ANTON 安東

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Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

2017 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. John William CHISHOLM

Independent Non-executive Directors

Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Dato WEE Yiaw Hin

AUDIT COMMITTEE

Mr. ZHU Xiaoping (Chairman)
Mr. ZHANG Yongyi
Dato WEE Yiaw Hin

REMUNERATION COMMITTEE

Dato WEE Yiaw Hin (Chairman)
Mr. ZHU Xiaoping
Mr. LUO Lin

NOMINATION COMMITTEE

Mr. ZHANG Yongyi (Chairman)
Dato WEE Yiaw Hin
Mr. LUO Lin

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

Mr. PI Zhifeng (Chairman)
Mr. LUO Lin

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Dr. NGAI Wai Fung

COMPANY SECRETARY

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

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Cayman Islands

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Cayman Islands

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AUDITORS

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISERS

as to Hong Kong and U.S. law:
Sidley Austin

as to PRC law:
RRDS LAW OFFICES

as to Cayman Islands law:
Maples and Calder

PRINCIPAL BANKS

Shanghai Pudong Development Bank
China Merchants Bank
Bank of Beijing

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

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 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.

Management Discussion and Analysis

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 million 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 (excluding quality guarantee deposits and other deposits) 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 Iraqi 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.

Management Discussion and Analysis

Breakdown of Revenue by Market

	Six months ended 30 June			**Share of Total Group Revenue Six months ended 30 June**	
	2017 (RMB million)	2016 (RMB million)	Change (%)	**2017**	2016
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 Six months ended 30 June	
	2017 (RMB million)	2016 (RMB million)	Change (%)	**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.

Management Discussion and Analysis

Revenue Analysis of Overseas Market

	Six months ended 30 June			Share of Overseas Revenue	
				Six months ended 30 June	
	2017 (RMB million)	2016 (RMB million)	Change (%)	**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.

Management Discussion and Analysis

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**	
				Six months ended 30 June	
	2017 (RMB million)	2016 (RMB million)	Change (%)	**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 2017;

— 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 half 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.

Management Discussion and Analysis

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 percentage points 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 RMB34.3 million. As at the balance sheet date (30 June 2017), the Group had capital commitments of 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.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (For the six months ended 30 June 2016: nil).

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.

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

As at 30 June 2017, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust and beneficial owner	610,635,408	22.96%
Zhang Yongyi		Beneficial owner	440,000	0.02%
Pi Zhifeng		Beneficial owner	448,000	0.02%

Note:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 601,580,740 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust. Mr. Luo Lin also holds 9,054,668 shares of the Company in the capacity of a beneficial owner.

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

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

Save as disclosed above, at no time during the six months ended 30 June 2017, the Directors and chief executive (including their spouses and children under the age of 18 years) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Existing Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 26 May 2017 and the previous share option scheme of the Company (the "Old Share Option Scheme") adopted on 17 November 2007 was terminated on the same date. No share option has been granted under the Existing Share option Scheme since its adoption and up to the date of this report.

As at 30 June 2017, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Old Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each. Details of the movements in the number of share options during the six months ended 30 June 2017 under the Old Share Option Scheme are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2017	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2017
Directors										
Zhang Yongyi	01 April 2016	01 April 2017 to 31 March 2022	0.800	3,9	900,000	—	—	—	—	900,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	3,11	—	700,000	—	—	—	700,000
				Subtotal:	900,000	700,000	—	—	—	1,600,000
Zhu Xiaoping	01 April 2016	01 April 2017 to 31 March 2022	0.800	3,9	900,000	—	—	—	—	900,000
	23 May 2017	23 May 2018 to 22 May 2023	0.810	3,11	—	700,000	—	—	—	700,000
				Subtotal:	900,000	700,000	—	—	—	1,600,000
Wang Mingcai*	01 April 2016	01 April 2017 to 31 March 2022	0.800	3,9	900,000	—	—	—	—	900,000
				Subtotal:	900,000	—	—	—	—	900,000
Luo Lin	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,4	86,667	—	—	—	86,667	—
	21 June 2013	21 June 2014 to 20 June 2019	5.742	2,5	796,000	—	—	—	—	796,000
	2 December 2016	2 December 2017 to 1 December 2022	1.100	2,10	2,216,000	—	—	—	—	2,216,000
	23 May2017	23 May 2018 to 22 May 2023	0.810	2,11	—	442,000	—	—	—	442,000
				Subtotal:	3,098,667	442,000	—	—	86,667	3,454,000
Wu Di	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,4	400,000	—	—	—	400,000	—
	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,9	1,500,000	—	—	—	—	1,500,000
	23 May2017	23 May 2018 to 22 May 2023	0.810	2,11	—	1,000,000	—	—	—	1,000,000
				Subtotal:	1,900,000	1,000,000	—	—	400,000	2,500,000
Pi Zhifeng	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,4	1,000,000	—	—	—	1,000,000	—
	01 April 2016	01 April 2017 to 31 March 2022	0.800	2,9	3,000,000	—	—	—	—	3,000,000
	23 May2017	23 May 2018 to 22 May 2023	0.810	2,11	—	3,000,000	—	—	—	3,000,000
				Subtotal:	4,000,000	3,000,000	—	—	1,000,000	6,000,000

Other Information

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2017	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2017
John William Chisholm	23 May2017	23 May 2018 to 22 May 2023	0.810	2,11	—	700,000	—	—	—	700,000
				Subtotal:	—	700,000	—	—	—	700,000
Wee Yiaw Hin	23 May2017	23 May 2018 to 22 May 2023	0.810	3,11	—	700,000	—	—	—	700,000
				Subtotal:	—	700,000	—	—	—	700,000
Employees in aggregate	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,4	15,536,549	—	—	—	15,536,549	—
	21 June 2013	21 June 2014 to 20 June 2019	5.742	2,5	480,000	—	—	—	—	480,000
	28 June 2013	28 June 2014 to 27 June 2019	5.600	2,6	298,000	—	—	—	—	298,000
	20 November 2013	20 November 2014 to 19 November 2019	4.960	2,7	190,000	—	—	—	—	190,000
	24 February 2016	24 February 2017 to 23 February 2022	0.740	2,8	104,440,000	—	634,000	—	3,778,000	100,028,000
	23 May2017	23 May 2018 to 22 May 2023	0.810	2,11	—	92,758,000	—	—	—	92,758,000
				Subtotal:	120,944,549	92,758,000	634,000	—	19,314,549	193,754,000
				Total:	132,643,216	100,000,000	634,000	—	20,801,216	211,208,000

* resigned as the Independent Non-executive Director on 19 April 2017

Notes:

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

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

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

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

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

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

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

8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.77.*

9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.81.*

10. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.12.*

11. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.84.*

* Source from Bloomberg

Other Information

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

As at 30 June 2017, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name of substantial shareholder	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	1	Trustee	601,580,740	22.62%
Seletar Limited	1	Trustee	601,580,740	22.62%
Serangoon Limited	1	Trustee	601,580,740	22.62%
Avalon Assets Limited	1	Trustee	601,580,740	22.62%
Pro Development Holdings Corp.	1	Beneficial owner	601,580,740	22.62%
Schlumberger NV	2	Interest of controlled corporation	423,361,944	15.92%
Trafalgar Capital Management (HK) Limited		Investment Manager	147,677,605	5.55%

Notes:

1. The 601,580,740 shares referred to the same batch of shares.

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

Save as disclosed above, as at 30 June 2017, so far was known to the Directors, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code as 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.

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

There has been no change in the information regarding the Directors and Chief Executives of the Company since the date of the Company's 2016 annual report.

Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules during the six months ended 30 June 2017.

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 condensed consolidated 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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
25 August 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	**As at 30 June 2017 (Unaudited)**	As at 31 December 2016 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,361,077**	2,272,223
Prepaid lease payments	7	**77,884**	46,903
Goodwill		**242,004**	242,004
Intangible assets	8	**171,190**	173,151
Investment in an associate		**3,294**	3,592
Prepayments and other receivables	12	**104,741**	103,929
Other non-current assets		**2,000**	62,000
Deferred income tax assets	9	**54,711**	52,334
Total non-current assets		**3,016,901**	2,956,136
Current assets			
Inventories	10	**705,375**	781,165
Prepaid lease payments	7	**1,932**	1,091
Trade and notes receivables	11	**1,444,199**	1,297,995
Prepayments and other receivables	12	**959,428**	725,295
Restricted bank deposits	13	**483,206**	381,325
Term deposits with initial terms of over three months	13	**5,000**	11,011
Cash and cash equivalents	13	**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	14	**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 (Continued)

As at 30 June 2017
(Amounts expressed in thousands of RMB)

	Notes	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bonds	15	**1,659,768**	1,694,940
Long-term borrowings	16	**70,362**	89,506
Accruals and other payables	18	**—**	715,453
Deferred income tax liabilities	9	**10,776**	4,318
		1,740,906	2,504,217
Current liabilities			
Short-term borrowings	16	**822,022**	739,642
Current portion of long-term borrowings	16	**138,509**	61,723
Trade and notes payables	17	**732,681**	705,089
Accruals and other payables	18	**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

The condensed consolidated financial statements on pages 23 to 54 were approved by the Board of Directors on 25 August 2017 and were signed on its behalf.

Luo Lin	**PI Zhifeng**
Chairman	*Executive Director*

The notes on pages 29 to 54 form an integral part of these condensed consolidated financial statements.

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	19	**875,414**	673,703
Cost of sales	20	**(546,730)**	(499,599)
Gross profit		**328,684**	174,104
Other gains, net	21	**2,989**	65,455
Selling expenses	20	**(57,576)**	(49,944)
Administrative expenses	20	**(69,420)**	(123,571)
Research and development expenses	20	**(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	22	**(117,910)**	(83,114)
Share of loss of an associate		**(708)**	—
Profit/(loss) before income tax		**73,547**	(38,324)
Income tax expense	23	**(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	24	**0.0046**	(0.0294)
– Diluted	24	**0.0046**	(0.0294)

The notes on pages 29 to 54 form an integral part of these condensed consolidated financial statements.

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)

The notes on pages 29 to 54 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB)

		Attributable to owners of the Company								
	Notes	Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2017		**226,578**	**634,616**	**378,739**	**76,900**	**611,641**	**(383,589)**	**1,544,885**	**432,012**	**1,976,897**
Profit for the period		**—**	**—**	**—**	**—**	**12,210**	**—**	**12,210**	**32,778**	**44,988**
Other comprehensive income:										
– Net investment hedge		**—**	**—**	**—**	**—**	**—**	**31,031**	**31,031**	**6,533**	**37,564**
– Currency translation differences		**—**	**—**	**—**	**—**	**—**	**(15,984)**	**(15,984)**	**(9,702)**	**(25,686)**
Total comprehensive income		**—**	**—**	**—**	**—**	**12,210**	**15,047**	**27,257**	**29,609**	**56,866**
Total transactions with owners recognised directly in equity:										
– Issue of ordinary shares	14(a)	**19,625**	**178,194**	**—**	**—**	**—**	**—**	**197,819**	**—**	**197,819**
– Share option scheme	14(b)	**—**	**—**	**7,761**	**—**	**—**	**—**	**7,761**	**—**	**7,761**
– Share option exercised	14(a)	**56**	**360**	**—**	**—**	**—**	**—**	**416**	**—**	**416**
– Termination of put option	18	**—**	**—**	**—**	**—**	**—**	**715,453**	**715,453**	**—**	**715,453**
– Acquisition of a subsidiary	27	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**29,338**	**29,338**
Total transactions with owners, recognised directly in equity:		**19,681**	**178,554**	**7,761**	**—**	**—**	**715,453**	**921,449**	**29,338**	**950,787**
Balance at 30 June 2017		**246,259**	**813,170**	**386,500**	**76,900**	**623,851**	**346,911**	**2,493,591**	**490,959**	**2,984,550**
Balance at 1 January 2016		207,629	460,903	390,368	77,756	772,091	(14,721)	1,894,026	65,586	1,959,612
Loss for the period		—	—	—	—	(65,036)	—	(65,036)	(248)	(65,284)
Other comprehensive income/(expense):										
– Net investment hedge		—	—	—	—	—	(23,377)	(23,377)	—	(23,377)
– Currency translation differences		—	—	—	—	—	7,534	7,534	—	7,534
Total comprehensive expense		—	—	—	—	(65,036)	(15,843)	(80,879)	(248)	(81,127)
Total transactions with owners, recognised directly in equity:										
– Share option scheme	14(b)	—	—	7,245	—	—	—	7,245	—	7,245
– Disposal of subsidiaries		—	—	(27,061)	(856)	—	—	(27,917)	—	(27,917)
– Repurchase and cancellation of shares		(416)	(2,122)	—	—	—	—	(2,538)	—	(2,538)
Total transactions with owners, recognised directly in equity:		(416)	(2,122)	(19,816)	(856)	—	—	(23,210)	—	(23,210)
Balance at 30 June 2016		207,213	458,781	370,552	76,900	707,055	(30,564)	1,789,937	65,338	1,855,275

The notes on pages 29 to 54 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB)

	Notes	Six months ended 30 June **2017 (Unaudited)**	2016 (Unaudited)
Net cash used in operating activities	26	**(206,567)**	(75,348)
Net cash used in investing activities	26	**(120,488)**	(34,758)
Net cash from/(used in) financing activities	26	**151,032**	(145,465)
Net decrease in cash and cash equivalents		**(176,023)**	(255,571)
Cash and cash equivalents, at beginning of the period	13	**507,263**	458,158
Exchange gain on cash and cash equivalents		**5,207**	4,385
Cash and cash equivalents, at end of the period	13	**336,447**	206,972

The notes on pages 29 to 54 form an integral part of these condensed consolidated financial statements.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

4. ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2016.

5. 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)**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

	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 (Unaudited)	2016 (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)

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

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

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (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 Six months ended 30 June		**Non-current assets**	
	2017 (Unaudited)	2016 (Unaudited)	**As at 30 June 2017 (Unaudited)**	As at 31 December 2016 (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Opening carrying amount	**2,272,223**	2,355,538
Additions	**92,132**	28,568
Depreciation	**(110,274)**	(110,105)
Disposals	**(6,176)**	(3,535)
Acquisition of subsidiaries (Note 27)	**220,247**	—
Disposal of subsidiaries (Note 27)	**(90,684)**	(29,681)
Currency translation differences	**(16,391)**	—
Impairment provision	**—**	(3,964)
Closing carrying amount	**2,361,077**	2,236,821

As at 30 June 2017, certain bank borrowings were secured over certain buildings and plant, machinery and equipment with carrying amount of RMB481,840,000 (31 December 2016: RMB546,981,000) (Note 16(a), (b), (c)).

7. PREPAID LEASE PAYMENTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Opening carrying amount	**47,994**	59,893
Acquisition/(disposal) of a subsidiary	**33,249**	(10,700)
Amortisation	**(1,427)**	(654)
Closing carrying amount	**79,816**	48,539
Analysed for reporting purpose as:		
Current portion	**1,932**	1,091
Non-current portion	**77,884**	47,448

Prepaid lease payments represent the Group's prepayments for the leasehold land located in the PRC.

As at 30 June 2017, prepaid lease payments with carrying amount of RMB18,982,000 were pledged as counter guarantee for certain long-term borrowings (Note 16(a)).

As at 31 December 2016, prepaid lease payments with a carrying amount of RMB27,329,000 were pledged as security of undrawn bank borrowing facilities (Note 16(c)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

8. INTANGIBLE ASSETS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Opening carrying amount	**173,151**	137,534
Additions	**5,899**	13,630
Amortisation	**(6,876)**	(6,792)
Disposal of subsidiaries (Note 27)	**(984)**	(290)
Closing carrying amount	**171,190**	144,082

9. DEFERRED INCOME TAXATION

	Deferred income tax assets	Deferred income tax liabilities
Unaudited		
At 1 January 2017	**52,334**	(4,318)
Credited to the statement of profit or loss	**2,377**	651
Acquisitions (Note 27)	**—**	(7,109)
At 30 June 2017	**54,711**	(10,776)
Unaudited		
At 1 January 2016	**64,659**	(4,375)
Charged to the statement of profit or loss	**(8,045)**	(13)
At 30 June 2016	**56,614**	(4,388)

10. INVENTORIES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Raw materials	**25,224**	26,975
Work-in-progress	**—**	885
Finished goods	**39,657**	50,433
Project materials and spare parts	**362,106**	409,410
Project-in-progress	**393,701**	412,179
	820,688	899,882
Less: provision for inventory obsolescence	**(115,313)**	(118,717)
	705,375	781,165

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (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 (Note 16(b)).

As at 31 December 2016, bank borrowings of RMB199,642,000 were secured by trade receivable amounting to RMB221,824,000 (Note 16(b)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Advances to suppliers	**192,765**	122,193
Other receivables	**351,210**	167,499
Amounts due from related parties (Note 30(c))	**343,495**	345,474
Value-added tax recoverable	**71,958**	90,129
	959,428	725,295
Non-current		
Value-added tax recoverable	**90,741**	103,929
Other receivables	**14,000**	—
	104,741	103,929

13. CASH AND BANK

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Restricted bank deposits (a)	**483,206**	381,325
Term deposits with initial terms of over three months (b)	**5,000**	11,011
Cash and cash equivalents		
– Cash on hand	**6,484**	2,633
– Deposits in bank	**329,963**	504,630
	824,653	899,599

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

13. CASH AND BANK *(Continued)*

(a) As at 30 June 2017, bank deposits amounting to RMB483,206,000 (31 December 2016: RMB381,325,000) were held as securities for letter of guarantee and for issuance of notes payable.

(b) As at 30 June 2017, term deposits with initial terms of over three months were bank deposits bearing interest rate at 1.56% per annum (31 December 2016: 1.50% per annum), with original maturity of 180 days.

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

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
RMB	**419,377**	362,409
US$	**340,528**	412,189
HK$	**18,505**	90,470
Others	**46,243**	34,531
	824,653	899,599

14. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Number of ordinary shares issued and fully paid of HK$0.1 each (thousands)	**Share capital HK$'000**	**Share capital RMB'000**
(Unaudited)			
As at 1 January 2017	**2,437,816**	**243,781**	**226,578**
Issue of new shares (Note)	**221,620**	**22,162**	**19,625**
Exercise of share options	**634**	**63**	**56**
As at 30 June 2017	**2,660,070**	**266,006**	**246,259**
(Unaudited)			
As at 1 January 2016	2,221,122	222,112	207,629
Repurchase and cancellation of shares	(4,926)	(493)	(416)
As at 30 June 2016	2,216,196	221,619	207,213

Note: On 25 January 2017, an independent third party subscribed 221,619,604 new shares of the Company at HK$1.0080 per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

14. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options

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

	Average exercise price in HK$ per share	Number of options of shares (thousands)
As at 1 January 2017		**132,643**
Granted (on 23 May 2017)	**0.810**	**100,000**
Forfeited		**(3,778)**
Exercised		**(634)**
Expired		**(17,023)**
As at 30 June 2017 (Unaudited)		**211,208**
As at 1 January 2016		52,415
Granted (on 24 February 2016)	0.740	112,800
Granted (on 1 April 2016)	0.800	7,200
Forfeited		(8,629)
Cancelled		(1,950)
Expired		(17,259)
As at 30 June 2016 (Unaudited)		144,577

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

Expiry date	Exercise price (HK$ per share)	Number of share options (thousands)
21 June 2019	5.742	1,276
27 June 2019	5.600	298
19 November 2019	4.960	190
23 February 2022	0.740	100,028
31 March 2022	0.800	7,200
2 December 2022	1.100	2,216
22 May 2023	0.810	100,000
		211,208

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

14. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options *(Continued)*

The fair value of the options granted during the six months ended 30 June 2017 is determined using the binomial option pricing model. The key assumptions used in the pricing model for options granted on 23 May 2017 were the exercise prices shown above and other parameters are shown below:

Parameters	Options granted during the six months ended 30 June 2017	2016
Share price as of the valuation date (HK$)	**0.81**	0.74-0.80
Expected dividend yield	**—**	—
Forfeiture rate	**0.34%**	0.39%-0.40%
Exercise multiples	**3.39-3.54**	3.35-3.70
Maturity years	**6.0**	6.0
Risk free rate	**1.14%**	0.95%-1.09%
Annualised volatility	**56.91%**	54.27%-54.67%

The total expense recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017 for share options amounted to RMB7,761,000 (for the six months ended 30 June 2016: RMB7,245,000), with a corresponding amount credited to capital reserve.

15. LONG-TERM BONDS

Issued date:	**Par value**	**Coupon rate**	**As at 30 June 2017**	As at 31 December 2016	**Effective interest rate**
31 October 2013 (a)	US$ 247 million	7.50%	**1,659,768**	1,694,940	8.31%

Note:

(a) The Company issued US$250 million 7.50% senior notes at par value on 31 October 2013, in which US$3 million were repurchased in 2016. The bonds mature in 5 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 30 June 2017, interest payable amounted to approximately RMB18.9 million (31 December 2016: RMB19.0 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

16. BORROWINGS

	As at 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Amount	**Interest rate**	Amount	Interest rate
Long-term borrowing				
– Secured				
– RMB denominated (a)	**208,871**	**5.94%-8.48%**	151,229	5.94%
Less: Current portion	**(138,509)**		(61,723)	
	70,362		89,506	
Short-term bank borrowings				
– Unsecured				
– RMB denominated	**340,000**	**5.22%-6.09%**	310,000	5.22%-6.09%
– Secured				
– RMB denominated (b)	**482,022**	**4.35%-6.89%**	429,642	5.0025%-6.50%
	822,022		739,642	

(a) As at 30 June 2017, secured long-term borrowings RMB135,871,000 represented borrowings from Minsheng Financial Leasing Co., Ltd., which will mature in 3 years, with equipment of carrying amount amounted to RMB194,188,000 pledged as security (Note 6).

As at 30 June 2017, long-term borrowings of RMB73,000,000 were secured by the Group's buildings of carrying amount of RMB128,869,000 (Note 6) and prepaid lease payments of a carrying amount of RMB18,982,000 (Note 7).

As at 31 December 2016, secured long-term borrowings represented borrowings from Minsheng Financial Leasing Co., Ltd., a third party, which will mature in 3 years, with equipment of carrying amount amounted to RMB197,726,000 pledged as security (Note 6).

(b) As at 30 June 2017, secured short-term bank borrowings of RMB80,000,000.00 were guaranteed by Beijing Zhong guancun Sci-tech Guaranty Co., Ltd. (北京中關村科技擔保有限公司), a third party, and with the Group's buildings of a carrying amount of RMB28,607,000 pledged as counter-guarantee (Note 6); RMB150,000,000 were secured by the Group's buildings of a carrying amount of RMB130,176,000 (Note 6); RMB152,022,000 were secured by trade receivables amounting to RMB163,469,000 (Note 11(d)). RMB100,000,000 were guaranteed by Beijing Zhong guancun Sci-tech Guaranty Co., Ltd. (北京中關村科技擔保有限公司), without secured assets.

As at 31 December 2016, secured short-term bank borrowings of RMB80,000,000 were guaranteed by Beijing Zhong guancun Sci-tech Guaranty Co., Ltd. (北京中關村科技擔保有限公司), a third party, and with the Group's buildings with a carrying amount of RMB29,285,000 pledged as counter-guarantee (Note 6); RMB150,000,000 were secured by the equipment of carrying amount of RMB155,310,000 (Note 6); RMB199,642,000 were secured by trade receivables amounting to RMB 221,824,000 (Note 11(d)).

(c) As at 30 June 2017, the undrawn bank borrowing facilities of the Group approximated RMB302,590,000, including RMB51,000,000 with maturity dates up to 9 April 2018 and RMB251,590,000 with maturity dates up to 15 June 2018.

As at December 2016, the undrawn bank borrowing facilities of the Group approximated RMB 80,000,000, with maturity dates up to 2 June 2017, including RMB50,000,000 with Group's buildings of carrying amount amounting to RMB164,660,000 (Note 6) and prepaid lease payments with a carrying amount of RMB27,329,000 (Note 7) pledged as security.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

17. 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

18. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Advance from customers	**21,627**	16,855
Payroll and welfare payable	**21,904**	44,333
Taxes other than income taxes payable	**69,409**	63,364
Payable to equipment venders	**216,975**	415,636
Dividend payable	**11,753**	11,753
Interest payable	**23,276**	24,054
Rental payable	**11,352**	4,979
Others	**96,617**	48,773
	472,913	629,747
Non-current		
Liability arising from put option of non-controlling interest (a)	**—**	715,453

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18. ACCRUALS AND OTHER PAYABLES *(Continued)*

(a) On 16 May 2016, the Company and Anton Oilfield Services DMCC ("DMCC") entered into an agreement with China Oil HBP Science & Technology Co., Ltd. ("the Partner"), a third party, and Hong Kong Huihua Global Technology Limited (the "Purchaser"), a wholly-owned subsidiary of the Partner, pursuant to which the Company will transfer 40% interest in DMCC to the Purchaser at a consideration of RMB700,000,000. DMCC was an indirect wholly-owned subsidiary of the Company on the date of disposal.

Pursuant to the agreement signed in 2016, the Purchaser has the right to request Anton Oiled Service Company International Limited ("Anton International") to repurchase the 40% equity interest at the original price with a premium of interest at 10% per annum if DMCC failed to fulfil the profit commitments as prescribed in the agreement ("Repurchase Arrangement"). Therefore the Group recognised a financial liability amounting to RMB700,000,000 by debiting to other reserve as at 31 December 2016, bearing interest at 10% per annum.

In current period, pursuant to the supplemental agreements entered into between the Partner and Purchaser, both parties agreed to cancel the Repurchase Arrangement. Therefore, the Group derecognised the financial liability with interest accrued amounting to RMB715,453,000 by crediting to other reserve.

19. 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

20. 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

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21. OTHER GAINS, NET

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Government grants and subsidies	**616**	3,309
Gains on disposal of subsidiaries (Note)	**—**	61,899
Gains on disposal of a joint venture	**—**	549
Others	**2,373**	(302)
	2,989	65,455

Note:

For the six months ended 30 June 2016, the Group recognised gain on disposal of subsidiaries of RMB61,899,000, which included:

i. On 19 January 2016, Beijing Huarui Mei'er Petroleum Technology Co., Ltd, a wholly-owned subsidiary of the Group, was dissolved and recognised a loss amounting to RMB717,000.

ii. On 1 March 2016, the Group disposed its 100% equity interests in its subsidiary, Beijing Anton Petroleum Machinery Co., Ltd. to a third party. The Group received cash amounted to RMB77,000,000 as consideration and recognised a gain amounting to RMB62,616,000.

22. 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)

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For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

23. 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 (Note 9)	**(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.

24. 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)

(Amounts expressed in thousands of RMB unless otherwise stated)

24. EARNINGS/(LOSS) PER SHARE *(Continued)*

(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)

25. DIVIDENDS

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

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26. NOTE TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Operating activities:		
Profit/(loss) before income tax	**73,547**	(38,324)
Adjustments for:		
Property, plant and equipment		
– depreciation charge	**91,161**	92,399
– net gain on disposals	**(801)**	(547)
– addition of impairment	**—**	3,964
Amortisation of prepaid lease payments and intangible assets	**5,085**	6,643
Amortisation of prepaid operating lease payment	**4,500**	12,150
Addition of impairment of receivables	**3,072**	1,258
Addition of impairment of inventories	**—**	32,372
Charge of share option scheme	**7,761**	7,245
Share of loss of an associate	**708**	—
Gains on disposal of subsidiaries	**—**	(61,899)
Gains on disposal of a joint venture	**—**	(549)
Gains on acquisition of a subsidiary	**(121)**	—
Net foreign exchange losses/(gains)	**12,132**	(16,692)
Interest income	**(1,856)**	(737)
Interest expenses	**95,340**	90,542
Changes in working capital:		
Inventories	**68,561**	32,123
Trade and notes receivables	**(165,016)**	(97,145)
Prepayments and other receivables and value-added tax recoverable	**(198,885)**	(27,736)
Trade and notes payables	**19,213**	(67,824)
Accruals and other payables	**(106,093)**	5,070
Restricted bank deposits	**(101,881)**	(44,131)
Net cash inflows/(outflows) from operations	**(193,573)**	(71,818)
Interest received	**1,856**	737
Income tax paid	**(14,850)**	(4,267)
Net cash used in operating activities	**(206,567)**	(75,348)

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26. NOTE TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

(Continued)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Investing activities:		
Purchases of property, plant and equipment	**(94,544)**	(108,500)
Purchases of intangible assets	**(5,899)**	(5,220)
Disposal of subsidiaries	**(1,863)**	77,000
Acquisition of subsidiaries	**(31,170)**	—
Disposal of property, plant and equipment	**6,977**	1,962
Decrease in term deposits with initial term of over three months	**6,011**	—
Net cash used in investing activities	**(120,488)**	(34,758)
Financing activities:		
Proceeds from short-term borrowings	**537,000**	444,650
Repayments of short-term borrowings	**(454,620)**	(678,000)
Proceeds from long-term borrowings	**—**	182,400
Repayments of long-term borrowings	**(32,852)**	—
Proceeds from share options exercised	**416**	—
Repurchase of own shares	**—**	(2,538)
Issue of ordinary shares	**197,819**	—
Interest paid	**(96,731)**	(77,727)
Dividends distribution	**—**	(14,250)
Net cash from/(used in) financing activities	**151,032**	(145,465)

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27. ACQUISITION OF A SUBSIDLARY

On 31 March 2017, the Group transferred its entire equity interest in Anton New Material (Suining) Co., Ltd., a wholly-owned subsidiary of the Group, together with cash of RMB37,360,000 and a waiver of a receivable from Suining Anzheng Investment Co., Ltd. ("Sichuan Anzheng") of RMB46,000,000 (recorded in "other non-current assets"), in exchange for 80% equity interest in Sichuan Anzheng, an entity wholly owned by Sichuan Anzheng Education Consulting Services Co., Ltd.. Sichuan Anzheng is engaged in investment with land, industrial and commercial building and was acquired so as to support the Group's development of operations in southwest region.

Consideration transferred

Carrying amount of 100% equity of a wholly-owned subsidiary (Note)	33,871
Waiver of a receivable from Sichuan Anzheng	46,000
Cash as consideration paid	37,360
	117,231

Note: analysis of assets and liabilities over which control was lost

Property, plant and equipment	90,684
Intangible assets	984
Prepayments and other receivable	23,317
Inventories	29,558
Trade and notes receivables	1,355
Cash and cash equivalents	1,863
Trade and notes payables	(6,122)
Accruals and other payables	(107,768)
Net assets disposed of	33,871

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27. ACQUISITION OF A SUBSIDLARY *(Continued)*

Assets and liabilities recognised at the date of acquisition, determined on a provisional basis

Current assets:	
Cash and cash equivalents	190
Prepaid lease payments	841
Prepayments and other receivables	20,913
Non-current assets:	
Property, plant and equipment	220,247
Prepaid lease payments	32,408
Current liabilities:	
Accruals and other payables	(46,800)
Current portion of long-term borrowings	(46,000)
Non-current liabilities:	
Long-term borrowings	(28,000)
Deferred tax liabilities	(7,109)
Net assets	146,690
Non-controlling interests	(29,338)
	117,352

The fair value of the acquired property, plant and equipment and prepaid lease payments of RMB220,247,000 and RMB 33,249,000, respectively, is provisional, awaiting the completion of final valuation. Deferred tax liabilities of RMB7,109,000 has been provided in relation to these fair value adjustments and they may be adjusted accordingly.

Non-controlling interests, determined on a provisional basis

The non-controlling interest (20%) in Sichan Anzheng recognised at the acquisition date was measured by reference to the proportion sharing of the fair value of the net assets of Sichan Anzheng and amounted to RMB29,338,000.

Other gains arising on acquisition, determined on a provisional basis

Consideration transferred	117,231
Less: recognised amount of identifiable net assets acquired	(117,352)
Other gains on acquisition (Note 21)	(121)

Net cash outflow arising on acquisition

Cash as consideration	**37,360**
Less: Not yet paid at 30 June 2017	**(6,000)**
Less: cash and cash equivalent balances acquired	**(190)**
	31,170

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28. COMMITMENTS

(a) Capital commitments

Capital commitments relating to investments in property, plant and equipment at the balance sheet date but not yet provided for in the condensed consolidated statement of financial position were as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Contracted but not provided for	**26,715**	27,546

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
No later than 1 year	**7,354**	6,673
1 to 5 years	**23,971**	24,311
Over 5 years	**2,996**	5,993
	34,321	36,977

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29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the Group's annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since the year end of 2016.

29.2 Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, adequate term deposits and unused borrowing facilities to meet its liquidity requirements.

29.3 Credit risk

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

A considerable portion of sales were made to the several major oilfield operators in the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 5). Most of the Group's cash and cash equivalents were placed with state-owned banks in the PRC and Hong Kong, the corresponding credit risk is relatively low.

29.4 Fair value estimation

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

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

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30. RELATED PARTY TRANSACTIONS

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

(a) The following companies are related parties of the Group during the six months period ended 30 June 2017 and 2016:

Names of related parties	**Nature of relationship**
Northern Heavy Anton Machinery Manufacturing Co., Ltd. ("Northern Heavy")	Joint venture invested by the Company (till 10 May 2016)
China Oil HBP Science & Technology Co., Ltd. ("China Oil HBP")	Minority shareholders of DMCC
Beijing HBP Energy Technology Co., Ltd ("HBP Beijing")	Subsidiary of China Oil HBP
Xinjiang PengAn Energy Technology Co., Ltd. ("Xinjiang PengAn")	Associate invested by the Company
China Nanhai Magcobar Mud Co., Ltd. ("Nanhai Magcobar")	Controlled by the same ultimate parent company of Schlumberger NV ("SLB NV")
Schlumberger Oilfield China ("SLB China")	Controlled by the same ultimate parent company of SLB NV
Smith Drilling Equipment (Changzhou) Ltd. ("Smith Drilling")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technologies (Beijing) Ltd. ("SLB Beijing")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Reservoir Products FZE ("SLB FZE")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technologies (Chengdu) Ltd. ("SLB Chengdu")	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technology Corporation ("SLB Tech")	Controlled by the same ultimate parent company of SLB NV

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30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Purchases of goods or services		
Nanhai Magcobar	**61**	—
SLB China	**20,309**	27,571
Smith Drilling	**—**	228
	20,370	27,799
Sales of goods		
Northern Heavy	**—**	14
SLB China	**77**	97
	77	111

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

(c) Balances with related parties

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Trade and notes receivables		
SLB China	**709**	634
Xinjiang PengAn	**2,140**	5,618
	2,849	6,252
Prepayments and other receivables		
SLB Chengdu	**3**	13
Xinjiang PengAn	**479**	479
SLB Tech	**—**	1,982
SLB China	**13**	—
China Oil HBP	**343,000**	343,000
	343,495	345,474

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30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Trade and notes payables		
Nanhai Magcobar	**13,097**	17,970
SLB China	**41,062**	59,571
SLB Beijing	**262**	262
Smith Drilling	**—**	3,406
SLB Chengdu	**901**	1,454
HBP Beijing	**13,094**	13,094
	68,416	95,757
Accruals and other payables		
SLB FZE	**1,173**	6,947
SLB China	**2,979**	—
Smith Drilling	**1,740**	—
China Oil HBP	**—**	715,453
	5,892	722,400

Balances with related parties were unsecured, non-interest bearing and had no fixed repayment terms except for payable to China Oil HBP (Note 18).

(d) Key management compensation

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Salaries and other short-term employee benefits	**8,608**	8,925
Pension scheme	**192**	279
Share-based compensation	**1,075**	1,501
	9,875	10,705

31. EVENTS AFTER THE REPORTING PERIOD

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