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 2023

FINANCIAL HIGHLIGHTS

- The Group's consolidated revenue increased by 12.1% from RMB1,688.0 million in the first half of 2022 to RMB1,892.4 million in the same period of 2023.
- The Group's net profit increased by 16.8% from RMB88.5 million in the first half of 2022 to RMB103.4 million in the same period of 2023.
- Profit attributable to equity holders of the Company increased from RMB90.7 million in the first half of 2022 to RMB97.9 million in the same period of 2023, representing an increase of 7.9%.
- The Company's net operating cash inflow increased by RMB20.5 million from RMB320.7 million in the first half of 2022 to RMB341.2 million in the same period of 2023.

The Board of Directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**") wishes to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2023 (hereinafter referred to as the "**First Half**" or the "**Reporting Period**") and the comparable figures for the same period of 2022 as follows.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	**As at 30 June 2023 *(Unaudited)***	As at 31 December 2022 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,935,360**	1,970,846
Right-of-use assets		**127,467**	134,089
Investment properties		**4,519**	5,294
Goodwill		**253,630**	253,630
Intangible assets		**300,405**	317,615
Interest in a joint venture		**2,473**	2,399
Interests in associates		**30,985**	27,642
Financial assets at fair value through profit or loss		**31,095**	30,000
Prepayments and other receivables		**242,373**	118,559
Deferred income tax assets		**21,196**	20,851
		2,949,503	2,880,925
Current assets			
Inventories		**967,095**	933,832
Trade and notes receivables	*5*	**2,139,312**	2,034,610
Contract assets		**21,044**	22,486
Prepayments and other receivables		**1,328,641**	905,041
Restricted bank deposits		**525,198**	477,997
Cash and cash equivalents		**1,167,689**	727,904
		6,148,979	5,101,870
Total assets		**9,098,482**	7,982,795
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**276,274**	276,274
Reserves		**2,893,527**	2,805,200
		3,169,801	3,081,474
Non-controlling interests		**285,389**	219,335
Total equity		**3,455,190**	3,300,809

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Note	**As at 30 June 2023 *(Unaudited)***	As at 31 December 2022 *(Audited)*
LIABILITIES			
Non-current liabilities			
Long-term bonds		**835,450**	801,835
Long-term borrowings		**70,176**	47,113
Lease liabilities		**28,446**	28,499
Deferred income tax liabilities		**13,685**	13,586
		947,757	891,033
Current liabilities			
Short-term borrowings		**1,221,068**	1,139,732
Current portion of long-term bonds		**31,719**	30,771
Current portion of long-term borrowings		**116,794**	48,617
Trade and notes payables	*6*	**1,691,110**	1,449,092
Accruals and other payables		**1,311,272**	861,665
Lease liabilities		**19,504**	20,515
Contract liabilities		**53,093**	17,241
Current income tax liabilities		**250,975**	223,320
		4,695,535	3,790,953
Total liabilities		**5,643,292**	4,681,986
Total equity and liabilities		**9,098,482**	7,982,795

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
Revenue			
Contracts with customers	7	**1,803,858**	1,553,965
Rental	7	**88,579**	134,061
Total revenue	7	**1,892,437**	1,688,026
Cost of sales	8	**(1,333,093)**	(1,171,776)
Gross profit		**559,344**	516,250
Other gains, net		**10,082**	21,509
Impairment losses under expected credit loss model, net of reversal	8	**(35,504)**	(16,564)
Selling expenses	8	**(85,410)**	(72,885)
Administrative expenses	8	**(122,152)**	(110,941)
Research and development expenses	8	**(43,277)**	(36,733)
Sales tax and surcharges		**(5,225)**	(5,937)
Operating profit		**277,858**	294,699
Interest income		**11,058**	12,903
Finance expenses		**(99,612)**	(143,945)
Finance costs, net	9	**(88,554)**	(131,042)
Share of profit/(loss) of a joint venture		**74**	(602)
Share of profit of associates		**3,343**	93
Profit before income tax		**192,721**	163,148
Income tax expense	10	**(89,368)**	(74,623)
Profit for the period		**103,353**	88,525
Profit/(loss) attributable to:			
Owners of the Company		**97,872**	90,697
Non-controlling interests		**5,481**	(2,172)
		103,353	88,525
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
– Basic	11	**0.0333**	0.0313
– Diluted	11	**0.0330**	0.0311

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Profit for the period	**103,353**	88,525
Other comprehensive (expense)/income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**(30,080)**	(91,572)
Financial instruments measured at fair value through other comprehensive income	**358**	4,177
Currency translation differences	**73,428**	181,159
Other comprehensive income for the period, net of tax	**43,706**	93,764
Total comprehensive income for the period	**147,059**	182,289
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**141,578**	184,461
Non-controlling interests	**5,481**	(2,172)
	147,059	182,289

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	**341,171**	320,705
Net cash used in investing activities	**(100,493)**	(63,238)
Net cash generated from/(used in) financing activities	**173,986**	(304,206)
Net increase/(decrease) in cash and cash equivalents	**414,664**	(46,739)
Cash and cash equivalents at beginning of the period	**727,904**	1,173,186
Exchange gain on cash and cash equivalents	**25,121**	24,482
Cash and cash equivalents at end of the period	**1,167,689**	1,150,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2023
(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.

These 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 2023 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 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17(including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform-Pillar Two model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

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

4. SEGMENT INFORMATION

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

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

The CODM assess performance of four reportable segments: "oilfield technical services", "oilfield management services", "drilling rig services" and "inspection services".

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

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

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

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

All of the four reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into four single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customers for their services and products and the method used to provide their services and 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 2022. 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 or loss of a joint venture and share of profit or loss of associates, asset impairment provisions and corporate overheads ("EBITDA") and the reconciliation of EBITDA to profit or loss. The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**	**Total**
Six months ended 30 June 2023 (Unaudited)					
Revenue	**786,057**	**751,039**	**182,278**	**173,063**	**1,892,437**
EBITDA	**214,746**	**282,045**	**47,346**	**60,518**	**604,655**
Depreciation and amortisation	**(139,771)**	**(4,999)**	**(29,151)**	**(7,576)**	**(181,497)**
Impairment provision of					
– Trade receivables, net of reversal	**(25,894)**	**(7,341)**	**(2,190)**	**(79)**	**(35,504)**
– Inventories	**(6,621)**	**–**	**(658)**	**–**	**(7,279)**
Interest income	**841**	**401**	**122**	**1,566**	**2,930**
Finance expenses	**(9,890)**	**(3,610)**	**(2,592)**	**(607)**	**(16,699)**
Share of profit of a joint venture	**74**	**–**	**–**	**–**	**74**
Share of profit of associates	**3,343**	**–**	**–**	**–**	**3,343**
Income tax expense	**(20,173)**	**(52,198)**	**(6,875)**	**(10,122)**	**(89,368)**
Segment results	**16,655**	**214,298**	**6,002**	**43,700**	**280,655**
Unallocated corporate overheads					**(177,302)**
Profit for the period					**103,353**

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

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
As at 30 June 2023 (Unaudited)					
Segment assets	**4,250,993**	**1,376,445**	**882,663**	**400,130**	**6,910,231**
Segment assets include:					
Capital expenditures incurred in the period	**65,060**	**7,533**	**13,869**	**9,899**	**96,361**
As at 31 December 2022 (Audited)					
Segment assets	4,043,231	903,170	877,498	336,569	6,160,468
Segment assets include:					
Capital expenditures incurred in the year	229,211	17,879	34,532	28,277	309,899

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 2023 *(Unaudited)*	As at 31 December 2022 *(Audited)*
Assets for reportable segments	**6,910,231**	6,160,468
Corporate assets for general management	**2,188,251**	1,822,327
Total assets	**9,098,482**	7,982,795

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			
	2023 *(Unaudited)*	2022 *(Unaudited)*	As at 30 June 2023 *(Unaudited)*	As at 31 December 2022 *(Audited)*
PRC	**663,629**	753,209	**1,920,815**	1,881,273
Republic of Iraq ("Iraq")	**989,979**	720,034	**668,269**	694,806
Other countries	**238,829**	214,783	**209,751**	206,285
Total	**1,892,437**	1,688,026	**2,798,835**	2,782,364

Note:

The balance of deferred income tax assets and financial assets are not included in the balance of non-current assets disclosed here.

Client information

During the period, revenues of approximately RMB1,218,125,000 (six months ended 30 June 2022: RMB1,019,090,000) were derived from two (six months ended 30 June 2022: two) external customers, which contributed 42.02% and 22.35% to the total revenue, respectively (six months ended 30 June 2022: 43.08% and 17.29%). These revenues were mainly attributable to oilfield technical services and oilfield management services segments (six months ended 30 June 2022: oilfield technical services and oilfield management services segments).

5. TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Trade receivables, net (a)		
– contracts with customers	**1,998,382**	1,851,369
– lease receivables	**80,518**	51,151
	2,078,900	1,902,520
Notes receivable (e)	**60,412**	132,090
	2,139,312	2,034,610

Notes:

(a) Aging analysis based on the invoice date:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
1 – 6 months	**1,388,247**	1,248,600
6 months – 1 year	**393,664**	292,400
1 – 2 years	**181,706**	151,785
2 – 3 years	**74,267**	80,625
Over 3 years	**41,016**	129,110
	2,078,900	1,902,520

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

(c) As at 30 June 2023, trade receivables of RMB414,040,000 (31 December 2022: RMB318,764,000) were pledged as security for short-term borrowings of RMB414,040,000 (31 December 2022: RMB318,764,000).

As at 30 June 2023, trade receivables of RMB90,000,000 were pledged as security for long-term borrowings of RMB90,000,000.

(d) Allowance for impairment of trade receivables

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
As at 1 January	**265,433**	314,381
Addition	**35,504**	42,344
Reversal	**–**	(25,780)
As at 30 June	**300,937**	330,945

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

(e) As at 30 June 2023, total notes receivable amounting to RMB60,412,000 (31 December 2022: RMB132,090,000) are held by the Group as settlement of corresponding trade receivables. Notes receivable was measured at fair value through other comprehensive income. All notes receivable held by the Group are with a maturity period of less than one year.

6. TRADE AND NOTES PAYABLES

	As at 30 June 2023 *(Unaudited)*	As at 31 December 2022 *(Audited)*
Trade payables	**760,924**	585,517
Notes payable	**930,186**	863,575
	1,691,110	1,449,092

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

	As at 30 June 2023 *(Unaudited)*	As at 31 December 2022 *(Audited)*
Less than 1 year	**1,528,419**	1,286,568
1 – 2 years	**65,526**	69,999
2 – 3 years	**36,923**	27,783
Over 3 years	**60,242**	64,742
	1,691,110	1,449,092

7. REVENUE

	Six months ended 30 June	
	2023 *(Unaudited)*	2022 *(Unaudited)*
Sales of goods	**93,437**	143,632
Provision of services	**1,710,421**	1,410,333
Rental	**88,579**	134,061
	1,892,437	1,688,026

Disaggregation of revenue

Segments	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
	For the six months ended 30 June 2023			
Types of goods or service				
Sales of goods	**93,437**	**–**	**–**	**–**
Provision of services	**604,041**	**751,039**	**182,278**	**173,063**
Total	**697,478**	**751,039**	**182,278**	**173,063**
Geographical markets				
PRC	**360,101**	**3,670**	**65,404**	**145,875**
Iraq	**218,185**	**641,396**	**116,046**	**14,352**
Other countries	**119,192**	**105,973**	**828**	**12,836**
Total	**697,478**	**751,039**	**182,278**	**173,063**
Timing of revenue recognition				
A point in time	**684,873**	**–**	**182,278**	**173,063**
Over time	**12,605**	**751,039**	**–**	**–**
Total	**697,478**	**751,039**	**182,278**	**173,063**

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

Segments	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
	For the six months ended 30 June 2023			
Revenue disclosed in segment information				
External customers *(Note 4)*	**786,057**	**751,039**	**182,278**	**173,063**
Rental income	**(88,579)**	**–**	**–**	**–**
Revenue from contracts with customers	**697,478**	**751,039**	**182,278**	**173,063**

Segments	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
	For the six months ended 30 June 2022			
Types of goods or service				
Sales of goods	140,639	–	–	2,993
Provision of services	507,851	525,698	250,178	126,606
Total	648,490	525,698	250,178	129,599

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

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

	For the six months ended 30 June 2022			
Segments	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Revenue disclosed in segment information				
External customers *(Note 4)*	782,551	525,698	250,178	129,599
Rental income	(134,061)	–	–	–
Revenue from contracts with customers	648,490	525,698	250,178	129,599

8. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Materials and services purchased	**632,193**	488,128
Staff costs	**450,402**	425,662
In which:		
– Salaries and other staff expenses	**443,080**	418,797
– Share-based compensation	**7,322**	6,865
Depreciation	**183,450**	166,488
In which:		
– Property, plant and equipment	**166,939**	149,204
– Right-of-use assets	**15,736**	17,284
– Investment properties	**775**	–
Less: Capitalised in inventories	**(20,292)**	(23,188)
	163,158	143,300

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Amortisation of intangible assets	**26,551**	23,097
Less: Capitalised in inventories	**(3,335)**	(3,811)
	23,216	19,286
In which:		
– Cost of sales	**21,043**	17,575
– Administrative expenses	**486**	457
– Selling expenses	**–**	15
– Research and development expenses	**1,687**	1,239
Other operating expenses	**350,467**	332,523
In which:		
– Impairment of receivables	**35,504**	16,564
– Impairment of inventories	**7,279**	9,423

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Interest expenses		
– on borrowings	**(36,929)**	(24,985)
– on bonds	**(37,433)**	(90,699)
– on other financial liabilities	**(10,949)**	–
– on lease liabilities	**(1,633)**	(1,177)
	(86,944)	(116,861)
Exchange gain/(loss), net	**13,206**	(8,688)
Others	**(25,874)**	(18,396)
Finance expenses	**(99,612)**	(143,945)
Interest income	**11,058**	12,903
	(88,554)	(131,042)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Current income tax		
– PRC enterprise income tax	**12,588**	31,215
– Iraq corporate income tax	**71,668**	48,904
– Others	**5,358**	2,739
Deferred income tax	**(246)**	(8,235)
	89,368	74,623

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% (2022: 25%), except for certain subsidiaries which have applied preferential tax rates of 15%.

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

11. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Profit attributable to the owners of the Company (RMB'000)	**97,872**	90,697
Weighted average number of ordinary shares in issue (thousands of shares)	**2,938,304**	2,899,313
Basic earnings per share (expressed in RMB per share)	**0.0333**	0.0313

Note:

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

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. For the period ended 30 June 2023 and 2022, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both period ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Profit attributable to the owners of the Company (RMB'000)	**97,872**	90,697
Weighted average number of ordinary shares in issue (thousands of shares)	**2,938,304**	2,899,313
Adjustments for the effect of restricted share award scheme (thousands of shares)	**29,754**	16,873
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	**2,968,058**	2,916,186
Diluted earnings per share (expressed in RMB per share)	**0.0330**	0.0311

12. DIVIDENDS

The Directors have determined that no dividend will be paid in respect of the current interim period (Six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the First Half, notwithstanding prolonged geopolitical risks, inflationary pressures globally, and relatively severe headwinds to macroeconomic growth specific to the oil and gas industry, the global emerging markets of oil and gas development vigorously advanced the construction of oil and gas development capacities, placing the overall industry on a clear upward trajectory.

The Group seized the opportunities in the industry and rapidly expanded its most competitive businesses. In the First Half, the Group's revenue increased by 12.1% as compared with the same period of 2022, and the momentum of business development in overseas markets was particularly strong, posting record high numbers again of both orders and revenue. In the Chinese market, led by the Group's reservoir geological study, its traditional businesses were further upgraded and transformed, its business portfolio was continuously optimized. Innovative new businesses such as the oilfield management services, asset leasing business and inspection technology services continued to achieve rapid growth, with revenue grew to over 50% of the Group's total revenue.

In terms of management, the Group remained committed to robust cash flow management and comprehensively strengthening management throughout its business processes, while implementing strict discipline on costs and expenses. During the Reporting Period, the Group continued to promote management digitalization by building the data middleware that integrates operational, business, financial, and market data streams to achieve full visualization of operational information and further enhance management efficiency across the board. In the face of rising global inflation, the Group fully leveraged its platform strengths and established strategic partnerships with suppliers to reduce the impact of inflation on material costs. In the First Half, the Company's net profit increased by 16.8% relative to the corresponding period of 2022, and net operating cash inflow increased by RMB20.5 million over the corresponding period of 2022.

The asset securitization project – the spin-off and separate listing on the Chinese mainland share market of T-ALL Inspection Group Company Limited ("T-ALL Inspection"), the Group's inspection business subsidiary – progressed smoothly during the Reporting Period. The deal is now under pre-listing tutoring, and seven strategic investors, mainly state-owned enterprises, have been brought in with an aggregate capital injection of RMB252.8 million for 18.69% of the shares of T-ALL Inspection. The strategic investors will work with the Company to promote the spin-off and IPO deal and to maximize the business synergies with T-ALL Inspection to prepare T-ALL Inspection for greater success. Upon completion of the proposed spin-off and IPO, the Group will have the opportunity to increase its equity substantially and reduce its liabilities, resulting in a substantially-improved capital structure.

With regard to environmental, social, and governance (ESG), the Group continued to promote technological innovation, accelerate business transformation, and comprehensively enhance operational efficiency in order to help its customers save energy and reduce emissions, in line with the Group's established emissions reduction targets. The Group actively fulfilled its social responsibilities in each of the locations where it operates. In China, the Group actively participated in activities such as charitable donations and in-kind support to local communities, and the Group provided paired support for the economic development of impoverished areas in Inner Mongolia. It also made cash and in-kind donations to flood-affected areas in China to support flood prevention, relief, and post-disaster reconstruction. In the southern oilfields of Iraq, the Group donated to schools to improve education conditions. Meanwhile, the Group actively promoted technological innovation and made social contributions. In the First Half, the Group received honors such as Beijing Foreign-funded R&D Center, Top 100 Private Enterprises in Internationalization, National Specialized, Refined, Differential and Innovative Enterprise, and Best Managed Companies.

Performance Results

For the First Half, the Group's revenue totaled RMB1,892.4 million, representing an increase of RMB204.4 million over the first half of 2022, an increase of 12.1%. The Group's net profit amounted to RMB103.4 million, representing an increase of 16.8% from RMB88.5 million for the corresponding period of 2022. Profit attributable to equity holders of the Company amounted to RMB97.9 million, representing an increase of RMB7.2 million, or 7.9%, from RMB90.7 million for the corresponding period of 2022. The net profit margin attributable to equity holders of the Company was 5.2%.

As at 30 June 2023, the Group's accounts receivable balance was approximately RMB2,078.9 million, and the average accounts receivable turnover was 189 days, representing a decrease of 32 days as compared with the same period of 2022; the average inventory turnover was 128 days, representing a decrease of 16 days as compared with the same period of 2022; the average accounts payable turnover was 91 days, representing an increase of 3 days as compared with the same period of 2022. Net operating cash flow was RMB341.2 million, representing a significant increase of RMB20.5 million as compared to RMB320.7 million in the same period of 2022.

Geographical Market Analysis

In the First Half, the Group's revenue from overseas markets amounted to RMB1,228.8 million, representing an increase of RMB294.0 million, or 31.5%, from RMB934.8 million in the corresponding period of 2022, and its share of the Group's total revenue was 64.9%. In breakdown, revenue from Iraq was RMB990.0 million, an increase of RMB270.0 million or 37.5% from RMB720.0 million for the corresponding period of 2022, accounting for 52.3% of the Group's total revenue. Revenue from other overseas markets was RMB238.8 million, an increase of RMB24.0 million or 11.2% from RMB214.8 million for the corresponding period of 2022, accounting for 12.6% of the Group's total revenue. Revenue from the domestic market was RMB663.6 million, a decrease of RMB89.6 million, or 11.9%, from RMB753.2 million for the corresponding period of 2022, accounting for 35.1% 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**	
	2023	2022	Change	**2023**	2022
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Overseas	**1,228.8**	934.8	31.5%	**64.9%**	55.4%
Domestic	**663.6**	753.2	-11.9%	**35.1%**	44.6%
Total	**1,892.4**	1,688.0	12.1%	**100.0%**	100.0%

Overseas Markets

	Six months ended 30 June			**% of the Group's total revenue Six months ended 30 June**	
	2023	2022	Change	**2023**	2022
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Iraq	**990.0**	720.0	37.5%	**52.3%**	42.7%
Other overseas	**238.8**	214.8	11.2%	**12.6%**	12.7%
Total	**1,228.8**	934.8	31.5%	**64.9%**	55.4%

Overseas Markets

Iraq

In the First Half, notwithstanding the impact of the current OPEC production cuts on the export volumes among Iraq oilfields, major customers in the Iraq market increased their capital expenditures and aggressively carried out capacity expansion for future production growth. The Group fully utilized its business advantages and continued to secure orders for quality projects in oilfield management, oilfield operation and maintenance, inspection, and production stimulation technical services. In the Majnoon oilfield, the Group continued to secure renewals for integrated oilfield management projects thanks to its excellent services, and the scope of project services continued to expand. During the Reporting Period, the Group supported the customer in conducting a successful, first field pilot test through water injection platform (WIP), the WIP facility was formally completed and delivered for use, while the wet oil station upgrading project formally commenced. These developments support the long-term, stable growth of the field and the goal of increasing oilfield production. The customer held a high-profile ceremony, which was attended by the Iraq Minister and Deputy Minister of Oil, President and Vice President of Basra Oil Company, and key members of the oilfield management team. The Iraq Minister of Oil recognized the achievements and breakthroughs of the Majnoon oilfield in terms of production enhancement, resource development, and digital oilfield, and expressed his strong appreciation for the oilfield's impressive HSSE management record for more than 1,700 consecutive days LTI-Free. The project fully testifies to the success of the Group's integrated oilfield management model and its undisputed expertise in integrated oilfield management. The Group's projects in other oilfields in Iraq also advanced at pace, accelerating to execution and achieving several outstanding accomplishments.

In the First Half, the Group was awarded new orders in Iraq of approximately RMB1,328.4 million, representing a significant increase of 125.8% over the same period of 2022. In the First Half, the Iraq market recorded revenue of approximately RMB990.0 million, an increase of approximately 37.5% from RMB720.0 million in the same period of 2022.

Other Overseas Markets – Global Emerging Markets

In the First Half, the Group's oil and gas development activities in global emerging markets grew steadily. The Group adopted prudent principles in these markets, focusing on asset-light oilfield management, supervision, and inspection projects.

In terms of operatorship, the Group's integrated oilfield development and management project in Chad successfully achieved "Three million LTI-free man-hours" and received a special award from the customer. The Group's foam drainage gas recovery technology and desulfurization and decarbonization equipment leasing project in Indonesia successfully entered into the construction phase.

In the First Half, the Group's new orders in other overseas markets reached a total value of RMB334.0 million, representing a decrease of 24.1% as compared to the same period of 2022. For the First Half, revenue from other overseas markets amounted to approximately RMB238.8 million, representing an increase of approximately 11.2% as compared to RMB214.8 million for the same period of 2022.

Domestic Market

In the First Half, centering on the national energy security and Dual Carbon strategies, oil companies actively increased reserves and production, and oil and gas production from major oil and gas fields increased steadily in the First Half. The Group's projects previously impaired by the COVID epidemic have fully resumed construction and maintained a full workload.

In the domestic market, the Group continued to improve cash flow management, regarding cash flow and return on assets as the core indicators of business development. Additionally, the Group strengthened its business upgrade and transformation from "price competition" to "value creation", striving to generate "transformational contributions" to the development of oilfield resources, production stimulation, cost reduction, safety, and environmental protection for its customers.

During the Reporting Period, the Group, with reservoir geology study as its core competency, actively promoted the upgrading and transformation of its traditional business and generated transformational contributions to its customers through geologically precise command engineering, while actively pursuing innovative technologies and services to further increase the share of its asset-light businesses. Powered by its reservoir geology expertise, the Group's precision engineering solution has repeatedly set industry records, and its integration project in North China has successfully surpassed six local operation records in terms of one-trip drilling footage, horizontal section length, and sandstone drilling encounter ratio.

The Group's innovative leasing business model also achieved a meaningful milestone during the Reporting Period. The natural gas purification and transportation operation and maintenance service project undertaken by the Group in the Southwest region was formally completed and started producing in mid-May, and the customer held a grand commissioning ceremony at the project site to recognize the Group's efficient construction service. The Group will continue to provide site operation services to the customer for an additional period of five years.

In terms of business mix, focusing on the core indicator of cash flow management, the Group continued to optimize its business structure by reducing investments in asset-heavy businesses with lower returns, while the revenue contribution from asset-light and new businesses continued to grow.

In the First Half, the Group received new orders of approximately RMB1,667.0 million in China, representing a decrease of approximately 9.5% as compared to RMB1,841.9 million in the same period of 2022. Revenue recorded in the domestic market for the First Half was approximately RMB663.6 million, representing a decrease of 11.9% as compared to RMB753.2 million for the corresponding period of 2022, which was mainly attributable to the Group's conscious efforts to optimize its business structure and business model and a corresponding decrease in revenue from the asset-heavy, low-return drilling rig business.

Business Analysis

During the Reporting Period, the Group's revenue from the inspection services was RMB173.1 million, marking a significant increase of 33.6% compared to the first half of 2022. Revenue from inspection services accounted for 9.2% of the Group's total revenue in the first half of 2023. Revenue from oilfield management services amounted to RMB751.0 million, reflecting a substantial growth of 42.9% compared to the first half of 2022, accounting for 39.7% of the Group's total revenue in the first half of 2023. Revenue from oilfield technical services amounted to RMB786.1 million, an increase of 0.5% in comparison to the first half of 2022, accounting for 41.5% of the total revenue in the first half of 2023. Revenue from drilling rig services experienced a decrease of approximately 27.2% during the first half of 2023, amounting to RMB182.2 million, accounting for 9.6% of the Group's overall revenue in the first half of 2023.

Revenue Breakdown by Cluster

	Six months ended 30th June			% of the Group's total revenue Six months ended 30th June	
	2023	2022	Change	**2023**	2022
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Inspection services	**173.1**	129.6	33.6%	**9.2%**	7.7%
Oilfield management services	**751.0**	525.7	42.9%	**39.7%**	31.1%
Oilfield technical services	**786.1**	782.5	0.5%	**41.5%**	46.4%
Drilling rig services	**182.2**	250.2	-27.2%	**9.6%**	14.8%
Total	**1,892.4**	1,688.0	12.1%	**100.0%**	100.0%

Inspection Services

Inspection services was set up as one of the core businesses at the Group's starting up period. In recent years, it has become a focus of development with its asset-light business model. The Group's inspection business was operated under its subsidiary "T-ALL Inspection". Currently, the T-All Inspection Group has developed into the largest, full license and full-service inspection services provider in the natural gas sector in China. It is an inspection company with its core vision of lifting the safety operation, utilization efficiency of oil and gas equipment and facilities, decreasing energy and materials consumptions and achieving carbon neutrality. T-All Inspection has operated in major natural gas fields in China such as Tarim, Sichuan, and Erdos, and has achieved breakthroughs in expanding into overseas markets in the Middle East, Central Asia, and Africa along the Belt and Road.

In the first half of 2023, the Group's revenue from inspection services amounted to RMB173.1 million, representing an increase of 33.6% from RMB 129.6 million in the same period of the last year.

EBITDA from inspection services increased from RMB54.2 million in the first half of 2022 to RMB60.5 million in the first half of 2023, representing an increase of 11.6%. EBITDA margin of inspection services in the first half of 2023 was 35.0%, reflecting a decrease of 6.8 percentage points compared to the 41.8% in the same period last year. This decline was mainly from an upfront increase in labor costs due to the advanced reserve of project personnel.

Oilfield Management Services

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

In the first half of 2023, the service scope of the Group's integrated oilfield management projects continued to expand, driving the overall oilfield management services segment to continue to achieve high growth. Throughout this Reporting Period, the segment recorded a revenue of RMB751.0 million, indicating an increase of 42.9% compared to RMB525.7 million recorded in the corresponding period last year.

Analysis of major product lines in this cluster:

1) Integrated oilfield management services: During the Reporting Period, revenue from the integrated oilfield management services product line amounted to RMB496.1 million, representing an increase of 39.0% as compared to RMB356.8 million in the corresponding period last year.

2) Oilfield Operation and Maintenance Services: In the first half of 2023, revenue from the oilfield operation and maintenance services product line amounted to RMB254.9 million, showing an increase of 50.9 % compared with RMB168.9 million in the corresponding period of 2022.

The EBITDA of the oilfield management services segment increased from RMB208.9 million in the first half of 2022 to RMB282.0 million in the first half of 2023, showing an increase of 35.0%, and the EBITDA margin was 37.5%, a decrease of 2.2 percentage points from 39.7% in the first half of 2022.

Oilfield Technical Services

Oilfield technical services has long been a source of the Group's competitive advantage. With an integrated approach, we offer comprehensive technical solutions that cover the entire life cycle of oil and gas development. Our diverse range of services includes geological technology, drilling technology, well-completion technology, production enhancement technology, and asset leasing services. These services are built upon our reservoir geological technology expertise, allowing us to provide precise solutions that enhance the efficiency of resource development and maximize the value of reservoir assets for our customers. The Group is also actively promoting green transformation and the development of low-carbon and new energy businesses.

In the first half of 2023, revenue from the oilfield technical services segment amounted to RMB786.1 million, representing an increase of 0.5% compared to RMB782.5 million for the same period last year.

Analysis of the oilfield technical services by product line:

1) Drilling Technical Services: In the first half of 2023, this product line got revenue of RMB133.7 million, representing an increase of approximately 13.3% from RMB118.0 million in the same period last year.

2) Well-Completion Technical Services: In the first half of 2023, this product line recorded revenue of RMB99.0 million, a decrease of 13.8% from RMB114.9 million in the same period last year.

3) Stimulation technical services: In the first half of 2023, this product line recorded revenue of RMB452.5 million, representing an increase of approximately 8.6% from RMB416.8 million in the first half of 2022.

4) Asset leasing services: In the first half of 2023, this product line recorded revenue of RMB100.9 million, reflecting a decrease of approximately 24.0% from RMB132.8 million in the same period last year. This decline mainly attributed to the Group's strategic adjustment in the leasing business, aimed at optimizing its overall business structure. The Group have undertaken a strategic shift by reducing leasing of equipment and facilities in the engineering phase while increasing focus on leasing equipment and facilities during the oil and gas production phase which have better returns and cash flows. It was in the transforming stage in the First Half.

EBITDA of the oilfield technical services segment decreased by RMB5.6 million from RMB220.3 million in the first half of 2022 to RMB214.7 million in the first half of 2023, and the EBITDA margin was 27.3%, relatively stable comparing to the 28.2% in the same corresponding year of 2022.

Drilling Rig Services

Rig services is an asset-heavy business of the Group. The Group strives to integrate industry resources by combining the Group's existing high-quality drilling technologies, utilizing its drilling rigs and equipment, and leveraging on the Group's ecological cooperation platform to achieve low investment but deliver high-efficiency services.

In the first half of 2023, the Group made efforts to optimize its business structure, resulting in a decline in revenue from the asset-heavy drilling rig services business. During the Reporting Period, the rig services segment generated revenue of RMB182.2 million, representing a decrease of 27.2% compared to RMB250.2 million recorded in the same period last year.

EBITDA of the drilling rig services segment decreased to RMB47.3 million in the first half of 2023 from RMB82.2 million in the first half of 2022, and the EBITDA margin was 26.0%, representing a decrease of 6.9 percentage points compared to 32.9% in the same period last year.

Alignment of Strategic Resources

The capital expenditure for the first half of 2023 totaled RMB59.6 million, indicating a decrease of RMB5.8 million compared to the RMB65.4 million recorded during the same period in 2022.

Alignment of Investment

In the first half of 2023, the Group's investments were mainly complementary in equipment for projects under execution.

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

In the first half of 2023, the Group placed emphasis on the improvement and innovation of relevant technologies or tools to align with 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 2023, the Group invested RMB43.3 million in research and development, representing an increase of 18.0% as compared to RMB36.7 million in the same period last year. Major research projects include:

– Research on fracturing visualization monitoring and evaluation technology;

– Research and development of ultra-high temperature oil-based drilling fluid technology;

– Development of high-performance special completion tools;

– Research and development of sand prevention serialization tools;

– Research and development of non-destructive inspection technology

Alignment of Human Resources

During the first half of 2023, the Group undertook measures to further optimize job tenure standards based on the OKR (Objectives and Key Results) work method. Additionally, we implemented standardized work Standard Operating Procedures (SOPs) for all staff members. These initiatives were aimed at enhancing the overall quality and efficiency of work delivery through standardized actions.

Recognizing the importance of nurturing young grassroots talents and promoting their growth, we established a future successor program. This program aims to provide guidance and support to different types of talents, enabling them to clarify their target directions. Through target direction guidance, focused attention, and mentoring, we foster self-driven growth among our employees. This facilitates the cultivation of future middle and senior-level talents, ensuring a continuous cycle of talent upgrading and iteration while perfecting our talent ladder.

As of June 30, 2023, the Group had a total of 6,196 employees. Among these, 3,559 employees were based overseas, representing 57.4% of the Group's total workforce.

OUTLOOK

Looking ahead to the second half of the year, global economic development still faces many challenges, but as the global oil and gas supply gap is expected to continue, investment in oil and gas development in emerging markets around the world will continue to grow, especially in the natural gas market, where there will be strong demand for development. The Group will continue to target quality project orders as well as operation quality and adhere to cash flow operations to drive stable growth in order quality and profitability. In the second half of the year, the Group's project execution will continue to be vigorously pursued, and the Group will promote the execution of orders in hand with high quality through high-quality and efficient operations.

Regarding the market, the Group will continue to vigorously expand the global emerging markets, focusing on Iraq, Southeast Asia, and Africa hoping to secure more large-scale and high-quality projects. As for the Chinese market, the Group will continue to leverage the innovative technical services driven by reservoir geological research as a differentiator and strive for high-quality orders around the natural gas market and the unconventional resources development market. By doing so, we aim to make significant contributions to our customers. Meanwhile, the Group will further optimize its business structure and promote business transformation.

Regarding products and technologies, the Group will continue to comprehensively promote the development of precision engineering technologies, independent innovative service models, and create possibilities to build multi-level growth on its development of platform businesses. In terms of new businesses, the Group's Oilfield management business will be likely to expand its business scope and improve its integrated management abilities and leasing business is expected to continue to make breakthroughs in innovative business models in the second half of the year. The Group will precisely grasp the customers' needs in enhancing and accelerating production, and prioritize its business in oil and gas production facilities and equipment. The Group's online oil and gas development mall and online community, "Oil Mates", will continue to empower the oil and gas industry and drive the Group's industry influence to a new level.

The Group's asset securitization project, the spin-off and listing of T-ALL Inspection, will be further implemented quickly in the second half of the year. Together with T-ALL Inspection's strategic investors, the Group will make every effort to promote the successful listing and issuance of the inspection business in the domestic capital market.

On ESG, the Group will continue to implement practical emission reduction plans centered on the Group's greenhouse gas emission vision, while joining hands with various stakeholders to make progress and set up industry benchmarks.

FINANCIAL REVIEW

Revenue

The Group's revenue for the First Half was RMB1,892.4 million, representing an increase of RMB204.4 million, or 12.1%, from RMB1,688.0 million for the same period of 2022.

Costs of Sales

Cost of sales increased by 13.8% from RMB1,171.8 million for the corresponding period of 2022 to RMB1,333.1 million for the First Half, mainly due to the corresponding increase in costs arising from revenue growth.

Other Gains, Net

Other gains decreased by RMB11.4 million from RMB21.5 million in the first half of 2022 to RMB10.1 million in the First Half.

Impairment Loss under Expected Credit Loss Model, net of reversal

The impairment losses under expected credit loss model, net of reversal increased from RMB16.6 million in the first half of 2022 to RMB35.5 million in the First Half, an increase of RMB18.9 million.

Selling Expenses

Selling expenses were RMB85.4 million for the First Half, an increase of RMB12.5 million, or 17.1%, from RMB72.9 million for the same period of 2022.

Administrative Expenses

Administrative expenses were RMB122.2 million for the First Half, an increase of RMB11.3 million, or 10.2%, from RMB110.9 million for the same period of 2022.

R&D Expenses

Research and development expenses were RMB43.3 million for the First Half, an increase of RMB6.6 million, or 18.0%, from RMB36.7 million for the same period of 2022.

Sales Taxes and Surcharges

Sales taxes and surcharges were RMB5.2 million for the First Half, a decrease of RMB0.7 million, or 11.9%, from RMB5.9 million for the same period of 2022.

Operating Profit

The Group's operating profit for the First Half amounted to RMB277.9 million, a decrease of RMB16.8 million, or 5.7%, as compared to RMB294.7 million for the corresponding period of 2022. The operating profit margin for the First Half was 14.7%, a decrease of 2.8 percentage points from 17.5% for the same period of 2022, mainly due to the decrease in other gains during the Reporting Period as compared to the same period of 2022.

Net Financing Costs

For the First Half, net financing costs amounted to RMB88.6 million, a decrease of approximately RMB42.4 million, or 32.4%, from RMB131.0 million for the same period of 2022.

As at 30 June 2023, the Group increased a financial liability totaled RMB252.8 million from its introduction of strategic investors for the separate listing of its subsidiary. Interest expenses amounting to RMB10.9 million was recorded in the First Half. (Pursuant to the investment agreement, the investors have the right to request the Company to repurchase their invested shares at the original price with a premium of interest at 10% per annum if T-ALL inspection failed to fulfil the profit and other commitments as prescribed in the agreement. According to the accounting standards, the amount of total investments from the strategic investors was recognized as financial liabilities, debiting to other reserves.)

Income Tax Expense

Income tax expense was RMB89.4 million for the First Half, representing an increase of RMB14.8 million or 19.8% from RMB74.6 million for the same period of 2022.

Profit/Loss for the Reporting Period

The Group reported a net profit of RMB103.4 million for the First Half, representing a significant increase of RMB14.9 million, or 16.8%, from RMB88.5 million for the same period of 2022.

Profit/Loss Attributable to Equity Holders of the Company

For the First Half, the Group's profit attributable to equity holders of the Company amounted to RMB97.9 million, representing an increase of RMB7.2 million, or 7.9%, compared with RMB90.7 million for the same period of 2022.

Trade and Notes Receivables

As at 30 June 2023, the Group's net trade and notes receivables amounted to RMB2,139.3 million, representing an increase of RMB104.7 million from 31 December 2022. The average trade receivable turnover was 189 days in the First Half, representing a decrease of 32 days from the corresponding period of 2022.

Inventories

As at 30 June 2023, the Group's inventories were valued at RMB967.1 million, representing an increase of RMB33.3 million as compared to 31 December 2022.

Liquidity and Capital Resources

As at 30 June 2023, the Group's cash and bank deposits were valued at approximately RMB1,692.9 million (including restricted bank deposits, cash, and cash equivalents), representing an increase of RMB487.0 million as compared to 31 December 2022.

The Group's short-term borrowings outstanding as at 30 June 2023 amounted to RMB1,221.1 million. 893.0 million of the credit lines underwritten to the Group by Chinese banks were unutilized.

As at 30 June 2023, the Group's gearing ratio was 53.7%, an increase of 1.8 percentage points from the gearing ratio of 51.9% as at 31 December 2022. 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 RMB3,169.8 million as at 30 June 2023, an increase of RMB88.3 million from RMB3,081.5 million as at 31 December 2022.

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

During the six months ended 30 June 2023, the Group had no material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Currency Risk

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

Cash Flow from Operating Activities

For the six months ended 30 June 2023, the Group's cash flow from operating activities was a net inflow of RMB341.2 million, representing an increase of RMB20.5 million as compared to the corresponding period of 2022.

Capital Expenditure and Investment

The Group's capital expenditure for the six months ended 30 June 2023 was RMB59.6 million, of which, RMB54.9 million was invested in fixed assets and RMB4.7 million was in intangible assets.

Contractual Obligations

The Group's contractual obligations mainly consist of its capital commitments. As at 30 June 2023, the Group's capital commitments (but not yet provisioned in the condensed consolidated statement of financial position) amounted to approximately RMB62.7 million.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities or guarantees.

Asset Collateralization

As at 30 June 2023, the Group's assets collateralized for bank financing facilities were buildings and equipment with a net book value of RMB84.3 million, right-of-use assets with a net book value of RMB5.6 million, and trade receivables with a net book value of RMB504.0 million.

Off-Book Arrangements

As at 30 June 2023, the Group had no off-book arrangements.

INTERIM DIVIDEND

The Board of Directors of the Company has not recommended payout of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2023.

DIRECTOR'S SECURITIES TRANSACTIONS

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

PURCHASE, SALE, OR REDEMPTION OF THE LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold, or repurchased any listed securities of the Company.

SUBSEQUENT EVENT

No material events have occurred after 30 June 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules and the CG Code. The Audit Committee comprises all three existing independent non-executive Directors, namely Mr. ZHU Xiaoping (Chairman of the Audit Committee), Mr. ZHANG Yongyi, and Mr. WEE Yiaw Hin. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2023.

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

Hong Kong, 27 August 2023

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