**	631,700

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2020
(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 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of novel coronavirus ("COVID-19") and the subsequent quarantine measures as well as the plunge in oil price have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The management of the Group has kept an in-time communication with its management teams running businesses globally and its oil company customers through information platforms to timely follow the market change and evaluate the impact to its businesses. As such, the financial position and performance of the Group were affected in different aspects, including reduction in revenue as disclosed in the relevant notes.

4. 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and 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.

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 2019. The CODM evaluate the performance of the operating segments based on profit or loss before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit of a joint venture, asset impairment provisions and corporate overheads ("EBITDA"). The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

	Drilling technology	Well completion	Oil production services	Total
Six months ended 30 June 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)**

	Drilling technology	Well completion	Oil production services	Total
Six months ended 30 June 2019 (Unaudited)				
Revenue (Note)	741,849	373,657	535,082	1,650,588
EBITDA	301,005	156,271	217,627	674,903
Depreciation and amortisation	(80,329)	(51,062)	(13,030)	(144,421)
Impairment provision of				
– Trade receivables	(4,295)	(7,178)	(8,425)	(19,898)
– Other receivables	(5,022)	(1,429)	(7)	(6,458)
– Inventories	(1,244)	(891)	(3,066)	(5,201)
Interest income	60	128	13	201
Finance expenses	(2,914)	(2,107)	(2,119)	(7,140)
Share of profit of a joint venture	356	–	–	356
Income tax expense	(18,688)	(12,130)	(36,585)	(67,403)

Note:

Sales between segments, with details set out in Note 9, are carried out at terms mutually agreed between relevant group entities. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

	Drilling technology	Well completion	Oil production services	Total
As at 30 June 2020 (Unaudited)				
Total assets	**2,764,921**	**3,174,460**	**1,044,404**	**6,983,785**
Total assets include:				
Capital expenditures	**74,585**	**40,802**	**19,853**	**135,240**
As at 31 December 2019 (Audited)				
Total assets	2,304,384	2,786,231	712,727	5,803,342
Total assets include:				
Capital expenditures	122,618	65,984	32,106	220,708

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

A reconciliation of total EBITDA to (loss)/profit before income tax is provided as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	**505,580**	674,903
Corporate overheads	**(318,092)**	(279,659)
Depreciation of		
– Property, plant and equipment	**(123,349)**	(118,668)
– Right-of-use assets	**(26,165)**	(13,470)
Amortisation	**(14,683)**	(12,283)
Asset impairment provision	**(49,681)**	(31,557)
Interest income	**2,603**	201
Finance expenses	**(9,689)**	(7,140)
Share of profit of a joint venture	**121**	356
(Loss)/ profit before income tax	**(33,355)**	212,683

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

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	*(Audited)*
Assets for reportable segments	**6,983,785**	5,803,342
Corporate assets for general management	**1,878,920**	3,703,470
Total assets	**8,862,705**	9,506,812

Note:

During the current interim period, certain buildings previously occupied for corporate management were allocated to operating segments for business use, and the management of deposits to large state-owned oil company customers was delegated to operating segments.

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 31
	2020	2019	**30 June 2020**	December 2019
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
PRC	**710,178**	672,534	**2,007,677**	2,069,023
Republic of Iraq ("Iraq")	**547,604**	744,452	**746,376**	741,214
Other countries	**196,156**	233,602	**208,349**	167,524
Total	**1,453,938**	1,650,588	**2,962,402**	2,977,761

Client information

During the period, revenues of approximately RMB701,525,000 (six months ended 30 June 2019: RMB535,375,000) were derived from two (six months ended 30 June 2019: two) external customers, which contributed 32.38% and 15.87% to the total revenue, respectively (six months ended 30 June 2019: 16.82% and 15.62%). These revenues were mainly attributable to drilling technology and oil production services segments.

6. TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
Trade receivables, net (a)		
– goods and services	**2,070,080**	1,944,361
– leases	**119,514**	75,671
	2,189,594	2,020,032
Notes receivable (c)	**191,435**	180,215
	2,381,029	2,200,247

Notes:

(a) Ageing analysis based on the invoice date:

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
1 – 6 months	**1,134,068**	1,233,147
6 months – 1 year	**522,141**	362,996
1 – 2 years	**482,558**	390,047
2 – 3 years	**50,827**	33,842
	2,189,594	2,020,032

(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 2020, total notes received amounting to RMB191,435,000 (31 December 2019: RMB180,215,000) are held by the Group as settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All notes received by the Group are with a maturity period of less than one year.

(d) As at 30 June 2020, trade receivables of RMB732,077,000 (31 December 2019: RMB548,406,000) were pledged as security for short-term borrowings of RMB148,961,000 (31 December 2019: RMB128,263,000) and long-term borrowings of RMB98,000,000 (31 December 2019: 99,217,000).

(e) Allowance for impairment of trade receivables

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
As at 1 January	**185,053**	122,120
Addition	**36,549**	19,898
As at 30 June	**221,602**	142,018

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

7. CONTRACT ASSETS

	As at 30 June 2020 ***(Unaudited)***	As at 31 December 2019 *(Audited)*
Retention money receivables relating to revenue from services	**78,581**	75,519

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's achieving specified milestones as stipulated in the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically bills the retention money receivables in one year after the completion of relevant services when trade receivables will be recognised.

8. TRADE AND NOTES PAYABLES

	As at 30 June 2020 ***(Unaudited)***	As at 31 December 2019 *(Audited)*
Trade payables	**631,791**	546,945
Notes payable	**512,756**	410,461
	1,144,547	957,406

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

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
Less than 1 year	**896,149**	790,866
1 – 2 years	**158,379**	77,348
2 – 3 years	**25,937**	30,371
Over 3 years	**64,082**	58,821
	1,144,547	957,406

9. REVENUE

	Six months ended 30 June	
	2020 *(Unaudited)*	2019 *(Unaudited)*
Sales of goods	**116,346**	150,263
Provision of services	**1,186,467**	1,406,039
Rental	**151,125**	94,286
	1,453,938	1,650,588

Disaggregation of revenue

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

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

	For the six months ended 30 June 2020		
	Drilling technology	**Well completion**	**Oil production services**
Revenue disclosed in segment information			
External customers	**595,088**	**327,592**	**531,258**
Inter-segment	**466,879**	**250,659**	**346,636**
Inter-segment eliminations	**(466,879)**	**(250,659)**	**(346,636)**
Rental income	**(149,977)**	**(1,148)**	**–**
Revenue from contracts with customers	**445,111**	**326,444**	**531,258**

	For the six months ended 30 June 2019		
Segments	**Drilling technology**	**Well completion**	**Oil production services**
Types of goods or service			
Sales of goods	40,641	89,740	19,882
Provision of services	608,116	282,723	515,200
Total	648,757	372,463	535,082
Geographical markets			
PRC	335,533	195,613	47,102
Iraq	181,028	127,853	435,571
Other countries	132,196	48,997	52,409
Total	648,757	372,463	535,082
Timing of revenue recognition			
A point in time	648,757	372,463	154,390
Over time	–	–	380,692
Total	648,757	372,463	535,082

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

	For the six months ended 30 June 2019		
	Drilling technology	**Well completion**	**Oil production services**
Revenue disclosed in segment information			
External customers	741,849	373,657	535,082
Inter-segment	451,759	162,374	339,769
Inter-segment eliminations	(451,759)	(162,374)	(339,769)
Rental income	(93,092)	(1,194)	–
Revenue from contracts with customers	648,757	372,463	535,082

10. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
Materials and services purchased	**389,284**	518,182
Staff costs	**385,235**	363,706
In which:		
– Salaries and other staff expenses	**378,905**	346,965
– Share-based compensation	**6,330**	16,741
Depreciation	**157,826**	152,815
In which:		
– Property, plant and equipment	**131,661**	139,345
– Right-of-use assets	**26,165**	13,470
Amortisation of intangible assets	**18,814**	19,575
Less: Capitalised in inventories	**1,973**	2,052
	16,841	17,523
In which:		
– Cost of sales	**15,454**	16,142
– Administrative expenses	**346**	535
– Selling expenses	**10**	9
– Research and development expenses	**1,031**	837
Other operating expenses	**328,312**	230,794
In which:		
– Increase in impairment of receivables	**38,194**	26,356
– Increase in impairment of inventories	**11,487**	5,201

11. FINANCE COSTS, NET

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
Interest expenses		
– on borrowings	**(25,084)**	(40,061)
– on bonds	**(169,580)**	(101,098)
– on lease liabilities	**(4,477)**	(2,911)
	(199,141)	(144,070)
Exchange loss, net	**(7,257)**	(1,843)
Others	**(12,100)**	(8,478)
Finance expenses	**(218,498)**	(154,391)
Interest income	**7,217**	456
	(211,281)	(153,935)

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
Current income tax		
– PRC enterprise income tax	**8,646**	2,566
– Iraq corporate income tax	**38,702**	52,249
– Others	**2,907**	2,102
Deferred income tax	**4,218**	10,486
	54,473	67,403

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% (2019: 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, or 35% on the net taxable profit. Entities registered in United Arab Emirates are exempted from income tax.

13. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to the owners of the Company (RMB'000)	**(91,046)**	145,357
Weighted average number of ordinary shares in issue (thousands of shares)	**3,006,563**	3,004,051
Basic (loss)/earnings per share (expressed in RMB per share)	**(0.0303)**	0.0484

(b) Diluted

Diluted (loss)/earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2020 and 2019, the only dilutive factor of the Company was the outstanding share options.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to the owners of the Company (RMB'000)	**(91,046)**	145,357
Weighted average number of ordinary shares in issue (thousands of shares)	**3,006,563**	3,004,051
Adjustments for assumed conversion of share options (thousands of shares)	**–**	24,642
Weighted average number of ordinary shares for computation of diluted (loss)/earnings per share (thousands of shares)	**3,006,563**	3,028,693
Diluted (loss)/earnings per share (expressed in RMB per share)	**(0.0303)**	0.0480

14. DIVIDENDS

The Directors have determined that no dividend will be paid in respect of the current interim period (Six months ended 30 June 2019: Nil).

15. EVENT AFTER THE REPORTING PERIOD

The Group has no significant subsequent events needed to be disclosed in these condensed consolidated interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the sudden COVID-19 pandemic dealt a heavy blow to the global economy. In order to prevent the spread of the virus, countries around the globe have adopted various quarantine and social distancing policies, resulting in the suspension of flights, closing of borders, and all cross-border movements of personnel were frozen, which brought a huge impact to the Group's overseas business. Thanks to the outstanding epidemic prevention and control measures adopted by the Chinese government, all regions of the country have quickly resumed work and production after the first quarter. In addition, the Group's business in China is mainly natural gas related, and the determination of the Chinese government to increase its independent supply of oil and gas to ensure national energy security remains unchanged, the impact on the Group in the Chinese market is relatively small.

Faced with such a huge global and industry-wide impact, the Group firmly grasped the opportunities in the Chinese market and unswervingly implemented the strategy of high-quality development. In the first half of 2020, the revenue of the Chinese market increased despite all odds, especially in the northwest, the southwest and the northern China markets, which are dominated by natural gas, the Group achieved overall revenue growth. Since 2019, the Group has implemented stricter development quality management for the three major business clusters and focused on the development of product lines with excellent financial indicators. In the first half of 2020, although the industry was in a downturn, both of the Group's inspection and rental business under the drilling cluster and the oilfield management business of the oil production services cluster, i.e.production operation management, achieved sustained growth in revenue, making the Group's high-quality businesses even more resilient during the downturn.

Results and Performance

In the first half of 2020, the Group's revenue amounted to RMB1,453.9 million, representing a decrease of RMB196.7 million, or 11.9%, from the first half of 2019. The Group's operating profit amounted to RMB177.8 million, representing a decrease of RMB188.5 million, or 51.5%, from RMB366.3 million for the same period in 2019. Net loss of the Group amounted to RMB87.8 million, representing a change of RMB233.1 million, or 160.4%, as compared to a profit of RMB145.3 million for the same period in 2019. The loss attributable to equity holders of the Company was RMB91.0 million, representing a change of RMB236.4 million, or 162.6%, from a profit of RMB145.4 million for the same period in 2019. The net profit margin attributable to equity holders of the Company was -6.3%, a decrease of 15.1 percentage points from 8.8% for the same period in 2019.

As at 30 June 2020, the balance of the Group's accounts receivable was approximately RMB2,189.6 million, with an average turnover of accounts receivable of 261 days, representing an increase of 49 days as compared to the same period last year; an average turnover of inventories of 147 days, representing an increase of 22 days as compared to the same period last year; an average turnover of accounts payable of 102 days, representing an increase of 22 days as compared to the same period last year. Operating cash flow was RMB95.4 million, a significant decrease of RMB172.6 million from RMB268.0 million for the same period last year.

Geographical Market Analysis

In the first half of 2020, the Group's revenue from overseas markets amounted to RMB743.7 million, representing a decrease of RMB234.4 million, or 24.0%, from RMB978.1 million for the same period of 2019. The overseas markets accounted for 51.2% of the Group's total revenue. In the overseas markets, revenue from Iraq was RMB547.6 million, representing a decrease of RMB196.9 million, or 26.4%, compared with RMB744.5 million for the same period in 2019, and accounted for 37.7% of the Group's total revenue. Revenue from the other overseas markets amounted to RMB196.1 million, representing a decrease of RMB37.5 million, or 16.1%, from RMB233.6 million for the same period in 2019, and accounted for 13.5% of the Group's total revenue. Revenue from the domestic market amounted to RMB710.2 million, representing an increase of RMB37.7 million, or 5.6%, from RMB672.5 million for the same period in 2019, and accounted for 48.8% of the Group's total revenue.

Breakdown of Revenue by Market

	6 months ended 30 June			Share of total revenue by market 6 months ended 30 June	
	2020 (RMB'mn)	2019 (RMB'mn)	Change (%)	**2020**	2019
Overseas	**743.7**	978.1	-24.0%	**51.2%**	59.3%
Domestic	**710.2**	672.5	5.6%	**48.8%**	40.7%
Total	**1,453.9**	1,650.6	-11.9%	**100.0%**	100.0%

Overseas Market

	6 months ended 30 June			Share of total revenue by market 6 months ended 30 June	
	2020 (RMB'mn)	2019 (RMB'mn)	Change (%)	**2020**	2019
Iraqi market	**547.6**	744.5	-26.4%	**37.7%**	45.1%
Other overseas markets	**196.1**	233.6	-16.1%	**13.5%**	14.2%
Total	**743.7**	978.1	-24.0%	**51.2%**	59.3%

Key overseas market – Iraq

In the first half of 2020, as a result of the COVID-19 pandemic, Iraq adopted strict control measures, not only closing customs and cutting off international air traffic, but also restricting movement between provinces. As a result, the Group was unable to mobilize its personnel to Iraq to commence operation of new projects. After prudent evaluation by the management, the Group voluntarily reduced its order backlog in Iraq by RMB1,201.9 million in the first quarter of 2020.

Despite the double whammy of the pandemic and lower oil prices, the large southern oilfield, an important source of fiscal revenue for Iraq, continued its consistent and steady operations. Benefiting from this, revenue and cash flow from the Group's oilfield management project in this oilfield remained stable, partially offset the significant impact of the pandemic on the Group's Iraq operations. Meanwhile, as a result of the Group's excellent management performance in the oilfield over the past two years, the Iraqi customer renewed the oilfield management contract with the Group in the first quarter of 2020, with the new contract valid for one year from 1 July 2020.

In the first half of 2020, the Group received new orders of approximately RMB762.4 million in total from the Iraqi market, representing an increase of 3.0% from RMB740.1 million for the same period last year. In the first half of the year, the Iraqi market recorded revenue of approximately RMB547.6 million, down approximately 26.4% from RMB744.5 million for the same period last year.

Other overseas markets – emerging markets

In the first half of 2020, affected by the COVID-19 pandemic, the Group's development in other overseas markets was affected accordingly. In the first half of the year, the Group's new orders in the other overseas markets amounted to RMB100.9 million in total, representing a decrease of 66.0% as compared to the same period last year. In the first half of 2020, the other overseas markets recorded revenue of approximately RMB196.1 million, a decrease of approximately 16.1% from RMB233.6 million for the same period last year. The decline in business was partially offset by the smooth and continuous operation of the Group's oilfield management project in Chad, which contributed to both the Group's revenue and cash flow, despite a decrease in both new orders and revenue elsewhere.

Chinese market

The Chinese market was the first to be hit by the COVID-19 pandemic in 2020. With the strong and effective preventive measures taken by the Chinese government, the pandemic was quickly brought under control, and work resumed in the second quarter across the country. On the one hand, major oil companies responded to the government's call to actively promote the development of domestic oil and gas resources to ensure national energy security; on the other hand, oil companies also formulated cost control measures to cope with the short-term operating pressure caused by the decline in demand brought about by the pandemic.

Against this backdrop, in the first half of 2020, the Group obtained new orders of approximately RMB1,172.3 million in the Chinese market, representing a decrease of approximately 28.9% as compared to RMB1,648.2 million for the same period of last year. The high-end market of Xinjiang still showed great development, with the drilling tools rental business, which operates mainly in Xinjiang, recording new orders of approximately RMB318.7 million, an increase of 86.4% over the same period last year. At the same time, order backlog in China was quickly brought into operation, and revenue in China for the first half of 2020 was approximately RMB710.2 million, an increase of approximately 5.6% from RMB672.5 million for the same period last year. The Group offered a certain degree of price discounts to customers due to the cost control requirements of customers, and as a result, margins have declined in the short term.

Business Cluster Analysis

During the first half of 2020, the Group's drilling and completion businesses were significantly affected by the COVID-19 pandemic and the subsequent decline in international crude oil prices, resulting in the corresponding cutbacks in capital expenditure by customers in various global markets. During the reporting period, revenue from the Group's drilling technology cluster was RMB595.1 million, representing a decrease of approximately 19.8% compared to the first half of 2019 and accounting for 40.9% of the Group's revenue in the first half of 2020; the Group's well completion business also showed a decline. In the first half of 2020, revenue from the well completion cluster amounted to RMB327.6 million, representing a decrease of approximately 12.3% from the first half of 2019, and accounted for 22.6% of the Group's overall revenue; regarding its production business, during the reporting period, the Group's large-scale integrated oilfield management projects in the Iraqi market and the oilfield management project in Chad operated smoothly, leading the Group's oil production services cluster to achieve revenue of RMB531.2 million, representing a slight decrease of approximately 0.7% as compared to the first half of 2019 and accounting for 36.5% of the Group's overall revenue.

Revenue Breakdown by Cluster

	6 months ended 30 June			% of total revenue 6 months ended 30 June	
	First half of 2020 (RMB'mn)	First half of 2019 (RMB'mn)	Change (%)	**2020**	2019
Drilling technology cluster	**595.1**	741.8	-19.8%	**40.9%**	44.9%
Well completion cluster	**327.6**	373.7	-12.3%	**22.6%**	22.6%
Oil production services cluster	**531.2**	535.1	-0.7%	**36.5%**	32.5%
Total	**1,453.9**	1,650.6	-11.9%	**100.0%**	100.0%

Drilling technology cluster

In the first half of 2020, the revenue of the Group's drilling technology cluster was RMB595.1 million, a decrease of 19.8% from RMB741.8 million for the first half of 2019. The decrease in revenue for the cluster was mainly due to clients cutting back on capital expenditure in response to low oil prices as a result of the COVID-19 pandemic.

Business analysis by product line of the drilling technology cluster:

1) Integrated drilling service: During the reporting period, revenue from integrated drilling services amounted to RMB105.7 million, representing a decrease of 33.1% from RMB157.9 million for the corresponding period in 2019 due to the impact of customers' reduction in capital expenditure.

2) Directional drilling services: In the first half of the year, the Group provided directional drilling services to its customers mainly in various regional markets such as the northwest China market and the southwest China shale gas market. Directional drilling services recorded revenue of RMB70.3 million during the reporting period, down 24.6% from RMB93.2 million for the same period last year, as the overseas market business was affected by the cease of mobilization of personnel due to the pandemic.

3) Drilling rig services: Drilling rig services was significantly affected during the reporting period as customers around the world cut back on capital expenditure for new capacity. During the reporting period, drilling rig services recorded revenue of RMB136.6 million, down 28.1% from RMB190.0 million for the same period last year.

4) Oilfield waste management services: The Group is actively developing its business in the area of oilfield waste management in order to fulfill its commitment to sustainable development. In the first half of the year, this product line recorded revenue of RMB78.7 million, down 27.1% from RMB107.9 million for the same period last year due to the decrease in customers' drilling business.

Note: As a result of adjustment 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, and revenue from this product line included revenue from drilling and completion fluid services in the first half of 2020. Drilling and completion fluid services revenue was accordingly incorporated into the oilfield waste management services product line for the same period in 2019 to allow a same latitude comparison.

5) Drilling tool rental and technology services: To secure China's natural gas energy supply, customers continue to increase investment in the natural gas market in Xinjiang and demand for drilling rig rental continues to increase. During the reporting period, the product line recorded revenue of RMB149.2 million, representing an increase of 7.3% from RMB139.1 million for the same period in 2019.

6) Oil production facilities inspection and evaluation services: During the first half of the year, the product line continued to gain workload in the northwest China market and the gas storage market. During the reporting period, inspection and evaluation services recorded revenue of RMB54.6 million, up 1.7% from RMB53.7 million in the same period last year.

EBITDA for the drilling technology cluster decreased by 32.0% to RMB204.7 million in the first half of 2020 from RMB301.0 million for the same period last year. In the first half of the year, the EBITDA margin was 34.4%, down 6.2 percentage points from 40.6% for the same period last year, mainly due to lower revenue as customers cut back on capital expenditure and lower unit prices for services which further impacted profits.

Well completion cluster

In the first half of the year, the Group's well completion business was affected by a corresponding decline in capital expenditure cuts by customers. During the reporting period, the revenue of well completion cluster was RMB327.6 million, down 12.3% from RMB373.7 million last year.

Business analysis by product line of the well completion cluster:

1) Well completion integration services: In the first half of the year, well completion integration services recorded revenue of RMB83.7 million, down 30.9% from RMB121.1 million for the same period last year.

2) Pressure pumping services: In the first half of the year, pressure pumping services recorded revenue of RMB114.7 million, an increase of 13.2% from RMB101.3 million for the same period last year. It mainly benefited from the development of new markets for tight gas and CBM in eastern China.

3) Coiled tubing services: In the first half of the year, the product line recorded revenue of RMB79.5 million, down 16.9% from RMB95.7 million for the same period last year, due to a reduction in projects in other overseas emerging markets.

4) Fracturing/acidizing technique and chemical materials: During the reporting period, the service recorded revenue of RMB7.3 million, a decrease of 61.0% from RMB18.7 million for the same period last year.

5) Gravel packing services: The product line recorded revenue of RMB42.4 million for the first half of the year, up 14.9% from RMB36.9 million for the same period last year.

EBITDA for the well completion cluster decreased to RMB118.9 million in the first half of 2020 from RMB156.3 million for the same period last year, a decrease of 23.9%. In the first half of the year, the EBITDA margin was 36.3%, down 5.5 percentage points from 41.8% for the same period last year, mainly due to lower revenue and price discounts to customers from certain projects of the Group.

Oil production services cluster

In the first half of the year, benefitting mainly from the good performance of the Group's large-scale integrated oilfield management project in Iraq and oilfield management project in Chad, revenue of the oil production services cluster was RMB531.2 million, only slightly down by 0.7% from RMB535.1 million for the same period of last year.

Business analysis by product line of the oil production services cluster

1) Production operation services: In the first half of the year, the Group's integrated oilfield management service project in Iraq's Majnoon oilfield operated efficiently, while the Chad oilfield management project also entered a stable operation period since its launch last year, with daily operation and maintenance income relatively less affected by the pandemic and oil prices. During the reporting period, revenue from production operation services was RMB405.6 million, a slight increase of 3.4% from RMB392.3 million for the same period last year, mainly due to the stable business volume and service price.

2) Workover services: During the reporting period, revenue from workover services was RMB100.7 million, a decrease of 11.0% from RMB113.2 million for the same period last year.

3) Oil tubing and casing and anti-corrosion technology services: During the reporting period, the business recorded revenue of RMB24.9 million, a decrease of 15.9% from RMB29.6 million for the same period last year.

EBITDA for the oil production services cluster decreased to RMB182.0 million in the first half of 2020 from RMB217.6 million for the same period last year, a decrease of 16.4%. The EBITDA margin for the oil production services cluster was 34.3% in the first half of the year, down 6.4 percentage points from 40.7% for the same period last year. The decline in the EBITDA margin was primarily due to a decrease in customer capital expenditure projects managed by the oilfield management project, and a corresponding decrease in management fees, as well as price discounts offered to customers by the Group for domestic oil production services projects.

Strategic Resources Alignment

In the first half of 2020, in the face of sudden changes to the business environment, the Group further tightened its control over new capital expenditure in accordance with the "asset-light" business model and the comprehensive control requirements with "cash flow" as the core. Capital expenditure in the first half of the year amounted to RMB122.9 million, mainly for the payment of the equipment purchased, representing an increase of RMB53.0 million as compared to RMB69.9 million in the first half of 2019.

Alignment of Investment

In the first half of 2020, the Group's investments were mainly complementary investments in equipment for projects under implementation.

Alignment of Research and Development ("R&D")

In the first half of 2020, the Group focused on the improvement and innovation of relevant technologies or tools, taking into account the practical needs of customers to increase production and reduce costs, and promoted the optimization and upgrading of the Group's products through technical cooperation. In the first half of 2020, the Group invested RMB18.9 million in research and development, an increase of 36.0% from RMB13.9 million for the same period last year. Key research pipelines include:

– Development and application of high-end production completion tools

– High-temperature, high-density, high-performance, environment-friendly water-based drilling fluid system

– Development of volumetric fracturing supporting technologies

– Automatic fluid control process and technology research project – Phase II

– Biosynthetic-based environment-friendly drilling fluid system Ant-Druid indoor research and field application

– Development of new emulsion breakers

Alightment of Human Resources

In the first half of 2020, there was a temporary increase in labor costs as a percentage of revenue due to the COVID-19 pandemic which prevented the Group's overseas personnel from returning home for back-to-back vacations and the decline in overseas business resulting from the pandemic.

The Group promptly adjusted its manpower policy, adopted a minimum paid leave system for product lines with insufficient domestic business workload, optimized redundant personnel and expected to improve its manpower costs in the second half of the year.

As at 30 June 2020, the total number of employees of the Group was 4,089, of which 2,056 were overseas employees, accounting for 50.3% of the total number of employees of the Group.

Outlook

The Group's long-term strategic goal is to become "the world's leading oilfield technology service company," and it will have to overcome various difficulties to achieve this goal. The sudden onset of the COVID-19 pandemic in 2020 disrupted the Group's growth plans set out at the beginning of the year, but did not alter its long-term strategic objectives. In the face of the unexpected impact, the Group will firstly tide over the difficult times with quality business capabilities and sound financial management strategies, while focusing more on the Company's long-term strategy to develop emerging markets for global oil and gas development, provide a full range of products, highlight precision engineering services that combine reservoir geology and engineering, and build a super platform for the oil industry with the support of intelligent and digitalized operations.

In terms of market, in Iraq, the Group will continue to provide integrated management services to our customers in the Majnoon oilfield, helping them to maintain efficient oilfield operations and expand production capacity, while at the same time leveraging the driving effect of the Majnoon project to secure more project opportunities. In addition, the Group will make every effort to replicate similar project opportunities in Iraq; in other overseas markets, the Group will place special emphasis on risk control and providing products and services in a safe manner. As the Chinese market is the safest market relative to the other markets overseas in the face of global pandemics, the Group will make every effort to seize the opportunity to develop domestic oil and gas resources to address energy security issues, and support the Group with the development of the Chinese market to see through the difficult times during the industry downturn.

In terms of product, technology and service capabilities, the Group will make every effort to build comprehensive products and services to help customers achieve their strategic goals with a full range of processes, series and integrated services. At the same time, we will focus on developing precision engineering services that combine reservoir geology and engineering, and global oilfield management services.

In terms of strategic resources alignment, the Group will focus on investing in technology and talent development. In terms of technology, the Group will focus on technical cooperation and independent research and development; in terms of talent, on the one hand, more emphasis will be placed on improving the efficiency of personnel during the downturn, and on the other hand, internal training will be enhanced to prepare for the export of talent to the Group's global business after the end of the pandemic. In respect of capital expenditure, the Group will only complete the payment for past equipment purchases and in principle, will not procure additional equipment. At the same time, the Group will actively and prudently search for investment projects with high returns and good cash flow to prepare for long-term development opportunities.

In terms of finance, the Group will optimize its financial operations by increasing revenue and reducing expenditure, expediting receivables collection and slowing payments, to ensure the generation of safe free cash flow throughout the year, enabling the Group to quickly return to a high-quality development track after the end of the pandemic. At the same time, we will continue to deepen our cooperation with commercial banks and other financial institutions to ensure adequate liquidity for the Group and to obtain support from financial institutions for the Group's overseas development.

In terms of Environment, Society and Governance (ESG), the Group will adhere to its vision of becoming a model of efficient and harmonious development between mankind and the environment, benchmarking the best practices in the industry and improving ESG management, creating an environmental-friendly business model, help talents to grow, promote the development of stakeholders and the progress of communities to achieve the long-term sustainable development.

FINANCIAL REVIEW

Revenue

The Group's revenue for the first half of 2020 amounted to RMB1,453.9 million, representing a decrease of RMB196.7 million, or 11.9%, from RMB1,650.6 million for the same period in 2019. The decrease in the Group's operating revenue was mainly due to the continued spread of the COVID-19 pandemic on a global scale, the closure of borders in the Group's major overseas markets and the inability to carry out normal mobilization of personnel and equipment, which seriously affected the progress of projects.

Cost of Sales

Cost of sales decreased by 5.0% to RMB1,036.5 million in the first half of 2020 from RMB1,091.0 million in the same period of 2019, primarily due to the decrease in revenue.

Other Gains, Net

Other gains increased by 50.9% from RMB5.3 million in the same period of 2019 to RMB8.0 million in the first half of 2020.

Asset Impairment Loss

Asset impairment losses increased by 44.7% from RMB26.4 million in the corresponding period of 2019 to RMB38.2 million in the first half of 2020. The increase was mainly due to impairment provisions made on accounts receivable based on an expected credit loss model.

Selling Expenses

Selling expenses for the first half of 2020 amounted to RMB96.5 million, representing an increase of RMB15.7 million, or 19.4%, compared with RMB80.8 million for the same period in 2019, primarily due to the non-recurring expenditure of the COVID-19 pandemic prevention materials.

Administrative Expenses

Administrative expenses for the first half of 2020 were RMB87.5 million, an increase of RMB16.5 million, or 23.2%, compared to RMB71.0 million for the same period in 2019, primarily due to the impairment of inventories and the increase of operating expenses during the COVID-19 pandemic.

Research and Development Expenses

Research and development expenses in the first half of 2020 amounted to RMB18.9 million, representing an increase of RMB5.0 million, or 36.0%, from RMB13.9 million in the same period of 2019.

Taxes and surcharges

Taxes and surcharges for the first half of 2020 were RMB6.5 million, remained flat compared to RMB6.5 million for the same period in 2019.

Operating Profit

Based on the above, operating profit for the first half of 2020 was RMB177.8 million, representing a decrease of RMB188.5 million, or 51.5%, from RMB366.3 million for the same period in 2019. The operating margin for the first half of 2020 was 12.2%, a decrease of 10.0 percentage points from 22.2% for the same period in 2019, mainly due to the Group's lower-than-expected project progress and lower revenue due to the impact of the COVID-19 pandemic, as well as the impact of fixed costs such as depreciation and labor costs.

Finance Costs, Net

In the first half of 2020, net finance costs amounted to RMB211.3 million, representing an increase of approximately RMB57.4 million, or 37.3%, compared with RMB153.9 million for the same period in 2019, primarily due to the increase in finance interests of long-term bonds as a result of the additional issuance of US$ senior notes by the Group in December 2019.

Income Tax Expense

In the first half of 2020, income tax expenses amounted to RMB54.5 million, representing a decrease of RMB12.9 million as compared to RMB67.4 million for the same period in 2019, mainly due to the decrease in the Group's revenue from overseas markets.

(Loss)/Profit for the Period

Based on the above, the Group's loss for the first half of 2020 was RMB87.8 million, representing a change of RMB233.1 million, or 160.4%, from the profit of RMB145.3 million for the same period in 2019.

(Loss)/Profit Attributable to the Equity Holders of the Company

In the first half of 2020, the Group's loss attributable to equity holders of the Company amounted to RMB91.0 million, representing a change of RMB236.4 million as compared to a profit of RMB145.4 million for the same period in 2019.

Trade and Notes Receivables

As at 30 June 2020, the Group's net trade and notes receivable amounted to RMB2,381.0 million, representing an increase of RMB180.8 million as compared to 31 December 2019. Average trade receivables turnover days were 261 days in the first half of 2020, an increase of 49 days compared to the same period in 2019, mainly due to the revenue decline impacted by the market situation and customers' adjustment of payment schedule.

Inventories

As at 30 June 2020, the Group's inventory was RMB926.3 million, representing an increase of RMB160.8 million as compared to 31 December 2019, mainly due to the slowdown in inventory turnover as the overseas project schedule was severely affected by the COVID-19 pandemic which continued to spread worldwide.

Liquidity and Capital Resources

As at 30 June 2020, the Group had cash and bank deposits of approximately RMB1,834.2 million (including: restricted bank deposits, and cash and cash equivalents), representing a decrease of RMB957.4 million as compared to 31 December 2019.

The Group's outstanding short-term borrowings as at 30 June 2020 amounted to approximately RMB529.3 million. Approximately RMB1,376.0 million of the credit facilities granted to the Group by domestic banks in the PRC was unused.

As at 30 June 2020, the Group's gearing ratio was 65.4%, a decrease of 1.6 percentage points from the gearing ratio of 67.0% as at 31 December 2019. The gearing ratio is calculated based on the total borrowings divided by the total capital. Total borrowings include borrowings, bonds, lease liabilities, trade payables and notes payable (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 as at 30 June 2020 was RMB2,820.1 million, representing a decrease of RMB82.0 million from RMB2,902.1 million as at 31 December 2019.

Acquisition and Disposal of Major Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2020, the Group has no major acquisition or disposal of subsidiaries, associates and joint ventures.

Exchange Risk

The Group mainly uses RMB and US dollar as its operating currencies with certain imported goods settled in foreign currency. The Group believes the exchange risk from foreign-currency-denominated settlements is limited. The exchange risk of the Group mainly arises from its foreign currency deposits, long-term bonds and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position.

Cash Flow from Operating Activities

For the six months ended 30 June 2020, the Group's cash flow from operating activities was a net inflow of RMB95.4 million, representing a decrease of RMB172.6 million as compared to the corresponding period in 2019, which was mainly due to the decrease in the amount of receivables collected as some of the Group's oil company customers prefer to pay in notes and certain delay in receivables collection led by some customers' adjustment on payment schedule.

Capital Expenditure and Investment

The Group's capital expenditure in the first half of 2020 amounted to RMB122.9 million, of which RMB113.4 million was investment in fixed assets and RMB9.5 million was investment in intangible assets.

Contractual Commitments

The Group's contractual commitments mainly include the Group's capital commitments. As at the balance sheet date (i.e. 30 June 2020), the Group's capital commitment (but not yet provisioned on the statement of financial position) amounted to approximately RMB81.8 million.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2020, the Group's assets pledged for bank financing were buildings and equipment with a net book value of RMB386.3 million, land use rights with a net book value of RMB8.4 million and trade receivable with a net book value of RMB732.1 million.

Off-Balance Sheet Arrangements

As at 30 June 2020, the Group did not have any off-balance sheet arrangements.

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 2020 (For the six months ended 30 June 2019: Nil).

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") during the six months ended 30 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors of the Company (the "**Directors**") have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of practice for 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.

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

On 25 February 2020, the Group issued an announcement and Offer (the "**Offer**") to purchase for cash of its outstanding 9.75% senior notes due 2020 up to the maximum acceptance amount ("**2020 Notes**"). The Group repurchased a total amount of US$102,737,000 of its 2020 Notes under the offer, and on 9 march 2020, the Group completed the cancellation of such repurchase and another US$4,000,000 of its 2020 Notes that previously purchased from the secondary market. After the completion of the repurchase and cancellation, the Group's total remaining outstanding principal of the 2020 notes was US$193,263,000. The Company had purchased in the secondary market US$14,000,000 of its 2020 Notes and US$8,600,000 of its 2022 Notes (7.50% coupon Senior Notes due 2022) respectively in the reporting period of 2020.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**"). It comprised of all three incumbent Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Dato Wee Yiaw Hin. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2020.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. PI Zhifeng and Mr. FAN Yonghong; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Dato WEE Yiaw Hin.