CHINA OILFIELD TECHNOLOGY SERVICES GROUP LIMITED
(Company Registration No. CT-189285)

QUALIFIED OPINION AND EMPHASIS OF MATTER BY AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the "**Board**") of China Oilfield Technology Services Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Foo Kon Tan Grant Thornton LLP, has included a qualified opinion and an emphasis of matter in the Independent Auditor's Report in respect of the financial statements of the Group for the financial year ended 31 December 2013.

The nature and contents of the qualification and emphasis of matter are contained in the Independent Auditor's Report annexed hereto, together with an extract of the relevant Notes 2(a) and 4 to the financial statements.

By Order of the Board

Gao Yanming
Executive Chairman

15 May 2014

Independent auditor's report

to the members of China Oilfield Technology Services Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of China Oilfield Technology Services Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As described in Note 4 to the financial statements, impairment losses on the Group's property, plant and equipment were recognised for the financial year ended 31 December 2012 based on the value in use of the relevant cash-generating unit as at 31 December 2012.

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. We have, however, been unable to obtain sufficient appropriate audit evidence in terms of supporting documentation to evaluate the fair value less costs to sell of the Group's property, plant and equipment for which there is no active market. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's property, plant and equipment as at 31 December 2012 and 1 January 2013. Accordingly, we were unable to ascertain the consequential impact, if any, on the financial statements for the financial year ended 31 December 2013.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs above, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements. As at 31 December 2013, the Group and the Company had net liabilities of RMB 149,347,000 (2012: RMB 104,192,000) and RMB 3,368,000 (2012: net assets of RMB 453,000), respectively. The Group and the Company also incurred net loss of RMB 45,155,000 (2012: RMB 482,601,000) and RMB 3,821,000 (2012: RMB 376,203,000) respectively for the financial year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concern. The preparation of the financial statements on a going concern basis is dependent on the successful completion of the proposed disposal of all the subsidiaries in the Group, the ability of the Company to raise new funds from equity or loans to enable it to meet its obligations as and when they fall due, the outcome of new business exploration, and further intentions and plans of the directors of the Company.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

Our opinion is not further qualified in respect of this matter.

Independent auditor's report

to the members of China Oilfield Technology Services Group Limited (cont'd)

Other Matter

The financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012 were audited by two other firms of Certified Public Accountants, who jointly expressed an unqualified opinion on those financial statements with an emphasis of matter paragraph on the Group's ability to continue as a going concern in their report dated 28 March 2013.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore, 2 May 2014

Notes to the financial statements

for the financial year ended 31 December 2013

1 General information

The financial statements of China Oilfield Technology Services Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 14 June 2007. The Company's shares have been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 17 October 2007.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Group is located at 28 Xin Fa Street, Hi-Tech Development Zone, Daqing City, Heilongjiang Province, the People's Republic of China ("PRC").

The principal activities of the Company are those relating to investment holding and sale of tertiary oil recovery equipment. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

On 27 December 2013, the Company entered into a conditional sale and purchase agreement with Gao Yanming, the Executive Chairman and controlling shareholder of the Company, pursuant to which the Company will dispose of all the subsidiaries in the Group for a cash consideration of RMB 2,000,000. Accordingly, the assets and liabilities of the disposal group were classified as held for sale as at 31 December 2013 (Note 13), and the results attributable to the disposal group were classified as discontinued operations for the financial year ended 31 December 2013 and 2012 (Note 19). The proposed disposal was approved by the Company's shareholders in the Extraordinary General Meeting held on 3 April 2014.

2(a) Going concern

As at 31 December 2013, the Group and the Company had net liabilities of RMB 149,347,000 (2012: RMB 104,192,000) and RMB 3,368,000 (2012: net assets of RMB 453,000), respectively. The Group and the Company also incurred net loss of RMB 45,155,000 (2012: RMB 482,601,000) and RMB 3,821,000 (2012: RMB 376,203,000) respectively for the financial year then ended. These conditions cast doubt on the Group's and the Company's ability to continue as going concern. Notwithstanding this, the directors consider that the going concern assumption is appropriate for the presentation of these financial statements.

As described in Note 13 and Note 19 to the financial statements, on 27 December 2013, the Company entered into a conditional sale and purchase agreement with its Executive Chairman and controlling shareholder, Gao Yanming, pursuant to which the Company will dispose of all the subsidiaries in the Group for a cash consideration of RMB 2,000,000. The proposed disposal was approved by the Company's shareholders in the Extraordinary General Meeting held on 3 April 2014. Upon the completion of the proposed disposal of the subsidiaries, the Company will cease to have any operating business and will be deemed as a cash company under Rule 1018 of the SGX-ST Listing Manual. As a cash company, the Company will provide monthly updates on valuation of assets and utilisation of cash.

2(a) Going concern (cont'd)

The SGX-ST reserves the right to remove the Company from the SGX-ST if it is unable to enter into a definitive agreement for a new business that meets the requirements for a new listing within 12 months from the time it becomes a cash company. The Company may apply to the SGX-ST for a maximum six-month extension to the 12-month period subject to the Company providing milestones in finding a new business which investors may evaluate the Company's progress. In the event the Company is unable to meet its milestones, or find a new business despite the extension granted, no further extension will be granted and the Company will be required to delist and make a cash exit offer in accordance with Rule 1308 to its shareholders within six months.

The directors of the Company have assessed and explored investment options to utilise the proceeds from the proposed disposal. At the date that the financial statements were authorised for issue, the Company has no concrete plans yet and is working with its advisers to explore its options. The validity of the going concern assumption depends on the outcome of new business exploration, and further intentions and plans of the directors of the Company.

Nonetheless, management has prepared cash flow forecast of the Group and the Company and based on this, having regard to measures implemented to tighten controls over expenses, the directors believe that the Group and the Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for 12 months from the end of the reporting period.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.

2(b) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi which is the Company's functional currency. All financial information is presented in Renminbi and rounded to the nearest thousand, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

4 Property, plant and equipment

The Group	Buildings RMB'000	Plant and machinery RMB'000	Research equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2012	547,879	45,890	3,495	8,389	9,972	148,404	764,029
Additions	3,054	427	–	39	287	39,383	43,190
Disposals	–	(7,602)	–	–	(4,110)	(13,659)	(25,371)
Transfers	–	3,650	–	857	–	(4,507)	–
At 31 December 2012	550,933	42,365	3,495	9,285	6,149	169,621	781,848
Reclassified to assets held for sale (Note 13)	**(550,933)**	**(42,365)**	**(3,495)**	**(9,285)**	**(6,149)**	**(169,621)**	**(781,848)**
At 31 December 2013	–	–	–	–	–	–	–
Accumulated depreciation and impairment losses							
At 1 January 2012	330,195	34,360	1,949	6,391	7,329	–	380,224
Depreciation	15,783	2,549	572	453	1,750	–	21,107
Disposals	–	(278)	–	–	(3,760)	–	(4,038)
Impairment loss	204,955	5,734	974	2,441	830	169,621	384,555
At 31 December 2012	550,933	42,365	3,495	9,285	6,149	169,621	781,848
Reclassified to assets held for sale (Note 13)	**(550,933)**	**(42,365)**	**(3,495)**	**(9,285)**	**(6,149)**	**(169,621)**	**(781,848)**
At 31 December 2013	–	–	–	–	–	–	–
Carrying amount							
At 31 December 2013	–	–	–	–	–	–	–
At 31 December 2012	–	–	–	–	–	–	–

Notes to the financial statements *(cont'd)*

for the financial year ended 31 December 2013

4 Property, plant and equipment (cont'd)

As at 31 December 2012, the Group's buildings with an aggregate carrying amount of RMB 72,236,000 (before impairment losses) were pledged to a bank to secure a bank loan (Note 16.1).

Borrowing costs of RMB 13,555,000 arising from financing specifically entered into for the construction of buildings and plant and machinery were capitalised in construction-in-progress for the financial year ended 31 December 2012.

As at 31 December 2012, the directors evaluated that the financial performance of the Group's tertiary oil recovery cash-generating unit is, or will be, worse than expected, in light of the persistently declining trend in the Group's revenue recognised during the financial years. Accordingly, impairment losses of RMB 384,555,000 (Note 20), which represented the write-down of the cash-generating unit to its recoverable amount as at 31 December 2012, were recognised for the financial year ended 31 December 2012. The recoverable amount of the cash-generating unit was determined from value in use calculations based on cash flow projections from formally approved budgets and forecasts covering a five-year period. The pre-tax discount rate applied to the cash flow projections was 18%. The forecasted growth rate used to extrapolate the cash flow projections beyond the five-year period was 3% per annum. The impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income under "loss from discontinued operations, net of tax", in "other expenses" for the financial year ended 31 December 2012 (Note 19).

Following the signing of the conditional sale and purchase agreement on 27 December 2013 to dispose of all the subsidiaries in the Group, the Group's property, plant and equipment were reclassified to disposal group held for sale (Note 13). Property, plant and equipment were not depreciated while they were held for sale.