ANTON 安東

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Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

Revenue of the Group dropped 22.6% from RMB1,112.4 million in the same period of 2014 to RMB861.5 million in the first half of 2015. Profit attributable to equity holders of the Company decreased by 369.3% from a profit of RMB27.4 million in the same period of 2014 to a loss of RMB73.8 million for the first half of 2015.

RESULTS

The board of directors (the "Board") of Anton Oilfield Services Group (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 (hereinafter referred to as "the first half of the year", "during the period under review" or "during the reporting period") with comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2015
(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2015** *(Unaudited)*	As at 31 December 2014 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,364,821**	2,293,382
Land use rights		**60,276**	61,049
Intangible assets		**404,632**	392,389
Investment in joint ventures		**4,000**	5,042
Prepayments and other receivables		**104,082**	37,194
Other non-current assets		**60,405**	88,555
Deferred income tax assets		**62,157**	57,341
		3,060,373	2,934,952
Current assets			
Inventories		**900,964**	709,707
Trade and notes receivables	6	**1,342,920**	1,588,170
Prepayments and other receivables		**442,756**	418,267
Restricted bank deposits		**160,366**	72,310
Term deposits with initial terms of over three months		**9,010**	8,010
Cash and cash equivalents		**265,087**	759,751
		3,121,103	3,556,215
Total assets		**6,181,476**	6,491,167

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED) AS AT 30 JUNE 2015

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2015** *(Unaudited)*	As at 31 December 2014 *(Audited)*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**208,805**	206,879
Reserves		**1,792,612**	1,847,012
		2,001,417	2,053,891
Non-controlling interests		**81,312**	94,865
Total equity		**2,082,729**	2,148,756
LIABILITIES			
Non-current liabilities			
Long-term bonds		**1,687,241**	1,696,519
Deferred income tax liabilities		**3,968**	3,968
		1,691,209	1,700,487
Current liabilities			
Short-term borrowings		**696,400**	693,912
Current portion of long-term bonds		**—**	299,583
Trade and notes payables	7	**783,386**	694,753
Accruals and other payables		**881,969**	907,787
Current income tax liabilities		**45,783**	45,889
		2,407,538	2,641,924
Total liabilities		**4,098,747**	4,342,411
Total equity and liabilities		**6,181,476**	6,491,167
Net current assets		**713,565**	914,291
Total assets less current liabilities		**3,773,938**	3,849,243

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(Amounts expressed in thousands of RMB except per share data)

		Six months ended 30 June	
		2015	2014
	Note	***(Unaudited)***	*(Unaudited)*
Revenue	8	**861,540**	1,112,359
Cost of sales		**(624,981)**	(691,193)
Gross profit		**236,559**	421,166
Other gains, net		**13,835**	2,868
Selling expenses		**(72,031)**	(82,923)
Administrative expenses		**(129,078)**	(137,663)
Research and development expenses		**(9,237)**	(22,832)
Sales tax and surcharges		**(7,574)**	(11,607)
Operating profit	9	**32,474**	169,009
Interest income	10	**3,514**	11,235
Finance expenses	10	**(98,632)**	(100,047)
Finance costs, net	10	**(95,118)**	(88,812)
Share of loss of joint ventures		**(1,042)**	(5,053)
(Loss)/profit before income tax		**(63,686)**	75,144
Income tax expense	11	**(12,403)**	(43,077)
(Loss)/profit for the period		**(76,089)**	32,067
(Loss)/profit attributable to:			
Equity holders of the Company		**(73,786)**	27,395
Non-controlling interests		**(2,303)**	4,672
		(76,089)	32,067
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company (expressed in RMB per share)			
- basic	12	**(0.0333)**	0.0125
- diluted	12	**(0.0333)**	0.0123
Dividends	13	**—**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
(Loss)/profit for the period	**(76,089)**	32,067
Other comprehensive (loss)/income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,104)**	4,942
Other comprehensive (loss)/income for the period, net of tax	**(1,104)**	4,942
Total comprehensive (loss)/income for the period	**(77,193)**	37,009
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(74,890)**	32,337
Non-controlling interests	**(2,303)**	4,672
	(77,193)	37,009

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(32,450)**	(433,553)
Net cash used in investing activities	**(168,720)**	(229,465)
Net cash used in financing activities	**(296,663)**	(58,979)
Net decrease in cash and cash equivalents	**(497,833)**	(721,997)
Cash and cash equivalents, at beginning of the period	**759,751**	1,770,155
Exchange gain/(loss) on cash and cash equivalents	**3,169**	(5,623)
Cash and cash equivalents at end of the period	**265,087**	1,042,535

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2015

(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, the Cayman Islands.

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

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

This unaudited condensed consolidated interim financial information was approved for issue by the board of directors on 25 August 2015.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

4. ESTIMATES

The preparation of condensed consoldiated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, 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 that applied to the consolidated financial statements for the year ended 31 December 2014, expect for the following:

- Change in accounting estimate

  Useful lives of the Group's assets are subject to regular review by management. Prior to 2015, certain intangible assets, mainly comprising patents and computer software, were amortised at the estimated useful lives of 3 to 8 years and 5 years respectively. After a review, as these assets are still generating economic benefits to the Group, management has determined that the estimated useful lives of these assets are extended to 10 years with effect from 1 January 2015.

  The effect of extension has been applied on a prospective basis. As a result of this change, amortisation for the period has been reduced by approximately RMB 5,128,000 and is expected to be reduced by approximately RMB 10,367,000 for the full year.

5. SEGMENT INFORMATION

The chief executive officer, executive vice presidents and directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the chief operating decision-makers 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 chief operating decision makers 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 chief operating decision-makers.

The chief operating decision-makers assess performance of four reportable segments: drilling technology, well completion, down-hole operation and tubular services.

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. The chief operating decision-makers evaluate the performance of the operating segments based on profit or loss before income tax, depreciation and amortisation, interest income, finance expenses and share of loss of joint ventures ("EBITDA"). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarter of the Group.

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
Six months ended 30 June 2015 (Unaudited)					
Revenue	**219,376**	**129,405**	**402,798**	**109,961**	**861,540**
EBITDA	**58,781**	**28,070**	**128,679**	**35,767**	**251,297**
Depreciation and amortisation	**(24,006)**	**(8,472)**	**(50,375)**	**(12,395)**	**(95,248)**
Interest income	**3**	**251**	**26**	**266**	**546**
Finance expenses	**(901)**	**(23)**	**(823)**	**(1,271)**	**(3,018)**
Share of loss of joint ventures	**(1,042)**	**—**	**—**	**—**	**(1,042)**
Income tax expense	**(2,571)**	**(89)**	**(7,356)**	**(2,387)**	**(12,403)**
Six months ended 30 June 2014 (Unaudited)					
Revenue	284,772	262,647	450,318	114,622	1,112,359
EBITDA	61,945	75,418	256,590	66,892	460,845
Depreciation and amortisation	(28,906)	(9,017)	(37,997)	(14,782)	(90,702)
Interest income	2	11	16	87	116
Finance expenses	(1,133)	(1,813)	(271)	(298)	(3,515)
Share of loss of joint ventures	(5,053)	—	—	—	(5,053)
Income tax expense	(2,395)	(2,942)	(29,218)	(8,522)	(43,077)
As at 30 June 2015 (Unaudited)					
Total assets	**1,252,748**	**1,077,804**	**1,961,793**	**556,651**	**4,848,996**
Total assets include:					
Investments in joint ventures	**—**	**—**	**—**	**4,000**	**4,000**
Capital expenditures	**132,224**	**8,340**	**32,331**	**41,426**	**214,321**
As at 31 December 2014 (Audited)					
Total assets	944,159	1,021,897	1,946,867	631,641	4,544,564
Total assets include:					
Investments in joint ventures	1,042	—	—	4,000	5,042
Capital expenditures	468,967	71,310	352,800	219,243	1,112,320

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	**251,297**	460,845
Corporate overheads	**(216,221)**	(286,547)
Depreciation	**(85,707)**	(76,397)
Amortisation	**(9,541)**	(14,305)
Interest income	**546**	116
Finance expenses	**(3,018)**	(3,515)
Share of loss of joint ventures	**(1,042)**	(5,053)
(Loss)/profit before income tax	**(63,686)**	75,144

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

	As at 30 June 2015	As at 31 December 2014
	(Unaudited)	*(Audited)*
Assets for reportable segments	**4,848,996**	4,544,564
Corporate assets for general management	**1,332,480**	1,946,603
Total assets per balance sheet	**6,181,476**	6,491,167

Geographical Information

	Revenue		Non-current assets	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2015	2014	**2015**	2014
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
PRC	**472,545**	804,927	**2,579,832**	2,616,340
Iraq	**281,683**	230,616	**395,641**	235,675
Other countries	**107,312**	76,816	**84,900**	82,937
Total	**861,540**	1,112,359	**3,060,373**	2,934,952

Client Information

During the period, revenues of approximately RMB249,753,000 (six months ended 30 June 2014: RMB304,160,000) are derived from two (six months ended 30 June 2014: two) external customers, which contributed 16.8% and 12.2% to the total revenue, respectively (six months ended 30 June 2014: 13.9% and 13.4%). These revenues are mainly attributable to drilling technology, down-hole operation, and tubular services segments.

6. TRADE AND NOTES RECEIVABLES

	As at 30 June 2015	As at 31 December 2014
	(Unaudited)	*(Audited)*
Trade receivables, net (a)		
- related parties	**11,296**	43,364
- others	**1,298,203**	1,411,602
	1,309,499	1,454,966
Notes receivables (c)	**33,421**	133,204
	1,342,920	1,588,170

Note:

(a) Ageing analysis:

	As at 30 June 2015	As at 31 December 2014
	(Unaudited)	*(Audited)*
Within 6 months	**817,016**	1,046,838
6 months - 1 year	**321,520**	175,383
1 - 2 years	**124,590**	219,231
2 - 3 years	**36,550**	21,583
Over 3 years	**31,814**	13,922
	1,331,490	1,476,957
Less: Impairment of receivables	**(21,991)**	(21,991)
Trade receivables, net	**1,309,499**	1,454,966

(b) Most of the trade receivables are with credit terms ranging from 5 days to 2 months, except for retention money which would be collected one year after the completion of the sales. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above.

(c) Notes receivable are bank acceptance with maturity dates within six months.

7. TRADE AND NOTES PAYABLES

	As at 30 June 2015 *(Unaudited)*	As at 31 December 2014 *(Audited)*
Trade payables (a)		
- related parties	**40,819**	38,445
- others	**716,972**	592,294
	757,791	630,739
Notes payables	**25,595**	64,014
	783,386	694,753

Note:

(a) Ageing analysis:

	As at 30 June 2015 *(Unaudited)*	As at 31 December 2014 *(Audited)*
Less than 1 year	**678,120**	510,958
1 - 2 years	**69,351**	107,630
2 - 3 years	**2,791**	4,500
Over 3 years	**7,529**	7,651
	757,791	630,739

8. REVENUE

	Six months ended 30 June	
	2015 *(Unaudited)*	2014 *(Unaudited)*
Sales of goods	**121,283**	93,102
Provision of services	**740,257**	1,019,257
	861,540	1,112,359

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
Materials and services	**371,050**	464,506
Staff costs		
- Salaries and other staff expenses	**200,767**	176,408
- Share-based compensation	**10,076**	12,908
Depreciation	**86,229**	76,735
Amortisation	**9,924**	15,205
Sales tax and surcharges	**7,574**	11,607
Other operating expenses	**157,281**	188,849
In which: - Reversal for impairment of receivables	**—**	(334)
- Loss on disposal of property, plant and equipment	**350**	18
Total operating costs	**842,901**	946,218

10. FINANCE COSTS, NET

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
Interest expenses on:		
- short-term bank borrowings	**(23,777)**	(14,161)
- long-term bonds	**(76,295)**	(77,645)
	(100,072)	(91,806)
Exchange gains/(losses), net	**4,273**	(10,566)
Others	**(2,833)**	(2,192)
Finance expenses	**(98,632)**	(104,564)
Less: amounts capitalised on qualifying assets	**—**	(4,517)
Total finance expenses	**(98,632)**	(100,047)
Interest income	**3,514**	11,235
	(95,118)	(88,812)

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
Current income tax		
- PRC	**1,314**	24,156
- Other	**15,905**	16,814
Deferred income tax	**(4,816)**	2,107
	12,403	43,077

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% (2014:25%), except that certain subsidiaries which are taxed at preferential tax rates of 10% or 15%.

The subsidiaries established overseas are subject to the prevailing rates of the countries they located. The statutory income tax is assessed on an individual entity basis, based on their results of operations.

12. (LOSS)/EARNINGS PER SHARE

(a) **Basic**

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(73,786)**	27,395
Weighted average number of ordinary shares in issue (thousands of shares)	**2,217,031**	2,197,609
Basic (loss)/earnings per share (expressed in RMB per share)	**(0.0333)**	0.0125

(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. The only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January 2015 to 30 June 2015) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

During the six months ended 30 June 2015, the Group made a loss therefore the effect of share options were anti-dilutive and are ignored from the calculation of diluted loss per share.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(73,786)**	27,395
Weighted average number of ordinary shares in issue (thousands of shares)	**2,217,031**	2,197,609
Adjustments for assumed conversion of share options (thousands of shares)	**—**	31,562
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,217,031**	2,229,171
Diluted (loss)/earnings per share (expressed in RMB per share)	**(0.0333)**	0.0123

13. DIVIDENDS

On 29 May 2014, upon the approval from the annual general meeting of the shareholders, the Company declared 2013 final dividend of RMB0.0547 per ordinary share, totaling RMB122,468,000, which was paid in cash in June 2014.

Dividend was not declared in respect of the financial year 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, domestic clients slowed the pace of capital expenditure on upstream exploration and development due to the implications of the global oil price. Growth was lackluster across some regional markets. The Group saw sluggish progress on some of its engineering jobs as a result of delayed execution in the first quarter. In the second quarter, projects under various product lines commenced sequentially. Total engineering volume recovered and gradually stabilized. Meanwhile, oil companies' demand for oil and gas production rebounded. The domestic market marched fully with pilots of unconventional technologies and methods. The demand for harnessing unconventional oil and gas development solutions to tackle old wells and conventional oil and gas resources further intensified. The Group fully leveraged its pre-established and featured technical advantages on natural gas and unconventional resources to actively participate in and win many projects of tight oil and gas and shale gas. It also made new progress in the coal-bed methane segment. In addition, recognizing the needs of domestic oil companies for further market-oriented reform and service outsourcing in order to become cost-efficient and focus on their main business, the Group seized the reform opportunities and drew upon its strong brand image as the best independent engineering technology partner in China, actively adapted and took on services aligned with its main business to serve as a partner for state-owned enterprises looking to reinvent on a more profound level. This in turn laid a foundation for the leap-frog growth of the Group's business and enhancement of its market position.

In overseas markets, the international oil market in general showed weaknesses, but the Middle East held up strong. In such market environment, oil companies became more cost-conscious about project development, which enabled Chinese service providers with solid and affordable services to compete fully against their multinational counterparts. Under such market circumstances, the Group leveraged its strong brand as the best Chinese partner and quickened the pace of displacing the market shares of international oil service providers in regions where Chinese companies enjoyed systemic advantages in order to quickly grow its overseas revenue streams. In the first half of 2015, the Group moved beyond the "follow-up strategy" on its overseas business. In Iraq, the Group conducted meaningful cooperation with international oil companies and received long-term orders. In South America, the Group gained solid growth on its featured offerings and achieved remarkable progress on new market and customer acquisition. In Central Asia and Africa, the

Group followed Chinese investors into Ethiopia and secured large service orders without heavy asset commitment. Overall, in the first half of 2015, the Group had a smooth run of its overseas projects and its order book expanded significantly, paving the way for even broader expansion of its overseas business.

In the first half of 2015, the Group recorded RMB861.5 million in revenue, a decline of RMB250.9 million or 22.6% from RMB1,112.4 million in the same period of 2014. The major year-on-year drop in revenue was mainly the result of reduced capital spending from customers and project delays.

In the first half of 2015, the Group's operating profit was RMB32.5 million, a decrease of RMB136.5 million, or 80.8%, from RMB169.0 million in the same period of 2014. A net loss of RMB76.1 million was recorded, which was RMB108.2 million, or 337.1% below the profit of RMB32.1 million in the same period of 2014. Loss attributable to equity holders of the Company was RMB73.8 million, RMB101.2 million, or 369.3%, below the net profit of RMB27.4 million in the same period of 2014. The margin of net profit attributable to equity holders of the Company was -8.6%, a decrease of 11.1 percentage points, from 2.5% in the same period of 2014. The margin squeeze was due to intensified competition and downward pricing pressure. During the reporting period, the Group recognized the market situation and adapted swiftly by fully enforcing cost controls. For the six months ended 30 June 2015, cost-cutting measures already showed initial results. Profit decline was reversed and loss narrowed compared with the second half of 2014.

In the first half of 2015, the Group tightened the recovery of trade receivables and curbed the further increase of trade receivable days in response to the challenging home market. For the six months ended 30 June 2015, the Group's average trade receivables turnover days were 274 days, up 51 days as compared with the same period last year. The average inventory turnover days were 232 days, up 83 days as compared with the same period last year. Average accounts payable turnover days was 200 days, up 37 days as compared with the same period last year. Cash flow from operating activities was RMB-32.5 million, up RMB401.1 million compared with RMB-433.6 million in the same period last year.

Geographical Market Analysis

In the first half of 2015, revenue generated from the domestic markets reached RMB472.5 million, representing a decrease of RMB332.4 million or 41.3% from RMB804.9 million in the first half of 2014, and accounting for 54.8% of the Group's total revenue. Revenue from the overseas markets reached RMB389.0 million, an increase of RMB81.5 million or 26.5% from RMB307.5 million in the first half of 2014, and accounting for 45.2% of the Group's total revenue.

Revenue Breakdown of Domestic and Overseas Markets

	Six months ended 30 June		Change	Revenue from the respective market as a percentage of revenue Six months ended 30 June	
	2015	2014	(%)	**2015**	2014
	(RMB million)	*(RMB million)*			
Domestic	**472.5**	804.9	-41.3%	**54.8%**	72.4%
Overseas	**389.0**	307.5	26.5%	**45.2%**	27.6%
Total	**861.5**	1,112.4	-22.6%	**100.0%**	100.0%

Revenue Analysis of Domestic Markets

	Six months ended 30 June		Change	Revenue from the respective market as a percentage of domestic revenue Six months ended 30 June	
	2015	2014	(%)	**2015**	2014
	(RMB million)	*(RMB million)*			
Northwest China	**223.2**	360.1	-38.0%	**47.2%**	44.7%
North China	**108.6**	326.9	-66.8%	**23.0%**	40.6%
Southwest China	**95.5**	44.8	113.2%	**20.2%**	5.6%
Northeast China & all other domestic regions	**45.2**	73.1	-38.2%	**9.6%**	9.1%
Total	**472.5**	804.9	-41.3%	**100.0%**	100.0%

Revenue Analysis of Overseas Markets

	Six months ended 30 June		Change	Revenue from the respective market as a percentage of overseas revenue Six months ended 30 June	
	2015	2014	(%)	**2015**	2014
	(RMB million)	*(RMB million)*			
Middle East	**286.3**	233.2	22.8%	**73.6%**	75.8%
Americas	**40.2**	38.4	4.7%	**10.3%**	12.5%
Central Asia	**30.6**	29.9	2.3%	**7.9%**	9.7%
Africa	**31.9**	6.0	431.7%	**8.2%**	2.0%
Total	**389.0**	307.5	26.5%	**100.0%**	100.0%

Domestic Markets

In the first half of 2015, the effects of capital spending cuts of oil companies started to materialize. Growth was subdued in some regional markets. Recognizing the macro environment, the Group seized the opportunity of pilot development of old oilfields with unconventional technologies and approaches. Through pre-established technological advantages, the Group increased its market share. Meanwhile, facing the opportunity for reform of Chinese state-owned oil companies, the Group leveraged its positioning as the best independent engineering technology partner in China, engaged proactively to undertake projects pertinent to the Group's core business and to serve as a preferred partner for the state-owned enterprises undergoing deeper reform. This laid a foundation for the leap-frog growth of the Group's business scale and enhancement of its market influence.

*Major Business Developments in the Domestic Market*s

- In Northwest China, investment slowed and revenue decreased in the Tarim Basin; workover business as part of the reinvention of old oilfields grew remarkably and generated stable incomes in the Turpan and Hami areas; tight oil pilot development in the Junggar Basin unveiled new opportunities and filled up the order book quickly. If the pilot projects turn out successful, explosive growth on the deployment of unconventional technologies would likely ensue.

- In North China, the market continued to open up in the Erdos Basin. Tight gas development and the local tendering model for year-long contracts drove order growth, but slow project progress as a result of the new environmental law had a notable dampening effect on revenue.

- In Southwest China, shale gas development picked up pace in the Sichuan Basin. The Group fully penetrated the market with its unconventional technologies and reaped substantially higher revenues. The Group's proprietary fracturing proppant also won long-term contracts in shale gas blocks. Meanwhile, the Group also received orders for coal-bed methane fracturing in Guizhou.

- In Eastern China, the Group captured tight oil development opportunities in its traditional market of Northeast China where orders increased and revenue started to recover.

Overseas Markets

In the first half of 2015, oil companies operating under cost constraints started to seek out Chinese partners with reliable and affordable services. Leveraging its positioning as the best Chinese partner and through previously established service capacity, track record and brand equity, the Group further went beyond the "follow-up" strategy and diversified its customer base and expanded its global footprint in markets where Chinese companies enjoyed a comparative advantage.

*Major Business Developments in the Overseas Market*s

- In the Middle East, OPEC countries kept their oil and gas production largely unchanged. In the first half of 2015, Iraqi oil and gas exports set new records. Given the persistently low oil prices, oil companies became more cost conscious, making the Group's combined strengths in Iraq a more attractive proposition. In the first half of the year, the Group further moved beyond its "follow-up" strategy and expanded its customer base, pursued large-scale cooperation with international oil companies and secured long-term orders. Its order book grew swiftly and partnership opportunities continued to emerge. Meanwhile, thanks to customers' need for yield consistency, the Group's engineering workload remained stable and revenue grew steadily compared with the same period last year.

- In the Americas, the Group's proprietary and featured products started to gain scale and generate steadily rising revenues. Remarkable progress was achieved in new market and customer development. In the current stage, oil companies looking to cut recovery costs are starting to consider replacing existing service vendors with those who could both meet technical requirements and offer more attractive prices. In this connection, the Americas present abundant opportunities.

- In Central Asia and Africa, the Group entered new markets with the "follow-up" strategy. In the first half of the year, the Group won a new order worth RMB200 million in Ethiopia for providing drilling fluid and well cementing services to a private Chinese company. Preparations by the Group for the Iran market were made in advance to reap potentially greater opportunities as soon as the market benefits from successful Iranian nuclear talks.

Business Cluster Analysis

In the first half of 2015, the Group saw steady performance across all business clusters. The drilling technology cluster posted RMB219.4 million in revenue, a decrease of 23.0% from the first half of 2014. The well completion cluster recorded revenue of RMB129.4 million, a year-on-year decline of 50.7%. The down-hole operation cluster saw its revenue drop 10.6% from the first half of 2014 to RMB402.8 million in the first half of 2015. The tubular services cluster recorded RMB109.9 million in revenue, a decrease of 4.1% from the same period of 2014.

In the first half of 2015, the Group amassed integrated services capabilities for the entire lifecycle of oil and gas development after nearly 2 years of improvement efforts. Meanwhile, the Group refined its management of engineering projects, deployed information technology to increase engineering efficiency, clearly defined engineering goals, improved performance evaluation, tightened operational risk control and increased QHSE support.

Revenue Breakdown by Cluster

	Six months ended on 30 June		**Change**	**As a percentage of total revenue six months ended on 30 June**	
	2015 *(million RMB)*	2014 *(million RMB)*	**(%)**	**2015**	2014
Down-hole operation cluster	**402.8**	450.4	-10.6%	**46.7%**	40.5%
Drilling technology cluster	**219.4**	284.8	-23.0%	**25.5%**	25.6%
Well completion cluster	**129.4**	262.6	-50.7%	**15.0%**	23.6%
Tubular services cluster	**109.9**	114.6	-4.1%	**12.8%**	10.3%
Total	**861.5**	1,112.4	-22.6%	**100.0%**	100.0%

Down-hole Operation Cluster

In the first half of 2015, the down-hole operation cluster, caught in the headwinds faced by the industry, posted RMB402.8 million in revenue, a decline of 10.6% from RMB450.4 million in the same period of 2014. This cluster aims at improving equipment utilization and becoming an active market player. However, as a result of customer spending cuts and project delays, the Group saw revenues on its stimulation, pressure pumping and coiled tubing services fall. On the bright side, the sales of proprietary fracturing proppant started to climb steadily. Meanwhile, production operation service and workover service generated significantly more revenues, which helped optimize the Group's revenue mix.

The Down-hole Operation Cluster comprises the down-hole module:

Down-hole module

1) Stimulation. In the first half of 2015, this product line recorded RMB35.8 million in revenue, down 54.7% from RMB79.0 million in the first half of 2014.

2) Pressure pumping service. In the first half of 2015, this product line recorded RMB65.4 million in revenue, down 20.0% from RMB81.7 million in the first half of 2014.

3) Coiled tubing service. In the first half of 2015, this product line recorded RMB129.4 million in revenue, down 34.3% from RMB196.9 million in the first half of 2014.

4) Fracturing proppant. This product line officially commenced production in June 2014 and recorded RMB15.6 million in revenue in the first half of 2015.

5) Helium testing service. In the first half of 2015, this product line recorded RMB17.5 million in revenue, down 59.4% from RMB43.1 million in the first half of 2014.

6) Down-hole chemicals. In the first half of 2015, this product line recorded RMB2.4 million in revenue, down 64.2% from RMB6.7 million in the first half of 2014.

7) Oil production and workover cluster. In the first half of 2015, this cluster recorded RMB136.7 million in revenue, up 217.9% from RMB43.0 million in the first half of 2014.

EBITDA for the down-hole operation cluster decreased by 49.9% from RMB256.6 million in the first half of 2014 to RMB128.6 million in the first half of 2015. The EBITDA margin of the cluster was 31.9% in the first half of 2015, a drop of 25.1 percentage points from 57.0% in the first half of 2014. The fall in EBITDA margin was mainly due to pressure pumping service being affected by customer spending cuts and rising competition in the market.

Major Development in the Down-hole Operation Cluster

- The stimulation business line saw order volume slide due to customer capital spending cut, project delays and rising competition. The Erdos region was particularly worst hit, suffering a big price cut on service per well. This led to significantly lower revenue compared with the first half of 2014. However, the tight oil project in Xinjiang was an encouraging breakthrough for the Group's stimulation business. In a northern block of Xinjiang, the Group was awarded a general platform contract for horizontal wells. In the Turpan and Hami areas, the Group won an annual contract for multi-stage fracturing.

- Pressure pumping service was affected by customers' project delays though bids were won prevailingly in the Erdos Basin. As a result, fracturing equipment utilization remained low in the first half of the year and revenue declined compared with the same period last year. At the same time, the Group joined its partners in tackling the shale gas market and received new orders in the Southwest.

- Coiled tubing business saw revenue decline due to capital spending cuts among its domestic customers. But the Group continued to receive orders and maintain engineering workload on the shale gas project in the Sichuan Basin and engineering work in Iraq was also at full capacity.

- The fracturing proppant business line remained consistently stable. Product sales missed expected target due to sluggish demand for regular ceramic products at home, but the active shale market added to domestic demand for ultralow intensity and high-quality products. The Group secured long-term supply contracts with shale gas customers. Meanwhile, the Group adopted a broad range of measures to cut costs on manufacturing, purchasing, sales and overheads and to improve productivity so as to make this business line more competitive both in domestic and overseas markets.

- The oil production and workover module saw a surge in revenue compared with the same period of last year. In the first half of 2015, the oil production and workover module as a stable and fast-growing business targeting oil companies in the production stage had taken up a more significant share of the Group's revenue. Its stable income streams helped optimize the Group's revenue mix. In Iraq, this module was on track in fulfilling the annual service contract with stable revenue. At the same time, the Group pursued large-scaled cooperation with international and local oil companies, winning a general contract worth USD140 million for workover and well completion. In the Turpan and Hami areas, the 16 units of workover equipment taken over from the customer in early 2015 continued to operate stably during the reporting period. The Group also received rave reviews from the customer for its superb managerial expertise and operational capabilities. Going forward, the number of equipment units under the Group's management and the corresponding operational demand will likely increase.

Drilling Technology Cluster

In the first half of 2015, the drilling technology cluster grew steadily and recorded RMB219.4 million in revenue, a decline of 23.0% from RMB284.8 million in the first half of 2014. As a result of reduced customer spending and delays of awarded projects, land drilling service only commenced work in the second quarter and generated less revenue. Following the successful experiment of the proprietary oil-based mud service, drilling fluid service grew and oilfield waste management service continued to be nurtured and developed.

The drilling technology cluster comprises the integrated module and drilling module, more specifically:

Integrated module:

1) Integrated project management (IPM) service. In the first half of 2015, the IPM service recorded RMB2.3 million in revenue.

Drilling module:

1) Drilling new technology service. In the first half of 2015, this product line booked RMB50.2 million in revenue, a decrease of 13.4% from RMB58.0 million in the first half of 2014.

2) Directional drilling. In the first half of 2015, this product line booked RMB67.0 million in revenue, a decrease of 31.2% from RMB97.4 million in the first half of 2014.

3) Drilling fluid service. In the first half of 2015, this product line recorded RMB57.5 million in revenue, an increase of 87.3% from RMB30.7 million in the first half of 2014.

4) Land drilling services. In the first half of 2015, this product line booked RMB40.3 million in revenue, a decrease of 30.8% from RMB58.2 million in the first half of 2014.

5) Oilfield waste management service. In the first half of 2015, this product line recorded RMB2.1 million in revenue, an increase of 31.3% from RMB1.6 million in the first half of 2014.

EBITDA of the drilling technology cluster dropped from RMB61.9 million in the first half of 2014 to RMB58.8 million in the first half of 2015, a decrease of 5.0%. EBITDA margin for the first half of 2015 stood at 26.8%, up 5.1 percentage points from 21.7% in the first half of 2014, mainly thanks to the Group's more rigorous cost controls, which yielded initial results on overheads and raw material costs.

Major Development in the Drilling Technology Cluster

- Directional drilling service saw a significant volume decline compared with the same period last year due to customers scaling back capital expenditure. The Northwest and Southwest regions were particularly affected whereas the Northeast region made a breakthrough where the deployment of the purchased rotary geological steering equipment was rewarded with a generous customer order. In overseas markets, service volume was inadequate in South America and Central Asia, but volume held up and revenue grew in Iraq thanks to outstanding engineering performance.

- Drilling fluid service embraced new developments and booked a significant increase in revenue compared with the same period last year. Oil-based mud service remained stable in Tarim while water-based mud service blazed a new trail, paving the way for subsequent growth. The proprietary oil-based mud service was successfully deployed for shale gas in the Southwest, further cementing the technology and market foundations for the rollout of the service. In overseas markets, drilling fluid service gained phenomenal success in offering product sales and technical services in Iraq. In the new market of Ethiopia, a high-quality, long-term contract for drilling fluid and supporting services was acquired. The marketing of drilling fluid services and the successful deployment of proprietary products will likely lead this business line towards rapid growth in the future.

- Land drilling service experienced job delays in the first quarter due to winter breaks in regional markets and delays of awarded projects. But in the second quarter, all the five domestically stationed rigs were deployed one after another. In overseas markets, two rigs scheduled for engineering jobs in the first half of 2015 remained on standby due to customer delays and are expected to start running in the second half.

- Integrated drilling service booked similar revenue in the first half of 2015 compared with the same period of 2014. As customers became more conscious about cost-efficiency, the demand for high-velocity and low-cost services increased. While the Group seized the opportunity of catering to such customer needs, it strengthened technological exchanges and imported advanced technology in due course. In the Karamay oilfield, the Group won a general service contract for tight oil pilots. In overseas markets, well cementing products and services gained access to the new market of Ethiopia and will likely generate strong revenue growth in the second half of 2015.

- Through market development and investment in supporting infrastructure, oilfield waste management service saw increases in both job volume and revenue as compared with the same period last year. This business line had built presence and generated continuous jobs in the Southwest, Erdos and Xinjiang regions.

Well Completion Cluster

In the first half of 2015, the well completion cluster recorded RMB129.4 million in revenue, down 50.7% compared with RMB262.6 million in the same period of 2014. The revenue decline was the result of customers opting for less expensive well completion techniques and rising competition in the industry.

The well completion cluster comprises the following business lines:

1) Well completion integration. This business includes integrated well completion solution, well completion tools and sand and water control products and technical services. In the first half of 2015, this business line recorded RMB118.4 million in revenue, a decrease of 39.1% from RMB194.4 million in the first half of 2014.

2) Gravel packing service. This business line came from Shandong Precede, a majority-owned subsidiary acquired by the Group in 2008, which provides gravel packing well completion products and services. In the first half of 2015, this business line recorded RMB11.0 million in revenue, a decrease of 83.9% from RMB68.2 million in the first half of 2014.

EBITDA of the well completion cluster dropped 62.7% from RMB75.4 million in the first half of 2014 to RMB28.1 million in the first half of 2015. EBITDA margin for the first half of 2015 was 21.7%, down by 7.0 percentage points from 28.7% in the first half of 2014, which was mainly attributable to dwindling investment of domestic customers, rising competition and mounting downward pressure on price. Furthermore, Shandong Precede, the Group's majority-owned subsidiary, suffered a dented profit margin due to its customers switching to alternative well completion processes.

Major Development in the Well Completion Cluster

- Well completion tool service. Domestically, customers cut process costs, making inexpensive processes and technologies look more attractive. While improving capacity at its captive manufacturing base in Tianjin, the Group intensified research and development support and promoted well cementing and completion tools, production completion tools, well cementing fracturing sliding sleeves and water control technologies in the domestic markets. In overseas markets, the Group focused more efforts on promoting its proprietary tools. In South America, it successfully marketed sand control tools and packers and received orders. In the Iraqi Oasis and Sudan, it promoted the automatic fluid control valve, which was well received by the markets.

- Integrated well completion service. Domestically, the job volume of full-bore multi-stage acid fracturing in Tarim was on a par with that of the same period of 2014. The Group pushed ahead with completion tools. In the Southwest, the focus was on promoting the micro-seismic fissure monitoring project and the proprietary well cementing sliding sleeve project. In the Northeast market, the micro-seismic fissure monitoring project made a breakthrough and gained a certain number of orders. In overseas markets, the production well completion service was being performed steadily in Iraq.

- Sand and water control business operated under bigger cost constraints due to the market environment. But the Group adapted the business line in real time by tightening cost control, introducing new technology and improving product performance. As a result, it made more revenue than in the first half of 2014. In Canada and Colombia, orders increased steadily. In Iraq, the Group won a screen order from a well-known international oil company.

- Gravel packing service witnessed a major drop in revenue as compared with the same period last year due to old oilfield customers cutting investment and switching to alternative well completion solutions.

Tubular Services Cluster

In the first half of 2015, the tubular services cluster posted RMB109.9 million in revenue, a decrease of 4.1% from RMB114.6 million in the same period of 2014. Despite customer spending cuts, the Group held up its market performance through proprietary technology and products and revenue declined only marginally.

EBITDA of the tubular services cluster decrease by 46.5% from RMB66.9 million in the first half of 2014 to RMB35.8 million in the first half of 2015. EBITDA margin for the first half of 2015 reached 32.5%, down 25.9 percentage points from 58.4% in the first half of 2014. The margin decline was mainly due to mounting downward pressure on pricing of traditional business lines such as drilling tool leasing, oil tubing and casing and anti-corrosion.

Major Development in the Tubular Services Cluster

- Inspection and evaluation service covered oil drilling tools inspection, oil casing and tubing inspection, and instrument and device inspection and recalibration. For its inspection and evaluation capabilities, the Group already gained the status as a leading independent third-party inspection service provider in China. In the first half of 2015, the volume of work of this business line remained stable, largely on a par with the first half of 2014.

- Drilling tools leasing was affected by customers' austerity measures and falling drill utilization rate. Total job volume declined.

- Oil casing and tubing and anti-corrosion service. In the first half of 2015, this business line made a breakthrough in Iraq by securing a long-term service contract. Total job volume rose compared with the same period last year.

Alignment of Strategic Resources

In the first half of 2015, the Group adjusted its strategic capital expenditures and redirected its priority towards the fine-tuning and rationalization of its various business lines with an emphasis on technological innovation geared towards customer needs. In the first half of 2015, the Group made RMB167.7 million in capital expenditure, most of which were payments for projects already committed in previous years. The number was down 26.0% compared with RMB226.5 million in the same period of 2014.

Investment

In the first half of 2015, considering the Group's business development needs under the capital expenditure constraints, the investment in business lines mainly targeted oilfield waste management and supporting activities for newly acquired large orders.

In the first half of 2015, the Group deployed drilling waste disposal equipment in the Northwest and Erdos regions to improve the market presence of oilfield waste management service in these regions. In addition, to advance the fulfillment of the newly awarded contract in Ethiopia, the Group added well cementing equipment and mud experiment equipment. As at the date of this Announcement, all the supporting equipment had arrived at the project site.

Research and Development

In the first half of 2015, driven by actual business needs and customers' need for higher productivity at lower costs, the Group engaged in reengineering and innovation activities in relation to technologies or tools. In the first half of 2015, the Group invested RMB31.5 million in research and development, a decline of 21.6% compared with RMB40.2 million in the first half of 2014.

Key Research and Development Projects

- Research and application of oil-based drilling fluid technology

- Research on proprietary directional drilling tools

- Rotary drilling liner hanger

Human Resources

On human resources, since second half of 2014, the Group has initiated a workforce optimization and redundancy program and improved the staff mix through internal reassignments. As at 30 June 2015, the Group's staff size shrank by 25%. Such measures were estimated to save the Group RMB186 million in overhead for 2015.

Major development in human resources

- Capped total headcount, enforced more rigorous performance review and disqualification scheme; redundancy and cost-cutting programs achieved the targets set at the beginning of the year in 2015;

- Optimized organizational structure, reassigned employees internally and improved managerial efficiency;

- Continued to attract experienced industry champions and improved on talent management and development;

- In the first half of 2015, the Group granted a total of 49,500,000 ordinary share options to more than 200 top-performing employees and principal staff members, exercisable at a price of HKD1.82 per share.

OUTLOOK

In the short term, international oil prices will likely to remain low and competition fierce, but oil companies' demand for oil and gas production is showing signs of recovery. Such recovery is expected to recover sooner internationally than domestically. Domestically, demand for unconventional energy development will likely persist and business remains largely stable. The reform of state-owned enterprises will bring about brand-new opportunities. In the long term, the global market landscape has shifted. Chinese companies with comparative advantage will likely displace international oilfield service companies in some local markets. The "Belt and Road" Initiative will open up new opportunities in Central Asia and Africa.

In the second half of 2015, the Group will continue implementing a full market coverage strategy to capture market shares and hotspot opportunities both at home and abroad with a view to substantially increasing orders. Domestically, the Group will further leverage the historic opportunities of oil and gas sector reform in China with unconventional technologies and solutions as the drivers. It will actively participate in preliminary pilots for tight oil and gas, coal-bed methane and shale gas; seize the new opportunities arising from SOE Reform policy, build on its brand equity, proactively host business outsourced by national oil companies and further cement strategic partnerships.

Overseas, the Group will fully implement a global network coverage strategy in geographies where Chinese companies enjoy comparative advantage. It will ride on the shifts in the global market landscape, work towards taking shares from international oilfield service providers in regions where Chinese companies excel. It will further move beyond the "follow-up" strategy and continue to acquire large orders. Benefiting from the prospects of stable production in OPEC countries in the Middle East and production increase in Iraq, the Group will strengthen and deepen cooperation with local oil companies and international oil companies to secure long-term orders. In South America, the Group will continue to capitalize on the new opportunities from low-cost development needs in a low oil price environment and look for new breakthroughs.

In terms of engineering work, the Group will promote quick implementation on the back of an ample order backlog. In the second half of 2015, oil companies is expected forcefully push for the completion of jobs, which in turn will lead the Group's engineering activities to peak and revenues to recover. In the drilling cluster, all drills will commence engineering work. Domestically, waste management service will progress steadily. Mud and well cementing services will initiate engineering jobs overseas. In the well completion cluster, the Group will grasp the global opportunities for its featured sand and water control products and services and aim for full delivery. In the down-hole cluster, fracturing operations will resume in the Erdos and Sichuan basins. Acidizing service will fully recover overseas. In the oil production cluster, production operation management service will move ahead in solid steps in Iraq. Workover service will be in normal operating condition domestically. Meanwhile, the Group has won a general contract for workover and well completion services from an international company in Iraq. In the tubular cluster, inspection and evaluation service will operate as usual.

In terms of strategic management and control, the Group will intensify efforts to collect trade receivables, reduce the need for current funds and maintain healthy cash flow. It will tighten operational control aimed towards settlement to shorten capital turnover and enforce more rigorous project capital management. While further optimizing and streamlining the workforce, it will continue to attract industry champions. It will strictly rein in capital expenditure to remain resilient against any further headwinds in the industry.

Recognizing the challenging outlook, the Group will tighten cost control and increase capacity utilization. Meanwhile, it will leverage comparative advantages to seize market shares and grow revenue and to stand ready for potential opportunities on the horizon.

FINANCIAL REVIEW

In order to present a more straightforward cost structure for investors' analysis, the Group has since 2012 adopted an accounting methodology consistent with its internal management, which itemizes costs and expenses by function instead of by nature as in previous disclosures. The new format helps investors to better analyze direct cost of sales and various expenses for the reporting period.

Revenue

The Group's revenue in the first half of 2015 amounted to RMB861.5 million, representing a decline of RMB250.9 million or 22.6% as compared with RMB1,112.4 million in the same period of 2014. This was mainly the result of reduced capital spending from customers and project delays at home amid subdue international oil prices.

Cost of Sales

The cost of sales dropped 9.6% from RMB691.2 million in the first half of 2014 to RMB625.0 million in the first half of 2015. This was mainly attributable to lower raw material costs associated with the lower revenue.

Other Gains

Other gains increased from RMB2.9 million in the first half of 2014 to RMB13.8 million in the first half of 2015, mainly due to the receipt of government subsidies this year.

Selling Expenses

The selling expenses in the first half of 2015 amounted to RMB72.0 million, representing a decrease of RMB10.9 million or 13.1% as compared with RMB82.9 million in the first half of 2014. This was mainly attributable to the Group's tightening control on day-to-day operational expenses at regional sales units.

Administrative Expenses

The administrative expenses in the first half of 2015 amounted to RMB129.1 million, representing a drop of RMB8.6 million or 6.2% as compared with RMB137.7 million in the first half of 2014. This was mainly attributable to the rein-in of expenses at administrative units.

Research and Development Expenses

The research and development expenses in the first half of 2015 amounted to RMB9.2 million, representing a decrease of RMB13.6 million or 59.6% as compared with RMB22.8 million in the first half of 2014. This was mainly attributable to the Group's cap on research and development expenses.

Sales Tax and Surcharges

The sales tax and surcharge in the first half of 2015 amounted to RMB7.6 million, representing a decrease of RMB4.0 million or 34.5% as compared with RMB11.6 million in the first half of 2014. This was mainly due to the combined effects of a year-on-year revenue decline and more rigorous turnover tax planning.

Operating Profit

The operating profit of the Group in the first half of 2015 amounted to RMB32.5 million, representing a decrease of RMB136.5 million or 80.8% as compared with RMB169.0 million in the first half of 2014. The operating profit margin for the first half of 2015 was 3.8%, representing a drop of 11.4 percentage points from 15.2% in the first half of 2014.

Finance Costs (Net)

Net finance costs in the first half of 2015 was RMB95.1 million, an increase of approximately RMB6.3 million as compared with the first half of 2014. The increase in finance costs was mainly due to the year-on-year decline in deposit interest in the first half of 2015.

Share of Loss of Joint Ventures

The share of loss of joint ventures in the first half of 2015 amounted to RMB1.0 million, mainly because of the loss of a joint venture, "Tongzhou Integrated Oilfield Technology Co., Ltd".

Income Tax Expense

Income tax expense in the first half of 2015 amounted to RMB12.4 million, representing a decrease of RMB30.7 million or 71.2% as compared with RMB43.1 million in the first half of 2014, mainly due to modest profitability squeeze of domestic companies.

Profit for the First Half of 2015

As a result of the foregoing, the Group's loss for the first half of 2015 was RMB76.1 million, representing a change of 337.1% from a profit of RMB32.1 million for the same period of 2014.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company in the first half of 2015 amounted to RMB73.8 million, representing a change of 369.3% from a profit of RMB27.4 million for the first half of 2014.

Trade and Notes Receivables

As at 30 June 2015, the Group's net trade and notes receivables were RMB1,342.9 million, representing a decrease of RMB245.3 million as compared with 31 December of 2014. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in the first half of 2015 were 274 days, representing an increase of 51 days as compared with the first half of 2014. This was mainly attributable to the year-on-year decline in business revenue.

Inventory

As at 30 June 2015, the Group's inventory was RMB901.0 million, representing an increase of RMB191.3 million as compared with 31 December 2014, mainly due to the Group's inventory buildup in support of business operations for the whole year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2015, the Group's cash and bank deposits amounted to approximately RMB434.5 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a drop of RMB405.6 million as compared with 31 December 2014, mainly due to the Group prepaying its mature external debts on schedule including RMB300.0 million in mid-term notes.

As at 30 June 2015, the Group's outstanding short-term bank loans amounted to RMB696.4 million. Credit facilities extended to the Group by banks amounted to RMB1,020.0 million of which approximately RMB563.6 million were not used.

As at 30 June 2015, the gearing ratio of the Group was 66.3%, representing a decrease of 0.6 percentage point from the gearing ratio of 66.9% as at 31 December 2014. This was mainly due to the repayment of mid-term notes. Net debt includes borrowings and trade and notes payables. Total capital is calculated as equity plus net debt.

The equity attributable to equity holders of the Company decreased from RMB2,053.9 million as at 31 December 2014 to RMB2,001.4 million as at 30 June 2015.

EXCHANGE RISK

With growing exposure in the overseas markets, the Group now conducts more business settled in foreign currencies. This, coupled with the bond issue in US dollar, further complicated the effects of RMB exchange rate fluctuations on the Group. The exchange risk of the Group mainly arises from its foreign currency deposits and trade receivables denominated in foreign currencies. In particular, fluctuations in the RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position due to its borrowings in US dollar.

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2015, net cash outflow from operating activities of the Group amounted to RMB32.5 million, representing a drop of RMB401.1 million compared with the same period of 2014. This was mainly attributable to the Group's ability to tightened the recovery of trade receivables and control its operating expenses in accordance with its cost control targets.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for the first half of 2015 was RMB167.7 million, of which, investments in fixed assets were RMB145.4 million and investments in intangible assets (including land use rights) were RMB22.3 million and there was no payment for equity investments. The Group will impose strict capital expenditure measures in accordance with its business development strategy.

CONTRACTUAL LIABILITY

The Group's contractual commitments mainly consist of payment obligations under the Group's operating lease arrangements and capital commitments. The Group leases offices and certain equipment and machinery through operating leases. As at 30 June 2015, the Group's operating lease commitments amounted to approximately RMB52.8 million. As at the balance sheet date (30 June 2015), the Group had capital commitments of approximately RMB89.6 million (but not yet provided for in the balance sheet).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2015, the Group had made no off-balance sheet arrangements.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (For the six months ended 30 June 2014: nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2015, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer of a company should be separate and should not be performed by the same individual. The Company does not separated the roles of Chairman and Chief Executive Officer, with Mr. Luo Lin having served as both Chairman and Chief Executive Officer of the Company during the reporting period. Mr. Luo was the main founder of the Group and has been responsible for the operational management of the Group and for leading its growth since its inception. Mr. Luo possesses rich petroleum industry experience and excellent operational management skills. The Board is of the view that continuing to engage Mr. Luo to serve as Chief Executive Officer of the Company at this stage will assure the continuity of the Group's operation and management and protect the shareholders' interests.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

For the six months ended 30 June 2015, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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 incumbent Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2015.

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

Hong Kong, 25 August 2015

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. WU Di and Mr. PI Zhifeng; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai.