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 2017

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by approximately 29.9% from approximately RMB673.7 million in the same period of 2016 to approximately RMB875.4 million in the first half of 2017. Profit attributable to equity holders of the Company increased by approximately 118.8% from a loss of approximately RMB65.0 million in the same period of 2016 to a profit of approximately RMB12.2 million for the first half of 2017.

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 2017 (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 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2017** *(Unaudited)*	**As at 31 December 2016** *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,361,077**	2,272,223
Prepaid lease payments		**77,884**	46,903
Goodwill		**242,004**	242,004
Intangible assets		**171,190**	173,151
Investment in an associate		**3,294**	3,592
Prepayments and other receivables		**104,741**	103,929
Other non-current assets		**2,000**	62,000
Deferred income tax assets		**54,711**	52,334
Total non-current assets		**3,016,901**	2,956,136
Current assets			
Inventories		**705,375**	781,165
Prepaid lease payments		**1,932**	1,091
Trade and notes receivables	5	**1,444,199**	1,297,995
Prepayments and other receivables		**959,428**	725,295
Restricted bank deposits		**483,206**	381,325
Term deposits with initial terms of over three months		**5,000**	11,011
Cash and cash equivalents		**336,447**	507,263
Total current assets		**3,935,587**	3,705,145
Total assets		**6,952,488**	6,661,281
EQUITY			
Equity attributable to owners of the Company			
Share capital		**246,259**	226,578
Reserves		**2,247,332**	1,318,307
		2,493,591	1,544,885
Non-controlling interests		**490,959**	432,012
Total equity		**2,984,550**	1,976,897

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017
(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2017** *(Unaudited)*	**As at 31 December 2016** *(Audited)*
LIABILITIES			
Non-current liabilities			
Long-term bonds		**1,659,768**	1,694,940
Long-term borrowings		**70,362**	89,506
Accruals and other payables		**—**	715,453
Deferred income tax liabilities		**10,776**	4,318
		1,740,906	2,504,217
Current liabilities			
Short-term borrowings		**822,022**	739,642
Current portion of long-term borrowings		**138,509**	61,723
Trade and notes payables	6	**732,681**	705,089
Accruals and other payables		**472,913**	629,747
Current income tax liabilities		**60,907**	43,966
		2,227,032	2,180,167
Total liabilities		**3,967,938**	4,684,384
Total equity and liabilities		**6,952,488**	6,661,281

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB except per share data)

	Notes	**Six months ended 30 June** **2017** *(Unaudited)*	**2016** *(Unaudited)*
Revenue	7	**875,414**	673,703
Cost of sales	8	**(546,730)**	(499,599)
Gross profit		**328,684**	174,104
Other gains, net		**2,989**	65,455
Selling expenses	8	**(57,576)**	(49,944)
Administrative expenses	8	**(69,420)**	(123,571)
Research and development expenses	8	**(9,021)**	(17,231)
Sales tax and surcharges		**(3,491)**	(4,023)
Operating profit		**192,165**	44,790
Interest income		**1,856**	737
Finance expenses		**(119,766)**	(83,851)
Finance costs, net	9	**(117,910)**	(83,114)
Share of loss of an associate		**(708)**	—
Profit/(loss) before income tax		**73,547**	(38,324)
Income tax expense	10	**(28,559)**	(26,960)
Profit/(loss) for the period		**44,988**	(65,284)
Profit/(loss) attributable to:			
Owners of the Company		**12,210**	(65,036)
Non-controlling interests		**32,778**	(248)
		44,988	(65,284)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
- Basic	11	**0.0046**	(0.0294)
- Diluted	11	**0.0046**	(0.0294)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Profit/(loss) for the period	**44,988**	(65,284)
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified to profit or loss		
Net investment hedge	**37,564**	(23,377)
Currency translation differences	**(25,686)**	7,534
Other comprehensive income/(expense) for the period, net of tax	**11,878**	(15,843)
Total comprehensive income/(expense) for the period	**56,866**	(81,127)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**27,257**	(80,879)
Non-controlling interests	**29,609**	(248)
	56,866	(81,127)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(206,567)**	(75,348)
Net cash used in investing activities	**(120,488)**	(34,758)
Net cash from/(used in) financing activities	**151,032**	(145,465)
Net decrease in cash and cash equivalents	**(176,023)**	(255,571)
Cash and cash equivalents, at beginning of the period	**507,263**	458,158
Exchange gain on cash and cash equivalents	**5,207**	4,385
Cash and cash equivalents, at end of the period	**336,447**	206,972

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

This unaudited condensed consolidated financial statements have been approved for issue by the board of directors on 25 August 2017.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("**IAS**") 34, **"Interim Financial Reporting**" issued by the International Accounting Standards Board ("**IASB**"), as well as with the applicable disclosure requirements of Appendix 16 to The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3. ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014—2016 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the Group's consolidated financial statements for the year ended 31 December 2016. The CODM 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 an associate, 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**
Six months ended 30 June 2017 (Unaudited)				
Revenue	**310,314**	**237,852**	**327,248**	**875,414**
EBITDA	**125,845**	**106,264**	**155,208**	**387,317**
Depreciation and amortisation	**(46,124)**	**(40,537)**	**(7,997)**	**(94,658)**
Impairment provision of trade receivables	**—**	**(1,310)**	**(1,762)**	**(3,072)**
Interest income	**29**	**92**	**141**	**262**
Finance expenses, net	**(12,928)**	**(10,261)**	**(10,434)**	**(33,623)**
Share of loss of an associate	**(708)**	**—**	**—**	**(708)**
Income tax expense	**(5,436)**	**(7,202)**	**(15,921)**	**(28,559)**

	Drilling technology	**Well completion**	**Oil production services**	**Total**
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)
- Property, plant 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
As at 30 June 2017 (Unaudited)				
Total assets	**2,086,339**	**2,709,366**	**633,775**	**5,429,480**
Total assets include:				
Capital expenditures	**51,018**	**27,910**	**13,580**	**92,508**
As at 31 December 2016 (Audited)				
Total assets	1,904,963	2,713,884	540,618	5,159,465
Total assets include:				
Capital expenditures	110,804	76,147	17,312	204,263

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

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

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	**387,317**	215,113
Corporate overheads	**(181,971)**	(110,991)
Depreciation	**(89,586)**	(87,801)
Amortisation	**(5,072)**	(6,508)
Asset impairment provision	**(3,072)**	(37,594)
Interest income	**262**	138
Finance expenses, net	**(33,623)**	(10,681)
Share of loss of an associate	**(708)**	—
Profit/(loss) before income tax	**73,547**	(38,324)

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

	As at 30 June	As at 31 December
	2017	**2016**
	(Unaudited)	*(Audited)*
Assets for reportable segments	**5,429,480**	5,159,465
Corporate assets for general management	**1,523,008**	1,501,816
Total assets	**6,952,488**	6,661,281

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

Geographical Information

	Revenue		Non-current assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2017	**2016**	**2017**	**2016**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*
PRC	**324,723**	279,713	**2,208,340**	2,239,294
Iraq	**385,859**	247,743	**605,994**	495,129
Other countries	**164,832**	146,247	**147,856**	169,379
Total	**875,414**	673,703	**2,962,190**	2,903,802

Client Information

During the period, revenues of approximately RMB332,769,000 (six months ended 30 June 2016: RMB236,708,000) were derived from two (six months ended 30 June 2016: two) external customers, which contributed 19.28% and 18.73% to the total revenue, respectively (six months ended 30 June 2016: 23.43% and 11.71%). These revenues were mainly attributable to drilling technology and oil production services segments.

5. TRADE AND NOTES RECEIVABLES

	As at 30 June	As at 31 December
	2017	**2016**
	(Unaudited)	*(Audited)*
Trade receivables, net (a)	**1,404,588**	1,240,917
Notes receivable (c)	**39,611**	57,078
	1,444,199	1,297,995

(a) Aging analysis:

	As at 30 June 2017 *(Unaudited)*	As at 31 December 2016 *(Audited)*
1 - 6 months	**675,001**	824,673
6 months - 1 year	**454,869**	223,805
1 - 2 years	**249,091**	162,754
2 - 3 years	**23,332**	38,500
Over 3 years	**46,193**	32,011
	1,448,486	1,281,743
Less: Impairment of receivables	**(43,898)**	(40,826)
Trade receivables, net	**1,404,588**	1,240,917

(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 2017, notes receivable of bank acceptance amounted to RMB20,207,000 (31 December 2016: RMB57,078,000) and trade acceptance amounted to RMB19,404,000 (31 December 2016: Nil) with maturity dates within six months.

(d) As at 30 June 2017, short-term bank borrowings of RMB152,022,000 were secured by trade receivables amounting to RMB163,469,000.

As at 31 December 2016, bank borrowings of RMB199,642,000 were secured by trade receivable amounting to RMB221,824,000.

6. TRADE AND NOTES PAYABLES

	As at 30 June 2017 *(Unaudited)*	As at 31 December 2016 *(Audited)*
Trade payables	**440,038**	402,630
Notes payable	**292,643**	302,459
	732,681	705,089

Aging analysis of trade and notes payables is as following:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Less than 1 year	**673,489**	620,858
1 - 2 years	**32,188**	59,225
2 - 3 years	**21,111**	19,491
Over 3 years	**5,893**	5,515
	732,681	705,089

7. REVENUE

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Sales of goods	**97,121**	68,564
Provision of services	**778,293**	605,139
	875,414	673,703

8. EXPENSES BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Materials and services	**288,387**	326,789
Staff costs		
In which:		
- Salaries and other staff expenses	**168,157**	152,350
- Share-based compensation	**7,761**	7,245
Depreciation	**91,161**	92,399
Amortisation	**5,085**	6,643
Other operating expenses	**122,196**	104,919
In which:		
- Increase in impairment of receivables	**3,072**	1,258
- Increase in impairment of property, plant and equipment	**—**	3,964
- Increase in impairment of inventories	**—**	32,372

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Interest expenses		
- on borrowings	**(26,895)**	(18,882)
- on bonds	**(68,445)**	(71,660)
	(95,340)	(90,542)
Exchange (loss)/gains, net	**(12,132)**	16,692
Others	**(12,294)**	(10,001)
Total finance expenses	**(119,766)**	(83,851)
Interest income	**1,856**	737
	(117,910)	(83,114)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Current income tax		
- PRC enterprise income tax	**3,211**	1,298
- Iraq corporate income tax	**27,055**	17,275
- Others	**1,321**	329
Deferred income tax	**(3,028)**	8,058
	28,559	26,960

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% (2016: 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 the higher of 7% over the service revenue, or 35% on the net taxable profit. Entities registered in United Arab Emirates are exempted from income tax.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**12,210**	(65,036)
Weighted average number of ordinary shares in issue (thousands of shares)	**2,629,181**	2,214,562
Basic earnings/(loss) per share (expressed in RMB per share)	**0.0046**	(0.0294)

(b) Diluted

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

For the six months ended 30 June 2017, 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 2017 to 30 June 2017) 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.

For the six months ended 30 June 2016, 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.

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**12,210**	(65,036)
Weighted average number of ordinary shares in issue (thousands of shares)	**2,629,181**	2,214,562
Adjustments for assumed conversion of share (thousands of shares)	**11,264**	—
Diluted earnings/(loss) per share (expressed in RMB per share)	**0.0046**	(0.0294)

12. DIVIDENDS

No dividend has been declared in respect of the financial year ended 31 December 2016 and the six months ended 30 June 2017.

13. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, international oil price climbed with fluctuations, and the oil and gas industry began to recover. With ample order backlog and resources, as well as the administrative adjustments during the last two years, the Group is quickly rebounding with better revenue, higher profit and has returned to a fast-pace growth track.

Domestically, major oil companies are experiencing recovery growth in terms of exploration and production capital expenditure with higher workload for the market. Regarding gaining new orders, the Group focuses on unconventional markets where we have competitive edges, and strives for unconventional projects with shorter capital occupation period and higher margin, and has won large amounts of orders in the Southwest shale gas market, the Guizhou coal-bed methane ("**CBM**") market, and the Shanxi CBM market. Orders for unconventional oil & gas projects have increased substantially as compared with the same period last year, and order quality significantly improved. Regarding project execution, commencement of orders picked up pace, and all 5 drilling rigs in the domestic market have commenced operation, with utilization of rigs and fracturing trucks improving dramatically, propelling a significant growth in domestic revenue as compared with the same period last year.

Overseas, exploration and production by oil companies continued to be active. The Group fully plays its existing competitive edge in the overseas market, continues to promote its "internationalization" strategy, and focuses on the overseas market. Regarding orders, the Group continues to explore businesses with international oil company customers, with orders from them taking an increasingly large proportion. Meanwhile, the Group continued to increase same-client cooperation, with larger order size from same clients resulting from excellent service quality and good relationships. Apart from continuing to develop the mature Middle East market businesses, the Group actively pushed its "global emerging markets" development strategy and cooperating with strategic cooperation partners, and has seen further increase in orders from Chinese independent oil company customers in the "Belt and Road" markets. Regarding project execution, all existing large project orders have fully commenced operation in the first half of the year, and two rigs in Iraq have begun operation in April, after a two-year standby. A large increase in workload resulted in much higher overseas revenue. In the first half of the year, the overseas market has recorded a revenue increase of approximately 39.8% year-on-year as compared with the same period of 2016. As at 30 June 2017, the Group has secured overseas orders of approximately RMB2,791.0 million, which amounted to approximately 75.3% of the Group's total orders, with overseas revenue taking up approximately 62.9% of the Group's revenue. Fast growth of the overseas market will help improve cash flow and profitability further.

Results and Performance

In the first half of 2017, the Group recorded total revenue of approximately RMB875.4 million, an increase from approximately RMB673.7 million in the same period of 2016, representing an increase of approximately 29.9%, mainly benefiting from the recovery in domestic and overseas markets, and the full-on commencing of operation of abundant order backlog.

The Group's operating profit was approximately RMB192.2 million, an increase of approximately RMB147.4 million, or approximately 329.0% from last year's approximately RMB44.8 million. Net profit was approximately RMB45.0 million, an increase of approximately RMB110.3 from the loss of approximately RMB65.3 million last year, or approximately 168.9%. Profit attributable to equity holders was approximately RMB12.2 million, an increase of approximately RMB77.2 million, or approximately 118.8%, from last year's loss of approximately RMB65.0 million. Margin of net profit attributable to equity holders was approximately 1.4%, an increase of 11.1 percentage points from approximately -9.7% in the same period in 2016. Increase of profit was mainly due to the growth of overall revenue, adjustment of revenue structure, and the comprehensive administrative adjustments and strict cost control measures during the last two years.

As at 30 June 2017, average accounts receivable turnover days were 258 days, a decrease of 51 days as compared with the same period last year. Average inventory turnover days were 245 days, a decrease of 47 days; average accounts payable turnover days were 139 days, a decrease of 5 days. Cash flow from operating activities amounted to approximately RMB-206.6 million, with approximately RMB131.3 million more out flow from last year's approximately RMB-75.3 million. Main reasons for the increase of operational cash outflow and decrease of accounts payable turnover days are the strengthening of active payment management, as well as a significant higher amount of workload executed. Those suppliers who would accept a discount are paid with priority to reduce account payable risks as well as the debt-to-asset ratio. China Oil HBP Science & Technology Co., Ltd. ("HBP") has recently notified the Group that the last installment of the consideration for the Iragi equity interest transfer (about RMB343.0 million) has obtained approval for foreign exchange quota at the Bank of China, and is going through internal procedures of the bank. The Group will receive the consideration in equivalent amount of dollars before 31 August 2017. In the meantime, based on the mutual confidence in cooperation and the market prospects, both parties agree to amend the profit guarantee provision of the original agreement and delete clause (iv): "if the cumulative performance of the Iraqi business is less than 50% of the guaranteed amount for the year of 2016, 2017 or 2018, it will be regarded as a material adverse change. In such a case, the Purchaser shall have the right to unilaterally rescind the Shareholders' Agreement and the Agreement. The recession shall be effective since the day of written notice from the Purchaser. Upon such recession becoming effective, the Purchaser shall have the right to require the Company to refund the consideration paid in respect of the Sale Shares within 30 days of recession with interest of 10% per annum." As such, liabilities of about RMB715.5 million originally recorded as accruals and other payables will be converted into equity, thereby lower the Group's debt-to-total-asset ratio from 70.3% at the end of 2016 to 57.1%.

Geographical Market Analysis

In the first half of 2017, domestic revenue was approximately RMB324.7 million, an increase of approximately RMB44.9 million, or approximately 16.0%, from last year's approximately RMB279.8 million. Domestic revenue takes up approximately 37.1% of total revenue or the Group. Overseas revenue was approximately RMB550.7 million, an increase of approximately RMB156.8 million, or approximately 39.8%, from last year's approximately RMB393.9 million, and was approximately 62.9% of the total revenue.

Breakdown of Revenue by Market

	Six months ended 30 June			**Share of Total Group Revenue Six months ended 30 June**	
	2017	2016	**Change**	**2017**	2016
	(RMB million)	*(RMB million)*	*(%)*		
Domestic	**324.7**	279.8	**16.0%**	**37.1%**	41.5%
Overseas	**550.7**	393.9	**39.8%**	**62.9%**	58.5%
Total	**875.4**	673.7	**29.9%**	**100.0%**	100.0%

Domestic Market

In the first half of 2017, domestic market rebounded with major oil companies having recovery growth in E&P capital expenditure, and the market saw a higher workload. The Group focused on unconventional markets with competitive edge, and actively foregone projects with long capital occupation periods and lower margin, and strived to secure unconventional projects with shorter capital occupation period and higher margin. In the first half of 2017, the Group won large amounts of orders in the Southwest shale gas market, the Guizhou CBM market and the Shanxi CBM market. Unconventional oil & gas orders saw large increase as compared with the same period last year, and order quality improved dramatically. Regarding project execution, orders picked up pace to commence operation. Drilling rigs and fracturing equipment have witnessed massive increases in utilization, propelling the Group's domestic revenue to achieve approximately 16.0% growth as compared with last year, taking up approximately 37.1% of total revenue.

Revenue Analysis of Domestic Market

	Six months ended 30 June			**Share of Domestic Revenue**	
	2017	2016	**Change**	**Six months ended 30 June**	
	(RMB million)	*(RMB million)*	*(%)*	**2017**	2016
Northwest China	**106.2**	136.5	**-22.2%**	**32.7%**	48.8%
North China	**99.2**	47.3	**109.7%**	**30.6%**	16.9%
Southwest China	**87.7**	48.7	**80.1%**	**27.0%**	17.4%
Northeast China and other Chinese regions	**31.6**	47.3	**-33.2%**	**9.7%**	16.9%
Total	**324.7**	279.8	**16.0%**	**100.0%**	100.0%

Major developments in the domestic market

- In Northwest China, the market remained in a phase of adjustments, and customer investment remained weak. The Group continued to have workover workload in this region, but drilling fluid, rig rental and inspection businesses remained to recover.

- In North China, Erdos market had recovery growth, and customers increased capital expenditure. Orders had a large increase as compared with last year, and order execution also picked up pace. Rigs, fracturing equipment and coiled tubing equipment in this area all commenced operation, with utilization increased dramatically compared with the same period last year. In the Shanxi CBM market, the Group relied on its advantages in unconventional technologies and had increases in both new orders and operation workload as compared with the last year.

- In Southwest China, the Group maintained healthy growth in the Southwest shale gas market and the Guizhou CBM market, thanks to quicker development of unconventional energy projects. The Group has recovered from last year's poor performance in this area, and experienced large increases in orders and revenue.

- In Eastern China, as demand of exploration efforts in mature oilfields are still weak, revenue in this region decreased as compared with last year.

Overseas Market

In the first half of 2017, in Iraq where the Group has established competitive edge, the Group continued to explore business opportunities with international oil company customers. The percentage of orders from these customers continued to increase, and same-client order size continued to grow due to outstanding service quality and established healthy cooperation relationships. Apart from that the Group actively promoted its "global emerging markets" development strategy and cooperated with strategic cooperation partners, with orders from Chinese independent oil companies in the "Belt and Road" markets continuously rising. Regarding project execution, all existing large project orders have fully commenced operation in the first half of 2017, and two rigs in Iraq have begun operation in April, after a two-year standby. Overseas workload saw large increases as compared with last year, propelling the jump in overseas revenue. In the first half of 2017, revenue from overseas market recorded an increase of approximately 39.8% as compared with last year, and has taken approximately 62.9% of the Group's total revenue. Overseas orders amounted to approximately RMB2,791.0 million, or approximately 75.3% of total orders of the Group.

Revenue Analysis of Overseas Market

	Six months ended 30 June			**Share of Overseas Revenue**	
	2017	2016	**Change**	**Six months ended 30 June**	
	(RMB million)	*(RMB million)*	*(%)*	**2017**	2016
Middle East	**385.9**	247.7	**55.8%**	**70.1%**	62.9%
Central Asia & Africa	**144.3**	132.3	**9.1%**	**26.2%**	33.6%
Americas	**20.5**	13.9	**47.5%**	**3.7%**	3.5%
Total	**550.7**	393.9	**39.8%**	**100.0%**	100.0%

Major Developments in Overseas Markets

- In the Middle East, the Iraq market maintained its fast-pace growth which is the largest regional market in terms of revenue. Customers continued to increase investment, and the Group maintained steady order growth in the first half of 2017, winning projects including water well workover integration project, oil production management project, coiled tubing service project and directional drilling projects, with order size from international oil companies continuing to grow. Regarding project execution, major projects that have been delayed in the last two years, such as the workover integrated project and drilling rig integrated project, have all commenced operation in the first year, with overall workload having a significant increase as compared with last year.

- In Central Asia and Africa, after two years of cultivation in Ethiopia, we have witnessed a steady increase in workload, with full workload for workover services, cementing services and drilling fluid services. The Group expects more product lines to enter this area. In Kazakhstan, the Group deepened its cooperation relationship with strategic clients, with orders in the first half of 2017 increasing significantly, and new integrated drilling project and fracturing service project have both commenced operation, contributing significant revenue to the Group. Directional drilling in this area has also seen explosive growth, with orders and revenue growing rapidly as compared with the same period in last year. In the Pakistan market, the Group has completed overall operations of the fracturing service project won last year, with service quality highly accoladed by the customer and new large-scale projects under discussion with this client. In Albania, well completion product line has successfully entered the local market and commenced operation.

- In the Americas, the market remained weak under the influence of low oil prices, and no new large projects were added. The Group focused on promoting the proprietary well completion tools, with both order and revenue having a slight increase as compared with the same period last year.

Business Cluster Analysis

In the first half of 2017, the Group's drilling technology cluster recorded approximately RMB310.3 million of revenue; well completion cluster recorded approximately RMB237.9 million; revenue of oil production services cluster was approximately RMB327.2 million. In terms of the share in the Group's revenue for the first half of 2017, the oil production services cluster was the top contributor with a share of approximately 37.4%, followed by drilling technology cluster at approximately 35.4%, while the well completion cluster recorded approximately 27.2% for the first half of 2017 of the Group's revenue.

In the first half of 2017, the oil production business relied upon its competitive edge under low oil prices to have continued growth in new orders. The workover and completion integrated project in the Iraq market also commenced operation as planned, with workload steadily increasing, revenue increasing significantly as compared with last year, and improving the Group's overall profitability with higher gross margin from production business. Benefitting from recovery of the market as well as the commencement of the Erdos market and Iraq market drilling projects, workload of drilling technology cluster also increased significantly year-on-year. Due to that, the completion business was recovered after the drilling business, and also the Company reduced its low-value-added product sales business, the completion cluster recorded less workload and revenue as compared with the same period last year.

Revenue Breakdown by Cluster

	Six months ended 30 June			**Share of Total Group Revenue**	
	2017	2016	**Change**	**Six months ended 30 June**	
	(RMB million)	*(RMB million)*	***(%)***	**2017**	2016
Drilling technology cluster	**310.3**	209.3	**48.3%**	**35.4%**	31.1%
Well completion cluster	**237.9**	278.5	**-14.6%**	**27.2%**	41.3%
Oil production services cluster	**327.2**	185.9	**76.0%**	**37.4%**	27.6%
Total	**875.4**	673.7	**29.9%**	**100.0%**	100.0%

Drilling Technology Cluster

In the first half of 2017, the drilling technology cluster posted approximately RMB310.3 million in revenue, an increase of approximately 48.3% from last year's approximately RMB209.3 million. The revenue growth was mainly due to recovery in regional markets and customers increasing investment in new wells. Drilling rig projects in the Erdos market, the Iraq market and the Kazakhstan market have all commenced operation with steady workload.

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

1) Integrated drilling service: the Group comperated with strategic partners and won integrated project in Kazakhstan, and commenced operation within a short period of time, recording significant revenue. Cementing technology service has stable workload in Ethiopia. During the reporting period, the integrated drilling service recorded revenue of approximately RMB47.3 million, an increase of approximately 97.9% from last years' approximately RMB23.9 million.

2) Directional drilling service: this product line has significant results from market exploration, with new orders coming from multiple locations. Regarding overseas market, there was a continuous order flow from Kazakhstan and a large increases in operation scale as compared with the same period in last year. Despite harsh competition, the Group maintained its market share in the Iraq market, and in the domestic market. The Group maintained stable cooperation with Schlumberger in the domestic Southwest market, co-operating in shale gas projects and the quality of service was unanimously appraised by clients, with the workload steadily increasing. During the reporting period, the directional drilling service recorded revenue of approximately RMB82.9 million, an increase of approximately 30.8% from last year's approximately RMB63.4 million.

3) Drilling fluid service: Due to the delayed operations in regional markets, certain projects in Xinjiang and Ethiopia will finish settling in the second half of the year. This product line recorded revenue of approximately RMB49.4 million, a decrease of approximately 24.2% from last year's approximately RMB65.2 million.

4) Land drilling service: This product line has an impressive growth due to regional market customers starting to invest in new wells. The integrated drilling service contract signed in 2015 in Iraq has officially commenced operation after two years stand by, and has recorded approximately RMB50.0 million in revenue due to continuous and ample workload as well as favorable day rate. Due to recoveries in the Erdos market, the Group recorded approximately RMB30.0 million revenue for its abundant workload throughout the year with higher utilization rate and higher gross margin as compared with the same period in last year. During the reporting period, the land drilling service has recorded revenue of approximately RMB82.8 million, an increase of approximately 652.7% from last year's approximately RMB11.0 million.

5) Oilfield waste management service: benefiting from stable workload in Ethiopia and breakthroughs in Iraq during the reporting period, this product line recorded revenue of approximately RMB11.0 million, an increase of approximately 32.5% from last year's approximately RMB8.3 million.

6) Drilling tool rental and technology service: demand from the Northwest China which is the major market for this product line, is yet to recover. During the reporting period, this product line recorded revenue of approximately RMB12.8 million, a drop of approximately 1.5% from last year's approximately RMB13.0 million.

7) Oil and gas production facilities inspection and evaluation service: Due to the similar demand in Northwest China, this product line has a low workload. During the reporting period, revenue of approximately RMB24.1 million was recorded, which is a drop of approximately 1.6% from last year's approximately RMB24.5 million.

EBITDA of the drilling technology cluster increased approximately 82.1% from approximately RMB69.1 million for the same period of 2016 to approximately RMB125.8 million in the first half of 2017. EBITDA margin for the first half of 2017 was approximately 40.5%, an increase of 7.5 percentage points from approximately 33.0% for the same period of 2016, mainly due to the implemention of the Group's drilling project in the Iraq market, the higher gross margin business increased substantially.

Well Completion Cluster

In the first half of 2017, this cluster recorded approximately RMB237.9 million in revenue, a drop of approximately 14.6% from last year's approximately RMB278.5 million, which was mainly caused by lower investment by customers in certain regional markets. However, by adjusting product structure and market strategy, the Group is actively exploring overseas businesses with higher margin, drastically increasing the margin of this cluster.

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

1) Well completion integration: Due to less demand from domestic customers, overall workload has reduced. During the reporting period, the product line recorded revenue of approximately RMB70.2 million, a decrease of approximately 42.9% from last year's approximately RMB123.0 million. However, proprietary sand control tools achieved satisfactory sales overseas.

2) Pressure pumping service: In order to improve utilization rate, the Group has transferred abundant equipment from domestic markets to overseas, including Iraq, Pakistan and Ethiopia, and commenced operations. The overall profitability was also improved due to higher gross margin overseas. During the reporting period, this product line has recorded revenue of approximately RMB41.1 million, an increase of approximately 2.8% from last year's approximately RMB40.0 million.

3) Coiled tubing service: Due to the recovery in the Erdos market, domestic business has improved year-on-year, while the Iraq market maintained steady growth, signing long-term service contracts with customers. During the reporting period, this product line has recorded revenue of approximately RMB96.1 million, an increase of approximately 7.7% from last year's approximately RMB89.2 million.

4) Fracturing/acidizing technique and chemical materials: This product line maintained steady workload in the first half of 2017 in Pakistan and Ethiopia. During the reporting period, the service recorded revenue of approximately RMB13.3 million, an increase of approximately 14.7% from last year's approximately RMB11.6 million.

5) Gravel packing service: This product line has achieved breakthrough in Northern China, recording revenue of approximately RMB17.2 million during the reporting period, an increase of approximately 17.0% from last year's approximately RMB14.7 million.

EBITDA of the well completion cluster increased by approximately 23.0% from approximately RMB86.4 million in the first half of 2016 to approximately RMB106.3 million in the first half of 2017. EBITDA margin for the first half of 2017 was approximately 44.7%, representing an increase of 13.7 percentage points from approximately 31.0% for the same period of 2016. Despite the decrease in revenue, the EBITDA of well completion services increased significantly, mainly because the Group reduces its low-value-added product sale business but focus on its high-value-added engineering services.

Oil Production Services Cluster

In the first half of 2017, the oil production services of the Group continued to grow at a fast pace. In the Iraq market, the integrated workover and completion project won has successfully commenced operation, the production operation and maintenance services has maintained ample workload since commencing operation last year, and has added significant additional workload on top of the contract, propelling overall revenue significantly. Workover services in Xinjiang maintained steady workload, and to improve equipment utilization, the Group has transferred a workover rig to Ethiopia last year, gaining favorable revenue this year. During the reporting period, this cluster has recorded revenue of approximately RMB327.2 million, an increase of approximately 76.0% from last year's approximately RMB185.9 million.

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

1) Production operation services: The Iraq market continued to be the main revenue source, with oil production operation services from existing clients maintaining its market share. At the same time, projects from international oil companies have seen rapid increase in workload since commencing operation. The operation maintenance project has kept steady workload since commencing operation in last August, and has won additional large orders from the same client due to excellent work quality from the project. During the reporting period, this product line has recorded revenue of approximately RMB205.0 million, an increase of approximately 80.8% from last year's approximately RMB113.4 million.

2) Workover service: The integrated workover and completion project has commenced operation officially in March this year, and currently has two teams on site operating, with steady increase in workload and significant revenue recorded for the Group. The workover team in Ethiopia has maintained steady workload. Domestically, proprietary workover rigs has seen higher workload in the Tarim area as compared with last year. In the Turpan-Hami area, 12 workover teams of customers managed by the Group has maintained steady workload, improving profitability of this product line with lower cost and higher efficiency. During the first half of 2017, this product line has recorded revenue of approximately RMB108.1 million, an increase of approximately 90.7% from last year's approximately RMB56.7 million.

3) Oil tubing and casing and anti-corrosion technology: Due to lower investment from customers in Northwest China and lower frequency of service, revenue remains at a low level. During the reporting period, this product line has recorded revenue of approximately RMB14.1 million, a decrease of approximately 10.8% from last year's approximately RMB15.8 million.

EBITDA for the oil production services cluster increased by approximately 160.4% from approximately RMB59.6 million for the same period of 2016 to approximately RMB155.2 million in the first half of 2017. The EBITDA margin of the cluster for the first half of 2017 was approximately 47.4%, an increase of 15.3 percentage points from approximately 32.1% for the same period of 2016, which was mainly due to the full commencing of operation overseas and large increase of workload, and the increase in revenue from product lines with higher margin.

Alignment of Strategic Resources

In the first half of 2017, the Group strictly controlled new capital expenditure. During the reporting period, the Group's capital expenditure was approximately RMB93.5 million, most of which related to payment for committed projects in previous years, representing a decrease of approximately 16.4% from last year's approximately RMB111.8 million.

Alignment of Investment

During the first half of 2017, the Group had no new large investment.

Alignment of Research and Development Resource

In the first half of 2017, the Group focused on improving and innovating technologies and tools to meet customers' demand of increasing production and lowering cost. During the first half of 2017, the Group invested approximately RMB9.0 million in research and development, a decrease of approximately 47.7% from last year's approximately RMB17.2 million.

Key Research and Development Pipelines

— Horizontal well cementing multi-stage fracturing technology

— Automatic fluid control technology

— High-temperature high-density high-performance environment-friendly water-based drilling fluid

— Biological synthesized based environment-friendly drilling fluid system

Alignment of Human Resources

In terms of human resources, the Group focused on optimizing salary structure and stepped up in terms of employee motivation to motivate employees in multiple ways. Major adjustments in the first half of 2017 was as follows:

— Optimized salary structure to increase proportion of floating salary, bounding employee performance with company performance, and reduce human cost proportionately while still supporting the realizing of performance targets. It fully motivated the employees while optimized cost structure;

— In order to achieve long-term motivation for the management team and outstanding employees, the Group granted 100,000,000 share options on 23 May this year;

— In order to further improve international management, the Group introduced a Malaysian independent non-executive Director with extensive industry experience.

Outlook

Looking ahead to the second half of 2017, the Group expects oil price to rebound with fluctuations, and oil and gas exploration around the world will maintain active.

With respect to market strategy, domestically, the Southwest shale gas market development has picked up pace, large-scale projects of the Group are underway, and we expect material progress in this region in the second half of 2017. New technologies applied, including the environment-friendly oil-based drilling fluid, nano-stimulation, coiled tubing water-draining gas extraction technologies, will have new breakthrough. Overseas, the Group continues to internationalize, and apart from further expanding traditional markets in the Middle East with comparative advantages, "global emerging markets" related to the "Belt and Road" strategy maintains key target markets of the Group. In these markets, the Group will utilize its "integrated" technology service advantages to increase production, reduce costs achieve localized and allied development and act as Chinese independent oil companies' technological partner to maximize their development efficiency in overseas fields. Apart from that, there will be breakthroughs in preripheral markets where the Group did not have its focus on previously, including Australia and Southeast Asia.

On project execution, the Group will have ample workload in the second half of 2017. Domestically, the 5 rigs will maintain continuous workload, directional drilling equipment and fracturing trucks will see huge improvement in terms of utilization, and workover services in Xinjiang will be abundant in workload. Overseas, all major projects of the Group in Iraq have commenced operation successfully in the first half of 2017, including the production operation management project in southern Iraq, the integrated workover project, and the land drilling service project in Halfaya. These projects will continue to operate in the second half, and drilling and fracturing services in Kazakhstan will also continue to execute. The Group will strengthen QHSE (Quality, Health, Safety, Environment) of projects, ensure high quality of project operations, and push forward the high-quality high-efficiency execution of orders.

On human resources, 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 via optimizing salary structure.

On capital management, the Group will strengthen working capital management, increase effort in collecting accounts receivable, strictly control capital outflow. The Group will utilize credit lines to maintain healthy cash level while controlling financial costs. Meanwhile, the Group will proactively promote the designing and implementation of its refinancing to ensure the safety of the Group's finance.

Under the backdrop of "Belt and Road" strategy, the strategic goal of the Group of the next three years is to become the most competitive production-boosting cost-reducing integrated service company in emerging markets of global oil and gas exploration and production, which means to have emerging markets as a strong foothold and develop in depth, to face international mainstream customers directly, and to push for full-on internationalization. Regarding execution of the strategy, the Group will stick with an asset-light model of resource integration, and play its cost advantages under better management and the advantage of comprehensive product line coverage. The Group will refine its service model of production-boosting cost reducing integrated services, and gradually gain market share from service companies on the international market. The Group will focus on strengthening international commerce capabilities and talent internationalization.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2017 amounted to approximately RMB 875.4 million, representing an increase of approximately RMB201.7 million or approximately 29.9% as compared to approximately RMB 673.7 million in the same period of 2016. The increase in the Group's revenue was mainly attributable to the recovery of the domestic and overseas markets, and the full-on commencement of operation of the abundant order backlog.

Costs of Sales

The costs of sales increased approximately 9.4% from approximately RMB 499.6 million in the first half of 2016 to approximately RMB546.7 million in the first half of 2017. The increase was mainly attributable to the growth in revenue.

Other Gains

Other gains dropped from approximately RMB 65.5 million in the first half of 2016 to approximately RMB 3.0 million in the first half of 2017, mainly attributable to the absence of a large disposal of the Group's subsidiaries in 2016.

Selling Expenses

The selling expenses in the first half of 2017 amounted to approximately RMB57.6 million, representing an increase of approximately RMB7.7 million or approximately 15.4% as compared to approximately RMB49.9 million in the first half of 2016. This was mainly attributable to the growth in revenue.

Administrative Expenses

The administrative expenses in the first half of 2017 amounted to approximately RMB69.4 million, representing a decrease of approximately RMB54.2 million or approximately 43.9% as compared to approximately RMB123.6 million in the same period of 2016. 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 2017 amounted to approximately RMB9.0 million, representing a decrease of approximately RMB8.2 million or approximately 47.7% as compared to approximately RMB17.2 million in the same period of 2016. This was mainly attributable to the Group's focusing on developing traditional technology business and reducing input of research and development.

Sales Tax and Surcharges

The sales tax and surcharge in the first half of 2017 amounted to approximately RMB3.5 million, representing a decrease of approximately RMB0.5 million or approximately 12.5% as compared to approximately RMB4.0 million in the same period of 2016.

Operating Profit

As a result of the foregoing, the operating profit of the Group in the first half of 2017 amounted to approximately RMB192.2 million, representing an increase of approximately RMB147.4 million or approximately 329.0% as compared to approximately RMB44.8 million in the same period of 2016. The operating profit margin for the first half of 2017 was approximately 22.0%, representing an increase of 15.4 percentage points from approximately 6.6% in 2016.

Finance Costs (Net)

Net finance costs in the first half of 2017 was approximately RMB117.9 million, an increase of approximately RMB34.8 million as compared to approximately RMB83.1 million in the same period of 2016. The increase was mainly due to the appreciation of RMB against US dollars which led to currency translation loss.

Income Tax Expense

The income tax expense in the first half of 2017 amounted to approximately RMB28.6 million, representing an increase of approximately RMB1.6 million from approximately RMB27.0 million in the same period of 2016.

Profit for the First Half of 2017

As a result of the foregoing, the Group's profit for the first half of 2017 was approximately RMB45.0 million, representing an increase of approximately RMB110.3 million, or approximately 168.9%, from loss of approximately RMB65.3 million in the same period of 2016.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company in the first of 2017 amounted to approximately RMB12.2 million, representing an increase of approximately RMB77.2 million as compared with the same period in 2016.

Trade and Notes Receivables

As at 30 June 2017, the Group's net trade and notes receivables were approximately RMB1,444.2 million, representing an increase of approximately RMB146.2 million as compared to 31 December of 2016. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in the first half of 2017 were 258 days, representing a decrease of 51 days as compared to the same period of 2016. This was mainly attributable to the Group's strengthened of receivables collection.

Inventory

As at 30 June 2017, the Group's inventory was approximately RMB705.4 million, representing a decrease of approximately RMB75.8 million as compared to 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2017, the Group's cash and bank deposits amounted to approximately RMB824.7 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of approximately RMB74.9 million as compared to approximately RMB899.6 million as at 31 December 2016.

As at 30 June 2017, the Group's outstanding short-term bank loans amounted to approximately RMB822.0 million. Credit bank facilities granted to the Group amounted to approximately RMB1,180.0 million, of which approximately RMB302.6 million have not been used.

As at 30 June 2017, the gearing ratio of the Group was approximately 53.4%, representing a decrease of approximately 9.1% as compared with the gearing ratio of approximately 62.5% as at 31 December 2016. 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 increased from approximately RMB1,544.9 million as at 31 December 2016 to approximately RMB2,493.6 million as at 30 June 2017.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 30 June 2017, the Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures.

EXCHANGE RISK

The Group conducts its business mainly 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 2017, net cash outflow from operating activities of the Group amounted to approximately RMB206.6 million, representing an increase of approximately RMB131.3 million compared to the same period of 2016, mainly because of the recovering markets resulting in rising orders on hands.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for the first half of 2017 was approximately RMB93.5 million, of which, investments in fixed assets were approximately RMB87.6 million, investments in intangible assets were approximately RMB5.9 million. The Group's net capital expenditure was approximately RMB120.5 million, which included an approximately RMB27.0 million of its investments.

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 2017, the Group's operating lease commitments amounted to approximately approximately RMB34.3 million. As at the balance sheet date (30 June 2017), the Group had capital commitments of approximately approximately RMB26.7 million (but not yet provided for in the balance sheet).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2017, the Group's pledge of assets including property, plant and equipment with a net book value of approximately RMB481.8 million, land use rights with a net book value of approximately RMB19.0 million and trade receivables with a net book value of approximately RMB163.5 million.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2017, 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 2017 (For the six months ended 30 June 2016: 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 2017.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

For the six months ended 30 June 2017, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising all three incumbent Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Dato Wee Yiaw Hin. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2017.

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

Hong Kong, 25 August 2017

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