2019
INTERIM REPORT

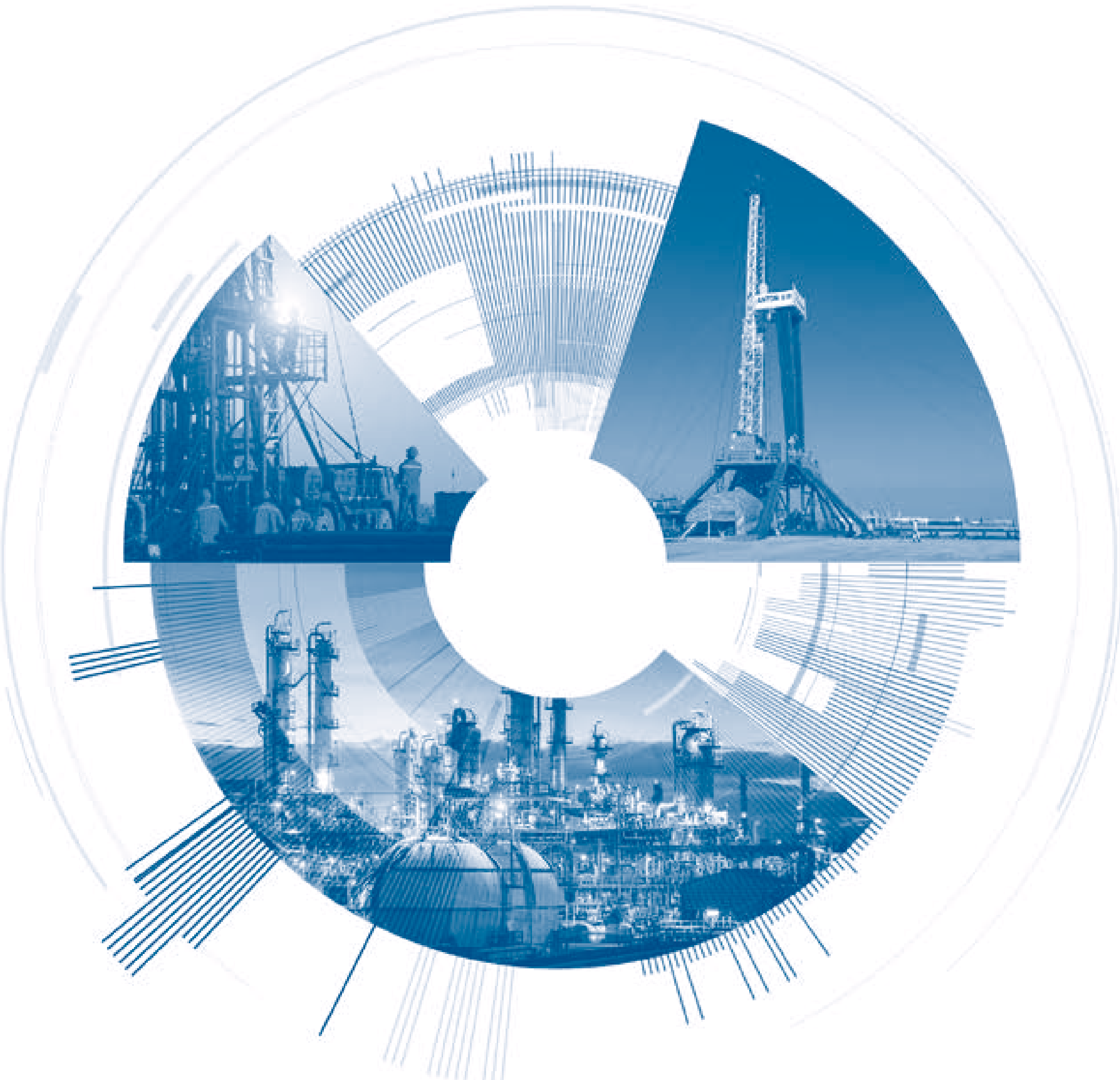
ANTON 安東

安東油田服務集團

Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LUO Lin
Mr. PI Zhifeng
Mr. FAN Yonghong (Appointed on 16 April 2019)

Non-executive Director

Mr. John William CHISHOLM

Independent Non-executive Directors

Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Dato Wee Yiaw Hin

AUDIT COMMITTEE

Mr. ZHU Xiaoping (Chairman)
Mr. ZHANG Yongyi
Dato Wee Yiaw Hin

REMUNERATION COMMITTEE

Dato Wee Yiaw Hin (Chairman)
Mr. ZHU Xiaoping
Mr. LUO Lin

NOMINATION COMMITTEE

Mr. ZHANG Yongyi (Chairman)
Dato Wee Yiaw Hin
Mr. LUO Lin

QHSE ("QUALITY, HEALTH, SAFETY AND ENVIRONMENT") COMMITTEE

Mr. PI Zhifeng (Chairman)
Mr. LUO Lin

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Dr. NGAI Wai Fung

COMPANY SECRETARY

Dr. NGAI Wai Fung (FCIS, FCS (PE), CPA, FCCA)

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Corporate Information

REGISTERED OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

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Sidley Austin LLP

as to PRC law:

BEIJING TIAN TAI LAW FIRM

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

Shanghai Pudong Development Bank
China Merchants Bank
Bank of Beijing

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

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, although international oil price showed a large volatility, in the two major markets – the Iraqi market and the Chinese market where the Group's main business is located, price sensitivity of oil and gas development is low, and business development was unaffected by short-term oil price fluctuations. Capital expenditures continued to increase, and oil and gas development continued to be active. In the Iraqi market, the government was committed to promoting the reconstruction of the country, and vigorously promoting its oil and gas production capacity, bringing a lot of project opportunities. Meanwhile, facing the risk of oil and gas over-dependent on import, the three major oil companies were actively responding to the national call to significantly increase oil and gas exploration and development investment in the Chinese market, and to make every effort to boost development of oil and gas resources in major blocks in China in order to enhance the independent supply of oil and gas and ensure national energy security. The development of natural gas in northwest Xinjiang and southwest shale gas markets has greatly accelerated.

The Group seized the great market opportunity and continued to achieve breakthroughs in its business performance based on the business philosophy of "cash flow and return on equity" as its core business growth objectives. In addition to the continued growth in revenue and profit, the Group's breakthrough in cash flow was more prominent. In the first half of 2019, based on the continuous optimization of the Group's business structure, the Group continued to strictly control the overall process from order, procurement, operation to payment, and comprehensively improved inventory turnover, accelerated collection of accounts receivable while continued to keep capital expenditures under strict control. Beyond a continuous profit growth, it is more remarkable on its strong growth on cash flow. The Group achieved positive free cash flow in the first half of a year for the first time, which even exceeded the amount for the full year of 2018.

Results and Performance

In the first half of 2019, the Group's revenue was RMB1,650.6 million, an increase of RMB484.7 million compared with the first half of 2018, or 41.6%. The Group's operating profit was RMB366.3 million, an increase of RMB58.8 million compared with RMB307.5 million for the same period of 2018, or 19.1%. Net profit was RMB145.3 million, an increase of RMB31.9 million compared with RMB113.4 million for the same period of 2018, or 28.1%. Profit attributable to the owners of the Company was RMB145.4 million, an increase of RMB60.4 million compared with RMB85.0 million for the same period of 2018, or 71.1%. The net profit margin attributable to the owners of the Company was 8.8%, an increase of 1.5 percentage points from 7.3% for the same period in 2018.

As of 30 June 2019, the Group's accounts receivable is approximately RMB1,997.6 million, and the average turnover days of accounts receivable were 212 days, a decrease of 53 days from the same period last year; average inventory turnover days were 125 days, a decrease of 33 days from the same period last year; average accounts payable turnover days were 80 days, a decrease of 55 days compared with the same period last year. Operating cash flow was RMB268.0 million, a significant increase of RMB222.5 million compared with RMB45.5 million for the same period last year.

Management Discussion and Analysis

Geographical Market Analysis

In the first half of 2019, the Group's overseas market revenue was RMB978.1 million, an increase of RMB226.0 million compared with RMB752.1 million for the same period of 2018, or 30.0%. The overseas market accounted for 59.3% of the Group's total revenue. In the overseas markets, the Iraqi market recorded revenue of RMB744.5 million, an increase of RMB323.9 million compared with RMB420.6 million for the same period of 2018, or 77.0%, and accounted for 45.1% of the Group's total revenue; revenue of other overseas markets were RMB233.6 million, RMB97.9 million lower than the RMB331.5 million for the same period of 2018, a decrease of 29.5%, and accounted for 14.2% of the Group's total revenue. In the domestic market, the Group recorded revenue of RMB672.5 million, an increase of RMB258.7 million compared with RMB413.8 million in the same period of 2018, or 62.5%, and accounted for 40.7% of the Group's total revenue.

Breakdown of Revenue by Market

	6 months ended 30 June			**Share of total revenue 6 months ended 30 June**	
	2019 (RMB'mn)	2018 (RMB'mn)	Change (%)	**2019**	2018
Overseas	**978.1**	752.1	30.0%	**59.3%**	64.5%
Domestic	**672.5**	413.8	62.5%	**40.7%**	35.5%
Total	**1,650.6**	1,165.9	41.6%	**100.0%**	100.0%

Overseas Market

	6 months ended 30 June			**Share of total revenue of the Group 6 months ended 30 June**	
	2019 (RMB'mn)	2018 (RMB'mn)	Change (%)	**2019**	2018
Iraqi market	**744.5**	420.6	77.0%	**45.1%**	36.1%
Other overseas markets	**233.6**	331.5	-29.5%	**14.2%**	28.4%
Total	**978.1**	752.1	30.0%	**59.3%**	64.5%

Management Discussion and Analysis

Overseas Market

Key overseas market – Iraq

In the first half of 2019, the Group's large oilfield management project in Iraq kept a high-quality, stable and efficient operation, which was highly praised by the customer. On 15 July, oilfield customers organized a first-anniversary celebration of the oilfield management takeover. The deputy minister of Iraqi Ministry of Oil, senior management of customers, the chairman of the Group together with Anton's oilfield management team attended the ceremony. During the event, the chairman of the Group reported on the major achievements of the operation in the past year, and discussed in-depth the long-term operation plan of the oilfield with customers. As the first large oilfield operated by the Iraqi government, the ceremony was spotlighted by the Iraqi Ministry of Oil as well as the local media, and the branding of the Group in the Iraqi market was further promoted. In the other markets in Iraq, the Group continued to promote high quality services in mature markets such as Halfaya and West Qurna-II oilfields, and actively participated in bidding for large-scale projects of international oil companies.

In the first half of 2019, the Company received new orders for a total of approximately RMB740.1 million in the Iraqi market. Due to the large-scale oilfield management service order under the new business model of RMB1,260.0 million in the same period last year, and the lack of the same kind of super project in the first half of this year, the total new order in the first half of this year decreased 51.6% from RMB1,528.7 million for the same period last year, but if the impact of this single item was removed, the Group's Iraqi business orders recorded a growth of 175.4%. In the first half of the year, the Iraqi market recorded revenue of approximately RMB744.5 million, a significant increase of approximately 77.0% compared with RMB420.6 million for the same period last year.

Other overseas markets – emerging markets

In the first half of 2019, the Group strictly managed its business operations taking "cash flow and return on equity" as its core growth target, strictly selecting quality orders in global emerging markets, and proactively given up projects whose cash flow cannot meet the Group's management requirements for more premium project orders. During the reporting period, the Group's regional market projects in Ethiopia and Kazakhstan decreased, while projects in the new African market of Chad continued to advance.

In the first half of the year, total new orders of the Group in the other overseas markets amounted to RMB297.0 million, a decrease of 40.9% compared with the same period last year. Although the total order volume decreased, the new orders were mainly asset-light project from the new market of Chad, with order quality continuing to improve. The Group will continue to focus and expand on more high-quality project opportunities in emerging markets around the world. In the first half of 2019, other overseas markets recorded revenue of approximately RMB233.6 million, a decrease of approximately 29.5% from RMB331.5 million for the same period last year.

Domestic market

In the domestic Chinese market, all major oil companies actively responded to the government's call and made every effort to increase investment and promote the development of domestic oil and gas resources to safeguard national energy security from the beginning of 2019. In the first half of the year, upstream production capacity building of the domestic market was fully accelerated, exploration and development investment in the markets of Xinjiang and Sichuan increased significantly, with strong oil and gas development services demand.

Management Discussion and Analysis

In 2019, China's high-end market of Xinjiang showed a great development, the exploration and development activities were concentrated in the Tarim basin and the circum-Mahu lake basin. The Group has advantages in the market and a substantial market position. In the first half of the year, the Group's new orders from the Xinjiang market reached RMB742.6 million, which doubled the number of the same period in 2018. At the same time, the development of the shale gas market in southwestern China has also picked up pace. In order to meet the demand of customers for heavy equipment while satisfying the requirements of the Group's asset-light development strategy, the Group has adopted the "equipment alliance" approach to integrate drilling and completion equipment of several independent service companies. In the first half of the year, in the qualification bidding of shale gas drilling project in Sichuan, the Group fully mobilized the "equipment alliance" resources and won 14 fleets, which accounted for almost 50% market share of independent service companies that won the bidding. In the first half of 2019, the Company received new orders in the Chinese market of approximately RMB1,648.2 million, an increase of approximately 69.8% compared with RMB970.6 million for the same period last year. The growth in the Xinjiang market has resulted in the continued and significant increase of order quality. In the first half of 2019, the Chinese market recorded revenue of approximately RMB672.5 million, a significant increase of approximately 62.5% compared with RMB413.8 million for the same period last year.

Business Cluster Analysis

In the first half of the year, the Group's drilling business continued to grow steadily with the continuous investment and capacity building of the Group's customers in various markets globally. During the reporting period, the Group's revenue from the Group's drilling technology cluster was RMB741.8 million, an increase of approximately 20.4% for the first half of 2018, accounting for 44.9% of the Group's revenue for the first half of 2019. The Group's well completion business also achieved overall growth. In the first half of 2019, the revenue of the well completion cluster was RMB373.7 million, an increase of approximately 30.7% as compared with the first half of 2018, accounting for 22.6% of the Group's total revenue. For the oil production business, the Group's large-scale integrated oilfield management project in the Iraqi market operated smoothly during the reporting period, and the oil production services cluster recorded revenue of RMB535.1 million, an increase of approximately 102.7% as compared with the first half of 2018, accounting for 32.5% of the Group's total revenue.

Revenue Breakdown by Cluster

	6 months ended 30 June			% of total revenue 6 months ended 30 June	
	First half of 2019 (RMB'mn)	First half of 2018 (RMB'mn)	Change (%)	**2019**	2018
Drilling technology cluster	**741.8**	615.9	20.4%	**44.9%**	52.8%
Well completion cluster	**373.7**	286.0	30.7%	**22.6%**	24.5%
Oil production services cluster	**535.1**	264.0	102.7%	**32.5%**	22.7%
Total	**1,650.6**	1,165.9	41.6%	**100.0%**	100.0%

Drilling technology cluster

In the first half of 2019, the Group's drilling technology cluster recorded revenue of RMB741.8 million, an increase of 20.4% from RMB615.9 million in the first half of 2018. The increase was mainly due to the increase in capital expenditures by customers for building new capacity, which led to a significant increase in new well development investment and the acceleration of capacity building.

Analysis of product lines in this cluster:

1) Integrated drilling services: during the year, the Group's integrated drilling projects were actively carried out in the Iraqi market and the southwestern China shale gas market. However, based on the Group's consideration of project "cash flow", projects in Kazakhstan market were proactively reduced. During the reporting period, the revenue from integrated drilling services was RMB157.9 million, a decrease of 32.2% from RMB232.8 million during the same period of 2018.

2) Directional drilling services: in the first half of the year, the Group maintained continuous cooperation with customers in the Iraqi market; in the Chinese market, the Group provided directional drilling services to customers in various regional markets such as the northwest market and southwest shale gas market. Due to decreases in business in other overseas emerging market, directional drilling services recorded revenue of RMB93.2 million during the reporting period, down 1.6% from RMB94.7 million in the same period last year.

3) Drilling fluid services: with the rapid growth in the Chinese market, especially the Xinjiang natural gas development project, the Group's market-leading oil-based drilling fluid and high-performance water-based drilling fluid services have witnessed increased workload. Overseas, the Group provides project services in markets such as Chad and Iraq. In the first half of the year, the Group's drilling fluid services recorded revenue of RMB99.1 million, an increase of 39.0% from RMB71.3 million in the same period last year.

4) Drilling rig services: thanks to the acceleration of new capacity building in southwest China shale gas market and northwest Xinjiang market, drilling rig services continued to grow substantially during the reporting period. During the reporting period, it recorded revenue of RMB190.0 million, a significant increase of 54.3% from RMB123.1 million for the same period last year.

5) Oilfield waste management services: in the first half of the year, this product line recorded revenue of RMB8.8 million, a decrease of 50.8% from RMB17.9 million for the same period last year.

6) Drilling tool rental and technology services: as the development of oil and gas resources in the Chinese market accelerates, the demand for drilling tool rental continues to increase. Through strategic cooperation with CRCC Financial Leasing Co., Ltd., the Group integrates drilling tool resources with light assets and high efficiency to provide services to customers. During the reporting period, this product line recorded revenue of RMB139.1 million, a significant increase of 312.8% from RMB33.7 million during the same period of 2018.

7) Oil production facilities inspection and evaluation services: in the first half of the year, the product line mainly achieved growth in the northwest China market and the southwest shale gas market. During the reporting period, this product line recorded revenue of RMB53.7 million, an increase of 26.7% compared with RMB42.4 million for the same period last year.

EBITDA of the drilling technology cluster increased from RMB284.3 million in the same period last year to RMB301.0 million in the first half of 2019, an increase of 5.9%. In the first half of the year, the EBITDA margin was 40.6%, a decrease of 5.6 percentage points compared with 46.2% in the same period of last year, mainly due to the Group's business requirements for "cash flow" as its core for growth. Along with a large increase in project volume, the Group continued to keep strict control on capital expenditure, and chose to cooperate with third parties to provide services which need heavy assets such as drilling rigs for customers. In this way, the Group can obtain better cash flow and return rate while need to share profits with third-party partners.

Management Discussion and Analysis

Well completion cluster

In the first half of the year, the Group's well completion business continued to grow. During the reporting period, the revenue of the well completion cluster was RMB373.7 million, an increase of 30.7% compared with last year's RMB286.0 million.

Analysis of product lines in this cluster:

1) Well completion integration services: during the reporting period, with the continuous advancement of upstream capacity building, the business volume of this product line continued to grow. In the first half of the year, the well completion integration services recorded revenue of RMB121.1 million, an increase of 26.8% from RMB95.5 million for the same period last year.

2) Pressure pumping services: In the first half of the year, pressure pumping services recorded revenue of RMB101.3 million, a significant increase of 110.2% from RMB48.2 million for the same period last year, benefitting mainly from the substantial increase in business volume in the southwest shale gas market.

3) Coiled tubing services: in the first half of the year, the Group actively provided project services to customers in northwest and southwest China domestically and in Iraq overseas. Due to decrease of projects in other emerging markets, this product line recorded revenue of RMB95.7 million in the first half of the year, a decrease of 5.9% from RMB101.7 million for the same period of last year.

4) Fracturing/acidizing technique and chemical materials: during the reporting period, this product line recorded revenue of RMB18.7 million, an increase of 1.1% from RMB18.5 million in the same period last year;

5) Gravel packing services: this product line strengthened cooperation with SOE oil company customers in the first half of the year. During the reporting period, it recorded revenue of RMB36.9 million, a significant increase of 67.0% from RMB22.1 million in the same period last year.

EBITDA of the completion technology cluster increased from RMB130.4 million in the same period last year to RMB156.3 million in the first half of 2019, an increase of 19.9%. In the first half of the year, the EBITDA margin was 41.8%, a decrease of 3.8 percentage points from the 45.6% for the same period of last year, mainly due to the decrease in some high margin but low-cash-flow overseas emerging market projects of the Group under the consideration of cash flow, and the margin of large increased domestic pressure pumping projects are relatively lower.

Oil production services cluster

In the first half of the year, benefiting from the smooth operation of the Group's large-scale integrated oilfield management project in the Iraqi market, the oil production services cluster recorded revenue of RMB535.1 million, a significant increase of 102.7% from RMB264.0 million for the same period last year. In addition, the Group's asset-light production business in the Chad market in Africa has also maintained stable operation. The Group is actively promoting further breakthroughs in the asset-light integrated oilfield management model.

Analysis of product lines in this cluster:

1) Production operation services: in the first half of the year, the Group's integrated oilfield management service project in the Majnoon oilfield in Iraq was operating efficiently. During the reporting period, the product line recorded revenue of RMB392.3 million, a significant increase of 160.8% from RMB150.4 million for the same period last year.

2) Workover service: during the reporting period, the product line maintained a stable operation as a whole and recorded revenue of RMB113.2 million, up 12.6% from RMB100.5 million in the same period last year.

3) Oil tubing and casing and anti-corrosion technology services: during the reporting period, the product line recorded revenue of RMB29.6 million, up 126.0% from RMB13.1 million in the same period last year.

The EBITDA of the oil production services cluster increased from RMB126.5 million in the same period last year to RMB217.6 million in the first half of 2019, an increase of 72.0%. The EBITDA margin of oil production technology services clusters in the first half of the year was 40.7%, down 7.2 percentage points from last year's 47.9%. The decline in EBITDA margin is mainly due to the profit margin of large oilfield management projects is relatively lower than that of previous traditional technology services projects, but such projects are "asset-light" management projects, which do not require capital expenditures and contribute higher return on assets as well as providing stable free cash flow for the Group.

Strategic Resources Alignment

In the first half of 2019, despite the substantial increase in its overall business volume, the Group continued to control capital expenditures in accordance with the "asset-light" business model and the comprehensive control requirements with "cash flow" as its core. The large-scale equipment required for operation is procured by establishing a "equipment alliance" model with domestic independent service companies and allocating partner resources. Capital expenditures in the first half of the year were RMB69.9 million, strictly controlled within the budget, and an increase of 50.3% from RMB46.5 million in the first half of 2018.

Alignment of Investment

In the first half of 2019, the Group's investment was mainly supplemental equipment investment for ongoing projects.

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

In the first half of 2019, the Group focused on the improvement and innovation of related technologies or tools in conjunction with the actual 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 2019, the Group invested RMB13.9 million in research and development, an increase of 75.9% from RMB7.9 million for the same period last year. Key research pipelines include:

- Nano-stimulation and injection technology
- Biosynthesis-based drilling fluid technology
- High-temp high-density environment-friendly water-based drilling fluid technology
- Regular-temp low-density environment-friendly drilling fluid technology
- LWD technology
- High-end production and completion tools

Alignment of Human Resources

In the first half of 2019, the Group continued to focus on strategic development goals and promote talent internationalization to support the rapid development of international business. At the same time, through incentive mechanisms, the Group continued to promote its talents to exert their initiative and create value for the Group's business growth. Major developments in human resources in 2019 include:

- With the rapid development of the Group's overseas business, we will comprehensively promote talent upgrading and strengthen the introduction of core overseas management talents of globalization, specialization and informatization. In the first half of 2019, the total number of employees of the Group increased by 135. As of 30 June 2019, the total number of employees was 4,175, of which overseas employees increased by 86 to 2,342, and overseas employees accounted for 56.1% of the Group. With the increase of large-scale overseas projects, the Group established a "project-based" employment system to ensure efficient operation of the project and talent use efficiency. At the same time, the Group comprehensively strengthened its international training, improved the internationalization level of the company's overall employees, and provided talent foundation for the Group's international development.

- We continued to strengthen the floating incentives linked to performance appraisal by incentive mechanisms to enhance employee enthusiasm. The Group began in 2018 to fully implement the incentive mechanisms for operations, production and projects, and to give full play to the initiative of employees and promote management upgrades.

- We promoted the cultural mechanism of the "honor system", strengthen the process incentives, fully tap outstanding teams and individuals within the group, promptly commend and motivate, and form a good cultural orientation.

- The Company continues to adopt long-term incentive mechanism for share options to encourage employees to grow with the Group in the long term. A total of 95,000,000 shares of the Company's common share options were granted to approximately 108 core employees and directors in January 2019 at an exercise price of HK$0.79 per share. The grantee other than the independent non-executive directors may exercise the options after the first anniversary of the grant date, with one-third of the share options available for further exercising after each full anniversary thereafter.

Outlook

The Group's long-term strategic goal is to become "the world's leading oilfield technology service company". The strategic goal of 2019 is "to become the leading production-increasing cost-reducing integrated technology service company in global emerging markets". The Group will continue to focus on emerging markets for global oil and gas development, provide integrated technology services to increase production and reduce costs, continue to increase market share and improve business quality, increase return on assets, and create good free cash flow for healthy leap-forward development.

Management Discussion and Analysis

In terms of market, in Iraq, the Group will continue to provide integrated management services to customers in the Majnoon oilfield to help customers maintain efficient oilfield operations and expand production capacity while leveraging on the driving forces of the Majnoon project to win more project opportunities. In addition, the Group will spare no efforts to expand into the market of other international oil company customers in Iraq, and strive for the replication of the "integrated turn-key" model project; in other overseas markets, under the premise of controlling risks and ensuring safety of funds, we will strive for quality projects, occupy a core market position while controlling risks and achieving rapid growth under the premise of security. In the Chinese market, the Chinese government plans to further increase oil and gas resources development in 2019 to ensure national energy security. The major oil company customers in China are expected to further increase oil and gas development capital expenditures significantly. The Group will seize this market opportunity and provide high-end technical services in new technology markets, natural gas markets, unconventional markets, and high-quality international oil company customer markets to help customers rapidly increase production capacity.

In terms of product, technology and service capabilities, the Group will strive to create a full range of products and services to help customers achieve their strategic goals through full process, full series and integrated services. At the same time, we will focus on the development of specialized technologies for increasing production and reducing costs with reservoir geology technology as the core.

In terms of strategic resources alignment, the Group will focus on technology and talent development. In terms of technology, we will be focusing on technical cooperation and independent research and development; in terms of talents, we will be leveraging the brand advantages of the Group and attract industry leaders with international vision while boosting cultivation of talents. In terms of capital expenditure, the Group will adhere to the "asset-light" model. Conventional equipment is mainly sourced from external cooperation and leasing, and we will only invest in assets and projects with high returns and good cash flow.

In terms of finance, the Group will continue to improve the quality of its business, achieving good return on assets and free cash flow to carry out various tasks for the ultimate financial goal. Quality will take precedence over growth, but we must maintain rapid growth of various indicators. At the same time, we will continue to deepen good cooperation with financial institutions such as commercial banks to ensure sufficient liquidity of the Group and to obtain financial institutions' support for the Group's overseas development.

FINANCIAL REVIEW

Revenue

The Group's revenue for the first half of the year was RMB1,650.6 million, an increase of RMB484.7 million, or 41.6%, from RMB1,165.9 million for the same period in 2018. The increase in operating revenue of the Group was mainly attributable to the growth of its business in the Iraqi market and the substantial growth of domestic business under the market environment in which China fully promoted oil and gas development.

Cost of Sales

The cost of sales increased from RMB705.7 million for the same period in 2018 to RMB1,091.0 million in the first half of 2019, an increase of 54.6%, mainly due to the increase in revenue.

Other Gains, Net

Other gains decreased from RMB7.4 million for the same period in 2018 to RMB5.3 million in the first half of 2019, a decrease of 28.4%.

Impairment Loss of Financial Assets

The Group's impairment loss of financial assets increased by 20.0% from RMB22.0 million for the same period in 2018 to RMB26.4 million in the first half of 2019. The main increase was the increased provision for impairment of other receivables' individual assets according to the expected credit loss model, and the provision for impairment of trade receivables was reduced.

Selling Expenses

Selling expenses in the first half of the year was RMB80.8 million, representing an increase of RMB20.4 million, or 33.8%, compared with RMB60.4 million for the same period in 2018, mainly due to the market recovery and the Group's business growth.

Administrative Expenses

Administrative expenses in the first half of 2019 was RMB71.0 million, an increase of RMB6.1 million, or 9.4%, from the RMB64.9 million for the same period in 2018, mainly due to increased labor costs. However, by increasing control of various expenses, the growth in administrative expense is within the controllable range.

Research and Development Expenses

The research and development expenses for the first half of 2019 was RMB13.9 million, an increase of RMB6.0 million, or 75.9%, from RMB7.9 million for the same period in 2018.

Sales Tax and Surcharges

In the first half of 2019, the Group's tax and surcharges was RMB6.5 million, an increase of RMB1.6 million, or 32.7%, from RMB4.9 million for the same period in 2018, which was mainly due to increase in business of the Group.

Operating Profit

Based on the above, the operating profit for the first half of 2019 was RMB366.3 million, an increase of RMB58.8 million, or 19.1%, compared with RMB307.5 million for the same period in 2018. The operating margin for the first half of 2019 was 22.2%, which was 4.2 percentage points lower than 26.4% for the same period in 2018. This was mainly due to the Group's cooperation with third parties to provide related services for customers. In this way, although the Group obtained better cash flow, the profit margin was lower than the same period of 2018. However, operating profit still has a large increase benefiting from the substantial increase in the Group's revenue.

Finance Cost, Net

The net finance costs for the first half of 2019 was RMB153.9 million, a decrease of approximately RMB1.5 million from RMB155.4 million for the same period in 2018.

Income Tax Expense

In the first half of 2019, the Group's income tax expense was RMB67.4 million, an increase of RMB28.7 million from RMB38.7 million for the same period in 2018, mainly due to the increase in operating profit of the Group.

Profit for the Period

Based on the above, the Group's profit for the first half of 2019 was RMB145.3 million, an increase of RMB31.9 million, or 28.1%, from the profit of RMB113.4 million for the same period of 2018.

Profit Attributable to the Owners of the Company

In the first half of 2019, profit attributable to the owners of the Company was RMB145.4 million, an increase of RMB60.4 million compared with the same period in 2018.

Trade and Notes Receivables

As at 30 June 2019, the Group's net trade and notes receivables amounted to RMB2,041.6 million, an increase of RMB93.6 million from that of 31 December 2018. The average trade receivables turnover days for the first half of 2019 was 212 days, a decrease of 53 days compared with the same period in 2018, mainly due to the Group's enhanced cash flow management and increase in amounts collected from trade receivables.

Inventories

As at 30 June 2019, the Group's inventories amounted to RMB737.9 million, a decrease of RMB36.5 million from that of 31 December 2018.

Liquidity and Capital Resources

As at 30 June 2019, the Group's cash and bank deposits were approximately RMB1,038.1 million (including: restricted bank deposits, cash and cash equivalents), an increase of RMB20.5 million from that of 31 December 2018.

The bank borrowings outstanding of the Group as at 30 June 2019 were approximately RMB869.9 million. The credit line granted by domestic banks to the Group was RMB1,374.3 million, of which approximately RMB610.0 million was unused.

As at 30 June 2019, the Group's gearing ratio was 59.9%, which was 0.2 percentage points higher than the gearing ratio of 59.7% as at 31 December 2018. The gearing ratio is calculated based on the total borrowings divided by the total capital. Total borrowings include borrowings, bonds, lease liabilities, trade payables and notes payable (as shown in the condensed consolidated statement of financial position). Total capital is calculated based on equity (as shown in the condensed consolidated statement of financial position) plus total borrowings.

The equity attributable to the Company's owners increased from RMB2,645.9 million as at 31 December 2018 to RMB2,782.7 million as at 30 June 2019.

Acquisition and Disposal of Major Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2019, the Group has no major acquisition or disposal of subsidiaries, associates and joint ventures.

Exchange Risk

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

Cash Flow from Operating Activities

For the six months ended 30 June 2019, the Group's cash flow from operating activities was RMB268.0 million, an increase of RMB222.5 million compared with the same period in the first half of 2018, which was mainly due to the Group adopted a strict cash flow management policy, the amount of trade receivables collected has increased and the inventory turnover rates have been lifted under the strict management of inventory.

Capital Expenditure and Investment

The Group's capital expenditure for the first half of 2019 was RMB69.9 million, of which fixed assets investment was RMB52.2 million and intangible assets investment was RMB17.7 million.

Contractual Commitments

The Group's contractual commitments mainly include the Group's capital commitments. As at the balance sheet date (i.e. 30 June 2019), the Group's capital commitments (but not yet provisioned on the condensed consolidated statement of financial position) amounted to approximately RMB75.3 million.

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2019, assets pledged for bank financing of the Group were buildings, plant, machinery and equipment with a net book value of RMB436.2 million, right-of-use assets with a net book value of RMB8.6 million as well as trade receivables with a net book value of RMB478.1 million.

Off-Balance Sheet Arrangements

As at 30 June 2019, the Group did not have any off-balance sheet arrangement.

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 2019 (for the six months ended 30 June 2018: Nil).

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

For the six months ended 30 June 2019, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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

As at 30 June 2019, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
LUO Lin	1	Founder of a discretionary trust and Beneficial owner	722,237,408	24.02%
ZHANG Yongyi		Beneficial owner	440,000	0.01%
PI Zhifeng		Beneficial owner	448,000	0.01%

Note:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 664,140,740 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust. Mr. Luo Lin also holds 58,096,668 shares of the Company in the capacity of a beneficial owner.

(ii) Long positions in underlying shares of share options:

The Directors have been granted share options under the Company's share option scheme, details of which are set out in "Share Option Scheme" below.

Save as disclosed, at no time during the six months ended 30 June 2019, the Directors and chief executive (including their spouses and children under the age of 18 years) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SHARE OPTION SCHEME

As at 30 June 2019, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the share option schemes of the company. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each. Details of the movements in the number of share options during the six months ended 30 June 2019 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 2019	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 2019
Directors										
Zhang Yongyi	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,7	900,000	-	-	-	-	900,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,9	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,10	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,11	-	700,000	-	-	-	700,000
				Subtotal:	2,300,000	700,000	-	-	-	3,000,000
Zhu Xiaoping	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,7	900,000	-	-	-	-	900,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,9	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,10	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,11	-	700,000	-	-	-	700,000
				Subtotal:	2,300,000	700,000	-	-	-	3,000,000
Luo Lin	21 June 2013	21 June 2014 to 20 June 2019	5.742	1,3	796,000	-	-	-	796,000	-
	2 December 2016	2 December 2017 to 1 December 2022	1.100	1,8	2,216,000	-	-	-	-	2,216,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,9	442,000	-	-	-	-	442,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,10	2,218,000	-	-	-	-	2,218,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,11	-	784,922	-	-	-	784,922
				Subtotal:	5,672,000	784,922	-	-	796,000	5,660,922
Pi Zhifeng	01 April 2016	01 April 2017 to 31 March 2022	0.800	1,7	3,000,000	-	-	-	-	3,000,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,9	3,000,000	-	-	-	-	3,000,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,10	2,600,000	-	-	-	-	2,600,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1.11	-	2,600,000	-	-	-	2,600,000
				Subtotal:	8,600,000	2,600,000	-	-	-	11,200,000

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 2019	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 2019
John William Chisholm	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,9	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,10	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,11	-	700,000	-	-	-	700,000
				Subtotal:	1,400,000	700,000	-	-	-	2,100,000
Dato Wee Yiaw Hin	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,9	700,000	-	-	-	-	700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	2,10	700,000	-	-	-	-	700,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	2,11	-	700,000	-	-	-	700,000
				Subtotal:	1,400,000	700,000	-	-	-	2,100,000
Fan Yonghong	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,6	2,700,000	-	-	-	-	2,700,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,9	2,700,000	-	-	-	-	2,700,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,10	3,500,000	-	-	-	-	3,500,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,11	-	4,020,000	-	-	-	4,020,000
				Subtotal:	8,900,000	4,020,000	-	-	-	12,920,000
Employees in aggregate	21 June 2013	21 June 2014 to 20 June 2019	5.742	1,3	480,000	-	-	-	480,000	-
	28 June 2013	28 June 2014 to 27 June 2019	5.600	1,4	82,000	-	-	-	82,000	-
	20 November 2013	20 November 2014 to 19 November 2019	4.960	1,5	76,000	-	-	-	-	76,000
	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,6	83,834,000	-	2,310,000	-	176,666	81,347,334
	01 April 2016	01 April 2017 to 31 March 2022	0.800	1,7	1,500,000	-	-	-	-	1,500,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,9	89,092,000	-	684,000	-	1,150,000	87,258,000
	03 April 2018	03 April 2019 to 02 April 2024	1.020	1,10	58,532,000	-	-	-	1,000,000	57,532,000
	07 January 2019	07 January 2020 to 06 January 2025	0.790	1,11	-	84,795,078	-	-	-	84,795,078
				Subtotal:	233,596,000	84,795,078	2,994,000	-	2,888,666	312,508,412
				Total:	264,168,000	95,000,000	2,994,000	-	3,684,666	352,489,334

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$5.73.*

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$5.47.*

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$4.99.*

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$0.77.*

7. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.81.*

8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.12.*

9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.84.*

10. 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.*

11. 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.*

* Source from Bloomberg

Other Information

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

As at 30 June 2019, so far as is known to any Director or the chief executive of the Company, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long/Short positions in the shares or underlying shares of the Company:

Name of substantial shareholders	Notes	Capacity	Long/Short Position	Number of ordinary hares held	Approximate percentage of shareholding
Pro Development Holdings Corp.	1	Beneficial Owner	Long Position	664,140,740	22.09%
Hong Kong Huihua Global Technology Limited	2	Beneficial Owner	Long Position	356,000,009	11.84%
Hong Kong Huihua Global Technology Limited	2	Beneficial Owner	Short Position	206,000,000	6.85%
Nomura Holdings, Inc.	3	Interest of controlled corporation	Long Position	507,652,400	16.89%
Nomura Holdings, Inc.	3	Interest of controlled corporation	Short Position	356,840,400	11.87%

Note:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Avalon Assets Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited. Serangoon Limited and Seletar Limited are wholly owned by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Credit Suisse Trust Limited, Serangoon Limited, Seletar Limited, Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.

2. Hong Kong Huihua Global Technology Limited, which is a company wholly-owned by China Oil HBP Science & Technology Co., Ltd. and holds 356,000,009 shares and had a short position of 206,000,000 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.

3. Nomura International plc holds 507,236,400 shares and had a short position of 356,840,400 shares; Nomura International plc, is wholly-owned by Nomura Europe Holdings plc, which is in turn wholly owned by Nomura Holdings, Inc.

   Nomura Singapore Limited holds 90,000 shares. Nomura Singapore Limited is wholly-owned by Nomura Asia Pacific Holdings Co., Ltd, which is in turn wholly owned by Nomura Holdings, Inc.

   Nomura Asset Management Co., Ltd holds 326,000 shares. Nomura Asset Management Co., Ltd is wholly-owned by Nomura Holdings, Inc.

   By virtue of the SFO, Nomura Holdings, Inc., Nomura Asia Pacific Holdings Co., Ltd and Nomura Europe Holdings plc are deemed to be interested in the shares held by Nomura International plc, Nomura Singapore Limited and Nomura Asset Management Co., Ltd.

Save as disclosed above, as at 30 June 2019, so far as is known to the Directors, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant standards stipulated in the Model Code during the reporting period.

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

The following are the changes in the information of Director since the date of the 2018 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:–

(a) Mr. WU Di resigned as an executive Director of the Company with effect from 16 April 2019.

(b) Mr. FAN Yonghong has been appointed as an executive Director of the Company with effect from 16 April 2019.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules during the six months ended 30 June 2019.

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 Dato Wee Yiaw Hin. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and confirms that the applicable accounting principals,standards and requirements have been complied with,and that adequate disclosures have been made.

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

Hong Kong, 26 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
ANTON OILFIELD SERVICES GROUP
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,176,907**	2,255,805
Right-of-use assets	7	**182,964**	–
Prepaid lease payments		**-**	75,635
Goodwill		**242,004**	242,004
Intangible assets	8	**256,443**	252,714
Interest in a joint venture		**3,402**	3,046
Prepayments and other receivables	13	**111,659**	112,810
Other non-current assets		**3,293**	8,375
Deferred income tax assets	9	**41,480**	52,076
		3,018,152	3,002,465
Current assets			
Inventories	10	**737,882**	774,359
Prepaid lease payments		**-**	1,932
Trade and notes receivables	11	**2,041,628**	1,948,030
Contract assets	12	**69,436**	58,579
Prepayments and other receivables	13	**649,875**	437,958
Current portion of other non-current assets		**7,178**	5,694
Restricted bank deposits	14	**406,449**	330,948
Cash and cash equivalents	14	**631,700**	686,636
		4,544,148	4,244,136
Total assets		**7,562,300**	7,246,601
EQUITY			
Equity attributable to the owners of the Company			
Share capital	15	**276,220**	275,959
Reserves		**2,506,516**	2,369,915
		2,782,736	2,645,874
Non-controlling interests		**48,611**	48,688
Total equity		**2,831,347**	2,694,562

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

As at 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds	16	**2,056,836**	2,051,403
Long-term borrowings	17	**249,424**	243,341
Lease liabilities		**70,729**	–
Deferred income tax liabilities	9	**10,330**	10,440
		2,387,319	2,305,184
Current liabilities			
Short-term borrowings	17	**770,662**	879,192
Current portion of long-term bonds	16	**14,522**	14,498
Current portion of long-term borrowings	17	**137,321**	82,214
Trade and notes payables	18	**885,197**	714,091
Accruals and other payables	19	**360,198**	455,278
Lease liabilities		**36,847**	–
Contract liabilities		**64,997**	38,814
Current income tax liabilities		**73,890**	62,768
		2,343,634	2,246,855
Total liabilities		**4,730,953**	4,552,039
Total equity and liabilities		**7,562,300**	7,246,601

The condensed consolidated financial statements on pages 22 to 60 were approved and authorised for issue by the Board of Directors on 26 August 2019 and were signed on its behalf by:

LUO Lin	**PI Zhifeng**
Chairman	*Executive Director*

The notes on pages 29 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 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Revenue			
Contracts with customers	20	**1,556,302**	1,131,139
Rental	20	**94,286**	34,753
Total revenue	20	**1,650,588**	1,165,892
Cost of sales	21	**(1,090,951)**	(705,717)
Gross profit		**559,637**	460,175
Other gains, net	22	**5,331**	7,448
Impairment losses under expected credit loss model, net of reversal	21	**(26,356)**	(22,038)
Selling expenses	21	**(80,836)**	(60,373)
Administrative expenses	21	**(70,964)**	(64,862)
Research and development expenses	21	**(13,913)**	(7,929)
Sales tax and surcharges		**(6,637)**	(4,929)
Operating profit		**366,262**	307,492
Interest income		**456**	1,929
Finance expenses		**(154,391)**	(157,297)
Finance costs, net	23	**(153,935)**	(155,368)
Share of profit/(loss) of a joint venture		**356**	(110)
Profit before income tax		**212,683**	152,014
Income tax expense	24	**(67,403)**	(38,663)
Profit for the period		**145,280**	113,351
Profit/(loss) attributable to:			
Owners of the Company		**145,357**	84,952
Non-controlling interests		**(77)**	28,399
		145,280	113,351
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
– Basic	25	**0.0484**	0.0319
– Diluted	25	**0.0480**	0.0315

The notes on pages 29 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 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	**145,280**	113,351
Other comprehensive (expense)/income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**(3,055)**	(21,619)
Currency translation differences	**6,031**	24,001
Other comprehensive income for the period, net of tax	**2,976**	2,382
Total comprehensive income for the period	**148,256**	115,733
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**148,333**	86,601
Non-controlling interests	**(77)**	29,132
	148,256	115,733

The notes on pages 29 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 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Attributable to the owners of the Company								
	Notes	Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2019		275,959	1,073,691	419,323	76,900	819,796	(19,795)	2,645,874	48,688	2,694,562
Profit for the period		-	-	-	-	145,357	-	145,357	(77)	145,280
Other comprehensive (expense)/income										
– Net investment hedge		-	-	-	-	-	(3,055)	(3,055)	-	(3,055)
– Currency translation differences		-	-	-	-	-	6,031	6,031	-	6,031
Total comprehensive income		-	-	-	-	145,357	2,976	148,333	(77)	148,256
– Share option scheme	15(b)	-	-	16,741	-	-	-	16,741	-	16,741
– Share option exercised	15(a)	261	1,634	-	-	-	-	1,895	-	1,895
– Dividends	26	-	-	-	-	(30,107)	-	(30,107)	-	(30,107)
Total transactions with owners, recognised directly in equity		261	1,634	16,741	-	(30,107)	-	(11,471)	-	(11,471)
Balance at 30 June 2019		276,220	1,075,325	436,064	76,900	935,046	(16,819)	2,782,736	48,611	2,831,347

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY- Continued

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Attributable to the owners of the Company								
	Notes	Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2018		246,271	813,243	395,229	76,900	597,373	360,260	2,489,276	388,953	2,878,229
Profit for the period		–	–	–	–	84,952	–	84,952	28,399	113,351
Other comprehensive (expense)/income										
– Net investment hedge		–	–	–	–	–	(15,388)	(15,388)	(6,231)	(21,619)
– Currency translation differences		–	–	–	–	–	17,037	17,037	6,964	24,001
Total comprehensive income		–	–	–	–	84,952	1,649	86,601	29,132	115,733
– Share option scheme	15(b)	–	–	11,386	–	–	–	11,386	–	11,386
– Share option exercised	15(a)	365	2,343	–	–	–	–	2,708	–	2,708
Total transactions with owners, recognised directly in equity		365	2,343	11,386	–	–	–	14,094	–	14,094
Balance at 30 June 2018		246,636	815,586	406,615	76,900	682,325	361,909	2,589,971	418,085	3,008,056

The notes on pages 29 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 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Six months ended 30 June	
	Notes	**2019** **(Unaudited)**	2018 (Unaudited)
Net cash generated from operating activities	27	**267,981**	45,500
Net cash used in investing activities	27	**(69,944)**	(46,509)
Net cash used in financing activities	27	**(251,293)**	(691,507)
Net decrease in cash and cash equivalents		**(53,256)**	(692,516)
Cash and cash equivalents at beginning of the period	14	**686,636**	1,133,097
Exchange (loss)/gain on cash and cash equivalents		**(1,680)**	10,785
Cash and cash equivalents at end of the period	14	**631,700**	451,366

The notes on pages 29 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 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

1. GENERAL INFORMATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the "PRC") and other overseas countries. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2007.

The directors of the Company (the "Directors") regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

This unaudited condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Except as described below, the application of the new and 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.

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principle portion of lease liabilities resulting in net deductible temporary differences.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has had no material impact on those contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by- lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of buildings in the PRC was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b) (ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied by the relevant group entities range from 8.41% to 9.70%.

	Note	At 1 January 2019
Operating lease commitments disclosed as at 31 December 2018		39,173
Lease liabilities discounted at relevant incremental borrowing rates		34,942
Less: Recognition exemption – short-term leases		6,479
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	(a)	28,463
Analysed as		
Current		8,692
Non-current		19,771
		28,463

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		28,463
Reclassified from prepaid lease payments	(b)	77,567
		106,030
By class:		
Leasehold lands		77,567
Buildings		28,463
		106,030

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

Notes:

(a) Upon application of IFRS 16, the Group recognised and measured the lease liabilities at the present value, using the incremental borrowing rate, of lease payments that were unpaid after excluding short-term leases. In addition, the Group reclassified the lease liabilities as current and non-current liabilities respectively at 1 January 2019 based on settlement term.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,932,000 and RMB75,635,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

There is no material impact of transition to IFRS 16 on retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
Non-current Assets				
Right-of-use assets	(b)	–	106,030	106,030
Prepaid lease payments	(b)	75,635	(75,635)	–
Current Assets				
Prepaid lease payments	(b)	1,932	(1,932)	–
Non-current Liabilities				
Lease liabilities	(a)	–	19,771	19,771
Current Liabilities				
Lease liabilities	(a)	–	8,692	8,692

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There is no material impact of applying IFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period.

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 2018.

5. SEGMENT INFORMATION

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

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

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

All of the three reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into three single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customer for their services and products and the method used to provide their services and distribute their products.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

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 2018. The CODM evaluate the performance of the operating segments based on profit or loss before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit/(loss) of a joint venture, asset impairment provisions and corporate overheads ("EBITDA"). The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

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

	Drilling technology	Well completion	Oil production services	Total
Six months ended 30 June 2018 (Unaudited)				
Revenue (Note)	615,933	285,992	263,967	1,165,892
EBITDA	284,323	130,406	126,455	541,184
Depreciation and amortisation	(55,871)	(44,932)	(11,518)	(112,321)
Impairment provision of				
– Trade receivables	(4,767)	(14,232)	(3,039)	(22,038)
– Inventories	(3,434)	(293)	(657)	(4,384)
Interest income	54	60	191	305
Finance expenses	(2,632)	(2,691)	(1,941)	(7,264)
Share of loss of a joint venture	(110)	–	–	(110)
Income tax expense	(14,484)	(9,573)	(14,606)	(38,663)

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

	Drilling technology	**Well completion**	**Oil production services**	**Total**
As at 30 June 2019 (Unaudited)				
Total assets	**2,255,893**	**2,640,686**	**517,165**	**5,413,744**
Total assets include:				
Capital expenditures	**55,796**	**30,523**	**14,851**	**101,170**
As at 31 December 2018 (Audited)				
Total assets	2,082,006	2,679,875	545,808	5,307,689
Total assets include:				
Capital expenditures	117,318	64,179	31,228	212,725

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

A reconciliation of total EBITDA to profit before income tax is provided as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
EBITDA for reportable segments	**674,903**	541,184
Corporate overheads	**(279,659)**	(243,358)
Depreciation of		
– Property, plant and equipment	**(118,668)**	(95,137)
– Right-of-use assets	**(13,470)**	–
Amortisation	**(12,283)**	(17,184)
Asset impairment provision	**(31,557)**	(26,422)
Interest income	**201**	305
Finance expenses	**(7,140)**	(7,264)
Share of profit/(loss) of a joint venture	**356**	(110)
Profit before income tax	**212,683**	152,014

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Assets for reportable segments	**5,413,744**	5,307,689
Corporate assets for general management	**2,148,556**	1,938,912
Total assets	**7,562,300**	7,246,601

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

Geographical Information

	Revenue Six months ended 30 June		**Non-current assets**	
	2019 (Unaudited)	2018 (Unaudited)	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
PRC	**672,534**	413,808	**2,092,666**	2,025,979
Republic of Iraq ("Iraq")	**744,452**	420,594	**684,017**	706,029
Other countries	**233,602**	331,490	**186,489**	204,881
Total	**1,650,588**	1,165,892	**2,963,172**	2,936,889

Client information

During the period, revenues of approximately RMB535,451,000 (six months ended 30 June 2018: RMB391,171,000) were derived from two (six months ended 30 June 2018: two) external customers, which contributed 16.82% and 15.62% to the total revenue, respectively (six months ended 30 June 2018: 18.14% and 15.41%). These revenues were mainly attributable to drilling technology and oil production services segments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Opening carrying amount	**2,255,805**	2,331,571
Additions	**80,858**	60,607
Depreciation	**(140,871)**	(125,116)
Disposals	**(20,121)**	(8)
Currency translation differences	**1,236**	11,598
Closing carrying amount	**2,176,907**	2,278,652

As at 30 June 2019, certain borrowings were secured by certain buildings and plant, machinery and equipment with carrying amount of RMB436,167,000 (31 December 2018: RMB439,733,000) (Note 17(a) (b)).

7. RIGHT-OF-USE ASSETS

	Six months ended 30 June 2019 (Unaudited)
Opening carrying amount	**106,030**
Additions	**91,978**
Depreciation	**(15,044)**
Closing carrying amount	**182,964**

During the current interim period, the Group entered into new lease agreements for the use of buildings and equipment for 3 years. The Group is required to make fixed quarterly, semi-annually or annually payments depending on the usage of the assets during the contract periods. On lease commencement, the Group recognised RMB91,978,000 of right-of-use assets and RMB91,978,000 lease liabilities.

As at 30 June 2019, right-of-use assets with carrying amount of RMB8,604,000 (31 December 2018: prepaid lease payments with carrying amount of RMB5,860,000) were pledged as guarantee for certain borrowings (Note 17(a) (b)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

8. INTANGIBLE ASSETS

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Opening carrying amount	**252,714**	224,285
Additions	**20,312**	13,530
Amortisation	**(16,583)**	(19,762)
Closing carrying amount	**256,443**	218,053

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	Deferred income tax assets	Deferred income tax liabilities
(Unaudited)		
At 1 January 2019	**52,076**	**(10,440)**
(Charged)/credited to the statement of profit or loss	**(10,596)**	**110**
At 30 June 2019	**41,480**	**(10,330)**
(Unaudited)		
At 1 January 2018	63,743	(10,661)
(Charged)/credited to the statement of profit or loss	(6,727)	111
At 30 June 2018	57,016	(10,550)

10. INVENTORIES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Raw materials	**19,231**	37,499
Work-in-progress	**3,015**	1,423
Finished goods	**62,515**	65,065
Project materials and spare parts	**393,939**	427,489
Project-in-progress	**259,182**	242,883
Total	**737,882**	774,359

Notes to the Condensed Consolidated Financial Statements

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

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Trade receivables, net (a)		
– from related parties (Note 30(c))	**53,320**	44,893
– others	**1,944,232**	1,851,173
	1,997,552	1,896,066
Trade receivables, net (a)		
– goods and services	**1,976,083**	1,896,066
– leases	**21,469**	–
	1,997,552	1,896,066
Notes receivable (c)	**44,076**	51,964
	2,041,628	1,948,030

Notes:

(a) Ageing analysis based on the invoice date:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
1 – 6 months	**1,242,092**	1,242,571
6 months – 1 year	**392,696**	427,329
1 – 2 years	**332,016**	198,697
2 – 3 years	**30,748**	27,469
	1,997,552	1,896,066

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

(c) As at 30 June 2019, total notes received amounting to RMB44,076,000 (31 December 2018: RMB51,964,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All notes received by the Group are with a maturity period of less than one year.

(d) As at 30 June 2019, trade receivables of RMB478,101,000 (31 December 2018: RMB357,123,000) were pledged as security for short-term borrowings of RMB144,195,000 (31 December 2018: RMB268,235,000) and long-term borrowings of RMB100,000,000 (31 December 2018: Nil) (Note 17(a) (b)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

11. TRADE AND NOTES RECEIVABLES *(Continued)*

Notes: *(Continued)*

(e) Allowance for impairment of trade receivables

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
As at 1 January	**122,120**	63,664
Addition	**19,898**	22,038
Write-off	**-**	(427)
As at 30 June	**142,018**	85,275

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

12. CONTRACT ASSETS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Retention money receivables relating to revenue from services	**69,436**	58,579
Less: Impairment of contract assets	**-**	–
	69,436	58,579

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

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13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Current		
Advances to suppliers	**220,403**	130,809
Other receivables	**409,322**	263,464
Amounts due from related parties (Note 30(c))	**8,116**	28,116
Value-added tax recoverable	**12,034**	15,569
	649,875	437,958
Non-current		
Value-added tax recoverable	**36,738**	35,620
Advances to engineering equipment suppliers	**61,421**	63,690
Other receivables	**13,500**	13,500
	111,659	112,810

14. CASH AND BANK DEPOSITS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Restricted bank deposits (a)	**406,449**	330,948
Cash and cash equivalents		
– Cash on hand	**15,776**	8,680
– Deposits in bank	**615,924**	677,956
	1,038,149	1,017,584

Notes:

(a) As at 30 June 2019, bank deposits amounting to RMB406,449,000 (31 December 2018: RMB330,948,000) were held as securities for letter of guarantee and issuance of notes payable.

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
RMB	**539,436**	486,999
United States dollar ("US$")	**451,563**	467,522
Hong Kong dollar ("HK$")	**10,797**	13,132
Others	**36,353**	49,931
	1,038,149	1,017,584

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15. 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 1 January 2019	**3,002,923**	**300,292**	**275,959**
Exercise of share options	**2,994**	**299**	**261**
As at 30 June 2019	**3,005,917**	**300,591**	**276,220**
(Unaudited)			
As at 1 January 2018	2,660,234	266,023	246,271
Exercise of share options	4,500	450	365
As at 30 June 2018	2,664,734	266,473	246,636

(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 2019		**264,168**
Granted (on 07 January 2019)	**0.790**	**95,000**
Forfeited	**0.895**	**(2,327)**
Exercised	**0.756**	**(2,994)**
Expired	**5.733**	**(1,358)**
As at 30 June 2019 (Unaudited)		**352,489**
As at 1 January 2018		204,972
Granted (on 03 April 2018)	1.020	70,000
Forfeited	0.760	(920)
Exercised	0.750	(4,500)
As at 30 June 2018 (Unaudited)		269,552

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15. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options *(Continued)*

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

Expiry date	**Exercise price (HK$ per share)**	**Number of share options (thousands)**
19 November 2019	4.960	76
23 February 2022	0.740	84,047
31 March 2022	0.800	6,300
1 December 2022	1.100	2,216
22 May 2023	0.810	96,200
2 April 2024	1.020	68,650
6 January 2025	0.790	95,000
		352,489

The fair value of the options granted during the six months ended 30 June 2019 was determined using the Binomial Option Pricing Model. The major assumptions used in the pricing model for options granted on 07 January 2019 were the exercise price shown above and the other parameters are shown below:

Parameters	**Options granted during the six months ended 30 June**	
	2019	2018
Share price as of the valuation date (HK$)	**0.79**	1.02
Expected dividend yield	**–**	–
Forfeiture rate	**0.34%**	0.50%
Exercise multiples	**3.38-3.39**	3.39-3.54
Maturity years	**6.0**	6.0
Risk free rate	**1.79%**	1.83%
Annualised volatility	**59.54%**	58.95%

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2019 for share options amounted to RMB16,741,000 (for the six months ended 30 June 2018: RMB11,386,000), with a corresponding amount credited in capital reserve.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

16. LONG-TERM BONDS

Issued date:	Par value	Coupon rate	As at 30 June 2019	As at 31 December 2018	Effective interest rate
5 December 2017 (a)	US$176.4 million	9.75%	**1,232,840**	1,234,145	8.31%
5 December 2017 (a)	US$123.6 million	9.75%	**838,518**	831,756	11.62%
Subtotal			**2,071,358**	2,065,901	
Less: Current portion			**(14,522)**	(14,498)	
			2,056,836	2,051,403	

Note:

(a) The Company issued US$300 million 9.75% senior notes at discount of par value on 5 December 2017 with direct transaction costs amounting to RMB39,989,000, in which US$176.4 million were arranged to exchange the senior notes issued on 31 October 2013 in the amount of US$172.2 million with effective interest rate of 8.31% during the year ended 31 December 2017. The notes mature in 3 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 30 June 2019, interest payable amounted to approximately RMB14.5 million (31 December 2018: RMB14.5 million).

17. BORROWINGS

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Amount	Interest rate	Amount	Interest rate
Long-term borrowings				
– Secured				
– RMB denominated (a)	**386,745**	**7.10%-9.70%**	325,555	8.41%-9.70%
Less: Current portion	**(137,321)**		(82,214)	
	249,424		243,341	
Short-term bank borrowings				
– Unsecured				
– RMB denominated	**250,264**	**5.66%-6.53%**	248,393	5.66%-6.53%
– Secured				
– RMB denominated (b)	**366,215**	**5.22%-7.50%**	444,408	5.22%-7.50%
– US$ denominated (b)	**54,969**	**4.70%**	85,720	4.70%
Other short-term borrowings				
– Unsecured				
– RMB denominated (c)	**99,214**	**5.66%**	100,671	5.66%
	770,662		879,192	

Notes:

(a) As at 30 June 2019, secured long-term borrowings of RMB188,271,000 (31 December 2018: RMB228,306,000) represented borrowings from China Railway Construction Financial Leasing Co., Ltd., a third party, which will mature in 2 years, and secured by the Group's equipment with a carrying value of RMB296,491,000 (31 December 2018: RMB319,311,000) (Note 6). Secured long-term borrowings of RMB98,474,000 (31 December 2018: RMB97,249,000), represented borrowings from banks and secured by the Group's buildings with a carrying value of RMB92,049,000 (31 December 2018: RMB93,618,000) (Note 6) and right-of-use assets with a carrying value of RMB5,781,000 (31 December 2018: prepaid lease payments with a carrying value of RMB5,860,000) respectively (Note 7). Secured long-term borrowings of RMB100,000,000 (31 December 2018:Nil) were secured by the Group's trade receivables amounting to RMB282,420,000 (31 December 2018:Nil) (Note 11(d)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

17. BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) As at 30 June 2019, secured short-term bank borrowings of RMB100,343,000 (31 December 2018: RMB80,536,000) 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, and without counter-guarantee (31 December 2018: secured by the Group's buildings with a carrying value of RMB26,804,000 as counter-guarantee) (Note 6). Secured short-term bank borrowings of RMB144,195,000 (31 December 2018: RMB268,235,000) were secured by the Group's trade receivables amounting to RMB195,681,000 (31 December 2018: RMB357,123,000) (Note 11(d)). Secured US$ denominated short-term bank borrowings of RMB54,969,000 (31 December 2018: RMB85,720,000) and secured RMB denominated short-term bank borrowings of RMB80,474,000 (31 December 2018: RMB95,637,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 30(d)). Secured short-term borrowings of RMB41,203,000 (31 December 2018: Nil) represented borrowings from banks and secured by the Group's buildings with a carrying value of RMB47,627,000 (31 December 2018: Nil) (Note 6) and right-of-use assets with a carrying value of RMB2,823,000 (31 December 2018: Nil) respectively (Note 7).

(c) As at 30 June 2019 and 31 December 2018, other unsecured short-term borrowings represented a loan borrowed by Anton Oilfield Services (Group) Ltd. from Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

(d) As at 30 June 2019, the undrawn bank borrowing facilities of the Group of approximately RMB610 million (31 December 2018: RMB583 million), with maturity dates up to 12 April 2020 (31 December 2018: 9 December 2019), were unsecured (31 December 2018: unsecured).

18. TRADE AND NOTES PAYABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Trade payables		
– related parties (Note 30(c))	**13,094**	13,094
– others	**480,183**	468,297
Notes payable	**391,920**	232,700
	885,197	714,091

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Less than 1 year	**766,862**	596,564
1 – 2 years	**43,057**	43,527
2 – 3 years	**41,219**	34,465
Over 3 years	**34,059**	39,535
	885,197	714,091

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19. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Payroll and welfare payables	**10,243**	33,406
Taxes other than income taxes payable	**29,542**	14,053
Payables to equipment venders	**182,978**	226,969
Dividend payable	**35,711**	55,711
Others	**101,724**	125,139
	360,198	455,278

20. REVENUE

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Sales of goods	**150,263**	148,729
Provision of services	**1,406,039**	982,410
Rental	**94,286**	34,753
	1,650,588	1,165,892

Disaggregation of revenue

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
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20. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

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

	For the six months ended 30 June 2018		
Segments	**Drilling technology**	**Well completion**	**Oil production services**
Types of goods or service			
Sales of goods	60,353	76,662	11,714
Provision of services	521,857	208,300	252,253
Total	582,210	284,962	263,967
Geographical markets			
PRC	208,702	125,441	44,912
Iraq	126,687	90,744	203,163
Other countries	246,821	68,777	15,892
Total	582,210	284,962	263,967
Timing of revenue recognition			
A point in time	582,210	284,962	113,545
Over time	–	–	150,422
Total	582,210	284,962	263,967

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20. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

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

	For the six months ended 30 June 2018		
Segments	**Drilling technology**	**Well completion**	**Oil production services**
Revenue disclosed in segment information			
External customers	615,933	285,992	263,967
Inter-segment	565,856	329,855	107,317
Inter-segment eliminations	(565,856)	(329,855)	(107,317)
Rental income	(33,723)	(1,030)	–
Revenue from contracts with customers	582,210	284,962	263,967

21. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Materials and services purchased	**518,182**	359,362
Staff costs	**363,706**	234,601
In which:		
– Salaries and other staff expenses	**346,965**	223,215
– Share-based compensation	**16,741**	11,386
Depreciation	**152,815**	107,907
In which:		
– Property, plant and equipment	**139,345**	107,907
– Right-of-use assets	**13,470**	–
Amortisation of prepaid lease payments and intangible assets	**19,575**	20,731
Less: Capitalised in inventories	**2,052**	3,108
	17,523	17,623
In which:		
– Cost of sales	**16,142**	16,247
– Administrative expenses	**535**	600
– Selling expenses	**9**	8
– Research and development expenses	**837**	768
Other operating expenses	**230,794**	141,426
In which:		
– Increase in impairment of receivables	**26,356**	22,038
– Increase in impairment of inventories	**5,201**	4,384

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22. OTHER GAINS, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Government grants and subsidies (Note)	**464**	1,580
Loss on disposal of property, plant and equipment	**(1,388)**	(8)
Others	**6,255**	5,876
	5,331	7,448

Note:

Government grants and subsidies of RMB464,000 (2018: RMB1,580,000) were received in the current period towards awarding of research and development expenditures.

23. FINANCE COSTS, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses		
– on borrowings	**(40,061)**	(32,364)
– on bonds	**(101,098)**	(108,321)
– on lease liabilities	**(2,911)**	–
	(144,070)	(140,685)
Exchange loss, net	**(1,843)**	(6,025)
Others	**(8,478)**	(10,587)
Finance expenses	**(154,391)**	(157,297)
Interest income	**456**	1,929
	(153,935)	(155,368)

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24. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	**2,566**	1,076
– Iraq corporate income tax	**52,249**	29,588
– Others	**2,102**	1,383
Deferred income tax (Note 9)	**10,486**	6,616
	67,403	38,663

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% (2018: 25%), except that certain subsidiaries which have applied preferential tax rates of 15%.

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

25. 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	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (RMB'000)	**145,357**	84,952
Weighted average number of ordinary shares in issue (thousands of shares)	**3,004,051**	2,662,362
Basic earnings per share (expressed in RMB per share)	**0.0484**	0.0319

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25. EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

For the six months ended 30 June 2019 and 2018, the only dilutive factor of the Company was the outstanding share options.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (RMB'000)	**145,357**	84,952
Weighted average number of ordinary shares in issue (thousands of shares)	**3,004,051**	2,662,362
Adjustments for assumed conversion of share options (thousands of shares)	**24,642**	32,186
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	**3,028,693**	2,694,548
Diluted earnings per share (expressed in RMB per share)	**0.0480**	0.0315

26. DIVIDENDS

During the current interim period, a final dividend of RMB1 cent per share, with the aggregate amount of RMB30,107,000, in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company (2018: Nil).

The Directors have determined that no dividend will be paid in respect of the current interim period (Six months ended 30 June 2018: Nil).

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27. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Operating activities:		
Profit before income tax	**212,683**	152,014
Adjustments for:		
Property, plant and equipment		
– Depreciation charge	**139,345**	107,907
– Net loss on disposals	**1,388**	8
Depreciation of right-of-use assets	**13,470**	–
Amortisation of prepaid lease payments	**-**	966
Amortisation of intangible assets	**17,523**	16,657
Amortisation of long-term deferred and prepaid expenses	**3,598**	2,269
Addition of impairment of receivables	**26,356**	22,038
Addition of impairment of inventories	**5,201**	4,384
Charge of share option scheme	**16,741**	11,386
Share of (profit)/loss of a joint venture	**(356)**	110
Net foreign exchange loss	**1,843**	6,025
Interest income	**(456)**	(1,929)
Interest expenses	**144,070**	140,685
Changes in working capital:		
Inventories	**33,436**	(32,173)
Trade and notes receivables	**(94,480)**	(221,044)
Contract assets	**(10,857)**	(74,560)
Prepayments and other receivables and value-added tax recoverable	**(219,493)**	(75,945)
Trade and notes payables	**102,795**	(27,949)
Accruals and other payables	**(30,169)**	16,732
Contract liabilities	**26,183**	49,301
Restricted bank deposits	**(75,501)**	(25,405)
Net cash inflows from operations	**313,320**	71,477
Interest received	**456**	1,929
Income tax paid	**(45,795)**	(27,906)
Net cash generated from operating activities	**267,981**	45,500

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27. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Investing activities:		
Purchases of property, plant and equipment	**(56,912)**	(31,895)
Purchases of intangible assets	**(17,671)**	(14,614)
Proceeds from disposal of property, plant and equipment	**4,639**	–
Net cash used in investing activities	**(69,944)**	(46,509)
Financing activities:		
Proceeds from short-term borrowings	**568,591**	830,223
Repayments of short-term borrowings	**(678,536)**	(842,796)
Repayments of lease liabilities	**(15,776)**	–
Proceeds from long-term borrowings	**100,000**	97,000
Repayments of long-term borrowings	**(41,465)**	(106,785)
Repayments of long-term bonds	**-**	(463,935)
Proceeds from share options exercised	**1,895**	2,708
Interest paid	**(134,975)**	(130,991)
Net cash paid to non-controlling interests for additional interest in subsidiaries	**(920)**	(60,331)
Withdrawal of restricted bank deposits	**-**	30,000
Cash paid relating to other financing activities	**-**	(46,600)
Dividends distribution	**(50,107)**	–
Net cash used in financing activities	**(251,293)**	(691,507)

28. COMMITMENTS

Capital commitments

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Contracted but not provided for	**75,322**	20,887

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the Group's annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no changes in the risk management policies since the year end of 2018.

29.2 Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, adequate term deposits and unused borrowing facilities to meet its liquidity requirements.

29.3 Credit risk and impairment assessment

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the Directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

A considerable portion of sales were made to several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 5). Most of the Group's cash and cash equivalents were placed with state-owned banks in the PRC and Hong Kong, the relevant credit risk is relatively low.

29.4 Fair value relevant estimation

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

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

Notes to the Condensed Consolidated Financial Statements

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30. 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 and companies are related parties of the Group during the six months period ended 30 June 2019 and 2018:

Names of related parties	Nature of relationship
Mr. Luo Lin	The ultimate controlling shareholder of the Company
China Oil HBP Science & Technology Co., Ltd. ("China Oil HBP")	The second largest shareholder of the Company (Note)
Beijing HBP Energy Technology Co., Ltd. ("HBP Beijing")	Controlled by China Oil HBP
Xinjiang PengAn Energy Technology Co., Ltd. ("Xinjiang PengAn")	Joint venture invested by Anton Oilfield Services (Group) Ltd.
Schlumberger Oilfield China ("SLB China")	Controlled by the same ultimate parent company of Schlumberger NV ("SLB NV") (Note)
Schlumberger Technologies (Shandong) Ltd. ("SLB Shandong")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technologies (Chengdu) Ltd. ("SLB Chengdu")	Controlled by the same ultimate parent company of SLB NV
SCHLUMBERGER LOGELCO INC ("SMITH KZ")	Controlled by the same ultimate parent company of SLB NV

Note:

China Oil HBP is the second largest shareholder of the Company as at 30 June 2019 and 31 December 2018, and was the non-controlling shareholder of Anton Oilfield Services DMCC as at 30 June 2018.

SLB NV sold all of its shares of the Company in February 2018 and is no longer a related party of the Group since then.

(b) Transactions with related parties

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Purchases of goods or services		
Xinjiang PengAn	**400**	–

	Six months ended 30 June 2018 (Unaudited)
Purchases of goods or services	
SMITH KZ	1,314
SLB Shandong	109
SLB Chengdu	22,260
	23,683

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

	Six months ended 30 June **2019** **(Unaudited)**	2018 (Unaudited)
Sales of goods		
China Oil HBP	**8,734**	8,298

	Six months ended 30 June 2018 (Unaudited)
Sales of goods	
SLB China	85

(c) Balances with related parties

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Trade and notes receivables (Note 11)		
Xinjiang PengAn	**1,713**	2,225
China Oil HBP	**51,607**	42,668
	53,320	44,893

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Prepayments and other receivables (Note 13)		
China Oil HBP	**7,637**	27,637
Xinjiang PengAn	**479**	479
	8,116	28,116
Trade and notes payables (Note 18)		
HBP Beijing	**13,094**	13,094
Accruals and other payables		
China Oil HBP	**23,957**	43,957

Balances with related parties were unsecured, non-interest bearing and had no fixed repayment terms.

Notes to the Condensed Consolidated Financial Statements

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

30. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Short-term bank borrowings guaranteed by related parties

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Short-term borrowings		
Mr. Luo Lin (Note 17(b))	**135,443**	181,357

(e) Key management compensation

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Salaries and other short-term employee benefits	**9,740**	9,522
Pension scheme	**192**	184
Share-based compensation	**1,943**	1,560
	11,875	11,266

31. EVENT AFTER THE REPORTING PERIOD

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