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)

The Best
Independent Chinese Oilfield Services Partner,
The Best
Chinese Partner Worldwide

INTERIM REPORT **2015**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LUO Lin
Mr. WU Di
Mr. PI Zhifeng

Independent Non-executive Directors

Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Mr. WANG Mingcai

AUDIT COMMITTEE

Mr. ZHU Xiaoping *(Chairman)*
Mr. ZHANG Yongyi
Mr. WANG Mingcai

REMUNERATION COMMITTEE

Mr. WANG Mingcai *(Chairman)*
Mr. ZHU Xiaoping
Mr. LUO Lin

NOMINATION COMMITTEE

Mr. ZHANG Yongyi *(Chairman)*
Mr. WANG Mingcai
Mr. LUO Lin

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

Mr. PI Zhifeng *(Chairman)*
Mr. LUO Lin

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Dr. NGAI Wai Fung

COMPANY SECRETARY

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

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AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

as to Hong Kong and U.S. law:

Sidley Austin

as to PRC law:

RRDS LAW OFFICES

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

Bank of China
China Merchants Bank
Bank of Beijing
Deutsch Bank

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

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half 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

				Revenue from the respective market as a percentage of revenue	
	Six months ended 30 June			Six months ended 30 June	
	2015	2014	**Change**	**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			Revenue from the respective market as a percentage of domestic revenue Six months ended 30 June	
	2015	2014	**Change**	**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			Revenue from the respective market as a percentage of overseas revenue Six months ended 30 June	
	2015	2014	**Change**	**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 Markets

- 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 Markets

- 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 30 June			As a percentage of total revenue six months ended 30 June	
	2015	2014	**Change**	**2015**	2014
	(million RMB)	(million RMB)	**(%)**		
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 report, 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 of 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 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 repaying 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.

OTHER INFORMATION

INTERIM DIVIDEND

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

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

For the period ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2015, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust and beneficial owner	708,812,818	31.91%
Wang Mingcai		Beneficial owner	550,000	0.02%
Zhang Yongyi		Beneficial owner	440,000	0.02%
Pi Zhifeng		Beneficial owner	448,000	0.02%

Note:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 699,758,150 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust. Mr. Luo Lin also holds 9,054,668 shares of the Company in the capacity of a beneficial owner.

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

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

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

Save as disclosed above, at no time during the six months ended 30 June 2015, the Directors and chief executive (including their spouses and children under the age of 18 years) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

As at 30 June 2015, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme, which was conditionally adopted on 17 November 2007 and its terms were amended on 27 May 2010 (the "Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2015	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2015
Directors										
Zhang Yongyi	19 January 2012	19 January 2013 to 18 January 2015	1.072	2,9	250,000	–	250,000	–	–	0
	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	500,000	–	–	–	–	500,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19	244,000	–	–	–	–	244,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	5,21	–	480,000	–	–	–	480,000
				Subtotal:	994,000	480,000	250,000	–	–	1,224,000
Zhu Xiaoping	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	500,000	–	–	–	–	500,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19	244,000	–	–	–	–	244,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	5,21	–	480,000	–	–	–	480,000
				Subtotal:	744,000	480,000	–	–	–	1,224,000

SHARE OPTION SCHEME *(CONTINUED)*

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2015	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2015
Wang Mingcai	19 January 2012	19 January 2013 to 18 January 2015	1.072	2,9	250,000	–	250,000	–	–	0
	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	250,000	–	–	–	–	250,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19	244,000	–	–	–	–	244,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	5,21	–	480,000	–	–	–	480,000
				Subtotal:	744,000	480,000	250,000	–	–	974,000
Luo Lin	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	666,668	–	666,668	–	–	0
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	66,667	–	–	–	–	66,667
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	1,266,667	–	–	–	–	1,266,667
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	86,667	–	–	–	–	86,667
	21 June 2013	21 June 2014 to 20 June 2019	5.742	4,15	796,000	–	–	–	–	796,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	80,000	–	–	–	–	80,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	4,21	–	2,100,000	–	–	–	2,100,000
				Subtotal:	2,962,669	2,100,000	666,668	–	–	4,396,001
Wu Di	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	300,000	–	–	–	–	300,000
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	68,000	–	–	–	–	68,000
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	400,000	–	–	–	–	400,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	434,000	–	–	–	–	434,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	4,21	–	860,000	–	–	–	860,000
				Subtotal:	1,202,000	860,000	–	–	–	2,062,000
Pi Zhifeng	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	300,000	–	300,000	–	–	0
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	470,000	–	–	–	–	470,000
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	1,000,000	–	–	–	–	1,000,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	704,000	–	–	–	–	704,000
	24 April 2015	24 April 2016 to 23 April 2021	1.820	4,21	–	1,400,000	–	–	–	1,400,000
				Subtotal:	2,474,000	1,400,000	300,000	–	–	3,574,000
Liu Enlong*	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	368,000	–	368,000	–	–	0
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	400,000	–	–	–	–	400,000
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	34,000	–	666	–	–	33,334
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	534,000	–	–	–	–	534,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	434,000	–	–	–	–	434,000
				Subtotal:	1,770,000	–	368,666	–	–	1,401,334

SHARE OPTION SCHEME *(CONTINUED)*

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2015	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2015
Employees in aggregate	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	3,304,662	—	3,136,994	—	167,668	0
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	16,027,446	—	4,514,468	—	366,668	11,146,310
	16 April 2012	16 April 2013 to 15 April 2016	1.240	3,10	2,520,000	—	—	—	—	2,520,000
	22 November 2012	22 November 2013 to 21 November 2016	2.610	3,12	4,000,000	—	—	—	—	4,000,000
	22 November 2012	22 November 2013 to 21 November 2016	2.610	1,12	395,632	—	—	—	342,372	53,260
	28 December 2012	28 December 2013 to 27 December 2016	3.820	1,13	82,800	—	—	—	—	82,800
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	22,765,664	—	—	—	1,999,283	20,766,381
	21 June 2013	21 June 2014 to 20 June 2019	5.742	4,15	500,000	—	—	—	—	500,000
	28 June 2013	28 June 2014 to 27 June 2019	5.600	4,16	298,000	—	—	—	—	298,000
	16 August 2013	16 August 2014 to 15 August 2019	5.570	4,17	54,000	—	—	—	—	54,000
	20 November 2013	20 November 2014 to 19 November 2019	4.960	4,18	246,000	—	—	—	—	246,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	19,316,000	—	—	—	944,000	18,372,000
	18 September 2014	18 September 2015 to 17 September 2020	3.120	4,20	2,512,000	—	—	—	1,622,000	890,000
	24 April 2015	24 April 2016 to 23 April 2021	1,820	4,21	—	43,700,000	—	—	—	43,700,000
				Subtotal:	72,022,204	43,700,000	7,651,462	—	5,441,991	102,628,751
				Total:	82,912,873	49,500,000	9,486,796	—	5,441,991	117,484,086

* Resigned as the Executive Director on 25 March 2015

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of forty-eight months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of the first, second and third anniversary of the date of grant.

2. The option period for the share options granted above commences on the date of grant and ends on the last day of thirty-six months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of the first and second anniversary of the date of grant.

3. The grantee may not exercise the options to subscribe for shares until after twelve months from the date of grant. If the grantee has worked for less than twelve months, all options of the grantee will lapse automatically and will no longer be exercisable. If the grantee has worked for thirty-six months or above, the grantee can exercise all options. If the grantee has worked for twelve months or above but less than thirty-six months, the number of effective options which the grantee actually obtains is "the number of options granted X the number of working quarters of the grantee/12 (only the number of full quarters is counted)". The remaining options will lapse automatically. All options are entitled to be exercised before the fourth anniversary of the date of grant.

SHARE OPTION SCHEME *(CONTINUED)*

Notes: (CONTINUED)

4. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of the first, second and third anniversary of the date of grant.

5. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of the first and second anniversary of the date of grant.

6. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.75.*

7. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.76.*

8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.44.*

9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.08.*

10. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.28.*

11. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.16.*

12. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$2.60.*

13. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.70.*

14. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.54.*

15. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.73.*

16. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.47.*

17. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.63.*

18. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$4.99.*

19. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.10.*

20. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.08.*

21. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.73.*

* Source from Bloomberg

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

As at 30 June 2015, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name of substantial shareholder	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	1	Trustee	699,758,150	31.50%
Seletar Limited	1	Trustee	699,758,150	31.50%
Serangoon Limited	1	Trustee	699,758,150	31.50%
Avalon Assets Limited	1	Trustee	699,758,150	31.50%
Pro Development Holdings Corp.	1	Beneficial owner	699,758,150	31.50%
Schlumberger NV	2	Interest of controlled corporation	423,361,944	19.06%

Notes:

1. The 699,758,150 shares referred to the same batch of shares.

2. Schlumberger Far East, Inc. directly holds 423,361,944 shares of the Company. Schlumberger Far East, Inc. is a wholly-owned subsidiary of Schlumberger Holding Limited. Schlumberger Holding Limited is a wholly-owned subsidiary of Schlumberger Oilfield Holding Limited. Schlumberger Oilfield Holding Limited is a wholly-owned subsidiary of Schlumberger NV.

Save as disclosed above, as at 30 June 2015, so far was known to the Directors, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

There has been no change in the information regarding the Directors and Chief Executives of the Company since the date of the Company's 2014 annual report.

CORPORATE GOVERNANCE

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate, and should not be performed by the same individual. The Company does not separate the roles of Chairman and Chief Executive Officer. Mr. Luo served as both Chairman and Chief Executive Officer of the Company during the reporting period. Mr. Luo was the main founder of the Group. He has been responsible for the operational management of the Group since our establishment and has been instrumental to the development of the Group. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board is of the view that continuing to engage Mr. Luo to serve as both the Chairman and Chief Executive Officer of the Company will safeguard the continuity of our operational management and can protect shareholders' interests.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. 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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 66, which comprises the condensed consolidated interim balance sheet of Anton Oilfield Services Group (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2015

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	7	**2,364,821**	2,293,382
Land use rights	8	**60,276**	61,049
Intangible assets	9	**404,632**	392,389
Investment in joint ventures	10	**4,000**	5,042
Prepayments and other receivables	15	**104,082**	37,194
Other non-current assets	11	**60,405**	88,555
Deferred income tax assets	12	**62,157**	57,341
		3,060,373	2,934,952
Current assets			
Inventories	13	**900,964**	709,707
Trade and notes receivables	14	**1,342,920**	1,588,170
Prepayments and other receivables	15	**442,756**	418,267
Restricted bank deposits	16	**160,366**	72,310
Term deposits with initial terms of over three months	16	**9,010**	8,010
Cash and cash equivalents	16	**265,087**	759,751
		3,121,103	3,556,215
Total assets		**6,181,476**	6,491,167
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	17	**207,629**	206,879
Reserves		**1,793,788**	1,847,012
		2,001,417	2,053,891
Non-controlling interests		**81,312**	94,865
Total equity		**2,082,729**	2,148,756

As at 30 June 2015
(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds	18	**1,687,241**	1,696,519
Deferred income tax liabilities	12	**3,968**	3,968
		1,691,209	1,700,487
Current liabilities			
Short-term borrowings	19	**696,400**	693,912
Current portion of long-term bonds	18	—	299,583
Trade and notes payables	20	**783,386**	694,753
Accruals and other payables	21	**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

The notes on page 37 to 66 form an integral part of this condensed consolidated interim financial information.

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	22	**861,540**	1,112,359
Cost of sales	23	**(624,981)**	(691,193)
Gross profit		**236,559**	421,166
Other gains, net	24	**13,835**	2,868
Selling expenses	23	**(72,031)**	(82,923)
Administrative expenses	23	**(129,078)**	(137,663)
Research and development expenses	23	**(9,237)**	(22,832)
Sales tax and surcharges	23	**(7,574)**	(11,607)
Operating profit		**32,474**	169,009
Interest income		**3,514**	11,235
Finance expenses		**(98,632)**	(100,047)
Finance costs, net	25	**(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	26	**(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	27	**(0.0333)**	0.0125
– diluted	27	**(0.0333)**	0.0123

The notes on page 37 to 66 form an integral part of this condensed consolidated interim financial information.

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

The notes on page 37 to 66 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015
(Amounts expressed in thousands of RMB)

	Note	Attributable to the equity holders of the Company								
	Note	Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total Equity
Balance at 1 January 2014 (Audited)		202,983	494,539	368,210	77,756	1,165,035	(25,848)	2,282,675	92,622	2,375,297
Profit for the period		—	—	—	—	27,395	—	27,395	4,672	32,067
Other comprehensive income:										
– Currency translation differences		—	—	—	—	—	4,942	4,942	—	4,942
Total comprehensive income		—	—	—	—	27,395	4,942	32,337	4,672	37,009
Total transactions with owners, recognised directly in equity:										
Share option scheme	17(b)	—	—	12,908	—	—	—	12,908	—	12,908
Share option exercised	17(a)	3,888	76,045	(19,811)	—	—	—	60,122	—	60,122
Dividends	28	—	(122,468)	—	—	—	—	(122,468)	—	(122,468)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	6,590	6,590
Repurchase and cancellation of shares		(16)	(774)	—	—	—	—	(790)	—	(790)
Total transactions with owners, recognised directly in equity		3,872	(47,197)	(6,903)	—	—	—	(50,228)	6,590	(43,638)
Balance at 30 June 2014 (Unaudited)		206,855	447,342	361,307	77,756	1,192,430	(20,906)	2,264,784	103,884	2,368,668

	Note	**Attributable to the equity holders of the Company**								
	Note	**Share capital**	**Share premium**	**Capital reserve**	**Statutory reserve**	**Retained earnings**	**Currency translation differences**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2015 (Audited)		**206,879**	**448,921**	**379,159**	**77,756**	**966,822**	**(25,646)**	**2,053,891**	**94,865**	**2,148,756**
Loss for the period		—	—	—	—	**(73,786)**	—	**(73,786)**	**(2,303)**	**(76,089)**
Other comprehensive loss:										
– Currency translation differences		—	—	—	—	—	**(1,104)**	**(1,104)**	—	**(1,104)**
Total comprehensive loss		—	—	—	—	**(73,786)**	**(1,104)**	**(74,890)**	**(2,303)**	**(77,193)**
Total transactions with owners, recognised directly in equity:										
Share option scheme	17(b)	—	—	**13,046**	—	—	—	**13,046**	—	**13,046**
Share option exercised	17(a)	**750**	**18,107**	**(9,487)**	—	—	—	**9,370**	—	**9,370**
Dividends		—	—	—	—	—	—	—	**(11,250)**	**(11,250)**
Total transactions with owners, recognised directly in equity		**750**	**18,107**	**3,559**	—	—	—	**22,416**	**(11,250)**	**11,166**
Balance at 30 June 2015 (Unaudited)		**207,629**	**467,028**	**382,718**	**77,756**	**893,036**	**(26,750)**	**2,001,417**	**81,312**	**2,082,729**

The notes on page 37 to 66 form an integral part of this condensed consolidated interim financial information.

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
	Note	**(Unaudited)**	(Unaudited)
Net cash used in operating activities	29	**(32,450)**	(433,553)
Net cash used in investing activities	29	**(168,720)**	(229,465)
Net cash used in financing activities	29	**(296,663)**	(58,979)
Net decrease in cash and cash equivalents		**(497,833)**	(721,997)
Cash and cash equivalents, at beginning of the period	16	**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	16	**265,087**	1,042,535

The notes on page 37 to 66 form an integral part of this condensed consolidated interim financial information.

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 consolidated 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, except 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. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Credit risk

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

A considerable portion of sales were made to the several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 6). Most of the Group's cash and cash equivalents were placed with state-owned banks in the PRC and Hong Kong, the corresponding credit risk is relatively low.

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.4 Fair value estimation

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

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

6. 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 is 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 headquarters of the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION *(CONTINUED)*

	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)

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION *(CONTINUED)*

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
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

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION *(CONTINUED)*

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (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**	As at
	2015	2014	**30 June 2015**	31 December 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Opening net book value	**2,293,382**	1,601,686
Additions	**215,596**	241,021
Acquisition of subsidiaries	—	115,088
Depreciation	**(106,043)**	(84,045)
Disposals	**(38,114)**	(2,316)
Closing net book value	**2,364,821**	1,871,434

As at 30 June 2015, certain bank facilities were secured over certain buildings and plant, machinery and equipment with net book value of RMB33,022,000 (Note 19(a)) and RMB135,905,000(Note 19(b)), respectively (31 December 2014: RMB 33,966,000).

8. LAND USE RIGHTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Opening net book value	**61,049**	22,021
Acquisition of subsidiaries	—	30,574
Disposal	**(98)**	—
Amortisation	**(675)**	(2,090)
Closing net book value	**60,276**	50,505

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are on lease terms within 50 years.

As at 30 June 2015, land use rights with net book value of RMB11,392,000 (31 December 2014: RMB 11,718,000) were pledged as counter guarantee for certain short-term borrowings (Note 19(a)).

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTANGIBLE ASSETS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Opening net book value	**392,389**	375,440
Additions	**23,204**	17,456
Acquisition of subsidiaries	—	2,637
Amortisation	**(10,961)**	(15,146)
Closing net book value	**404,632**	380,387

10. INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Beginning of the period	**5,042**	16,776
Addition	—	7,326
Share of loss	**(1,042)**	(5,053)
End of the period	**4,000**	19,049

For the six months ended 30 June 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

11. OTHER NON-CURRENT ASSETS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Long-term lease prepayments	**60,405**	88,555

Long-term lease prepayments represent prepayments for lease of logistics centre, which will be amortised in 7 years.

12. DEFERRED INCOME TAXATION

	Deferred income tax assets	**Deferred income tax liabilities**
Unaudited		
At 1 January 2015	**57,341**	**(3,968)**
Credited to income statement	**4,816**	—
At 30 June 2015	**62,157**	**(3,968)**
Unaudited		
At 1 January 2014	25,029	(1,709)
Charged to the income statement	(1,430)	(677)
At 30 June 2014	23,599	(2,386)

(Amounts expressed in thousands of RMB unless otherwise stated)

13. INVENTORIES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Raw materials	**234,772**	195,928
Work-in-progress	**306,404**	194,717
Finished goods	**363,906**	325,003
Spare parts and others	**5,510**	6,236
	910,592	721,884
Less: provision for inventory obsolescence	**(9,628)**	(12,177)
	900,964	709,707

14. TRADE AND NOTES RECEIVABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Trade receivables, net (a)		
– related parties (Note 31(c))	**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

(Amounts expressed in thousands of RMB unless otherwise stated)

14. TRADE AND NOTES RECEIVABLES *(CONTINUED)*

Note:

(a) Ageing analysis:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (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.

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current		
Advances to suppliers	**86,512**	64,865
Other receivables	**261,748**	168,910
Amounts due from related parties (Note 31(c))	—	409
Value-added tax recoverable	**94,496**	184,083
	442,756	418,267
Non-current		
Value-added tax recoverable	**104,082**	37,194
	104,082	37,194

(Amounts expressed in thousands of RMB unless otherwise stated)

16. CASH AND BANK BALANCES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Restricted bank deposits (a)	**160,366**	72,310
Term deposits with initial terms of over three months (b)	**9,010**	8,010
Cash and cash equivalents		
– Cash on hand	**1,968**	1,141
– Deposits in bank	**263,119**	758,610
Subtotal of cash and cash equivalents	**265,087**	759,751
	434,463	840,071

(a) As at 30 June 2015, bank deposits amounting to RMB 160,366,000 (31 December 2014: RMB 72,310,000) were held as securities for issuing letter of guarantee and notes payable.

(b) As at 30 June 2015, term deposits with initial terms of over three months were bank deposits bearing average interest rate at 2.34% per annum (31 December 2014: 3.08% per annum), with original maturity of 180 days.

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
RMB	**202,465**	548,200
US$	**191,655**	248,408
HK$	**13,121**	15,638
Others	**27,222**	27,825
	434,463	840,071

(Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Number of ordinary shares issued and fully paid of HK$0.1 each (thousands)	HK$'000	Share capital RMB'000
Unaudited			
As at 1 January 2015	**2,211,635**	**221,164**	**206,879**
Exercise of options	**9,487**	**949**	**750**
As at 30 June 2015	**2,221,122**	**222,113**	**207,629**
Unaudited			
As at 1 January 2014	2,162,387	216,239	202,983
Exercise of options	49,275	4,927	3,888
Repurchase and cancellation of shares	(202)	(20)	(16)
As at 30 June 2014	2,211,460	221,146	206,855

(Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE OPTIONS *(CONTINUED)*

(b) Share options

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

	Average exercise price in HK$ per share	Number of options of shares (thousands)
As at 1 January 2015		**82,913**
Granted (on 24 April 2015)	**1.820**	**49,500**
Forfeited		**(5,442)**
Exercised		**(9,487)**
As at 30 June 2015 (Unaudited)		**117,484**
As at 1 January 2014		115,626
Granted (on 12 May 2014)	5.200	21,700
Forfeited		(1,399)
Exercised		(49,275)
As at 30 June 2014 (Unaudited)		86,652

For the six months ended 30 June 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE OPTIONS *(CONTINUED)*

(b) Share options *(CONTINUED)*

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

Expiry date	**Exercise price (HK$ per share)**	**Number of share options (thousands)**
18 January 2016	1.072	12,383
15 April 2016	1.240	2,520
17 June 2016	1.160	1,368
21 November 2016	2.610	4,053
27 December 2016	3.820	83
9 January 2016	3.878	24,037
21 June 2019	5.742	1,296
27 June 2019	5.600	298
15 August 2019	5.570	54
19 November 2019	4.960	246
11 May 2020	5.200	20,756
17 September 2020	3.120	890
23 April 2021	1.820	49,500
		117,484

(Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE OPTIONS *(CONTINUED)*

(b) Share options *(CONTINUED)*

Note:

The fair value of the options granted during the six months ended 30 June 2015 is determined using the binomial option pricing model. The key assumptions used in the pricing model for options granted on 24 April 2015 were the exercise price shown above and other parameters are shown below:

Parameters	**Options granted during the six months ended 30 June**	
	2015	2014
Share price as of the valuation date (HK$)	**1.82**	5.20
Expected dividend yield	—	1.30%
Forfeiture rate	**0.68%**	1.00%
Exercise multiples	**3.54-3.80**	3.22-3.80
Maturity years	**6.0**	6.0
Risk free rate	**1.10%**	1.46%
Annualised volatility	**52.64%**	52.90%

The total expense recognised for the six months ended 30 June 2015 for share options amounted to RMB 13,046,000, which were recorded in staff costs in the income statement, inventory and intangible assets with amount of RMB 10,076,000, RMB 2,503,000 and RMB 467,000, respectively (for the six months ended 30 June 2014: RMB 12,908,000 recorded in staff costs in the income statement), with a corresponding amount credited in capital reserve.

For the six months ended 30 June 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

18. LONG-TERM BONDS

Issued data:	Par value	Coupon rate	**As at 30 June 2015**	As at 31 December 2014	**Effective interest rate**
25 May 2012 (a)	RMB 300,000	6.59%	—	299,583	6.74%
7 August 2013 (b)	RMB 200,000	7.30%	**199,108**	198,733	7.74%
31 October 2013 (c)	USD 250,000,000	7.50%	**1,488,133**	1,497,786	8.31%
			1,687,241	1,996,102	
Less: Current portion			—	(299,583)	
			1,687,241	1,696,519	

Note:

(a) In May 2012, Anton Oilfield Services Company Limited ("Anton Oil"), a subsidiary of the Company, issued RMB300 million medium-term notes with maturity of 3 years on China's Interbank Bond Market. The bonds have been fully repaid in May 2015.

(b) In August 2013, Anton Oil issued RMB200 million medium-term notes at par value. The bonds mature in 3 years from the issue date at their nominal value. Interest is payable on an annual basis. As at 30 June 2015, interest payable amounted to approximately RMB 13.1 million (31 December 2014: 5.8 million).

(c) In October 2013, the Company issued US$ 250 million senior notes at par value. The bonds mature in 5 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 30 June 2015, interest payable amounted to approximately RMB 17.5 million (31 December 2014: RMB 17.3 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

19. SHORT-TERM BORROWINGS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Bank borrowings		
– Unsecured - US$ denominated	—	9,292
– Unsecured - RMB denominated	**506,400**	364,620
– Secured - RMB denominated (a)	**70,000**	320,000
Other borrowings - secured – RMB denominated (b)	**120,000**	—
	696,400	693,912

(a) As at 30 June 2015, secured short-term bank borrowings were all guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd., a third party, with the Group's buildings with a net book value of RMB 33,022,000 (Notes 7) and land use rights with a net book value of RMB 11,392,000 (Note 8) pledged as counter-guarantee.

(b) As at 30 June 2015, other borrowings represented a loan borrowed by Anton Oil from Beijing City Cultural Technology Leasing Share Limited, with its machinery and equipment with a net book value of RMB 135,905,000 pledged as security (Note 7).

(c) As at 30 June 2015, the undrawn bank borrowing facilities of the Group approximated RMB 564 million (31 December 2014: RMB 526 million), with maturity dates between 26 August 2015 and 21 May 2016.

For the six months ended 30 June 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

20. TRADE AND NOTES PAYABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Trade payables (a)		
– related parties (Note 31(c))	**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

21. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Advance from customers	**11,566**	6,715
Payroll and welfare payable	**45,270**	42,948
Taxes other than income taxes payable	**31,337**	77,259
Payables to equipment venders	**669,135**	651,983
Dividend payable	**23,003**	11,753
Interest payable	**30,617**	35,151
Others	**71,041**	81,978
	881,969	907,787

(Amounts expressed in thousands of RMB unless otherwise stated)

22. REVENUE

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

23. 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

24. OTHER GAINS, NET

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Government grants and subsidies	**10,874**	2,763
Others	**2,961**	105
	13,835	2,868

(Amounts expressed in thousands of RMB unless otherwise stated)

25. 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)

26. 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 taxable 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

27. (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 incurred a loss and 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

(Amounts expressed in thousands of RMB unless otherwise stated)

28. 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.

29. NOTE TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax	**(63,686)**	75,144
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 23)	**86,229**	76,735
– net loss on disposals (Note 23)	**350**	18
Amortisation (Note 23)	**9,924**	15,205
Reversal of impairment of receivables (Note 23)	—	(334)
Charge of share option scheme (Note 23)	**10,076**	12,908
Share of loss of joint ventures	**1,042**	5,053
Net foreign exchange (gains)/losses (Note 25)	**(4,273)**	10,566
Interest income (Note 25)	**(3,514)**	(11,235)
Interest expenses (Note 25)	**100,072**	87,289
Changes in other non-current assets	**28,150**	(24,700)
Changes in working capital:		
Inventories	**(167,962)**	(56,587)
Trade and notes receivables	**245,250**	(309,832)
Prepayments and other receivables	**(91,378)**	(75,123)
Trade and notes payables	**88,633**	(1,468)
Accruals and other payables	**(64,549)**	(110,575)
Restricted bank deposits	**(88,056)**	(9,490)
Net cash inflows/(outflows) from operations	**86,308**	(316,426)
Interest paid	**(104,947)**	(77,210)
Interest received	**3,514**	11,235
Income tax paid	**(17,325)**	(51,152)
Net cash used in operating activities	**(32,450)**	(433,553)

(Amounts expressed in thousands of RMB unless otherwise stated)

29. NOTE TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT *(CONTINUED)*

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Investing activities:		
Purchases of property, plant and equipment	**(183,153)**	(201,334)
Purchases of intangible assets	**(22,331)**	(17,433)
Acquisition of subsidiaries, net of cash paid	—	(2,670)
Proceeds from disposal of property, plant and equipment	**37,764**	2,298
Investment in joint ventures	—	(7,326)
Increase in term deposits with initial term of over three months	**(1,000)**	(3,000)
Net cash used in investing activities	**(168,720)**	(229,465)
Financing activities:		
Proceeds from short-term borrowings	**591,236**	381,500
Repayments of short-term borrowings	**(588,748)**	(375,875)
Proceeds from share options exercised	**9,370**	60,122
Repayments of sale and leaseback	—	(5,558)
Repayments of long-term bonds	**(308,521)**	—
Repurchase of own shares	—	(790)
Capital injection from non-controlling interests	—	6,590
Dividends paid to the equity holders of the Company (Note 28)	—	(122,468)
Dividends paid to the non-controlling interests by subsidiaries	—	(2,500)
Net cash used in financing activities	**(296,663)**	(58,979)

(Amounts expressed in thousands of RMB unless otherwise stated)

30. COMMITMENTS

(a) Capital commitments

Capital commitments relating to investments in property, plant and equipment at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Contracted but not provided for		
– Property, plant and equipment	**89,591**	187,251

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements, with the future aggregate minimum lease payments as follows:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 1 year	**7,162**	9,001
1 to 5 years	**29,057**	26,839
Over 5 years	**16,605**	20,974
	52,824	56,814

31. RELATED PARTY TRANSACTIONS

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

(a) The following companies are related parties of the Group during the six months ended 30 June 2015 and 2014:

Names of related parties	Nature of relationship
Northern Heavy Anton Machinery Manufacturing Co., Ltd. ("Northern Heavy")	Joint venture invested by Anton Oil
Tongzhou IPM Oilfield Technology Co., Ltd. ("TIPM")	Joint venture invested by Anton Oil
China Nanhai Magcobar Mud Co., Ltd. ("Nanhai Magcobar")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Oilfield China ("SLB China")	Controlled by the same ultimate parent company of SLB NV
Smith Drilling Equipment (Changzhou) Ltd. ("Smith Drilling")	Controlled by the same ultimate parent company of SLB NV
Dowell Schlumberger (Western) S.A. ("Dowell SLB")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technologies (Beijing) Ltd. ("SLB Beijing")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Reservoir Products FZE ("SLB FZE")	Controlled by the same ultimate parent company of SLB NV
SCP Oilfield Company ("SCP")	Controlled by the same ultimate parent company of SLB NV

(Amounts expressed in thousands of RMB unless otherwise stated)

31. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions with related parties

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Purchases of goods or services		
Northern Heavy	**2,505**	14,477
Nanhai Magcobar	**12,904**	26,847
SLB China	**10,783**	31,737
Smith Drilling	**7,982**	3,572
SLB Beijing	**4,715**	—
	38,889	76,633
Sales of goods		
Northern Heavy	**503**	271
SLB China	**811**	2,951
SLB Beijing	**187**	—
	1,501	3,222

Goods and services are sold and purchased based on the price lists in force and terms that would be available to third parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

31. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Balances with related parties

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Trade and notes receivables (Note 14)		
SLB China	**5,096**	5,057
SLB Beijing	—	187
TIPM	**6,200**	37,200
SCP	—	920
	11,296	43,364
Prepayments and other receivables (Note 15)		
Schlumberger Reservoir Products FZE	—	409
Trade and notes payables (Note 20)		
Northern Heavy	**3,048**	2,492
TIPM	**96**	96
Nanhai Magcobar	**22,375**	16,556
SLB China	**13,923**	15,140
SLB Beijing	**316**	216
Smith Drilling	**1,061**	3,733
Dowell SLB	—	212
	40,819	38,445
Accruals and other payables		
SLB FZE	**15,509**	15,523
Northern Heavy	**1,854**	3,748
Smith Drilling	**11,240**	—
SLB China	**12,000**	—
SLB Beijing	**5,463**	—
	46,066	19,271

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

(Amounts expressed in thousands of RMB unless otherwise stated)

31. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Key management compensation

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**11,511**	10,432
Pension scheme	**326**	249
Share-based compensation	**5,357**	5,149
	17,194	15,830