

# 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)

# 2023 INTERIM REPORT





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Mr. HUANG Song

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## ESG (“ENVIRONMENT, SOCIETY AND GOVERNANCE”) COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Mr. LUO Lin  
Ms. Nelly AU-YEUNG

## COMPANY SECRETARY

Ms. Nelly AU-YEUNG

## COMPANY’S WEBSITE

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## INVESTOR RELATIONS HOTLINE

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## PRINCIPAL PLACE OF BUSINESS IN PRC

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## REGISTERED OFFICE

PO Box 309, Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

## CORPORATE INFORMATION

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A  
Block 3, Building D  
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Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### AUDITORS

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors

### LEGAL ADVISERS

#### as to Hong Kong and U.S. law:

Sidley Austin

#### as to PRC law:

Tiger Partners

#### as to Cayman Islands law:

Maples and Calder

### PRINCIPAL BANK

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

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

3337

### DATE OF LISTING

14 December 2007

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the First Half, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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	
	2023 (RMB Mn)	2022 (RMB Mn)	Change (%)	2023 (%)	2022 (%)
Overseas	<b>1,228.8</b>	934.8	31.5%	<b>64.9%</b>	55.4%
Domestic	<b>663.6</b>	753.2	-11.9%	<b>35.1%</b>	44.6%
<b>Total</b>	<b>1,892.4</b>	1,688.0	12.1%	<b>100.0%</b>	100.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overseas Markets

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 (RMB Mn)	2022 (RMB Mn)	Change (%)	2023 (%)	2022 (%)
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%
<b>Total</b>	<b>1,892.4</b>	<b>1,688.0</b>	<b>12.1%</b>	<b>100.0%</b>	<b>100.0%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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;

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Currency Risk

The Group conducts its business mainly in RMB and USD, and some of its imports and exports are settled in foreign currencies. The Group maintains that the currency risk associated with the Group's settlement amounts denominated in foreign currencies is 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.

## OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

During the 6 months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold, or repurchased any listed securities of the Company.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

#### (i) Long positions in ordinary shares of HK\$0.10 each:

Name of Directors	Notes	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
LUO Lin	1,2	Founder of a discretionary trust and beneficial owner	741,140,330	24.65%
PI Zhifeng	2	Beneficial owner	10,648,000	0.35%
FAN Yonghong	2	Beneficial owner	25,620,000	0.85%
ZHANG Yongyi	2	Beneficial owner	3,290,000	0.11%
ZHU Xiaoping	2	Beneficial owner	2,850,000	0.09%
WEE Yiau Hin	2	Beneficial owner	2,850,000	0.09%
Huang Song	2	Beneficial owner	650,000	0.02%

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Butterfield Trust (Asia) Limited ("Butterfield") owns 100% interest of Avalon Assets Limited. Butterfield is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Butterfield and Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.
2. These share includes the share options granted to each director pursuant to the Company's Share Option Scheme ("Share Option Scheme") as well as the shares granted to each directors pursuant to the Company's Restricted Share Award Scheme ("Restricted Share Award Scheme"). Details of such options and restricted shares of each director were disclosed in the following "SHARE OPTION SCHEME" section.

## OTHER INFORMATION

Save as disclosed above, at no time during the six months ended 30 June 2023, the Directors and chief executive (including their spouses and children under the age of 18 years) had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, its particular undertakings or its associated corporations as required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Long positions in the shares or underlying shares of the Company:

Name of Substantial Shareholders	Notes	Capacity	Long/Short Position	Number of Ordinary Shares Held	Approximate Percentage of Shareholding
Pro Development Holdings Corp.	1	Beneficiary Owner	Long Position	664,140,740	22.09%
China Oil HBP Science & Technology Co., Ltd.	2	Interest of controlled corporation	Long Position	193,766,678	6.44%

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Butterfield owns 100% interest of Avalon Assets Limited, and is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Butterfield and Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.
2. Hong Kong Huihua Global Technology Limited, which is a company wholly-owned by China Oil HBP Science & Technology Co., Ltd. and holds 193,766,678 shares. By virtue of the SFO, China Oil HBP Science & Technology Co., Ltd. is deemed to be interested in the shares held by Hong Kong Huihua Global Technology Limited.

Save as disclosed above, as at 30 June 2023, so far was known to the Directors, no other persons (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION

### SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 26 May 2017 to replace the ten-year share option plan adopted on November 17, 2007 and expired on the 26th of May 2017.

Details of the movements in the number of share options during the first half ended 30 June 2023 under the Share Option Scheme are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK\$	Notes	Number of share options as at 1 January 2023	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2023
<b>Directors</b>										
LUO Lin	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	442,000	-	-	-	442,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	2,218,000	-	-	-	-	2,218,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	784,922	-	-	-	-	784,922
				Subtotal:	3,444,922	-	-	-	442,000	3,002,922
PI Zhifeng	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	3,000,000	-	-	-	3,000,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	2,600,000	-	-	-	-	2,600,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	2,600,000	-	-	-	-	2,600,000
				Subtotal	8,200,000	-	-	-	3,000,000	5,200,000
FAN Yonghong	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	2,700,000	-	-	-	2,700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	3,500,000	-	-	-	-	3,500,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	4,020,000	-	-	-	-	4,020,000
				Subtotal	10,220,000	-	-	-	2,700,000	7,520,000

## OTHER INFORMATION

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK\$	Notes	Number of share options as at 1 January 2023	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2023
ZHANG Yongyi	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal:	2,100,000	-	-	-	700,000	1,400,000
ZHU Xiaoping	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal	2,100,000	-	-	-	700,000	1,400,000
WEE Yiaow Hin	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal	2,100,000	-	-	-	700,000	1,400,000
Employees in aggregate	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	77,480,000	-	-	-	77,480,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	45,915,333	-	-	-	550,000	45,365,333
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	70,309,078	-	-	-	710,000	69,599,078
	1 April 2020	1 April 2021 to 31 March 2026	0.495	1,6	113,439,592	-	-	-	-	113,439,592
				Subtotal	307,144,003	-	-	-	78,740,000	228,404,003
				Total	335,308,925	-	-	-	86,982,000	248,326,925

## OTHER INFORMATION

### Notes:

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

\* Source from website of Hong Kong Exchange

## RESTRICTED SHARE AWARD SCHEME

On 30 December 2019, the Board has resolved to adopt the Restricted Share Award Scheme the ("Scheme"), The total number of shares that may be granted under the Scheme may not exceed 10% of the current total number of Shares in issue, and the Scheme will be implemented by purchasing shares on the secondary market. The Scheme will be valid and effective for a period of ten years from the approval date of the Scheme and all eligible participants are entitled to participate in the Scheme. As of 30 June 2023, the remaining life of the Restricted Share Award Scheme was 6 years and six months.

### Objectives

The objective for setting up the Scheme was to (i) establish a partnership mechanism through employee shareholding in the Company to encourage employees to participate in the operation and management of the Company, so as to optimize its corporate governance structure and create a new form of partnership platform; (ii) align the interests of employees with that of the shareholders so as to form a entrepreneurship and sharing culture atmosphere, encourage employees to participate in building a common community, create value, share achievements, actively promote the growth and development of the Company and achieve an ultimate win-win target for the Company, employees and investors.

### ADMINISTRATION

The Scheme is subject to the administration of the Board in accordance with the rules of the Scheme (the "Scheme Rules").

## OTHER INFORMATION

### VESTING AND LAPSE

Unless otherwise determined by the Board at its discretion, the relevant shares granted (the "Awarded Shares") to a participant (the "Selected Employee") and held by the Trustee of the Scheme on behalf of the Selected Employees on Trust shall not vest in the relevant Selected Employee in the following circumstances: (i) the Selected Employee ceases to be a Selected Employee for whatever reason; or (ii) other circumstances as provided in the Scheme Rules. Upon occurrence of any of the above circumstances, any Awarded Shares awarded but have not been vested in the Selected Employee will be returned to the Trust in accordance with the Scheme Rules.

The following table summarises the movement in the Company's Awarded Shares which were granted under the Scheme during the reporting period. Except as described below, for the six months ended 30 June 2023, no award shares were granted, vested or lapsed under the restricted stock incentive plan.

Name of Participant	Date of Grant	Notes	Number of Awarded shares	Granted but unvested as at 1 January 2023	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 30 June 2023	Closing price of shares on the Hong Kong Exchange before grant date (HK\$)	Fair value at grant date (HK\$)	Weighted average price on the day immediately preceding the vesting date (HK\$)
<b>Directors</b>										
LUO Lin	1 January 2021	1, 3	8,800,000	2,933,334	2,933,334	-	-	0.435	0.435	0.437
	15 July 2022	1	7,100,000	4,733,333	-	-	4,733,333	0.425	0.410	0.345
		Subtotal	15,900,000	7,666,667	2,933,334	-	4,733,333	/	/	/
PI Zhifeng	1 January 2021	1, 3	2,800,000	933,334	933,334	-	-	0.435	0.435	0.437
	15 July 2022	1	2,200,000	1,466,667	-	-	1,466,667	0.425	0.410	0.345
		Subtotal	5,000,000	2,400,001	933,334	-	1,466,667	/	/	/
FAN Yonghong	1 January 2021	1, 3	5,600,000	1,866,666	1,866,666	-	-	0.435	0.435	0.437
	15 July 2022	1	4,500,000	3,000,000	-	-	3,000,000	0.425	0.410	0.345
		Subtotal	10,100,000	4,866,666	1,866,666	-	3,000,000	/	/	/
ZHANG Yongyi	1 January 2021	2, 3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2	650,000	325,000	-	-	325,000	0.425	0.410	0.345
		Subtotal	1,450,000	325,000	-	-	325,000	/	/	/

## OTHER INFORMATION

Name of Participant	Date of Grant	Notes	Number of Awarded shares	Granted but unvested as at 1 January 2023	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 30 June 2023	Closing price of shares on the Hong Kong Exchange before grant date (HK\$)	Fair value at grant date (HK\$)	Weighted average price on the day immediately preceding the vesting date (HK\$)
ZHU Xiaoping	1 January 2021	2, 3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2	650,000	325,000	-	-	325,000	0.425	0.410	0.345
		Subtotal	1,450,000	325,000	-	-	325,000	/	/	/
WEE Yaw Hin	1 January 2021	2, 3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2	650,000	325,000	-	-	325,000	0.425	0.410	0.345
		Subtotal	1,450,000	325,000	-	-	325,000	/	/	/
HUANG Song	15 July 2022	2	650,000	325,000	-	-	325,000	0.425	0.410	0.345
		Subtotal	650,000	325,000	-	-	325,000	/	/	/
Employees in aggregate	1 January 2021	1, 3	66,830,000	20,010,001	19,776,667	233,334	-	0.435	0.435	0.437
	15 July 2022	1	59,330,000	39,303,333	-	1,433,333	37,870,000	0.425	0.410	0.345
		Subtotal	126,160,000	59,313,334	19,776,667	1,666,667	37,870,000	/	/	/
		Total	162,160,000	75,546,668	25,510,001	1,666,667	48,370,000	/	/	/

### Notes:

- One-third of the Awarded Shares will be vested in the first year, second year and third year from the grant date.
- 50% of the Awarded Shares will be vested in the first year and second year from the grant date.
- The Awarded Shares had been fully vested.



## OTHER INFORMATION

### DIRECTOR'S SECURITIES TRANSACTIONS

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

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

There has been no change in the information regarding the Directors and chief executives of the Company since the date of the Company's 2022 Annual Report.

### CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

### AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wee Yaw Hin. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2023 and confirmed that applicable accounting principles, standards and requirements have been complied with and that adequate disclosures have been made.

By order of the Board

**Anton Oilfield Services Group**

*Chairman*

**Luo Lin**

27 August 2023

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

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

*(Incorporated in the Cayman Islands with limited liability)*

# 德勤

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries set out on pages 26 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 August 2023

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

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

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	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	9	242,373	118,559
Deferred income tax assets		21,196	20,851
		<b>2,949,503</b>	2,880,925
<b>Current assets</b>			
Inventories	7	967,095	933,832
Trade and notes receivables	8	2,139,312	2,034,610
Contract assets		21,044	22,486
Prepayments and other receivables	9	1,328,641	905,041
Restricted bank deposits	10	525,198	477,997
Cash and cash equivalents	10	1,167,689	727,904
		<b>6,148,979</b>	5,101,870
<b>Total assets</b>		<b>9,098,482</b>	7,982,795
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	11	276,274	276,274
Reserves		2,893,527	2,805,200
		<b>3,169,801</b>	3,081,474
<b>Non-controlling interests</b>		<b>285,389</b>	219,335
<b>Total equity</b>		<b>3,455,190</b>	3,300,809

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at 30 June 2023

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

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bonds	12	835,450	801,835
Long-term borrowings	13	70,176	47,113
Lease liabilities		28,446	28,499
Deferred income tax liabilities		13,685	13,586
		<b>947,757</b>	891,033
<b>Current liabilities</b>			
Short-term borrowings	13	1,221,068	1,139,732
Current portion of long-term bonds	12	31,719	30,771
Current portion of long-term borrowings	13	116,794	48,617
Trade and notes payables	14	1,691,110	1,449,092
Accruals and other payables	15	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
		<b>4,695,535</b>	3,790,953
<b>Total liabilities</b>		<b>5,643,292</b>	4,681,986
<b>Total equity and liabilities</b>		<b>9,098,482</b>	7,982,795

The condensed consolidated financial statements on pages 26 to 60 were approved and authorised for issue by the Board of Directors on 27 August 2023 and were signed on its behalf by:

\_\_\_\_\_  
Chairman  
**Luo Lin**

\_\_\_\_\_  
Executive Director  
**Pi Zhifeng**

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

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

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
<b>Revenue</b>			
Contracts with customers	16	<b>1,803,858</b>	1,553,965
Rental	16	<b>88,579</b>	134,061
Total revenue	16	<b>1,892,437</b>	1,688,026
Cost of sales	17	<b>(1,333,093)</b>	(1,171,776)
<b>Gross profit</b>		<b>559,344</b>	516,250
Other gains, net	18	<b>10,082</b>	21,509
Impairment losses under expected credit loss model, net of reversal	17	<b>(35,504)</b>	(16,564)
Selling expenses	17	<b>(85,410)</b>	(72,885)
Administrative expenses	17	<b>(122,152)</b>	(110,941)
Research and development expenses	17	<b>(43,277)</b>	(36,733)
Sales tax and surcharges		<b>(5,225)</b>	(5,937)
<b>Operating profit</b>		<b>277,858</b>	294,699
Interest income		<b>11,058</b>	12,903
Finance expenses		<b>(99,612)</b>	(143,945)
Finance costs, net	19	<b>(88,554)</b>	(131,042)
Share of profit/(loss) of a joint venture		<b>74</b>	(602)
Share of profit of associates		<b>3,343</b>	93
Profit before income tax		<b>192,721</b>	163,148
Income tax expense	20	<b>(89,368)</b>	(74,623)
<b>Profit for the period</b>		<b>103,353</b>	88,525
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>97,872</b>	90,697
Non-controlling interests		<b>5,481</b>	(2,172)
		<b>103,353</b>	88,525
<b>Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)</b>			
- Basic	21	<b>0.0333</b>	0.0313
- Diluted	21	<b>0.0330</b>	0.0311

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

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

	Notes	Attributable to the owners of the Company							Non-controlling interests	Total equity	
		Share capital	Treasury shares	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves			Subtotal
<b>Balance at 1 January 2023</b>		<b>276,274</b>	<b>(33,459)</b>	<b>1,049,578</b>	<b>483,716</b>	<b>76,900</b>	<b>1,358,563</b>	<b>(130,098)</b>	<b>3,081,474</b>	<b>219,335</b>	<b>3,300,809</b>
Profit for the period		-	-	-	-	-	97,872	-	97,872	5,481	103,353
<b>Other comprehensive (expense)/income</b>											
- Net investment hedge		-	-	-	-	-	-	(30,080)	(30,080)	-	(30,080)
- Financial instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	358	358	-	358
- Currency translation differences		-	-	-	-	-	-	73,428	73,428	-	73,428
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,872</b>	<b>43,706</b>	<b>141,578</b>	<b>5,481</b>	<b>147,059</b>
- Share-based scheme	11(b) (c)	-	-	-	7,322	-	-	-	7,322	-	7,322
- Vesting of shares under restricted share award scheme		-	8,732	-	(8,732)	-	-	-	-	-	-
- Changes in ownership interests in subsidiaries without loss of control	15	-	-	-	-	-	-	36,957	36,957	60,573	97,530
- Recognition of put option	15	-	-	-	-	-	-	(97,530)	(97,530)	-	(97,530)
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>8,732</b>	<b>-</b>	<b>(1,410)</b>	<b>-</b>	<b>-</b>	<b>(60,573)</b>	<b>(53,251)</b>	<b>60,573</b>	<b>7,322</b>
<b>Balance at 30 June 2023</b>		<b>276,274</b>	<b>(24,727)</b>	<b>1,049,578</b>	<b>482,306</b>	<b>76,900</b>	<b>1,456,435</b>	<b>(146,965)</b>	<b>3,169,801</b>	<b>285,389</b>	<b>3,455,190</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

For the six months ended 30 June 2023

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

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

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

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

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Net cash generated from operating activities	23	<b>341,171</b>	320,705
Net cash used in investing activities	23	<b>(100,493)</b>	(63,238)
Net cash generated from/(used in) financing activities	23	<b>173,986</b>	(304,206)
Net increase/(decrease) in cash and cash equivalents		<b>414,664</b>	(46,739)
Cash and cash equivalents at beginning of the period	10	<b>727,904</b>	1,173,186
Exchange gain on cash and cash equivalents		<b>25,121</b>	24,482
Cash and cash equivalents at end of the period	10	<b>1,167,689</b>	1,150,929

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in 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. ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2022.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 5. SEGMENT INFORMATION

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

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

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 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 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 5. SEGMENT INFORMATION (Continued)

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
<b>Six months ended 30 June 2023</b>					
<b>(Unaudited)</b>					
Revenue	<b>786,057</b>	<b>751,039</b>	<b>182,278</b>	<b>173,063</b>	<b>1,892,437</b>
<b>EBITDA</b>	<b>214,746</b>	<b>282,045</b>	<b>47,346</b>	<b>60,518</b>	<b>604,655</b>
Depreciation and amortisation	<b>(139,771)</b>	<b>(4,999)</b>	<b>(29,151)</b>	<b>(7,576)</b>	<b>(181,497)</b>
Impairment provision of					
– Trade receivables, net of reversal	<b>(25,894)</b>	<b>(7,341)</b>	<b>(2,190)</b>	<b>(79)</b>	<b>(35,504)</b>
– Inventories	<b>(6,621)</b>	<b>-</b>	<b>(658)</b>	<b>-</b>	<b>(7,279)</b>
Interest income	<b>841</b>	<b>401</b>	<b>122</b>	<b>1,566</b>	<b>2,930</b>
Finance expenses	<b>(9,890)</b>	<b>(3,610)</b>	<b>(2,592)</b>	<b>(607)</b>	<b>(16,699)</b>
Share of profit of a joint venture	<b>74</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>
Share of profit of associates	<b>3,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,343</b>
Income tax expense	<b>(20,173)</b>	<b>(52,198)</b>	<b>(6,875)</b>	<b>(10,122)</b>	<b>(89,368)</b>
Segment results	<b>16,655</b>	<b>214,298</b>	<b>6,002</b>	<b>43,700</b>	<b>280,655</b>
Unallocated corporate overheads					<b>(177,302)</b>
Profit for the period					<b>103,353</b>
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
<b>Six months ended 30 June 2022</b>					
<b>(Unaudited)</b>					
Revenue	782,551	525,698	250,178	129,599	1,688,026
<b>EBITDA</b>	<b>220,310</b>	<b>208,942</b>	<b>82,176</b>	<b>54,225</b>	<b>565,653</b>
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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 5. SEGMENT INFORMATION (Continued)

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
<b>As at 30 June 2023 (Unaudited)</b>					
<b>Segment assets</b>	<b>4,250,993</b>	<b>1,376,445</b>	<b>882,663</b>	<b>400,130</b>	<b>6,910,231</b>
Segment assets include:					
Capital expenditures incurred in the period	<b>65,060</b>	<b>7,533</b>	<b>13,869</b>	<b>9,899</b>	<b>96,361</b>
<b>As at 31 December 2022 (Audited)</b>					
<b>Segment assets</b>	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:

	<b>As at 30 June 2023 (Unaudited)</b>	As at 31 December 2022 (Audited)
Assets for reportable segments	<b>6,910,231</b>	6,160,468
Corporate assets for general management	<b>2,188,251</b>	1,822,327
<b>Total assets</b>	<b>9,098,482</b>	7,982,795

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 5. SEGMENT INFORMATION *(Continued)*

#### Geographical Information

	Revenue		Non-current assets	
	Six months ended 30 June		As at	As at
	2023	2022	30 June	31 December
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
PRC	<b>663,629</b>	753,209	<b>1,920,815</b>	1,881,273
Republic of Iraq ("Iraq")	<b>989,979</b>	720,034	<b>668,269</b>	694,806
Other countries	<b>238,829</b>	214,783	<b>209,751</b>	206,285
Total	<b>1,892,437</b>	1,688,026	<b>2,798,835</b>	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).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 6. PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Opening carrying amount	<b>1,970,846</b>	1,997,604
Additions	<b>82,873</b>	35,094
Depreciation	<b>(145,273)</b>	(129,526)
Disposals	<b>(2,672)</b>	(168)
Currency translation differences	<b>29,586</b>	44,009
Closing carrying amount	<b>1,935,360</b>	1,947,013

As at 30 June 2023, certain borrowings were secured by certain buildings and equipment with carrying amount of RMB84,254,000 (31 December 2022: RMB85,917,000) (Note 13(a)).

### 7. INVENTORIES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Audited)
Project materials, spare parts and other materials	<b>700,768</b>	618,429
Project-in-progress	<b>266,327</b>	315,403
<b>Total</b>	<b>967,095</b>	933,832



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 8. TRADE AND NOTES RECEIVABLES

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

Notes:

(a) Aging analysis based on the invoice date:

	<b>As at 30 June 2023 (Unaudited)</b>	As at 31 December 2022 (Audited)
1 – 6 months	<b>1,388,247</b>	1,248,600
6 months – 1 year	<b>393,664</b>	292,400
1 – 2 years	<b>181,706</b>	151,785
2 – 3 years	<b>74,267</b>	80,625
Over 3 years	<b>41,016</b>	129,110
	<b>2,078,900</b>	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) (Note 13(b)).

As at 30 June 2023, trade receivables of RMB90,000,000 were pledged as security for long-term borrowings of RMB90,000,000 (Note 13(a)).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 8. TRADE AND NOTES RECEIVABLES (Continued)

Notes: (Continued)

(d) Allowance for impairment of trade receivables

	Six months ended 30 June 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 (Note 25). All notes receivable held by the Group are with a maturity period of less than one year.

### 9. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Current		
Advances to suppliers	399,135	326,719
Deposits and other receivables	868,447	530,250
Value-added tax recoverable	61,059	48,072
	1,328,641	905,041
Non-current		
Value-added tax recoverable	13,950	9,958
Advances to engineering equipment suppliers	50,180	49,646
Prepayments for acquisition of additional equity interest in a subsidiary	79,866	11,245
Other receivables	98,377	47,710
	242,373	118,559

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 10. CASH AND BANK DEPOSITS

	<b>As at 30 June 2023 (Unaudited)</b>	As at 31 December 2022 (Audited)
Restricted bank deposits (a)	<b>525,198</b>	477,997
Cash and cash equivalents		
– Cash on hand	<b>4,532</b>	7,495
– Deposits in bank	<b>1,163,157</b>	720,409
	<b>1,692,887</b>	1,205,901

Notes:

(a) As at 30 June 2023, bank deposits amounting to RMB525,198,000 (31 December 2022: RMB426,172,000) were held as security for letter of guarantee and issuance of notes payable. As at 31 December 2022, bank deposits amounting to RMB51,825,000 were held as security for securing short-term bank borrowings (Note 13(b)).

(b) Cash and bank deposits were denominated in the following currencies:

	<b>As at 30 June 2023 (Unaudited)</b>	As at 31 December 2022 (Audited)
RMB	<b>902,735</b>	895,136
United States dollar ("US\$")	<b>741,849</b>	272,243
Hong Kong dollar ("HK\$")	<b>516</b>	1,973
Others	<b>47,787</b>	36,549
	<b>1,692,887</b>	1,205,901

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 11. SHARE CAPITAL AND SHARE OPTIONS

#### (a) Share capital

	Number of ordinary shares issued and fully paid of HK\$0.1 each (thousands)	Share capital HK\$'000	RMB'000
(Unaudited) As at 30 June 2023 and 1 January 2023	<b>3,006,571</b>	<b>300,657</b>	<b>276,274</b>
(Unaudited) As at 30 June 2022 and 1 January 2022	3,006,571	300,657	276,274

#### (b) Share options

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

	Average exercise price in HK\$ per share	Number of share options (thousands)
As at 1 January 2023		<b>335,309</b>
Forfeited	<b>0.890</b>	<b>(1,260)</b>
Expired	<b>0.810</b>	<b>(85,722)</b>
As at 30 June 2023 (Unaudited)		<b>248,327</b>
As at 1 January 2022		429,253
Forfeited	0.842	(4,310)
Expired	0.745	(83,198)
As at 30 June 2022 (Unaudited)		341,745

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

#### **(b) Share options** *(Continued)*

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

<b>Expiry date</b>	<b>Exercise price (HK\$ per share)</b>	<b>Number of share options (thousands)</b>
2 April 2024	1.020	55,783
6 January 2025	0.790	79,104
31 March 2026	0.495	113,440
		248,327

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2023 for share options amounted to RMB701,000 (for the six months ended 30 June 2022: RMB2,297,000), with a corresponding amount credited in capital reserve.

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

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

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

In 2020, 2021 and 2022, the Company repurchased 172,496,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK \$0.330 to HK\$0.550. The aggregate consideration paid were RMB32,600,000, RMB19,438,000 and RMB11,207,000 respectively.

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

On 15 July 2022, 75,730,000 shares with the fair value of HK\$0.410 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 3 months to 27 months.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

#### (c) Restricted share award scheme ("Scheme") *(Continued)*

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

	Number of restricted shares (thousands)
As at 1 January 2022	54,353
Vested	(27,577)
Forfeited	(400)
As at 30 June 2022 (Unaudited)	26,376
As at 1 January 2023	75,546
Vested	(25,510)
Forfeited	(1,666)
As at 30 June 2023 (Unaudited)	48,370

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2023 for the Scheme amounted to RMB6,621,000 (for the six months ended 30 June 2022: RMB4,568,000), with a corresponding amount credited in capital reserve.

### 12. LONG-TERM BONDS

Issued date:	Par value	Coupon rate	As at 30 June 2023	As at 31 December 2022	Effective interest rate
26 July 2021	US\$61.9 million	8.75%	459,254	441,334	8.91%
26 July 2021	US\$55.4 million	8.75%	407,915	391,272	10.25%
Subtotal			867,169	832,606	
Less: Current portion			(31,719)	(30,771)	
			835,450	801,835	

Note:

The Company issued US\$150 million senior notes with the coupon rate of 8.75% at discount of par value on 26 July 2021. The notes mature in 3.5 years from the issue date at their nominal value. In 2021, US\$61.9 million were arranged to exchange the senior notes issued on 2 December 2019, followed by US\$32.7 million being repurchased out of US\$88.1 million in 2022. Interest is payable on a semi-annually basis. As at 30 June 2023, interest payable amounted to approximately RMB31.7 million (31 December 2022: RMB30.8 million).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 13. BORROWINGS

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Amount	Interest rate	Amount	Interest rate
Long-term borrowings				
- Secured or guaranteed				
- RMB denominated (a)	<b>186,970</b>	<b>3.20%-6.90%</b>	95,730	6.70%-6.90%
Less: Current portion	<b>(116,794)</b>		(48,617)	
	<b>70,176</b>		47,113	
Short-term bank borrowings				
- Unsecured and unguaranteed				
- RMB denominated	<b>125,315</b>	<b>3.70%-4.00%</b>	175,421	4.70%-4.90%
- Secured or guaranteed				
- RMB denominated (b)	<b>1,095,753</b>	<b>3.95%-6.00%</b>	964,311	3.65%-6.00%
	<b>1,221,068</b>		1,139,732	

#### Notes:

- (a) As at 30 June 2023, secured long-term bank borrowings of RMB95,970,000 (31 December 2022: RMB95,730,000) were secured by the Group's buildings with a carrying value of RMB84,254,000 (31 December 2022: RMB85,917,000) (Note 6) and right-of-use assets (leasehold lands) with a carrying value of RMB5,597,000 (31 December 2022: RMB5,681,000) respectively.

As at 30 June 2023, secured long-term bank borrowings of RMB90,000,000 were secured by the Group's trade receivables amounting to RMB90,000,000 (Note 8(c)).

As at 30 June 2023, long-term bank borrowings of RMB1,000,000 were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

- (b) As at 30 June 2023, secured short-term bank borrowings of RMB414,040,000 (31 December 2022: RMB318,764,000) were secured by the Group's trade receivables amounting to RMB414,040,000 (31 December 2022: RMB318,764,000) (Note 8(c)).

As at 30 June 2023, short-term bank borrowings of RMB631,713,000 (31 December 2022: RMB595,547,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 26(b)).

As at 30 June 2023, short-term bank borrowings of RMB50,000,000 were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

As at 31 December 2022, short-term bank borrowings of RMB50,000,000 were secured by the restricted bank deposits amounting to RMB51,825,000 (Note 10(a)).

- (c) As at 30 June 2022, the undrawn bank borrowing facilities of the Group of approximately RMB893 million (31 December 2022: RMB1,043 million), with maturity dates up to 15 June 2026 (31 December 2022: 16 March 2024), were unsecured (31 December 2022: unsecured).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 14. TRADE AND NOTES PAYABLES

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Payroll and welfare payables	53,523	56,762
Taxes other than income taxes payable	33,354	31,820
Payables to equipment vendors	342,296	313,761
Consideration payable for acquisition of a subsidiary	30,687	30,687
Liabilities arising from put option of non-controlling interest (Note)	263,759	155,280
Others	587,653	273,355
	<b>1,311,272</b>	861,665

Note:

On 31 December 2022, the Company, Anton Oilfield Services Company Limited ("Anton Limited") (a subsidiary of the Company), Anton (Beijing) New Energy Technical Company Limited ("Anton New Energy") (a subsidiary of the Company) and T-ALL Inspection Group Co., Ltd ("T-ALL Inspection") entered into an agreement with 寶武綠碳私募投資基金(上海)合夥企業(有限合夥) and 共青城山證通奧啟航股權投資合夥企業(有限合夥) (the "First Round Investors"), two third parties, pursuant to which Anton Limited and Anton New Energy transferred a total of 11.97% interest in T-ALL Inspection to the First Round Investors at a consideration of RMB155,280,000. T-ALL Inspection was an indirect wholly-owned subsidiary of the Company before 31 December 2022. The Group recognised an increase in non-controlling interests by RMB73,590,000 and an increase in equity attributable to owners of the Company of RMB81,690,000.

During the current interim period, the Company, Anton Limited, Anton New Energy and T-ALL Inspection entered into an agreement with 共青城山證通奧啟程股權投資合夥企業(有限合夥), 共青城億芯智行創業投資合夥企業(有限合夥), 共青城德擎匯垠創業投資合夥企業(有限合夥), 北京望京創新私募股權投資基金中心(有限合夥) and 新疆金投資產管理股份有限公司 (the "Second Round Investors"), five third parties, pursuant to which Anton Limited and Anton New Energy transferred a total of 6.72% interest in T-ALL Inspection to the Second Round Investors at a consideration of RMB97,530,000. The Group recognised an increase in non-controlling interests by RMB60,573,000 and an increase in equity attributable to owners of the Company of RMB36,957,000.

As at 30 June 2023, pursuant to the above mentioned signed agreements, all of the investors (including the First Round Investors and Second Round Investors) have the right to request the Company to repurchase the 18.69% (31 December 2022: 11.97%) equity interest 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. Therefore, the Group recognised financial liabilities amounting to RMB252,810,000 (31 December 2022: RMB155,280,000) by debiting to other reserve, with effective interest rate of 10% per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 16. REVENUE

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

### Disaggregation of revenue

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 16. REVENUE (Continued)

#### Disaggregation of revenue (Continued)

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

Segments	For the six months ended 30 June 2023			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
<b>Revenue disclosed in segment information</b>				
External customers (Note 5)	<b>786,057</b>	<b>751,039</b>	<b>182,278</b>	<b>173,063</b>
Rental income	<b>(88,579)</b>	-	-	-
<b>Revenue from contracts with customers</b>	<b>697,478</b>	<b>751,039</b>	<b>182,278</b>	<b>173,063</b>

Segments	For the six months ended 30 June 2022			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
<b>Types of goods or service</b>				
Sales of goods	140,639	-	-	2,993
Provision of services	507,851	525,698	250,178	126,606
<b>Total</b>	<b>648,490</b>	<b>525,698</b>	<b>250,178</b>	<b>129,599</b>
<b>Geographical markets</b>				
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
<b>Total</b>	<b>648,490</b>	<b>525,698</b>	<b>250,178</b>	<b>129,599</b>
<b>Timing of revenue recognition</b>				
A point in time	648,490	-	250,178	129,599
Over time	-	525,698	-	-
<b>Total</b>	<b>648,490</b>	<b>525,698</b>	<b>250,178</b>	<b>129,599</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 16. REVENUE (Continued)

#### Disaggregation of revenue (Continued)

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 17. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Materials and services purchased	<b>632,193</b>	488,128
Staff costs	<b>450,402</b>	425,662
In which:		
– Salaries and other staff expenses	<b>443,080</b>	418,797
– Share-based compensation	<b>7,322</b>	6,865
Depreciation	<b>183,450</b>	166,488
In which:		
– Property, plant and equipment	<b>166,939</b>	149,204
– Right-of-use assets	<b>15,736</b>	17,284
– Investment properties	<b>775</b>	–
Less: Capitalised in inventories	<b>(20,292)</b>	(23,188)
	<b>163,158</b>	143,300
Amortisation of intangible assets	<b>26,551</b>	23,097
Less: Capitalised in inventories	<b>(3,335)</b>	(3,811)
	<b>23,216</b>	19,286
In which:		
– Cost of sales	<b>21,043</b>	17,575
– Administrative expenses	<b>486</b>	457
– Selling expenses	<b>–</b>	15
– Research and development expenses	<b>1,687</b>	1,239
Other operating expenses	<b>350,467</b>	332,523
In which:		
– Impairment of receivables	<b>35,504</b>	16,564
– Impairment of inventories	<b>7,279</b>	9,423

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 18. OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Government grants and subsidies (Note)	<b>3,384</b>	2,829
Gains on disposal of property, plant and equipment	<b>2,458</b>	34
Gain from changes in fair value of financial assets measured at FVTPL	<b>1,095</b>	-
Gains on repurchase of long-term bonds	<b>-</b>	15,286
Value added tax preferences	<b>2,401</b>	2,874
Others	<b>744</b>	486
	<b>10,082</b>	21,509

Note:

Government grants and subsidies of RMB3,384,000 (2022: RMB2,829,000) were received in the current period towards awarding of research and development expenditures.

### 19. FINANCE COSTS, NET

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Interest expenses		
- on borrowings	<b>(36,929)</b>	(24,985)
- on bonds	<b>(37,433)</b>	(90,699)
- on other financial liabilities (Note 15)	<b>(10,949)</b>	-
- on lease liabilities	<b>(1,633)</b>	(1,177)
	<b>(86,944)</b>	(116,861)
Exchange gain/(loss), net	<b>13,206</b>	(8,688)
Others	<b>(25,874)</b>	(18,396)
Finance expenses	<b>(99,612)</b>	(143,945)
Interest income	<b>11,058</b>	12,903
	<b>(88,554)</b>	(131,042)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 20. INCOME TAX EXPENSE

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

### 21. EARNINGS PER SHARE

#### (a) Basic

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

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

Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 21. EARNINGS PER SHARE (Continued)

#### (b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. For the period ended 30 June 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)	<b>97,872</b>	90,697
Weighted average number of ordinary shares in issue (thousands of shares)	<b>2,938,304</b>	2,899,313
Adjustments for the effect of restricted share award scheme (thousands of shares)	<b>29,754</b>	16,873
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	<b>2,968,058</b>	2,916,186
Diluted earnings per share (expressed in RMB per share)	<b>0.0330</b>	0.0311

### 22. 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).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

### 23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
<b>Operating activities:</b>		
Profit before income tax	<b>192,721</b>	163,148
Adjustments for:		
Property, plant and equipment		
– Depreciation charge	<b>148,645</b>	128,299
– Net gain on disposals	<b>(2,458)</b>	(34)
Gains on repurchase of long-term bonds	<b>–</b>	(15,286)
Depreciation of right-of-use assets	<b>13,738</b>	15,001
Amortisation of intangible assets	<b>23,216</b>	19,286
Depreciation of investment properties	<b>775</b>	–
Addition of impairment of receivables	<b>35,504</b>	16,564
Addition of impairment of inventories	<b>7,279</b>	9,423
Gains on fair value changes of financial assets measured at FVTPL	<b>(1,095)</b>	–
Charge of share option scheme and restricted share award scheme	<b>7,322</b>	6,865
Share of (profit)/loss of a joint venture	<b>(74)</b>	602
Share of profit of associates	<b>(3,343)</b>	(93)
Net foreign exchange (gain)/loss	<b>(13,206)</b>	8,688
Interest income	<b>(11,058)</b>	(12,903)
Interest expenses	<b>86,944</b>	116,861
Changes in working capital:		
Inventories	<b>(44,897)</b>	10,931
Trade and notes receivables	<b>(107,919)</b>	(75,266)
Contract assets	<b>1,442</b>	(614)
Prepayments and other receivables	<b>(427,592)</b>	(76,875)
Trade and notes payables	<b>241,317</b>	78,612
Accruals and other payables	<b>312,593</b>	(1,640)
Contract liabilities	<b>35,852</b>	(10,256)
Restricted bank deposits	<b>(99,026)</b>	(30,382)
<b>Net cash inflows from operations</b>	<b>396,680</b>	350,931
Interest received	<b>6,450</b>	12,903
Income tax paid	<b>(61,959)</b>	(43,129)
<b>Net cash generated from operating activities</b>	<b>341,171</b>	320,705

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
<b>Investing activities:</b>		
Purchases of property, plant and equipment	<b>(54,872)</b>	(49,010)
Purchases of intangible assets	<b>(4,692)</b>	(16,447)
Proceeds from disposal of property, plant and equipment	<b>5,130</b>	202
Proceeds on disposal of investment in an associate	<b>-</b>	2,017
Cash paid relating to other investing activities	<b>(46,059)</b>	-
<b>Net cash used in investing activities</b>	<b>(100,493)</b>	(63,238)
<b>Financing activities:</b>		
Proceeds from short-term borrowings	<b>810,000</b>	439,527
Repayments of short-term borrowings	<b>(729,000)</b>	(305,050)
Repayments of lease liabilities	<b>(9,445)</b>	(16,608)
Proceeds from long-term borrowings	<b>91,000</b>	48,000
Repayments of long-term borrowings	<b>-</b>	(83,187)
Repurchase of long-term bonds	<b>-</b>	(268,375)
Interest paid	<b>(69,303)</b>	(107,306)
Repurchase of ordinary shares	<b>-</b>	(11,207)
Cash paid to non-controlling interests for additional interest in a subsidiary	<b>(68,621)</b>	-
Proceeds from disposal of interests in a subsidiary without loss of control	<b>97,530</b>	-
Withdraw of restricted bank deposits	<b>51,825</b>	-
<b>Net cash generated from/(used in) financing activities</b>	<b>173,986</b>	(304,206)

### 24. COMMITMENTS

#### Capital commitments

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

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Audited)
Contracted but not provided for	<b>62,747</b>	56,322

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 25. FINANCIAL RISK MANAGEMENT

#### Fair value relevant estimation

The fair value of financial instruments is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 2 and Level 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets	Fair value as at 30 June 2023	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Notes receivable	60,412,000	Level 3	Fair value is estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk.	Discount rate: 3.01%
Financial assets at FVTPL	31,095,000	Level 2	Observable recent transaction price	N/A

#### Reconciliation of Level 3 fair value measurements of notes receivable

	Notes receivable
At 1 January 2023 (audited)	132,090
Addition	201,094
Disposal	(273,130)
Fair value change recognised in other comprehensive income	358
At 30 June 2023 (unaudited)	60,412

Included in other comprehensive income is an amount of RMB687,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Period ended 30 June 2022: RMB1,766,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 25. FINANCIAL RISK MANAGEMENT *(Continued)*

#### Fair value relevant estimation *(Continued)*

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

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

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

The carrying amounts and fair values of long-term bonds

<b>As at 30 June 2023</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Long-term bonds</b>	<b>867,169</b>	<b>730,477</b>
As at 31 December 2022	Carrying value	Fair value
Long-term bonds	832,606	620,217

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
(Amounts expressed in thousands of RMB, unless otherwise stated)

### 26. RELATED PARTY TRANSACTIONS

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

#### (a) The following person is related party of the Group during the six months period ended 30 June 2023:

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
<b>Short-term borrowings</b>		
Mr. Luo Lin (Note 13(b))	<b>631,713</b>	595,547

#### (c) Key management compensation

	Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
Salaries and other short-term employee benefits	<b>7,464</b>	6,985
Pension scheme	<b>149</b>	135
Share-based payments	<b>2,147</b>	1,352
	<b>9,760</b>	8,472