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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 22.3% from RMB2,935.9 million in 2018 to RMB3,589.5 million in 2019. Profit attributable to equity holders of the Company increased by 20.8% from RMB222.4 million in 2018 to RMB268.6 million in 2019.

In consideration of the impact on global economy by the outbreak of COVID-19 coronavirus, and the market uncertainty caused by recent plunge in oil price, it would be crucial for the Group to keep adequate liquidity. Thus, the Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

RESULTS

Due to the impact of the COVID-19 coronavirus outbreak, the audit process for the annual results of the Group for the year ended 31 December 2019 has been delayed and not been fully completed as of the announcement date, while in order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, after our discission with auditor, the Board decides to publish the unaudited annual results announcement of the Company for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018 on the planned date of announcement first. The Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors following the completion of the auditing process, which is expected to be on or before 31 March, 2020.

The board of directors (the "Board") of Anton Oilfield Services Group (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 (hereafter referred to as the "Year" or "the reporting period") with comparative figures for 2018, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Notes	**Year ended 31 December** **2019**	2018
Revenue			
Goods and services	*5*	**3,328,839**	2,875,197
Rental	*5*	**260,658**	60,691
Total revenue	*5*	**3,589,497**	2,935,888
Cost of sales	*6*	**(2,308,042)**	(1,821,615)
Gross profit		**1,281,455**	1,114,273
Other gains, net		**176**	11,932
Impairment losses under expected credit loss model, net of reversal	*6*	**(87,693)**	(75,201)
Selling expenses	*6*	**(193,298)**	(171,152)
Administrative expenses	*6*	**(215,403)**	(197,241)
Research and development expenses	*6*	**(51,682)**	(28,002)
Sales tax and surcharges	*6*	**(13,973)**	(10,346)
Operating profit		**719,582**	644,263
Interest income	*7*	**3,367**	2,565
Finance expenses	*7*	**(298,500)**	(300,019)
Finance costs, net	*7*	**(295,133)**	(297,454)
Share of profit of a joint venture		**762**	355
Profit before income tax		**425,211**	347,164
Income tax expense	*8*	**(142,791)**	(96,443)
Profit for the year		**282,420**	250,721
Profit attributable to:			
Owners of the Company		**268,583**	222,423
Non-controlling interests		**13,837**	28,298
		282,420	250,721
Earnings per share for profit attributable to the owners of the Company for the year (expressed in RMB per share)			
– Basic	*9*	**0.0894**	0.0792
– Diluted	*9*	**0.0889**	0.0783

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**282,420**	250,721
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**(30,239)**	(84,932)
Currency translation differences	**16,859**	87,425
Other comprehensive (expense)/income for the year, net of tax	**(13,380)**	2,493
Total comprehensive income for the year	**269,040**	253,214
Total comprehensive income attributable to:		
– Owners of the Company	**255,203**	224,889
– Non-controlling interests	**13,837**	28,325
	269,040	253,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

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

	Note	As at 31 December **2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment		**2,137,866**	2,255,805
Right-of-use assets		**189,901**	–
Prepaid lease payments		**–**	75,635
Goodwill		**242,004**	242,004
Intangible assets		**259,986**	252,714
Interest in a joint venture		**3,808**	3,046
Interest in an associate		**2,000**	–
Prepayments and other receivables		**155,696**	112,810
Other non-current assets		**–**	8,375
Deferred income tax assets		**34,637**	52,076
		3,025,898	3,002,465
Current assets			
Inventories		**765,496**	774,359
Prepaid lease payments		**–**	1,932
Trade and notes receivables	*10*	**2,200,247**	1,948,030
Contract assets		**75,519**	58,579
Prepayments and other receivables		**648,048**	437,958
Current portion of other non-current assets		**–**	5,694
Restricted bank deposits		**368,730**	330,948
Cash and cash equivalents		**2,422,874**	686,636
		6,480,914	4,244,136
Total assets		**9,506,812**	7,246,601

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2019
(Amounts expressed in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Note	**2019**	2018
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**276,273**	275,959
Reserves		**2,625,865**	2,369,915
		2,902,138	2,645,874
Non-controlling interests		**55,525**	48,688
Total equity		**2,957,663**	2,694,562
LIABILITIES			
Non-current liabilities			
Long-term bonds		**2,028,423**	2,051,403
Long-term borrowings		**202,426**	243,341
Lease liabilities		**69,259**	–
Deferred income tax liabilities		**10,219**	10,440
		2,310,327	2,305,184
Current liabilities			
Short-term borrowings		**497,749**	879,192
Current portion of long-term bonds		**2,116,445**	14,498
Current portion of long-term borrowings		**92,174**	82,214
Trade and notes payables	*11*	**957,406**	714,091
Accruals and other payables		**404,528**	455,278
Lease liabilities		**45,834**	–
Contract liabilities		**13,976**	38,814
Current income tax liabilities		**110,710**	62,768
		4,238,822	2,246,855
Total liabilities		**6,549,149**	4,552,039
Total equity and liabilities		**9,506,812**	7,246,601

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note	**Year ended 31 December 2019**	2018
Cash flows from operating activities			
Net cash inflows from operations		**684,514**	481,069
Interest received		**3,367**	2,565
Income tax paid		**(77,631)**	(63,626)
Net cash generated from operating activities		**610,250**	420,008
Cash flows from investing activities			
Purchase of property, plant and equipment		**(86,105)**	(36,005)
Proceeds from disposal of property, plant and equipment		**21,461**	968
Purchase of intangible assets		**(35,240)**	(63,159)
Investment in an associate		**(2,000)**	–
Net cash used in investing activities		**(101,884)**	(98,196)
Cash flows from financing activities			
Proceeds from short-term borrowings		**865,147**	1,505,850
Repayments of short-term borrowings		**(1,246,543)**	(1,509,571)
Repayments of lease liabilities		**(45,094)**	–
Proceeds from long-term borrowings		**100,000**	357,280
Repayments of long-term borrowings		**(135,714)**	(197,204)
Proceeds from long-term bonds		**2,037,836**	–
Repayments of long-term bonds		**–**	(490,893)
Net cash paid to non-controlling interests for additional interest in subsidiaries		**(920)**	(165,191)
Proceeds from share options exercised		**2,001**	5,136
Interest paid		**(269,584)**	(278,452)
Dividends distribution	*(a)*	**(92,818)**	–
Placement of restricted bank deposits		**(10,260)**	–
Withdrawal of restricted bank deposits		**–**	30,000
Cash paid relating to other financing activities		**–**	(52,500)
Net cash generated from/(used in) financing activities		**1,204,051**	(795,545)
Net increase/(decrease) in cash and cash equivalents		**1,712,417**	(473,733)
Cash and cash equivalents at beginning of the year		**686,636**	1,133,097
Exchange gain on cash and cash equivalents		**23,821**	27,272
Cash and cash equivalents at end of the year		**2,422,874**	686,636

Note (a):

During the year of 2018, pursuant to the agreement signed between the Group and China Oil HBP Science & Technology Co., Ltd. ("China Oil HBP"), trade receivables due from China Oil HBP amounting to RMB136,042,000 has been collected through the exemption of the payment of dividend due to China Oil HBP amounting to RMB136,042,000. Such non-cash transaction has been excluded from the operating activities and financing activities of the consolidated statement of cash flows above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 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 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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 16 Leases

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

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.

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. 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 and equipment 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.

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:

(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 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 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

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated 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 consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the year.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories*, or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

The chief executive officer, president, executive vice presidents and 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.

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 Note 3. The CODM evaluate the performance of the operating segments based on profit before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit of a joint venture, asset impairment provisions and corporate overheads ("EBITDA"). The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

	Drilling technology	**Well completion**	**Oil production services**	**Total**
For the year ended 31 December 2019				
Revenue *(Note)*	**1,624,203**	**836,028**	**1,129,266**	**3,589,497**
EBITDA	**684,516**	**352,190**	**468,693**	**1,505,399**
Depreciation and amortisation	**(169,923)**	**(125,119)**	**(26,803)**	**(321,845)**
Asset impairment provision of				
– Inventories	**(16,559)**	**(15,380)**	**(5,050)**	**(36,989)**
– Trade receivables	**(26,122)**	**(17,812)**	**(18,999)**	**(62,933)**
– Other receivables	**(10,327)**	**(14,433)**	**–**	**(24,760)**
Interest income	**269**	**1,372**	**508**	**2,149**
Finance expenses	**(8,536)**	**(6,418)**	**(6,122)**	**(21,076)**
Share of profit of a joint venture	**762**	**–**	**–**	**762**
Income tax expense	**(50,332)**	**(30,976)**	**(61,483)**	**(142,791)**

	Drilling technology	Well completion	Oil production services	Total
For the year ended 31 December 2018				
Revenue *(Note)*	1,339,850	741,820	854,218	2,935,888
EBITDA	624,858	329,273	360,792	1,314,923
Depreciation and amortisation	(125,947)	(122,784)	(24,896)	(273,627)
Asset impairment provision of				
– Inventories	(6,599)	(2,282)	(7,472)	(16,353)
– Trade receivables	(25,962)	(29,346)	(3,148)	(58,456)
– Other receivables	(9,518)	(7,015)	(212)	(16,745)
Interest income	136	211	421	768
Finance expenses	(5,335)	(5,452)	(3,934)	(14,721)
Share of profit of a joint venture	355	–	–	355
Income tax expense	(17,807)	(32,058)	(46,578)	(96,443)

Note: Sales between segments, with details set out in Note 5, 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 consolidated statement of profit or loss.

	Drilling technology	**Well completion**	**Oil production services**	**Total**
As at 31 December 2019				
Total assets	**2,304,384**	**2,786,231**	**712,727**	**5,803,342**
Total assets include:				
Capital expenditures	**122,618**	**65,984**	**32,106**	**220,708**
As at 31 December 2018				
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:

	Year ended 31 December	
	2019	2018
EBITDA for reportable segments	**1,505,399**	1,314,923
Corporate overheads	**(615,496)**	(588,980)
Depreciation	**(294,039)**	(243,388)
Amortisation	**(27,806)**	(30,239)
Asset impairment provisions	**(124,682)**	(91,554)
Interest income	**2,149**	768
Finance expenses	**(21,076)**	(14,721)
Share of profit of a joint venture	**762**	355
Profit before income tax	**425,211**	347,164

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

	As at 31 December	
	2019	2018
Assets for reportable segments	**5,803,342**	5,307,689
Corporate assets for general management	**3,703,470**	1,938,912
Total assets	**9,506,812**	7,246,601

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

Geographical Information

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2019	2018	**2019**	2018
PRC	**1,683,365**	1,083,690	**2,069,023**	2,025,979
Republic of Iraq ("Iraq")	**1,419,755**	1,170,562	**741,214**	706,029
Other countries	**486,377**	681,636	**167,524**	204,881
Total	**3,589,497**	2,935,888	**2,977,761**	2,936,889

Client information

For the year ended 31 December 2019, revenues of approximately RMB1,666,245,000 (2018: RMB1,208,999,000) were derived from two external independent customers, which contributed 32.17% and 14.25% (2018: 25.59% and 15.59%) to the total revenue respectively. These revenues were mainly attributable to drilling technology and well completion segments (2018: drilling technology and well completion segments).

5. REVENUE

	Year ended 31 December	
	2019	2018
Sales of goods	**163,157**	238,636
Provision of services	**3,165,682**	2,636,561
Rental	**260,658**	60,691
	3,589,497	2,935,888

(i) Disaggregation of revenue

Segments	For the year ended 31 December 2019 Drilling technology	Well completion	Oil production services
Types of goods or service			
Sales of goods	**44,151**	**90,858**	**28,148**
Provision of services	**1,321,231**	**743,333**	**1,101,118**
Total	**1,365,382**	**834,191**	**1,129,266**
Geographical markets			
PRC	**750,566**	**519,826**	**152,315**
Iraq	**336,910**	**212,894**	**869,951**
Other countries	**277,906**	**101,471**	**107,000**
Total	**1,365,382**	**834,191**	**1,129,266**
Timing of revenue recognition			
A point in time	**1,365,382**	**834,191**	**310,954**
Over time	**–**	**–**	**818,312**
Total	**1,365,382**	**834,191**	**1,129,266**

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

	For the year ended 31 December 2019 Drilling technology	Well completion	Oil production services
Revenue disclosed in segment information			
External customers	**1,624,203**	**836,028**	**1,129,266**
Inter-segment	**978,903**	**614,249**	**731,062**
Total	**2,603,106**	**1,450,277**	**1,860,328**
Adjustments and eliminations	**(978,903)**	**(614,249)**	**(731,062)**
Rental income	**(258,821)**	**(1,837)**	**–**
Revenue from contracts with customers	**1,365,382**	**834,191**	**1,129,266**

	For the year ended 31 December 2018		
Segments	Drilling technology	Well completion	Oil production services
Types of goods or service			
Sales of goods	90,374	115,515	32,747
Provision of services	1,190,277	624,813	821,471
Total	1,280,651	740,328	854,218
Geographical markets			
PRC	529,454	378,773	114,772
Iraq	309,772	202,626	658,164
Other countries	441,425	158,929	81,282
Total	1,280,651	740,328	854,218
Timing of revenue recognition			
A point in time	1,280,651	740,328	307,529
Over time	–	–	546,689
Total	1,280,651	740,328	854,218

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

	For the year ended 31 December 2018		
	Drilling technology	Well completion	Oil production services
Revenue disclosed in segment information			
External customers	1,339,850	741,820	854,218
Inter-segment	1,421,758	901,348	241,938
Total	2,761,608	1,643,168	1,096,156
Inter-segment eliminations	(1,421,758)	(901,348)	(241,938)
Rental income	(59,199)	(1,492)	–
Revenue from contracts with customers	1,280,651	740,328	854,218

6. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2019	2018
Materials and services purchased	**1,010,288**	835,697
Staff costs	**768,784**	576,029
In which:		
– Salaries and other staff expenses	**739,617**	551,935
– Share-based compensation	**29,167**	24,094
Depreciation	**336,058**	278,817
In which:		
– Property, plant and equipment	**301,429**	278,817
– Right-of-use assets	**40,376**	–
Less: Capitalised in inventories	**(21,854)**	(17,240)
	319,951	261,577
Amortisation	**36,226**	39,434
Less: Capitalised in inventories	**(3,591)**	(2,992)
	32,635	36,442
In which:		
– Cost of sales	**26,490**	29,030
– Administrative expenses	**160**	2,006
– Selling expenses	**18**	–
– Research and development expenses	**5,967**	5,406
Sales tax and surcharges	**13,973**	10,346
Auditor's remuneration		
– Audit and related services	**4,600**	4,200
– Other services	**300**	200
Other operating expenses	**719,560**	579,066
In which:		
– Impairment of receivables	**87,693**	75,201
– Impairment of inventories	**36,989**	16,353

7. FINANCE COSTS, NET

	Year ended 31 December	
	2019	2018
Interest expenses		
– on bank borrowings	**(77,667)**	(83,977)
– on bonds	**(219,534)**	(200,755)
– on lease liabilities	**(7,477)**	–
Exchange gain, net	**19,334**	1,401
Others	**(13,156)**	(16,688)
Finance expenses	**(298,500)**	(300,019)
Interest income	**3,367**	2,565
	(295,133)	(297,454)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax		
– PRC enterprise income tax	**20,681**	2,297
– Iraq corporate income tax	**98,289**	80,562
– Others	**6,603**	2,138
Deferred income tax	**17,218**	11,446
	142,791	96,443

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 Cayman Islands income tax.

PRC enterprise income tax ("EIT") is provided on the basis of estimated taxable profits of PRC established subsidiaries at applicable tax rate of 25% in 2019 (2018: 25%), based on the relevant PRC tax laws and regulations. Certain subsidiaries have been granted a preferential rate of 15% as high technology enterprises or as enterprises set up in western area of the PRC.

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.

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	**425,211**	347,164
Tax calculated at applicable tax rates	**123,614**	77,857
Income not subject to taxation	**(3,593)**	(62)
Expenses not deductible for taxation purposes	**1,283**	6,048
Additional deduction of research and development expense	**(4,468)**	(1,568)
Tax losses and deductible temporary difference for which no deferred income tax was recognised	**32,109**	21,018
Utilisation of unused deductible tax losses previously not recognised as deferred income tax	**(6,405)**	(6,390)
Effect of share of profit of a joint venture	**(114)**	(53)
Others	**365**	(407)
	142,791	96,443

9. 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 year.

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company	**268,583**	222,423
Weighted average number of ordinary shares in issue (thousands of shares)	**3,005,255**	2,807,453
Basic earnings per share (expressed in RMB per share)	**0.0894**	0.0792

(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 year ended 31 December 2019 and 2018, the only dilutive factor of the Company was the outstanding share options.

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company	**268,583**	222,423
Weighted average number of ordinary shares in issue (thousands of shares)	**3,005,255**	2,807,453
Adjustments for assumed conversion of share options (thousands of shares)	**17,260**	34,154
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	**3,022,515**	2,841,607
Diluted earnings per share (expressed in RMB per share)	**0.0889**	0.0783

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2019	2018
Trade receivables, net *(a)*		
– contracts with customers *(b)*	**1,944,361**	1,896,066
– lease receivables	**75,671**	–
	2,020,032	1,896,066
Notes receivable *(f)*	**180,215**	51,964
	2,200,247	1,948,030

Notes:

(a) Ageing analysis of carrying value of trade receivables at the reporting date was as follows:

	As at 31 December	
	2019	2018
1 – 6 months	**1,233,147**	1,242,571
6 months – 1 year	**362,996**	427,329
1 – 2 years	**390,047**	198,697
2 – 3 years	**33,842**	27,469
	2,020,032	1,896,066

(b) As at 31 December 2019 and 31 December 2018, trade receivables from contracts with customers amounted to RMB1,944,361,000 and RMB1,896,066,000 respectively.

(c) Most of the Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB423,889,000 (31 December 2018: RMB226,166,000) which are past due but not considered as in default as at the reporting date because the management considered such long ageing items were receivables from customers with good cooperation and would be collected subsequently.

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

As at 31 December 2019, trade receivables of RMB265,986,000 (31 December 2018: RMB357,123,000) were pledged as security for short-term borrowings of RMB128,263,000 (31 December 2018: RMB268,235,000).

As at 31 December 2019, trade receivables of RMB282,420,000 (31 December 2018: Nil) were pledged as security for long-term borrowings of RMB99,217,000 (31 December 2018: Nil).

(e) Movements of impairment of trade receivables are as follows:

	2019	2018
As at 1 January	**(122,120)**	(63,664)
Addition	**(62,933)**	(65,645)
Reversal	**–**	7,189
As at 31 December	**(185,053)**	(122,120)

(f) As at 31 December 2019, total notes received amounting to RMB180,215,000 (31 December 2018: RMB51,964,000) as settlement of corresponding trade receivables As at 31 December 2019 and 2018, notes receivable are all bank acceptance bills with maturity dates within 1 year.

(g) Trade and notes receivables were denominated in the following currencies:

	As at 31 December	
	2019	2018
RMB	**1,071,422**	755,673
United States dollar ("US$")	**975,246**	978,961
Others	**153,579**	213,396
	2,200,247	1,948,030

11. TRADE AND NOTES PAYABLES

	As at 31 December	
	2019	2018
Trade payables	**546,945**	481,391
Notes payable	**410,461**	232,700
	957,406	714,091

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

	As at 31 December	
	2019	2018
Less than 1 year	**790,866**	596,564
1 – 2 years	**77,348**	43,527
2 – 3 years	**30,371**	34,465
Over 3 years	**58,821**	39,535
	957,406	714,091

Trade and notes payables were denominated in the following currencies:

	As at 31 December	
	2019	2018
RMB	**868,702**	607,052
US$	**80,105**	80,536
Others	**8,599**	26,503
	957,406	714,091

12. DIVIDENDS

During the current year, 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 proposed in respect of the current year (Year ended 31 December 2018: RMB30,107,000).

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

In 2019, the international crude oil market as a whole experienced large fluctuations. However, the two major markets where the Group's main business is located, namely, the Iraqi market and the domestic market, were less sensitive to oil price fluctuations, and oil and gas development activities remained active throughout the year. In the Iraqi market, the government actively promoted the building-up of oil and gas development capacity, bringing numerous fresh market opportunities. The Group's integrated management project for the third largest oil field in Iraq has been operating smoothly for one and a half years. With high quality services, the Group was highly accoladed and supported by the customer, achieving a broad market prospect. In the domestic market, the three major oil companies actively responded to the call to significantly increase oil and gas exploration and development investment in the domestic market, and made every effort to increase the development of resources in major domestic oil and gas regions, especially natural gas development in Xinjiang in the northwest and the Sichuan shale gas development projects in the southwest, to improve oil and gas self-efficiency, reduce dependence on import, as well as ensure national energy security. Benefiting from this national development policy during the period, the Group's new orders and revenue in the domestic market, especially in the Xinjiang natural gas market, increased significantly. In the Southwest market, the Group made full use of its technological strength and brand influence to create the "equipment alliance" cooperation model. Without having to invest in new capital expenditures, the Group's market share for integrated drilling projects ranked first among private service companies. In other overseas markets, the Group achieved new breakthroughs in the Chad market in Africa during the year. In addition to the consistent winning of bids for traditional service projects, the Group successfully replicated the large-scale Iraqi oilfield management service project model, and won a contract from a new customer for integrated oilfield management projects. It proved that the Group has strong comprehensive strength in oilfield management projects, and further promoted the Group's asset-light integrated oilfield management business model in the global market.

Facing broad market opportunities, the Group continued to adhere to the operating principle of "cash flow and return on equity" as its core and achieve the high-quality growth business philosophy, proactively selected high-quality projects, and strictly followed the full-cycle management covering orders, procurement, operations and receivables collection, while continuing to strictly control capital expenditures. Throughout the year, the implementation of the Group's core operating philosophy achieved great success, and performance indicators shown new breakthroughs. In addition to the increase in revenue and profits, the Group's core operating indicator of "cash flow" has grown strongly, significantly exceeding the Group's operating budget, and has achieved positive free cash flow in the first half of the year. For the full year, it increased significantly as compared with 2018 by 450.7%, reaching RMB238.8 million, the highest in the history of the Group.

In terms of financial management, the Group proactively managed its existing debt and initiated the refinancing of its USD notes due on 5 December, 2020 one year in advance. On 2 December, 2019, the new three-year US$300 million notes due in 2022 were successfully issued and listed with a coupon rate of 7.50%. This not only eliminated in advance the liquidity risk that may be caused by the 2020 notes maturing, but also significantly reduced the coupon rate of the notes, which significantly save financial costs in the future. After the successful issuance of the notes, the Group further proactively managed financial costs and mobilized the equivalent RMB328.0 million of funds to repay some domestic short-term borrowings in advance, while retaining the unused credit facilities recovered after repayment of such borrowings ready to be utilized when in need at any time. As of 31 December, 2019, the Group had sufficient cash on hand of RMB2,422.9 million.

Results and Performance

In 2019, the Group's total revenue was RMB3,589.5 million, an increase of RMB653.6 million compared with 2018, an increase of 22.3%. The Group's operating profit was RMB719.6 million, an increase of RMB75.3 million compared with RMB644.3 million for the same period in 2018, an increase of 11.7%. Net profit was RMB282.4 million, an increase of RMB31.7 million compared with RMB250.7 million for the same period in 2018, an increase of 12.6%. Profit attributable to owners of the Company was RMB268.6 million, an increase of RMB46.2 million, an increase of 20.8% compared with RMB222.4 million of the same period in 2018. The net margin attributable to the equity holders of the Company was 7.5%, decreasing 0.1 percentage points from 7.6% for the same period in 2018.

In 2019, the Group's average turnover days of accounts receivable were 196 days, a decrease of 24 days compared to the same period last year; average inventory turnover days were 120 days, a decrease of 16 days compared to the same period last year; average payable turnover days were 80 days, a decrease of 21 days compared to the same period last year. Operating cash flow was RMB610.3 million, a significant increase of RMB190.3 million compared to RMB420.0 million of the same period last year.

Geographical Market Analysis

In 2019, revenue from the overseas market revenue was RMB1,906.1 million, an increase of RMB53.9 million or 2.9% over the RMB1,852.2 million of 2018. The overseas market accounted for 53.1% of the Group's total revenue. In the overseas markets, Iraq's market revenue was RMB1,419.8 million, an increase of RMB249.2 million or 21.3% compared with 2018's RMB1,170.6 million, accounting for 39.6% of the Group's total revenue; revenue from the other overseas markets was RMB486.3 million, a decrease of RMB195.3 million or 28.7% compared with 2018's RMB681.6 million, accounting for 13.5% of the Group's total revenue. Revenue in the domestic market was RMB1,683.4 million, an increase of RMB599.7 million or 55.3% compared with 2018's RMB1,083.7 million, accounting for 46.9% of the Group's total revenue;

Breakdown of Revenue by Market

	Twelve months ended 31 December			% of total revenue of the Group Twelve months ended 31 December	
	2019	2018	Change		
	(RMB'mn)	*(RMB'mn)*	*(%)*	***2019***	*2018*
Overseas	**1,906.1**	1,852.2	2.9%	**53.1%**	63.1%
Domestic	**1,683.4**	1,083.7	55.3%	**46.9%**	36.9%
Total	**3,589.5**	2,935.9	22.3%	**100.0%**	100.0%

Overseas Market

	Twelve months ended 31 December			% of total revenue of the Group Twelve months ended 31 December	
	2019	2018	Change		
	(RMB'mn)	*(RMB'mn)*	*(%)*	***2019***	*2018*
Iraq	**1,419.8**	1,170.6	21.3%	**39.6%**	39.9%
Other overseas markets	**486.3**	681.6	-28.7%	**13.5%**	23.2%
Total	**1,906.1**	1,852.2	2.9%	**53.1%**	63.1%

Overseas Market

In 2019, the Group's overseas market focused on the high-quality operations of the Iraqi market oilfield management projects and the development of other new projects, as well as focusing on the development of more premium overseas emerging markets. For previous projects in some overseas markets where customers had long repayment periods due to tight liquidity, the Group proactively gave up or suspended related projects based on the "cash flow-based" operating management philosophy, resulting in a decrease in the overall revenue from the other overseas markets. While proactively managing these markets, the Group has achieved important breakthroughs in the high value-added African Chad market. Not only has it continued to win conventional service projects, it has also successfully replicated Iraq's large-scale integrated oilfield management project model and won the integration oilfield management services project from a new customer. On the whole, the Group's key overseas markets have achieved healthy growth and breakthroughs, and annual revenue has increased by 2.9% compared with the same period last year.

Key overseas market – Iraqi Market

As of 31 December, 2019, the Group's large-scale integrated oilfield management project in Iraq has been running smoothly for one and a half years. With high standards and high-quality management, it has helped customers improve the efficiency of oilfield operations, receiving high praise and support from the customer. During the celebration of the first anniversary that the oilfield organized in July, the chairman of the Board and the customer conducted an in-depth discussion on the long-term operation plan of the oilfield. The service scope of the oilfield is expected to further expand. The Group will continue to maintain high-quality services to help customers achieve efficient and high-quality development. The contract has a service model of "2 + 1" (a fixed period of 2 years since formal commencement, and the two parties may choose to extend the service period by 1 year by written agreement depending on the project situation). The fixed 2-year period stipulated in the contract will expire on 1 July, 2020. Due to the Group's outstanding performance and the irreplaceable value created for the customer, the customer has issued a written confirmation to the Group in advance, confirming that the contract will be automatically renewed for one year after the expiry on 1 July, 2020. The Group is confident to continue to create value for customers and manage the project for a long time.

For other projects, the Group's operated in other oil fields with traditional competitive advantages, such as turn-key drilling projects, directional drilling and coiled tubing projects, operated smoothly and continued to gain new workload. In the fourth quarter, the Group successfully carried out pilot tests of low-modulus carbonate rock staged sand fracturing in the Halfaya oilfield. After fracturing, the daily output reached 5-10 times that of vertical wells in the same block, providing an efficient solution to fully utilize similar low-efficiency reservoirs in this oilfield, which is expected to be further promoted in the southern Iraq market in the future. Due to the customer's development plan and process adjustments, the Group's large-scale workover and completion project in the southern Iraqi oilfield will extend beyond the original contract period. The Group has renewed the contract and adjusted orders correspondingly in the fourth quarter according to contract commencement and subsequent workload. The project will continue to be carried out in 2020.

In 2019, the Company obtained a total of approximately RMB2,137.2 million of new orders in the Iraqi market, an increase of approximately 22.8% compared to RMB1,740.5 million in the same period last year; the Company recorded revenue of approximately RMB1,419.8 million, an increase of approximately 21.3% from the RMB1,170.6 million in the same period last year.

Other overseas markets – Global Emerging Markets

In 2019, under the business philosophy of comprehensively focusing on "cash flow and return on equity" as the core growth target, the Group adopted proactive business quality management in emerging markets around the world and prudently conducted the market expansion on the premise of fully safeguarding risks. During the year, the different markets in the region have experienced declines and increases. For regional markets such as Ethiopia and Kazakhstan, as the cash flow of some projects could not meet the management requirements of the Group, the Group voluntarily gave up or suspended the projects, and revenue in these markets decreased. For the premium African Chad market, the Group continued to obtain high-quality asset-light service project orders and won the bid for integrated oilfield management service projects during the year. This project is a successful replication of the large-scale integrated oilfield management service project model in Iraq, which proves the Group's strong strength and broad market prospects for promoting this type of oilfield management service project in emerging global markets. The project has successfully ignited the CPF torch in February, 2020, and officially entered into trial operation.

During the year, the Group's other overseas markets obtained a total of approximately RMB955.2 million of new orders, an increase of approximately 10.2% from RMB866.5 million of the same period last year; it recorded revenue of approximately RMB486.3 million, about 28.7% lower than the RMB681.6 million in the same period last year.

Domestic market

In 2019, the three major oil companies fully responded to the government's call to formulate a "seven-year action plan" and went all out to increase domestic oil and gas exploration and development efforts to ensure national energy security. Thanks to the rapid development of the domestic market, especially the accelerated development of the northwest Xinjiang market and the southwestern Sichuan shale gas market, the Group's business in the domestic market has achieved rapid growth.

During the year, relying on the Group's advanced high-end oil-based drilling fluids, drilling acceleration technology, coiled tubing and other superior technologies, the Group's business in the northwest Xinjiang market grew rapidly, continuously obtaining high quality project orders, and achieved significant growth in new orders as compared with 2018. In the Southwest shale gas market, the Group, as one of the only two private service companies capable of conducting integrated turnkey drilling service projects for customers, has relied on its leading technologies and brand influence in domestic unconventional resource development projects, and adopted the "equipment alliance" strategy to fully mobilize equipment resources in the industry. In the drilling qualification tenders organized by customers this year, the Group won bids for 14 teams thanks to its mobilization of industry resources, the number of teams being the highest among private oil service companies. Facing the strong market demand, the Group adheres to the comprehensive management method based on "cash flow" to ensure high-quality growth. In the whole year of 2019, the company received new orders in the domestic market of approximately RMB2,763.0 million, increasing by about 90.8% compared with RMB1,448.2 million of the same period last year, and achieving significant increase in business quality than 2018. In 2019, it has recorded revenue of approximately RMB1,683.4 million, a significant increase of 55.3% from last year's RMB1,083.7 million.

Business Cluster Analysis

In 2019, upstream capital investment increased and exploration and development was active. The Group's drilling business continued to maintain rapid growth. During the reporting period, the Group's drilling technology service cluster recorded revenue of RMB1,624.2 million, an increase of approximately 21.2% compared to the full year of 2018 and accounting for 45.2% of the Group's full-year revenue in 2019. The well completion business of the Group has also grown steadily. In 2019, revenue from the well completion cluster was RMB836.0 million, an increase of approximately 12.7% compared to the full year of 2018, accounting for 23.3% of the Group's total revenue. In terms of oil production services, the Group's large-scale integrated oilfield management project in the Iraqi market has been operating smoothly. The oil production services cluster recorded revenue of RMB1,129.3 million, an increase of approximately 32.2%, accounting for 31.5% of the Group's overall revenue.

Revenue Breakdown by Cluster

	Twelve months ended 31 December			% of total revenue Twelve months ended 31 December	
	2019	2018	Change	**2019**	2018
	(RMB'mn)	*(RMB'mn)*	*(%)*		
Drilling technology cluster	**1,624.2**	1,339.9	21.2%	**45.2%**	45.6%
Well completion cluster	**836.0**	741.8	12.7%	**23.3%**	25.3%
Oil production services cluster	**1,129.3**	854.2	32.2%	**31.5%**	29.1%
Total	**3,589.5**	2,935.9	22.3%	**100.0%**	100.0%

Drilling technology cluster

In 2019, the Group's drilling technology cluster recorded revenue of RMB1,624.2 million, an increase of 21.2% from RMB1,339.9 million in 2018. The increase in revenue of this cluster was mainly due to the increase in capital expenditures of customers for new production capacity, and the investment in new well development increased significantly.

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 shale gas market in southwest China. However, based on the proactive management of "cash flow", the Group suspended Kazakhstan-related projects whose cash flow cannot meet management requirements. During the reporting period, the revenue from integrated drilling services was RMB367.7 million, which was approximately 14.1% lower than RMB428.0 million in 2018.

2) Directional drilling services: the Group's directional drilling services have been carrying out with high quality in Iraq, Northwest China, Xinjiang, and Southwest Shale Gas, and other markets. Due to the suspension of some projects in other overseas markets by the Group, directional drilling services recorded revenue of RMB186.3 million, a decrease of approximately 9.3% from RMB205.4 million of the same period last year.

3) Drilling fluid services: the Group's oil-based muds and high-performance water-based muds serve the Group's traditional superior services in the domestic northwest Xinjiang market. During the year, the development of the northwest Xinjiang market picked up pace, and the business volume of this product line increased significantly. In 2019, the Group's drilling fluid services recorded revenue of RMB200.1 million, a significant increase of 46.6% from RMB136.5 million of the same period last year.

4) Land drilling services: in overseas, drilling projects in Iraqi and Pakistani markets operated smoothly; while drilling business in the Erdos market in China and other markets has further increased. During the reporting period, land drilling services recorded revenue of RMB366.6 million, an increase of 20.7% from RMB303.8 million of the same period last year.

5) Oilfield waste management services: in 2019, this product line has recorded revenue of RMB16.8 million, a decrease of 53.8% from last year's RMB36.4 million.

6) Drilling tool rental and services: with the increase of the overall drilling business volume, customers have maintained strong demand for drilling tools, which has promoted the substantial growth of drilling tool rental and services businesses. During the reporting period, the product line recorded revenue of RMB305.6 million, a significant increase of 158.1% from RMB118.4 million of 2018.

7) Oil production facilities inspection and evaluation services: in 2019, the demand for this product line business further expanded. During the reporting period, the product line recorded revenue of RMB169.9 million, a significant increase of 56.4% from RMB108.6 million of the same period last year.

The EBITDA of the drilling technology cluster increased from RMB624.9 million in the same period last year to RMB684.5 million in 2019, an increase of 9.5%. In 2019, the EBITDA margin was 42.1%, a decrease of 4.5 percentage points from the 46.6% of the same period last year, mainly due to the Group's cash-flow-centric operation policy, and controlling capital expenditure while having a substantial increase in business volume. For large equipment such as drilling rigs required for projects, the Group provides services to customers by cooperating with third parties. Despite sharing profits with such third parties, the Group has achieved better cash flow and higher return.

Well completion cluster

In 2019, the Group's well completion business grew steadily. During the reporting period, the revenue from the completion technology cluster was RMB836.0 million, an increase of 12.7% from last year's RMB741.8 million.

Analysis of product lines in this cluster:

1) Well completion integration: during the reporting period, the well completion integration product line maintained stable operations, and the workload was basically flat compared to the same period last year. In 2019, it recorded revenue of RMB200.4 million, a decrease of approximately 7.4% from RMB216.5 million of the same period last year.

2) Pressure pumping service: during the year, the Group mainly provided pressure pumping services to customers in the southwest shale gas market and the Erdos market. Benefiting from the overall acceleration of domestic capacity building, pressure pumping services recorded revenue of RMB274.0 million during the reporting period, a significant increase of 58.7% from RMB172.6 million of the same period last year.

3) Coiled tubing service: during the year, the Group continued to provide customers with high-quality coiled tubing services in overseas Iraqi markets, domestic northwest Xinjiang and southwest shale gas markets. Due to the decrease in other overseas market projects, in 2019, the product line recorded revenue of RMB200.8 million, a 14.4% decrease from RMB234.7 million of the same period last year.

4) Fracturing/acidizing technique and chemical materials: in 2019, the Group's low-modulus carbonated rock segmented sand fracturing technology was successfully tested in Iraq's Halfaya oil field. It is expected to be further promoted in the entire Iraqi market in the future. Domestic market operation volume is stable. During the reporting period, the product line recorded revenue of RMB47.5 million, an increase of 7.5% from RMB44.2 million of the same period last year.

5) Gravel packing service: the product line recorded revenue of RMB112.6 million in 2019, a significant increase of 52.6% from RMB73.8 million in the same period last year.

The EBITDA of the well completion cluster increased from RMB329.3 million in the same period last year to RMB352.2 million in 2019, an increase of 7.0%. In 2019, the EBITDA margin was 42.1%, a decrease of 2.3 percentage points from the 44.4% of the same period last year, mainly due to the Group taking consideration of cash flow and reducing some projects in overseas emerging markets with higher profit margins but a poor cash flow outlook, while the dramatically increasing domestic market pressure pumping projects with relatively low profit margins.

Production services cluster

In 2019, the revenue of the production services cluster was RMB1,129.3 million, an increase of 32.2% from RMB854.2 million in the same period last year. The Majnoon oilfield, whose management the Group took over in the Iraqi market, maintained high-quality operations during the year. In addition, the Group has secured new orders for integrated oilfield management services in the African Chad market. It has been successfully put into trial production in February 2020, and will contribute towards stable growth of the cluster in the future.

Analysis of product lines in this cluster:

1) Production operation service: in 2019, the integrated oilfield management service project undertaken by the Group for the large-scale oilfield in southern Iraq, the Majnoon oilfield, maintained stable operation. Since the formal takeover of the oilfield management on July 1, 2018, the Group has smoothly operated the oilfield for more than one and a half years, the oilfield operations have been carried out in an orderly manner, and the production capacity has gradually increased. The Group has also received high praise from customers. Besides, the Group successfully won the bid for oilfield management projects in the African Chad market. During the reporting period, production operation services recorded revenue of RMB788.5 million, an increase of 30.3% from RMB605.1 million of the same period last year;

2) Workover service: during the reporting period, affected by adjustments to customer operation plans in some regional markets, this product line recorded revenue of RMB283.2 million, an increase of 31.8% from RMB214.8 million of the same period last year;

3) Oil tubing and casing and anti-corrosion technology：during the reporting period, the product line recorded revenue of RMB57.6 million, a significant increase of 67.9% from RMB34.3 million of the same period last year;

The EBITDA of the production services cluster increased from RMB360.8 million in the same period last year to RMB468.7 million in 2019, an increase of 29.9%. The EBITDA margin of the cluster in 2019 was 41.5%, which was a 0.7 percentage point decrease from the 42.2% of last year. The decline in the EBITDA of the cluster was mainly due to increased revenue contribution from large oilfield management projects during the year, and that the margin of these projects is slightly lower than previous service projects, but such projects are "asset-light" management projects, thus the Group does not need capital expenditure, and the projects have a stable and positive free cash flow, which contribute to better project returns and cash inflows for the Group.

Strategic Resources Alignment

In 2019, although the overall business volume of the Group has increased significantly, it continued to strictly control its new capital expenditures in accordance with the requirements of the "asset-light" business model and the comprehensive management control requirements with "cash flow" as its core. Non-essential investment requirements are met by leasing or allocating resources from partners. The annual net capital expenditure of RMB101.9 million was much lower than the budget set by the Group, and an increase of 3.8% compared to the RMB98.2 million in 2018.

Alignment of Investment

In 2019, the Group continued to strictly control its investment while the market has grown significantly. During the year, the investment was mainly used to supplement the equipment for projects under execution.

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

In 2019, the Group focused on the practical needs of customers to increase production and reduce costs, carried out improvements and innovations in related technologies or tools, and promoted the optimization and upgrade of the Group's products through technical cooperation. In 2019, the Group's R&D investment amounted to RMB51.7 million, an increase of 84.6% from last year's RMB28.0 million. Key R&D pipelines include:

– Development and application of auxiliary tools for high-end production and completion

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

– Development of auxiliary technology for volume fracturing

– Phase II of automatic fluid control technique and technologies research project

– R&D of drilling acceleration technology

– Development of a new demulsifier

Alignment of Human Resources

In 2019, the Group continued to focus on strategic development goals and promote the all-round development of talents. At the same time, the Group further improved the incentive mechanism and launched a restricted share award plan to bind the interests of employees with the interests of shareholders, and encourage employees to create value for the growth of the Group's business. Major human resource developments in 2019 include:

– In 2019, the Group continued to promote the internationalization, professionalization, and informatization of talents. At the same time, the Group continued to implement the project-based employee policy to ensure the efficient operation of the project, and give full play to the efficiency of talents. In 2019, the number of employees of the Group increased by 286 people compared with 2018. As of 31 December, 2019, the number of employees of the Group was 4,326, among which 2,179 were overseas employees, accounting for 50.4% of the total number of employees in the Group.

– The Group adopted the restricted share award scheme (the "Scheme"). The Board has resolved on 30 December 2019 to adopt the Scheme. The Scheme forms one of the Company's employee share schemes. The Company's employee share schemes include the share option scheme adopted in the past, the scheme currently adopted and the scheme for employees to purchase Company's shares with their own funds. The purpose for setting up multiple employee share schemes is to (i) establish a partnership mechanism through employee shareholding in the Company to encourage employees to participate in the operation and management of the Company, so as to optimize its corporate governance structure and create a new form of partnership platform; (ii) align the interests of employees with that of the shareholders so as to form a entrepreneurship and sharing culture atmosphere, encourage employees to participate in building a common community, create value, share achievements, actively promote the growth and development of the Company and achieve an ultimate win-win target for the Company, employees and investors. The Scheme is part of the Company's remuneration system. The Company will, based on its assessment on the industry situation, its business development and other related matters, allocate a relevant amount from its overall remuneration budget every year and entrust a trustee to purchase shares on the secondary market, and then distribute such shares to employees through the employee shareholding platform according to their contribution towards the business development and performance growth of the Group. According to general market practice, the Scheme will have in place relevant restrictive requirements, including performance appraisal, lock-up period and other requirements to reflect the awards for value creation and to encourage employees to hold the shares on a long-term basis. The limited of the number of Shares that may be granted under the Scheme is 10% of the total number of issued shares of the Company as of the approval date of the Scheme, and the Scheme will be valid and effective for a period of ten years, which will be gradually implemented by purchasing Shares on the secondary market.

– The Group promoted the corporate culture of "strive under difficulties spirit" and encouraged all employees to not to be afraid of difficulties and hardships, and to go deep into the front line to give full play to the talent competitiveness as a Chinese company in emerging markets around the world.

– The Group cultivated the core values of "learning and innovation". The Group encourages all employees to learn from the outside, innovate in technology and management, and create a culture of learning and innovation.

Outlook

In the first quarter of 2020, the novel coronavirus epidemic spreads around the globe, which greatly affected the global economic growth. Despite this, due to the failure of achieving an agreement of production cut between OPEC and Russia, Saudi Arabia announced a sharp cut of sales price of crude oil and a plan of huge raise in production. Global oil price slumped immediately after such change, and the global oil and gas industry entered to a new round of severe challenge. The Group regards this overlap and dual influence of global recession and running of low oil price would largely increase the uncertainty in the market, and lead to higher risks of business operation. Under such arduous market circumstances, the Group will continuously and more firmly execute its operating and management principle of taking "cash flow" and "ROE" as the core, increase its capital turnover, tighten the control of capital expenditure and lower its costs through every measure. It would vigorously advance its information management reform to improve the management efficiency, and meanwhile promotes the execution of the restricted stock incentive plan to make higher consistency of interests between the Group and its employees and encourage the staffs to proactively grow together with Group, continuous strive for best results, tackling the difficulties altogether and actively pursuing new breakthroughs, to ride out the industry downturn.

In terms of markets, in the Iraqi market, the Group will continue to provide customers with integrated management services in the Majnoon oilfield to help customers quickly expand production capacity while keep a close contact with customers. The Group has received written confirmation from the customer in advance that it will automatically renew the 2-year contract after its expiry on 1 July, 2020 for one year. The Group is confident to rely on its quality management to continue to create value for customers and strive to provide long-term and continuous management services for the oilfield. In addition, the Group will continue to vigorously promote the integrated oilfield management services, and endeavours to make new breakthroughs in the Iraqi market; in other overseas markets, the Group will further control risks, and while ensuring financial security, strengthen cooperation with the Belt and Road policy financial institutions, and seek more opportunities to cooperate with international oil companies and national oil companies, make full use of the successful experience of oilfield management projects on hand, strive for more project orders related to customers' routine operational expenditure, and achieve diversified business development. In the domestic market, the Group will continue to fully cooperate with customers' needs, give full play to its technological advantages in the oil and gas development market, especially the natural gas market and unconventional energy markets, and provide high-end high-quality comprehensive integrated technical services to help customers quickly increase production capacity and maximize their oil and gas resource value.

In terms of product, technology and service capabilities, the Group will promote the construction of the full-round products system centred along geological engineering service and provide the customers with precise technical services which combined the geology research and engineering services to help customers develop the reservoir accurately and efficiently. While focusing on the development of oilfield management services and oilfield technology services as two major industries, it is also actively developing two small businesses but high in terms of return on capital: inspection and asset leasing services.

In terms of strategic resources alignment, with positive free cash flow and high return on equity as its core goals, we will resolutely put an end to inefficient investments and achieve the optimal allocation of resources. In terms of technology, in response to customers' needs for efficient development of resources, we shall independently research and develop geo-technology-focused sweet-spot-finding technologies and oilfield management technologies, and combine these technologies with engineering services to improve engineering efficiency by technical means in terms of conventional equipment, we will continue to adhere to the "asset-light" operating model to achieve a higher return on equity, strictly control capital expenditures, and meet the business demands for equipment and assets by leasing and outward cooperation.

In terms of human resources, a partnership sharing mechanism has been established. Employee shareholding plans have been adopted to encourage employees to fully participate in corporate governance and maximize their incentives. In 2020, the Group plans to actively implement the plan.

In terms of finance, we will continue to focus on the operational management core on free cash flow and return on equity, and pursue long term high-quality high-speed growth. We will strengthen our cooperation with financial institutions such as commercial banks, and while ensuring sufficient liquidity, and continue to obtain positive free cash flow through the improvement of business quality and operating efficiency.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2019 was RMB3,589.5 million, an increase of RMB653.6 million or 22.3% from RMB2,935.9 million in the same period in 2018. The increase in the Group's operating income was mainly due to the substantial growth in the domestic business under a market environment in which China is fully promoting oil and gas development, and the growth of oilfield management business in the Iraqi market.

Cost of Sales

Cost of sales increased from RMB1,821.6 million in 2018 to RMB2,308.0 million in 2019, an increase of 26.7%, mainly due to the increase in revenue.

Other Gains, Net

Other gains decreased from RMB11.9 million in 2018 to RMB0.2 million in 2019, a decrease of 98.3%.

Impairment Loss of Financial Assets

The impairment loss of financial assets increased from RMB75.2 million in 2018 to RMB87.7 million in 2019, an increase of 16.6%, mainly due to the increase in the impairment provision for other receivables under the ECL model.

Selling Expenses

Selling expenses in 2019 were RMB193.3 million, an increase of RMB22.1 million, or 12.9%, from RMB171.2 million in 2018, which was mainly due to the increased sales activities as a result of the recovery in the market and the growth of the Group's business.

Administrative Expenses

Administrative expenses in 2019 were RMB215.4 million, an increase of RMB18.2 million, or 9.2%, from RMB197.2 million in 2018, mainly due to the increased labor costs of the Group as the business grew. However, by strengthening control in various expenditures, the increase in administrative expenses is within the controllable range.

R&D Expenses

R&D expenses in 2019 were RMB51.7 million, an increase of RMB23.7 million, or 84.6%, from RMB28.0 million in 2018.

Sales Tax and Surcharges

Sales tax and surcharges in 2019 were RMB14.0 million, representing an increase of RMB3.7 million, or 35.9%, from RMB10.3 million in 2018, which was mainly due to the growth in business of the Group.

Operating Profit

As the result of the foregoing, the operating profit in 2019 was RMB719.6 million, an increase of RMB75.3 million, or 11.7%, from RMB644.3 million in 2018. The operating profit margin in 2019 was 20.0%, a decrease of 1.9 percentage points from 21.9% in 2018, which was mainly due to the Group's pursuit of high-cash-flow and high-ROE projects under the "asset-light" business model. Through cooperation with third parties to provide related project services with heavy asset requirements, the profit margin under this business model has been slightly lower than before, but due to the substantial increase in group revenue, the operating profit still increased significantly.

Net Finance Costs

In 2019, net financial costs were RMB295.1 million, a decrease of approximately RMB2.4 million as compared to RMB297.5 million in 2018.

Income Tax Expense

In 2019, income tax expenses were RMB142.8 million, an increase of RMB46.4 million from RMB96.4 million in 2018, which was mainly due to the increase in operating profit of the Group.

Profit for the Year

Based on the above, the Group's profit for the year of 2019 was RMB282.4 million, an increase of RMB31.7 million, or 12.6%, compared to RMB250.7 million in 2018.

Profit Attributable to the Owners of the Company

In 2019, the Group's profit attributable to owners of the Company was RMB268.6 million, an increase of RMB46.2 million compared to 2018.

Trade and Notes Receivables

As of 31 December, 2019, the Group's net trade and notes receivables were RMB2,200.2 million, an increase of RMB252.2 million from that of 31 December, 2018. The average turnover of trade receivables during the year was 196 days, a decrease of 24 days from 2018, which was mainly due to the Group's enhanced cash flow management and increased collection of trade receivables.

Inventories

As of 31 December, 2019, inventory of the Group was RMB765.5 million, a decrease of RMB8.9 million as compared to 31 December, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December, 2019, the Group's cash and bank deposits were approximately RMB2,791.6 million, including: restricted bank deposits, term deposits with initial terms of over three months as well as cash and cash equivalents, an increase of RMB1,774.0 million compared with 31 December, 2018.

The outstanding short-term borrowings of the Group as at 31 December, 2019 were approximately RMB497.7 million. The undrawn credit facilities granted by domestic banks to the Group was RMB705.5 million.

As at 31 December, 2019, the Group's gearing ratio was 67.0%, an increase of 7.3 percentage points from 59.7% as at 31 December, 2018. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds and trade and notes payables, as shown in the consolidated statement of financial position. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total borrowings.

The equity attributable to owners of the Company increased from RMB2,645.9 million as of 31 December, 2018 to RMB2,902.2 million as of 31 December, 2019.

ACQUISITION AND SALE OF MAJOR SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the twelve months ended 31 December 2019, the Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures.

EXCHANGE RISK

The Group mainly uses RMB and USD as its operating currency 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. Any fluctuations in RMB exchange rate against USD may have a negative impact on the Group's operating results and financial position.

CASH FLOW FROM OPERATING ACTIVITIES

For the twelve months ended 31 December, 2019, the Group's cash flow from operating activities for the year was a net inflow of RMB610.3 million, RMB190.3 million more than the same period in 2018, which was mainly due to the Group's strict cash flow management policy, which increased the amount of trade receivables collected, strengthened inventory management, and improved inventory turnover.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's net capital expenditure for the full year of 2019 was RMB101.9 million, of which fixed assets investment was RMB64.7 million and investment in intangible assets was RMB35.2 million.

CONTRACTUAL LIABILITY

The Group's contractual commitments mainly include the Group's capital commitments. The capital commitment (but no provision has been made on the balance sheet) of the Group as at 31 December, 2019 was approximately RMB71.1 million.

CONTINGENT LIABILITIES

As at 31 December, 2019, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December, 2019, the Group's assets used for bank financing collaterals include property, plant, machinery and equipment with a net book value of RMB388.1 million, right-to-use assets with a net book value of RMB5.7 million, trade receivables with a net book value of RMB548.4 million and term deposits with a net book value of RMB10.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December, 2019, the Group did not have any off-balance sheet arrangement.

FINAL DIVIDENDS

In consideration of the impact on global economy by the outbreak of COVID-19 coronavirus, and the market uncertainty caused by recent plunge in oil price, it would be crucial for the Group to keep adequate liquidity. Thus, At the Board meeting held on 22 March 2020, the Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB0.01 per Share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 25 May, 2020 (Monday), while the notice convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May, 2020 (Wednesday) to 25 May, 2020 (Monday), both days inclusive, during which period no share transfers will be registered. In order to be eligible for attending and voting at the 2020 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 19, 2020 (Tuesday).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") under Appendix 14 to the Listing Rules during the year ended 31 December, 2019.

DIRECTOR'S SECURITIES TRANSACTIONS

The directors (the "Directors") of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all Directors have fully complied with the relevant requirements stipulated in the above-mentioned rules during the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

On 2 December, 2019, the Company issued US$300 million 7.50% senior notes due in 2022 (the "**Notes**"). The Notes are listed on the Stock Exchange.

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December, 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of all the independent non-executive directors of the Company, namely Mr. Zhu Xiaoping, Mr. Zhang Yongyi and Dato Wee Yiaw Hin. The chairman of the Audit Committee is Mr. Zhu Xiaoping.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the impact of the COVID-19 coronavirus outbreak, the Company's auditors have not fully complete the auditing process for the annual results for the year ended 31 December, 2019. while in order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, after discussion with the auditor, the Board decides to publish the unaudited annual results announcement of the Company for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018 on the planned date of announcement first. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December, 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 31 March, 2020.

PUBLICATION OF ANNUAL REPORTS

This unaudited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.antonoil.com). The annual report of the Company for the year ended 31 December, 2019 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 22 March, 2020

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