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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

Revenue of the Group decreased by 21.8% from RMB861.5 million in the same period of 2015 to RMB673.7 million in the first half of 2016. Loss attributable to equity holders of the Company decreased by 11.9% from a loss of RMB73.8 million in the same period of 2015 to a loss of RMB65.0 million for the first half of 2016.

RESULTS

The board of directors (the "Board") of Anton Oilfield Services Group (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 (hereinafter referred to as "the first half of the year", "during the period under review" or "during the reporting period") with comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2016

	Note	**As at 30 June 2016** ***RMB'000*** ***(Unaudited)***	As at 31 December 2015 *RMB'000* *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,236,821**	2,355,538
Land use rights		**48,539**	59,893
Intangible assets		**386,086**	379,538
Investments in joint ventures		**—**	4,000
Prepayments and other receivables		**132,524**	132,693
Other non-current assets		**63,000**	67,255
Deferred income tax assets		**56,614**	64,659
		2,923,584	3,063,576
Current assets			
Inventories		**787,964**	834,223
Trade and notes receivables	5	**1,292,278**	1,284,354
Prepayments and other receivables		**394,933**	373,603
Restricted bank deposits		**202,377**	158,246
Term deposits with initial terms of over three months		**11,000**	11,000
Cash and cash equivalents		**206,972**	458,158
		2,895,524	3,119,584
Total assets		**5,819,108**	6,183,160

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED) AS AT 30 JUNE 2016

	Note	**As at 30 June 2016** ***RMB'000*** ***(Unaudited)***	As at 31 December 2015 *RMB'000* *(Audited)*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**207,213**	207,629
Reserves		**1,582,724**	1,686,397
		1,789,937	1,894,026
Non-controlling interests		**65,338**	65,586
Total equity		**1,855,275**	1,959,612
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**122,112**	–
Long-term bonds		**1,622,882**	1,584,635
Deferred income tax liabilities		**4,388**	4,375
		1,749,382	1,589,010
Current liabilities			
Short-term borrowings		**441,650**	675,000
Current portion of long-term borrowings		**60,288**	–
Current portion of long-term bonds		**199,920**	199,514
Trade and notes payables	6	**467,949**	580,348
Accruals and other payables		**1,005,291**	1,154,958
Current income tax liabilities		**39,353**	24,718
		2,214,451	2,634,538
Total liabilities		**3,963,833**	4,223,548
Total equity and liabilities		**5,819,108**	6,183,160

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
	Note	***(Unaudited)***	*(Unaudited)*
Revenue	7	**673,703**	861,540
Cost of sales	8	**(499,599)**	(624,981)
Gross profit		**174,104**	236,559
Other gains, net		**65,455**	13,835
Selling expenses	8	**(49,944)**	(72,031)
Administrative expenses	8	**(123,571)**	(129,078)
Research and development expenses	8	**(17,231)**	(9,237)
Sales tax and surcharges	8	**(4,023)**	(7,574)
Operating profit		**44,790**	32,474
Interest income		**737**	3,514
Finance expenses		**(83,851)**	(98,632)
Finance costs, net	9	**(83,114)**	(95,118)
Share of loss of joint ventures		**—**	(1,042)
Loss before income tax		**(38,324)**	(63,686)
Income tax expense	10	**(26,960)**	(12,403)
Loss for the period		**(65,284)**	(76,089)
Loss attributable to:			
Equity holders of the Company		**(65,036)**	(73,786)
Non-controlling interests		**(248)**	(2,303)
		(65,284)	(76,089)
Loss per share for loss attributable to the equity holders of the Company (expressed in RMB per share)			
- basic	11	**(0.0294)**	(0.0333)
- diluted	11	**(0.0294)**	(0.0333)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss for the period	**(65,284)**	(76,089)
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Net investment hedge	**(23,377)**	–
Currency translation differences	**7,534**	(1,104)
Other comprehensive income for the period, net of tax	**(15,843)**	(1,104)
Total comprehensive income for the period	**(81,127)**	(77,193)
Total comprehensive income attributable to:		
Equity holders of the Company	**(80,879)**	(74,890)
Non-controlling interests	**(248)**	(2,303)
	(81,127)	(77,193)

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(153,075)**	(32,450)
Net cash used in investing activities	**(34,758)**	(168,720)
Net cash used in financing activities	**(67,738)**	(296,663)
Net decrease in cash and cash equivalents	**(255,571)**	(497,833)
Cash and cash equivalents, at beginning of the period	**458,158**	759,751
Exchange gain on cash and cash equivalents	**4,385**	3,169
Cash and cash equivalents, at end of the period	**206,972**	265,087

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 28 August 2016.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, 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 2015, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2016 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. 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.

During the year ended 31 December 2015, the chief operating decision makers assess performance of three reportable segments: drilling technology, well completion and oil production services, which is different from the segment categorisaiton in prior years according to the restructuring of internal management and reporting structure. The segment information of comparative period has been restated to conform to the current year categorisation.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers evaluate the performance of the operating segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance expenses, share of loss of joint ventures, share-based payments and asset impairment provisions ("EBITDA"). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarters of the Group.

	Drilling technology	**Well completion**	**Oil production services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2016 (Unaudited)				
Revenue	**209,343**	**278,491**	**185,869**	**673,703**
EBITDA	**69,058**	**86,420**	**59,635**	**215,113**
Depreciation and amortisation	**(34,720)**	**(49,067)**	**(10,522)**	**(94,309)**
Asset impairment provision of				
- Trade receivables	**(1,258)**	**–**	**–**	**(1,258)**
- Inventories	**(17,277)**	**(15,095)**	**–**	**(32,372)**
- Plant property and equipment	**(793)**	**(1,058)**	**(2,113)**	**(3,964)**
Interest income	**–**	**138**	**–**	**138**
Finance expenses, net	**336**	**(246)**	**(10,771)**	**(10,681)**
Income tax expense	**(7,167)**	**(11,590)**	**(8,203)**	**(26,960)**

	Drilling technology	Well completion	Oil production services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2015 (Unaudited) (Restated)				
Revenue	304,534	377,907	179,099	861,540
EBITDA	77,762	122,215	51,320	251,297
Depreciation and amortisation	(32,867)	(51,823)	(10,558)	(95,248)
Interest income	99	270	177	546
Finance expenses, net	(1,392)	(625)	(1,001)	(3,018)
Share of loss of joint ventures	(1,042)	–	–	(1,042)
Income tax expense	(3,777)	(5,471)	(3,155)	(12,403)
As at 30 June 2016 (Unaudited)				
Total assets	**1,829,069**	**2,554,662**	**438,611**	**4,822,342**
Total assets include:				
Investments in joint ventures	**–**	**–**	**–**	**–**
Capital expenditures	**19,997**	**8,199**	**9,684**	**37,880**
As at 31 December 2015 (Audited)				
Total assets	1,567,491	2,841,241	211,503	4,620,235
Total assets include:				
Investments in joint ventures	4,000	–	–	4,000
Capital expenditures	96,586	207,303	7,645	311,534

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	**215,113**	251,297
Corporate overheads	**(110,991)**	(216,221)
Depreciation	**(87,801)**	(85,707)
Amortisation	**(6,508)**	(9,541)
Asset impairment provision	**(37,594)**	–
Interest income	**138**	546
Finance expenses, net	**(10,681)**	(3,018)
Share of loss of joint ventures	**–**	(1,042)
Loss before income tax	**(38,324)**	(63,686)

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

	As at	As at
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Assets for reportable segments	**4,822,342**	4,620,235
Corporate assets for general management	**996,766**	1,562,925
Total assets per balance sheet	**5,819,108**	6,183,160

The Group choose to allocate revenue on the basis of the location in which the sale originated.

Geographical Information

	Revenue		Non-current assets	
	Six months ended 30 June			As at
			As at	31 December
	2016	2015	**30 June 2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
PRC	**279,713**	472,545	**2,413,272**	2,568,906
Iraq	**247,743**	281,683	**401,550**	410,435
Other countries	**146,247**	107,312	**108,762**	84,235
Total	**673,703**	861,540	**2,923,584**	3,063,576

Client Information

During the period, revenues of approximately RMB236,708,000 (six months ended 30 June 2015: RMB249,753,000) are derived from two (six months ended 30 June 2015: two) external customers, which contributed 23.43% and 11.71% to the total revenue, respectively (six months ended 30 June 2015: 16.8% and 12.2%). These revenues are mainly attributable to oil production services and well completion segments.

5. TRADE AND NOTES RECEIVABLES

	As at 30 June 2016 *RMB'000* *(Unaudited)*	As at 31 December 2015 *RMB'000* *(Audited)*
Trade receivables, net (a)	**1,237,334**	1,198,723
Notes receivable (c)	**54,944**	85,631
	1,292,278	1,284,354

Note:

(a) Ageing analysis:

	As at 30 June 2016 *RMB'000* *(Unaudited)*	As at 31 December 2015 *RMB'000* *(Audited)*
1 - 6 months	**764,955**	742,882
6 months - 1 year	**298,526**	344,038
1 - 2 years	**130,308**	104,856
2 - 3 years	**47,873**	15,367
Over 3 years	**28,631**	23,292
	1,270,293	1,230,435
Less: Impairment of receivables	**(32,959)**	(31,712)
Trade receivables, net	**1,237,334**	1,198,723

(b) Most of the trade receivables are with credit terms of one year, 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) As at 30 June 2016, notes receivable of bank acceptance amounted to RMB 35,262,000 (31 December 2015: RMB 85,631,000) and trade acceptance amounted to RMB 19,682,000 (31 December 2015: RMB nil) with maturity dates within six months.

(d) As at 30 June 2016, secured short-term bank borrowings of RMB 81,650,000 were secured by trade receivables amounting to RMB 96,119,000.

As at 31 December 2015, secured bank borrowings of RMB 10,000,000 were secured by notes receivable amounting to RMB 10,000,000.

6. TRADE AND NOTES PAYABLES

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**357,058**	443,062
Notes payable	**110,891**	137,286
	467,949	580,348

Ageing analysis:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 1 year	**274,166**	458,070
1 - 2 years	**165,343**	102,960
2 - 3 years	**18,153**	13,386
Over 3 years	**10,287**	5,932
	467,949	580,348

7. REVENUE

Revenue by category is analysed as following:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Sales of goods	**68,564**	121,283
Provision of services	**605,139**	740,257
	673,703	861,540

8. EXPENSES BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Materials and services	**326,789**	371,050
Staff costs		
In which:		
- Salaries and other staff expenses	**152,350**	200,767
- Share-based compensation	**7,245**	10,076
Depreciation	**92,399**	86,229
Amortisation	**6,643**	9,924
Sales tax and surcharges	**4,023**	7,574
Other operating expenses	**104,919**	157,281
In which: - Increase in impairment of receivables	**1,258**	–
- Increase in impairment of property, plant and equipment	**3,964**	–
- Increase in impairment of inventories	**32,372**	–
- Loss on disposal of property, plant and equipment	**–**	350
Total operating costs	**694,368**	842,901

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expenses		
- on borrowings	**(18,882)**	(23,777)
- on bonds	**(71,660)**	(76,295)
	(90,542)	(100,072)
Exchange gains, net	**16,692**	4,273
Others	**(10,001)**	(2,833)
Total finance expenses	**(83,851)**	(98,632)
Interest income	**737**	3,514
	(83,114)	(95,118)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
- PRC enterprise income tax	**1,298**	1,314
- Iraq corporate income tax	**17,275**	15,652
- Others	**329**	253
Deferred income tax	**8,058**	(4,816)
	26,960	12,403

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

For the Company's PRC subsidiaries, enterprise income tax is provided on estimated taxation profits at applicable tax rate of 25% (2015:25%), except that certain subsidiaries which have applied preferential tax rates of 12.5% or 15%.

The corporate income tax of Iraq entities is levied at 7% over the revenue. Entities registered in United Arab Emirates, are exempted from income tax.

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss 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	
	2016	2015
	(Unaudited)	*(Unaudited)*
Loss attributable to equity holders of the Company (RMB'000)	**(65,036)**	(73,786)
Weighted average number of ordinary shares in issue (thousands of shares)	**2,214,562**	2,217,031
Basic loss per share (expressed in RMB per share)	**(0.0294)**	(0.0333)

(b) Diluted

During the six months ended 30 June 2016 and 2015, the Group made losses. Therefore the effect of share options was anti-dilutive and is ignored from the calculation of diluted loss per share. The diluted loss per share is calculated in the same way with basic loss per share.

12. DIVIDENDS

No dividend has been declared in respect of the financial year ended 31 December 2015 and the six months ended 30 June 2016.

13. SUBSEQUENT EVENTS

On 16 May 2016, the Group entered into an agreement with Hong Kong Huihua Global Technology Limited (香港惠華環球科技有限公司) (the "Purchaser") and 華油惠博普科技股份有限公司 (China Oil HBP Science & Technology Co., Ltd). Pursuant to the agreement, the Group will transfer 40% of the equity interest in Anton Oilfield Services DMCC ("DMCC") to the Purchaser for a cash consideration of RMB 700,000,000.

The agreement and the transactions have been approved by the shareholders of the Company at the extraordinary general meeting held on 26 July 2016. As of the date of approving this condensed consolidated interim financial information approved for issue, the transactions has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, international oil price once dropped to a 12-years low, then gradually picked up. The average Brent oil spot price was about US$40.29/bbl, a decrease of approximately 31% over the same period in 2015. The global oil and gas industry market was still in the downturn.

Domestically, upstream capital expenditures from major oil companies was further slashed, market of regular services goes more defensive, and competition further intensified. Meanwhile, projects were postponed by customers due to the oil price plunge in the first quarter, which made revenue from domestic market decreased as compared to the same period last year. The Group prioritized the bidding of projects which can improve the utilization rate of existing equipment and those with strategic importance, focused on unconventional market where it has competitive advantages and won multiple orders from tight oil and gas, coal-bed methane and shale gas projects in the first half of the year.

Overseas, despite the effects of ultra-low oil price on the progress of projects' execution, revenue from overseas markets still increased slightly as compared with the same period last year, and exceeded that from domestic market for the first time. Leveraging on its systematic competitiveness as a Chinese company with quality service in the current low oil price environment, the Group accelerated the replacement of international oil service companies in the international markets. At the same time, the Group kept close tabs on market opportunities from Chinese investors who invested in overseas oilfields and continued to achieve breakthroughs in emerging markets. In the first half of 2016, the Group's order backlog for overseas business increased to RMB2,628.1 million. The rapid development of the overseas business has led to the increase in working capital demand. The Group introduced a strategic partner through entering into an agreement to transfer 40% interest of its Iraqi business to the partner with an aim to improve the cash flow of the Group and support the long-term business development of the Group.

Under the tough market environment, the Group continued to implement measures on saving costs and improving efficiency, which showed significant effectiveness with substantially lower overhead costs and operating expenses. Profitability of the Group has largely improved in the low oil price environment. On financial management, the Group continued to strengthen the management of accounts receivables. Meanwhile, the Group continued to implement budget-oriented fund control measures and improved the capital management efficiency. However, cash flow was still a bit tight in light of business development demands.

Results and Performance

In the first half of 2016, the Group recorded total revenue of RMB673.7 million, a decline of RMB187.8 million or 21.8% as compared with the same period of 2015, which was mainly the result of project delays of our major customers due to the oil price plunge in the first quarter.

The Group's operating profit was RMB44.8 million, an increase of RMB12.3 million, or 37.8%, from RMB32.5 million in the same period of 2015. A net loss of RMB65.3 million was recorded, a decrease of RMB10.8 million, or 14.2% from RMB76.1 million in the same period of 2015. Loss attributable to equity holders of the Company was RMB65.0 million, a decrease of RMB8.8 million, or 11.9% from RMB73.8 million in the same period of 2015. The margin of net profit attributable to equity holders of the Company was -9.7%, a decrease of 1.1 percentage points from -8.6% in the same period of 2015.

As at 30 June 2016, the average accounts receivable turnover days were 309 days, an increase of 35 days as compared with the same period last year. The average inventory turnover days were 292 days, an increase of 60 days as compared with the same period last year. Average accounts payable turnover days was 144 days, a decrease of 56 day as compared with the same period last year. Cash flow from operating activities was RMB-153.1 million, a decrease of RMB120.6 million compared with RMB-32.5 million for the same period last year.

Geographical Market Analysis

In the first half of 2016, new orders secured by the Group totaled RMB1,486.9 million, representing a growth of 16.5% compared with RMB1,276.7 million in the same period last year. Domestic market is still in the downturn, customers took a more defensive position on regular services, which intensified the competition. The Group focused on market opportunities for unconventional projects and won multiple orders from tight oil and gas, coal-bed methane and shale gas projects. As significant capex cuts of customers and the shrink in overall market size, the new orders of the Group was RMB519.4 million for the first half of 2016, a decrease of 17.0% as compared with the same period last year. As at 30 June 2016, the order backlog of the Group in the domestic market was RMB934.0 million. Overseas, the Group further enhanced its breakthroughs and development in international markets, which drove the continuous increase in overseas orders, with the number of new orders overseas reached RMB967.5 million, an increase of 48.6% as compared with the same period last year. As at 30 June 2016, the order backlog of the Group in the overseas market increased to RMB2,628.1 million, reached a record high. The overall order backlog of the Group as at 30 June 2016 was RMB3,562.1 million, representing a 82.2% increase as compared to the same period in 2015. Revenue from the domestic market in the first half of 2016 was RMB279.8 million, representing a decrease of RMB192.7 million or 40.8% from RMB472.5 million in the first half of 2015, and accounting for 41.5% of the Group's total revenue. Revenue from the overseas markets reached RMB393.9 million, an increase of RMB4.9 million or 1.3% from RMB389.0 million in the first half of 2015, and accounting for 58.5% of the Group's total revenue. Revenue from the overseas markets exceeded that from domestic market for the first time.

Breakdown of New Orders by Market

	Six months ended 30 June			**Share of Total Value of New Orders**	
	The first half of 2016 ***(RMB million)***	The first half of 2015 *(RMB million)*	**Change** **(%)**	**The first half of 2016**	The first half of 2015
Domestic	**519.4**	625.7	**-17.0%**	**34.9%**	49.0%
Overseas	**967.5**	651.0	**48.6%**	**65.1%**	51.0%
Total	**1,486.9**	1,276.7	**16.5%**	**100%**	100%

Breakdown of Order backlog by Market

	As at 30 June			**Share of Total Value of Order Backlog As at 30 June**	
	2016 ***(RMB million)***	2015 *(RMB million)*	**Change** **(%)**	**2016**	2015
Domestic	**934.0**	717.0	**30.3%**	**26.2%**	36.7%
Overseas	**2,628.1**	1,238.0	**112.3%**	**73.8%**	63.3%
Total	**3,562.1**	1,955.0	**82.2%**	**100%**	100%

Breakdown of Revenue by Market

	Six months ended 30 June			Share of Total Group Revenue	
	2016	2015	**Change**	**Six months ended 30 June**	
	(RMB million)	*(RMB million)*	*(%)*	**2016**	2015
Domestic	**279.8**	472.5	**-40.8%**	**41.5%**	54.8%
Overseas	**393.9**	389.0	**1.3%**	**58.5%**	45.2%
Total	**673.7**	861.5	**-21.8%**	**100%**	100.0%

Domestic Market

In the first half of 2016, domestic market was still in the downturn affected by the low oil price. The revenue from domestic market decreased significantly due to delays of projects execution and decline in total workload. However, benefiting from its advantages in unconventional market, the Group successively achieved breakthroughs in the unconventional market in the first half of 2016.

Revenue Analysis of Domestic Market

	Six months ended 30 June			Share of Domestic Revenue	
	2016	2015	**Change**	**Six months ended 30 June**	
	(RMB million)	*(RMB million)*	*(%)*	**2016**	2015
Northwest China	**136.5**	223.2	**-38.8%**	**48.8%**	47.2%
North China	**47.3**	108.6	**-56.4%**	**16.9%**	23.0%
Southwest China	**48.7**	95.5	**-49.0%**	**17.4%**	20.2%
Northeast China and other Chinese regions	**47.3**	45.2	**4.6%**	**16.9%**	9.6%
Total	**279.8**	472.5	**-40.8%**	**100.0%**	100.0%

Major developments in the domestic market

- In Northwest China, the overall investment from customers continued to shrink, projects implementation progress was slow, leading to a large year-on-year decline in revenue from the region.

- In North China, the revenue declined significantly as utilization rates of land drilling services and fracturing projects were low. While, the Group smoothly completed a horizontal well drilling in Changqing Oilfield 26 days in advance of the drilling period designated by the customer in the first half of the year, which created a drilling speed record for the same type of horizontal well drilling in the area. Besides, our proprietary well completion tool "Step-Port full bore multi-stage slide sleeve" has been successfully applied in two wells in the area.

- In Southwest China, the Group also recorded a sharp year-on-year decline in revenue affected by the low price in the first half of the year. As for the market, leveraging on its advantages in unconventional technologies, the Group secured new orders from shale gas projects, such as coiled tubing and rotary geo-steering services.

- In Eastern China, the Group recorded a slight year-on-year increase in revenue as project execution was relatively stable, and the Group successfully won several directional drilling service contracts, as well as achieved breakthroughs for unconventional projects in new markets. The Group was awarded an integrated coal-bed methane service order in Shanxi in the first half of the year.

Overseas Market

Despite of the effects of ultra-low international oil price in the first half of 2016, revenue from overseas markets still increased slightly as compared to the same period last year. Drawing upon its market penetration and excellence as a Chinese company with quality services amidst the low oil price market environment, the Group continued to make new progress and breakthroughs in overseas markets, as evidenced by record high new orders and order backlogs for the same period. Under rapid growth of overseas businesses, the Group's capital requirements for overseas operations increased. In order to maintain and support the long-term development of its international business, the Group introduced a strategic partner by transferring to it 40% of the shares in the Iraq business.

Revenue Analysis of Overseas Market

	Six months ended 30 June			Share of Overseas Revenue Six months ended 30 June	
	2016	2015	**Change**	**2016**	2015
	(RMB million)	*(RMB million)*	**(%)**		
Middle East	**247.7**	286.3	**-13.5%**	**62.9%**	73.6%
Americas	**13.9**	40.2	**-65.4%**	**3.5%**	10.3%
Central Asia & Africa	**132.3**	62.5	**111.7%**	**33.6%**	16.1%
Total	**393.9**	389.0	**1.3%**	**100%**	100%

Major developments in overseas markets

- In the Middle East, the Group continued to win orders for large-scale projects such as comprehensive production operation service, order backlog grows continually, while the overall projects execution rate underperformed than expected and revenue recorded a decreased compared to last year. Under rapid growth of its international businesses, the Group's capital requirements for overseas operations increased. The Group introduced a strategic partner, China Oil HBP Science & Technology Co., Ltd. (華油惠博普科技股份有限公司) which has strong capability to serve EPC (engineering, procurement and construction) business in Iraq, by transferring to it 40% of the shares of the Group in the Iraq business in the first half of the year. Such partnership would channel capital support to the Group, as well as exert the synergistic effect to seek greater development through mutual cooperation. As at the end of June, the Group and the partner, referred to as "HBP-Anton Consortium", jointly entered into the "Strategic Cooperation Framework Agreement on Integrated Services for Oil and Gas Development and Construction" with Petro AP (Hong Kong) Company Limited (亞太石油(香港)有限公司), demonstrating the Group's enhanced integrated service capacities and competence established through such cooperation. In addition, the Group entered into new GCC (Gulf Cooperation Council) market and won well completion tool sales orders from United Arab Emirates.

- In the Americas, despite a massive contraction of the overall market and decrease in revenue, the Group achieved a breakthrough in new markets by launching its proprietary well completion tools to the market.

- In Central Asia and Africa, the Group seized the market opportunities under the "Belt and Road" Initiative. As a technical service-provider for the development of overseas oilfield blocks by Chinese investors, the Group explored new markets with increased orders and remarkable increase in revenue. In the first half of the year, the Group progressed its projects smoothly in Ethiopia and won more orders, including well completion tool and fracturing and acidizing services and chemical materials projects. The Group penetrated into the new market in Pakistan as it secured pilot projects from clients and is expected to gain more market share in future.

Business Cluster Analysis

In the first half of 2016, the Group's drilling technology cluster posted RMB209.3 million in revenue, the well completion cluster recorded revenue of RMB278.5 million, the revenue of oil production services cluster was RMB185.9 million. In terms of the share in the Group's revenue for the first half of 2016, the well completion cluster was the top contributor with a share of 41.3%, in the second place was the drilling technology cluster, accounting for 31.1% of the Group's revenue, the oil production services cluster accounted for 27.6% of the Group's revenue.

In the first half of 2016, owing to the grim situation in both the domestic and international markets, business of the Group was affected in varying degrees. The Group reclassified its product lines to focus on the ones with robust profitability and short cycle of capital occupation. The asset-light oil production service which comes from customer's relatively stable operating expenses grows steadily. In addition, the Group enhanced efforts in promoting technological innovation to increase profits of its product lines through technical upgrades, and help clients to achieve higher production with lower costs.

Revenue Breakdown by Cluster

	Six months ended 30 June			As a percentage of total revenue	
				Six months ended 30 June	
	2016	2015	**Change**	**2016**	2015
	(RMB million)	*(RMB million)*	**(%)**		
Drilling technology cluster	**209.3**	304.5	**-31.3%**	**31.1%**	35.3%
Well completion cluster	**278.5**	377.9	**-26.3%**	**41.3%**	43.9%
Oil production services cluster	**185.9**	179.1	**3.8%**	**27.6%**	20.8%
Total	**673.7**	861.5	**-21.8%**	**100.0%**	100.0%

Drilling Technology Cluster

In the first half of 2016, the drilling technology cluster posted RMB209.3 million in revenue, a decline of 31.3% from RMB304.5 million in 2015. The declining revenue of this cluster was mainly due to the decreased equipment utilization rate as a result of the shrink in the market and the decline in service price due to intensified market competition.

Business analysis of each product line under the drilling technology cluster:

1) Integrated service of oil and gas field development: The group had no project in progress due to the market environment. This product line booked no revenue in both the first half of 2016 and the same period of 2015.

2) Integrated drilling service: This product line saw a sharp decline in revenue due to market contraction and lower level of operations in the first half of 2016. During the reporting period, this product line booked RMB23.9 million in revenue, a decrease of 54.5% from RMB52.5 million for the same period of 2015. Nevertheless, cementing technology service performed well in the first half of 2016 as it entered the new market in Ethiopia, obtained stable workload and recorded revenue growth.

3) Directional drilling service: This product line saw market expansion in the first half of 2016. In Southwest China, the rotary geo-steering service developed jointly with Schlumberger progressed continually in the shale gas market. In Northeast China, the proprietary rotary geo-steering service grew steadily. In the overseas markets, this product line obtained stable workload in the Iraqi and Kazakhstan markets, whereas, the overall revenue decreased slightly as a result of a declined service price. During the reporting period, this product line booked RMB63.4 million in revenue, a decrease of 5.4% from RMB67.0 million for the same period of 2015.

4) Drilling fluid service: This product line continued to record stable growth in revenue in the first half of 2016. For domestic market, in Southwest China, the Group's products and services were recognized in the shale gas market and orders continued to increase. In Xinjiang, the workload remained stable while service price decreased due to intensifying market competition. For overseas markets, the Ethiopia and Iraq market had stable workload. This product line booked RMB65.2 million in revenue, an increase of 13.4% from RMB57.5 million for the same period of 2015.

5) Land drilling service: This product line saw serious market contraction with reduced workload, low utilization rate of equipment and significant decreased revenue in the first half of 2016. However, the Group secured orders from emerging market client for an annual drilling service in Erdos, which expected to commence in the second half of 2016. During the reporting period, this product line booked RMB11.0 million in revenue, a decrease of 72.7% from RMB40.3 million for the same period of 2015.

6) Oilfield waste management service: This product line saw growth in the first half of 2016. Revenue in the domestic market was primarily derived from the shale gas market in Southwest China. Overseas, the Ethiopia market achieved breakthrough and secured continued workload. During the reporting period, this product line booked RMB8.3 million in revenue, an increase of 295.2% from RMB2.1 million for the same period of 2015.

7) Drilling tool rental and technology service: This product line encountered sharp revenue decrease as influenced by the shrunk utilization rate of drilling tool in the first half of 2016. During the reporting period, this product line booked RMB13.0 million in revenue, a decrease of 68.2% from RMB40.9 million for the same period of 2015.

8) Oil and gas production facilities inspection and evaluation service: This product line had major presence in Xinjiang and Southwest China in the first half of 2016. Affected by contracting market, oil drilling tools inspection and tubular helium testing service both saw declined workload, and the revenue from this product line decreased significantly due to decreased service price in view of intensifying competition. During the reporting period, this product line booked RMB24.5 million in revenue, a decrease of 44.6% from RMB44.2 million for the same period of 2015.

EBITDA of the drilling technology cluster decreased 11.2% from RMB77.8 million for the same period of 2015 to RMB69.1 million in the first half of 2016. EBITDA margin for the first half of 2016 was 33.0%, an increase of 7.5 percentage points from 25.5% for the same period of 2015, mainly due to the effects of the Group's cost control and the rise of revenue from other product line that has high profit margin.

Well Completion Cluster

In the first half of 2016, the well completion cluster recorded RMB278.5 million in revenue, down 26.3% compared with RMB377.9 million in 2015, which was mainly caused by the decrease in workload.

Business analysis of each product line under the well completion cluster:

1) Well completion integration: In the first half of 2016, this product line saw overall decline in revenue due to decreased workload and intensified market competition. However, the Group successfully tried out its proprietary "Step-Port" well completion tool in two wells in Northern China market, which was well recognized by clients and expected to be promoted further in the market. For overseas markets, the Group completed delivery of well completion tools in Iran and its proprietary sand control tool entered the new market of Ecuador. During the reporting period, this product line recorded RMB123.0 million in revenue, down 20.2% from RMB154.1 million for the same period of 2015.

2) Pressure pumping service: This product line saw slump in revenue due to reduced workload and lower equipment utilization rate in the first half of 2016. During the reporting period, this product line recorded RMB40.0 million in revenue, down 38.8% from RMB65.4 million for the same period of 2015.

3) Coiled tubing service: In the first half of 2016, this product line recorded RMB89.2 million in revenue, down 31.1% from RMB129.4 million for the same period of 2015, due to the decrease in domestic workload and decline in service price. The Group continued to obtain orders for shale gas project in Sichuan Basin and the workload in Iraq remained stable.

4) Fracturing/acidizing technique and chemical materials: This product line saw rapid revenue growth benefiting from breakthrough made in the Ethiopia market in the first half of 2016. During the reporting period, this product line recorded RMB11.6 million in revenue, up 383.3% from RMB2.4 million for the same period of 2015.

5) Proppant: This product line suspended production in light of the current market conditions in the first half of 2016, pending for market recovery to restart. During the reporting period, this product line recorded no revenue, while a revenue of RMB15.6 million was recorded for the same period of 2015.

6) Gravel packing service: This product line saw revenue increase in the first half of 2016 as compared to that for the same period of 2015, and recorded RMB14.7 million in revenue during the reporting period, up 33.6% from RMB11.0 million for the same period of 2015.

EBITDA of the well completion cluster decreased by 29.3% from RMB122.2 million in the first half of 2015 to RMB86.4 million in the first half of 2016. EBITDA margin for the first half of 2016 was 31.0%, decrease by 1.3 percentage points from 32.3% for the same period of 2015.

Oil Production Services Cluster

In the first half of 2016, the Group continued to vigorously develop its oil production services cluster, which holds the stable growth in both Northwest China and Iraqi markets. The oil production services cluster recorded RMB185.9 million in revenue in the reporting period, up 3.8% from RMB179.1 million for the same period of 2015.

Business analysis of each product line under the oil production services cluster:

1) Production operation services: This product line saw a large growth in revenue in the first half of 2016. In addition to progress with annual service contracts, the Group won high-level endorsement from clients for its quality works in the Iraq market and its workload increased steadily. During the reporting period, this product line recorded RMB113.4 million in revenue, up 31.7% from RMB86.1 million for the same period of 2015.

2) Workover service: Domestically the Group's own workover team continued operations in the Xinjiang and maintained stable workload. Overseas, the Group's 1 unit of own workover team entered into the new market of Ethiopia and commenced work in that region, workload increasing steadily. During the reporting period, this product line recorded RMB56.7 million in revenue, up 12.1% from RMB50.6 million for the same period of 2015.

3) Oil tubing and casing and anti-corrosion technology: This product line saw reduced demand from clients and reduced service frequency as well as slump in revenue, as affected by the shrinkage of the Xinjiang market in the first half of 2016. During the reporting period, this product line recorded RMB15.8 million in revenue, down 62.7% from RMB42.4 million for the same period of 2015.

EBITDA for the oil production services cluster increased by 16.2% from RMB51.3 million for the same period of 2015 to RMB59.6 million in the first half of 2016. The EBITDA margin of the cluster for the first half of 2016 was 32.1%, an increase of 3.4 percentage points from 28.7% for the same period of 2015, which was mainly due to the increase in revenue from the product lines which have higher profit margin.

Alignment of Strategic Resources

In the first half of 2016, the Group maintained strict control over capital expenditure with focus on technological innovation to reduce cost and increase efficiency of products and services. In the first half of 2016, the Group made RMB111.8 million in capital expenditure, mostly related to payment for committed projects in previous years, a decrease of 33.3% compared with RMB167.7 million in the first half of 2015.

Alignment of Investment

In the first half of 2016, the Group's investments were mainly for providing alignment for coiled tubing projects in Iraq without any investment in major equipment.

Alignment of Research and Development Resource

In the first half of 2016, the Group engaged in the improvement and innovation of relevant technologies and tools based on actual needs and in light of the renewed customer focus on production stimulation and cost saving. In the first half of 2016, the Group invested RMB17.2 million in Research and Development, a growth of 87.0% than RMB9.2 million in 2015.

Key Research and Development Pipelines

— Research and deployment of oil-based drilling fluid technology

— Research on proprietary directional drilling tools

— Rotary liner hanger

Alignment of Human Resources

In terms of human resources, the Group continued to push ahead with workforce optimization and implemented redeployment of staff mix according to the requirements for business growth. Major redeployment in the first half of 2016 was as follows:

— Continued optimizing of workforce. Overall headcount hugely decreased by about 60% to below a number of 2,000 at 30 June 2016 from its peak season in 2014, and the labour cost recorded a 24.3% decrease in the first half of 2016 comparing with the same period last year;

— Adjusted the compensation scheme and improved paid-leave system;

— Adhered to "International" talents development strategy and reconfigured the talent pool according to the Group's business needs.

Major Development on Cost Discipline

In the first half of 2016, the cost discipline measures of the Group showed remarkable results:

— Cost of raw materials and technical services decreased, mainly attributable to the enhancement of the control of internal procurement, rational usage of inventory and the improvement of efficiency by applying new technologies.

— Human resource overhead decreased, mainly attributable to the optimizing of workforce and adjustment of compensation scheme.

— Administrative Expenses decreased, mainly attributable to the strengthening of the budget-oriented cost control.

Outlook

Looking ahead to the second half of 2016, the international oil price is expected to fluctuate continuously and it is difficult for the price to restore to a high level in the short term. However, the project execution progress is expected to accelerate significantly as compared to the first half of the year.

With respect to market strategy, domestically, the effect of the continuous and significant reduction of capex by major customers on the production volume started to emerge, further reduction is not expected to continue and the recovery in certain regional market would start to show. The Group will stick to its "unconventional" strategy and aim to further increase its market share by leveraging on its advantages in unconventional technologies and integrated services and focusing on opportunities in unconventional oil and gas projects, such as tight oil and gas, shale gas and coal-bed methane projects. Overseas, the Group will place particular emphasis on the traditional market with comparative advantage in the Middle East, and the opportunities created by the Chinese investors to develop the projects in the overseas investment blocks. In the Middle East, the exploration and development activities are expected to be continuously active. The Group will endeavors to further replace the market share of international service companies and seek more market opportunities by fully leveraging of the established competitive advantage, and the more excellent and integrated service capability by cooperating with the strategic partner. In the Middle Asia and Africa, the Group will continue to follow up the market opportunities resulting from the "Belt and Road" initiative advocated by the PRC and master the opportunity created by the Chinese investors to develop the projects in the overseas investment block so as to explore more market shares as a technology partner of the PRC companies in the overseas projects.

On project execution, the Group expects a remarkable rise in execution progress of the projects in the second half of the year. The oil production maintenance projects with a contracted scale of USD$78.9 million in Iraq market the Group won previously have already successfully commenced work in the middle of July, and the fracturing service in Pakistan started in August. Besides, the Group has successively received customers' notice to commence work. Domestically, the integrated coal bed methane project with the contracted scale of RMB 100 million is expected to commence work in September, and the Group's 5 drilling rigs will start to execute projects in September successively. The integrated workover and well completion services which totaled USD 140 million in Southern Iraq and the fracturing service in Halfaya oilfield of Iraq with the contracted sum of RMB105 million are expected to commence work in November this year. The Group will be in full charge of the management of QHSE (quality, health, safety and environment) to ensure the construction quality of the project and to facilitate the implementation of the orders with high efficiency.

On product, the Group will focus on reservoir development in terms of product and technology development and centre around the customer's demand of "reduce cost while lift production" to fully strengthen technical innovation and enhance the profitability of product and technology. Meanwhile, in the atmosphere of technology promotion initiated by the Group, the Group will intensify its efforts in technology improvement to maximize the superior technical benefit. During the second half of the year, the Group expects to launch a series of tools for well completion and fracturing with its own patents.

On human resource, the Group will promote the development of "international" talents and reasonably match professionals in accordance with its business development. In addition, the Group will continue to fully control its labor cost.

On capital, the Group will adhere to the principle of increasing cash inflows and saving expenses, reducing cost and enhancing efficiency, as well as optimal management, strictly controls costs and expenses with a focus on budget management to enhance the efficiency of capital management. Meanwhile, the Group will stringently control the debt ratio indicator, adjust debt structure and reduce financial expenses. In the second half of the year, the Group had finished the repayment of matured RMB200.0 million medium-term notes in August. The Group will further explore the financing channels to ensure the safety of cash flow.

On the whole, the Group has laid down a more solid foundation for future development after previous overall adjustments. Currently, the Group has sufficient orders on hand and is well-prepared for resuming rapid growth in revenue upon the recovery of the market. Meanwhile, the Group's operating cost has been reduced sharply and profitability has been improved significantly by implementing comprehensive cost saving and productivity improving measures. Based on the above, the Group will continue to adopt an internationalization approach and further expand its market coverage in those global regions where the PRC companies have systematic advantages and at the same time, strictly control cost and promotes "international" talents and optimize the configuration of talent pool according to business development needs. In addition, the Group will further enhance proprietary technology innovation and improve technology profitability as well as an intensified financial cost control and enhance internal management, aiming to be well-positioned for the market recovery.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2016 amounted to RMB 673.7 million, representing a decrease of RMB187.8 million or 21.8% as compared to RMB 861.5 million in the same period of 2015. The decrease in the Group's revenue was mainly attributable to the decline of revenue in the domestic market caused by the shrinked markets, intensified competition and delay of certain projects affected by the low oil price and domestic oil company's cut of capex expenditures.

Costs of Sales

The costs of sales dropped 20.1% from RMB 625.0 million in the first half of 2015 to RMB499.6 million in the first half of 2016. The decrease was mainly attributable to lower revenue.

Other Gains

Other gains increased from RMB 13.8 million in the first half of 2015 to RMB 65.5 million in the first half of 2016, mainly attributable to the disposal of the Group's subsidiaries.

Selling Expenses

The selling expenses in the first half of 2016 amounted to RMB49.9 million, representing a decrease of RMB22.1 million or 30.7% as compared to RMB72.0 million in the first half of 2015. This was mainly attributable to therapid rightsizing and adjustment of human resources and strengthening of cost control in the harsh market environment.

Administrative Expenses

The administrative expenses in the first half of 2016 amounted to RMB123.6 million, representing a decrease of RMB5.5 million or 4.3% as compared to RMB129.1 million in the same period of 2015. This was mainly attributable to the rightsizing and adjustment of human resources and strengthening of cost control.

Research and Development Expenses

The research and development expenses in the first half of 2016 amounted to RMB17.2 million, representing an increase of RMB8.0 million or 87.0% as compared to RMB9.2 million in the same period of 2015. This was mainly attributable to the Group's increased investment on research and development for the strengthening of technology innovation.

Sales Tax and Surcharges

The sales tax and surcharge in the first half of 2016 amounted to RMB4.0 million, representing a decrease of RMB3.6 million or 47.4% as compared to RMB7.6 million in the same period of 2015.

Operating Profit

As a result of the foregoing, the operating profit of the Group in the first half of 2016 amounted to RMB44.8 million, representing an increase of RMB12.3 million or 37.8% as compared to RMB32.5 million in the same period of 2015. The operating profit margin for the first half of 2016 was 6.6%, representing an increase of 2.8 percentage points from 3.8% in 2015.

Finance Costs (Net)

Net finance costs in the first half of 2016 was RMB83.1 million, a decrease of approximately RMB12.0 million as compared to RMB95.1 million in the same period of 2015. The decrease was mainly due to the decrease of long-term bonds led by the Group's repayment of RMB300.0 million medium-term notes in May 2015.

Income Tax Expense

The income tax expense in the first half of 2016 amounted to RMB27.0 million, representing an increase of RMB14.6 million from RMB12.4 million in the same period of 2015.

Loss for the First Half of 2016

As a result of the foregoing, the Group's loss for the first half of 2016 was RMB65.3 million, representing a decrease of RMB10.8 million, or 14.2%, from RMB76.1 million in the same period of 2015.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company in the first of 2016 amounted to RMB65.0 million, representing a decrease of RMB8.8 million as compared with the same period of 2015.

Trade and Notes Receivables

As at 30 June 2016, the Group's net trade and notes receivables were RMB1,292.3 million, representing an increase of RMB7.9 million as compared to 31 December of 2015. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in the first half of 2016 were 309 days, representing an increase of 35 days as compared to the same period of 2015. This was mainly attributable to the decline of the Group's revenue.

Inventory

As at 30 June 2016, the Group's inventory was RMB788.0 million, representing a decrease of RMB46.2 million as compared to 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2016, the Group's cash and bank deposits amounted to approximately RMB420.3 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of RMB207.1 million as compared to 31 December 2015.

As at 30 June 2016, the Group's outstanding short-term bank loans amounted to RMB441.7 million. Credit bank facilities granted to the Group amounted to RMB527.0 million, of which approximately RMB85.3 million were not used.

As at 30 June 2016, the gearing ratio of the Group was 61.1%, representing an increase of 0.3 percentage points as compared with the gearing ratio of 60.8% as at 31 December 2015. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds and trade and notes payables, as shown in the consolidated balance sheet. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus total borrowings.

The equity attributable to equity holders of the Company decreased from RMB1,894.0 million as at 31 December 2015 to RMB1,790.0 million as at 30 June 2016.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 28 April 2016, Anton Oilfield Services (Group) Co., Ltd. ("Anton Oil"), a wholly-owned subsidiary of the Group, entered into the Framework Agreement with Ningbo Hengxin Runcheng Investment LP (寧波恒信潤成投資合夥企業(有限合夥)), pursuant to which Anton Oil agreed to sell 80% interest in 新疆通奧油田技術服務有限公司 (Xinjiang Tong'Ao Oilfield Services Co., Ltd.), to the purchaser for RMB160 million. The transaction is still pending for the two parties' negotiation as at the date of this announcement.

On 16 May 2016, the Company, Anton International Services Company Limited, a wholly owned subsidiary of the Company and Anton Oilfield Services DMCC ("DMCC"), an indirect wholly-owned subsidiary of the Company entered into an agreement with Hong Kong Huihua Global Technology Limited (香港惠華環球科技有限公司) and 華油惠博普科技股份有限公司(China Oil HBP Science & Technology Co., Ltd.) pursuant to which the Company will through the transferring of 40% of the issued share capital of DMCC introduce a joint venture partner for the Iraqi business. The agreement and the transactions contemplated thereunder have been approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 26 July 2016. For more details, please refer to the announcements dated 16 May 2016 and 26 July 2016 and the circular dated 11 July 2016 of the Company.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Some imported and exported goods require to be settled in foreign currencies. The Group believes that the exchange risk involved in the settlement amounts being denominated in foreign currencies is insignificant. The exchange risk of the Group mainly arises from its foreign currency deposits and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position.

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2016, net cash outflow from operating activities of the Group amounted to RMB153.1 million, representing an increase of RMB120.6 million compared to the same period of 2015.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for the first half of 2016 was RMB111.8 million, of which, investments in fixed assets were RMB106.5 million, investments in intangible assets (including land use rights) were RMB5.2 million. The Group's net capital expenditure was RMB34.8 million, which included an RMB77.0 million recouping investments capital.

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 2016, the Group's operating lease commitments amounted to approximately RMB42.0 million. As at the balance sheet date (30 June 2016), the Group had capital commitments of approximately RMB29.9 million (but not yet provided for in the balance sheet).

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2016, the Group's pledge of assets including property, plant and equipment with a net book value of RMB411.4 million, land use rights with a net book value of RMB11.1 million and notes receivable with a net book value of RMB96.1 million.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2016, the Group had made no off-balance sheet arrangements.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2016, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer of a company should be separate and should not be performed by the same individual. During the period from 1 January 2016 to 3 February 2016, the Company did not separate the roles of Chairman and Chief Executive Officer, with Mr. Luo Lin ('Mr. LUO') having served as both Chairman and Chief Executive Officer of the Company.

From 4 February 2016, Mr. Pi Zhifeng ('Mr. PI') has been appointed as the Chief Executive Officer and Mr. Luo only serve as the Chairman of the Company. As the Chairman of the Board of the Group, Mr. LUO will continue to provide leadership for the Board of the Group to ensure that it performs its responsibilities and provide decision and supervision on development strategies, operational plans, financial control and human resources management of the Company; and Mr. PI will be specifically responsible for the day-to-day management of the Group. With the roles of Chairman and Chief Executive Officer served by two individuals, the Company has been in compliance with Code Provision A.2.1 from 4 February 2016.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

The Company repurchased a total 4,926,000 shares for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil) on the Stock Exchange at an aggregate consideration of approximately HK$3,064,120 (before expenses). All the repurchased shares were subsequently cancelled. Particulars of the repurchases were as follows:

Month of the repurchases	**Number of ordinary shares repurchased**	**Purchase per share price Highest**	**Purchase per share price Lowest**	**Aggregate Consideration Paid (before expenses)**
		HK$	*HK$*	*HK$*
January of 2016	4,926,000	0.63	0.62	3,064,120
Total	4,926,000			3,064,120

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three incumbent Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2016.

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

Hong Kong, 28 August 2016

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