

CHINA OILFIELD TECHNOLOGY SERVICES GROUP LIMITED
(Incorporated in the Cayman Islands with Registration Number CT-189285)

Unaudited Financial Statements and Dividend Announcement for the Three Months Ended 31 March 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated income statement

	<u>Group</u>		
	Three months ended 31.03.2014	Three months ended 31.03.2013	Increase/ (Decrease)
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Revenue	-	-	N.M.
Cost of sales	-	-	N.M.
Gross profit	-	-	N.M.
Other revenue and net income	5,032	4,778	5.3
Selling and distribution expenses	(1,391)	(1,026)	35.6
Administrative expenses	(7,505)	(3,915)	91.7
Finance costs	(2,763)	(3,434)	(19.5)
Loss before income tax	(6,627)	(3,597)	84.2
Income tax expenses	-	-	N.M.
Loss for the period	<u>(6,627)</u>	<u>(3,597)</u>	84.2
Loss per share for loss attributable to owners of the Company during the period:			
- Basic (RMB cents)	(0.91)	(0.49)	

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Consolidated statement of comprehensive income

	<u>Group</u>		
	Three months ended 31.03.2014	Three months ended 31.03.2013	Increase/ (Decrease)
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Loss for the period	(6,627)	(3,597)	84.2
Other comprehensive income	-	-	N.M.
Total comprehensive income for the period	<u>(6,627)</u>	<u>(3,597)</u>	84.2

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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Notes:

The Group's loss before income tax is arrived at after charging/(crediting):

	<u>Group</u>	
	Three months ended 31.03.2014 (Unaudited) RMB'000	Three months ended 31.03.2013 (Unaudited) RMB'000
Amortisation of land use rights	83	83
Fair value loss on financial assets at fair value through profit or loss	89	20
Gain on disposal of financial assets at fair value through profit or loss	-	(1,074)
Interest income on financial assets carried at amortised cost	(12)	(10)
Interest expenses on secured interest-bearing bank borrowings	2,763	3,434
Government grants related to other borrowings	-	(556)

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	<u>Group</u>		<u>The Company</u>	
	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	14,086	14,169	-	-
Deposits for the acquisition of property, plant and equipment	-	19,735	-	-
	14,086	33,904	-	-
Current assets				
Trade receivables	348	348	-	-
Prepayments, other receivables and advance and deposits paid to suppliers	6,030	23,119	103	114
Financial assets at fair value through profit or loss	693	782	-	-
Cash and cash equivalents	34,660	13,357	4,490	4,371
	41,731	37,606	4,593	4,485
Total assets	55,817	71,510	4,593	4,485
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the Company				
Share capital	352,903	352,903	352,903	352,903
Reserves	(508,877)	(502,250)	(348,762)	(356,271)
Capital deficiency	(155,974)	(149,347)	(4,141)	(3,368)

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LIABILITIES

Non-current liabilities

Secured interest-bearing bank borrowings	120,000	120,000	-	-
Other borrowings	40,000	40,000	-	-
	160,000	160,000	-	-

Current liabilities

Trade payables	5,625	5,625	-	-
Accruals, other payables and deposits received from trade customers	12,091	21,757	5,094	4,813
Due to directors	3,640	3,040	3,640	3,040
Secured interest-bearing bank borrowings	30,000	30,000	-	-
Income tax payable	435	435	-	-
	51,791	60,857	8,734	7,853

Total liabilities	211,791	220,857	8,734	7,853
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Total equity and liabilities	55,817	71,510	4,593	4,485
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1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31.03.2014		As at 31.12.2013	
(Unaudited)		(Audited)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
30,000	-	30,000	-

RMB30.0 million represents the current portion of the outstanding balance of secured interest-bearing bank borrowings of approximately RMB 150.0 million. The amount is due within one year from the current reporting date.

Amount repayable after one year

As at 31.03.2014		As at 31.12.2013	
(Unaudited)		(Audited)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
120,000	40,000	120,000	40,000

RMB 120.0 million represents the non-current portion of the outstanding balance of secured interest-bearing bank borrowings of approximately RMB 150.0 million, granted by China Construction Bank Corporation Daqing Branch. It is secured by certain leasehold buildings and land use rights of the Group in Daqing, Heilongjiang Province, PRC, with carrying amounts of Nil and RMB14,086,000 respectively. The purpose of the borrowings is to finance the construction of production facilities for submersible linear oil pumping units (approved by shareholders at the EGM held in October 2009). The maturity periods of these borrowings are within three years from the current reporting date. Interest is charged with reference to the PRC central bank interest rates.

RMB 40.0 million represents a Government loan granted by 大庆高新区管委会国有资产运营有限公司, for the Group's working capital purpose. The amount due is unsecured. The maturity period of these borrowings is two years from the current reporting date.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Three months ended 31.03.2014 (Unaudited) RMB'000	Three months ended 31.03.2013 (Unaudited) RMB'000
Cash flows from operating activities		
Loss before income tax	(6,627)	(3,597)
Adjustments for:		
Interest income	(12)	(10)
Interest expenses	2,763	3,434
Amortisation of land use rights	83	83
Fair value loss on financial assets at fair value through profit or loss	89	20
Government grants related to other borrowings	-	(556)
Gain on disposal of financial assets at fair value through profit or loss	-	(1,074)
Operating loss before working capital changes	(3,704)	(1,700)
Increase in inventories	-	(1,651)
Decrease/(increase) in prepayments, other receivables and advance and deposits paid to suppliers	17,089	(8,488)
Decrease in amount due from a related company	-	5,787
Decrease in trade payables	-	(4,284)
Decrease in accruals, other payables and deposits received from trade customers	(9,666)	(6,442)
Increase/(decrease) in amount due to directors	600	(363)
Cash generated from/(used in) from operations	4,319	(17,141)
Income tax paid	-	-
Interest paid	(2,763)	(2,882)
Net cash generated from/(used in) operating activities	1,556	(20,023)
Cash flows from investing activities		
Deposits recovered for the acquisition of property, plant and equipment	19,735	-
Proceeds from disposal of financial assets at fair value through profit of loss	-	5,664
Interest received	12	10
Net cash generated from investing activities	19,747	5,674
Net decrease in cash and cash equivalents	21,303	(14,349)
Cash and cash equivalents at the beginning of the period	13,357	36,329
Cash and cash equivalents at the end of the period	34,660	21,980

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Equity attributable to owners of the Company					
	Share capital	Share premium	Merger reserve	Statutory reserves	Accumulated losses	Capital deficiency
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014 (Audited)	352,903	307,817	(161,707)	32,262	(680,622)	(149,347)
Loss for the period and total comprehensive income for the period	-	-	-	-	(6,627)	(6,627)
As at 31 March 2014 (Unaudited)	352,903	307,817	(161,707)	32,262	(687,249)	(155,974)
As at 1 January 2013 (Audited)	352,903	307,817	(161,707)	32,262	(635,467)	(104,192)
Loss for the period and total comprehensive income for the period	-	-	-	-	(3,597)	(3,597)
As at 31 March 2013 (Unaudited)	352,903	307,817	(161,707)	32,262	(639,064)	(107,789)

Company

	Share capital	Share premium	Accumulated losses	Capital deficiency
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014 (Audited)	352,903	307,817	(664,088)	(3,368)
Loss for the period and total comprehensive income for the period	-	-	(773)	(773)
As at 31 March 2014 (Unaudited)	352,903	307,817	(664,861)	(4,141)
As at 1 January 2013 (Audited)	352,903	307,817	(660,267)	453
Loss for the period and total comprehensive income for the period	-	-	(11)	(11)
As at 31 March 2013 (Unaudited)	352,903	307,817	(660,278)	442

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There had been no changes in the Company's share capital since 31 December 2013. There were no outstanding convertibles issued or treasury shares held by the Company as at 31 March 2014 and 31 March 2013.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31 March 2014	As at 31 December 2013
Total number of issued shares	728,595,000	728,595,000
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	728,595,000	728,595,000

- 1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed by the independent auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 December 2013.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the applicable new/revised International Financial Reporting Standards ("IFRS") that are relevant to the Group and mandatory for annual periods beginning on or after 1 January 2014.

For the current reporting period ended 31 March 2014, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

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6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<u>Group</u>	
	Three months ended 31.03.2014 (Unaudited) RMB cents	Three months ended 31.03.2013 (Unaudited) RMB cents
Basic loss per share	(0.91)	(0.49)

Basic loss per ordinary share for the period ended 31 March 2014 was calculated based on the Group's loss attributable to owners of the Company for period of approximately RMB 6.6 million (31 March 2013: RMB 3.6 million) divided by 728,595,000 ordinary shares.

As there were no potential dilutive ordinary shares in existence during the period ended 31 March 2014 and period ended 31 March 2013, no diluted loss per share has been presented.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	As at 31.03.2014 (Unaudited) RMB cents	As at 31.12.2013 (Audited) RMB cents	As at 31.03.2014 (Unaudited) RMB cents	As at 31.12.2013 (Audited) RMB cents
Net asset value per ordinary share	(21.4)	(20.5)	(0.6)	(0.5)

Net asset value per ordinary share was calculated based on:

- the net assets of the Group/Company as at 31 March 2014 and as at 31 December 2013; and
- the 728,595,000 ordinary shares in issue as at 31 March 2014 and as at 31 December 2013.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

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Review of the Group's Performance for Q1 FY2014 as compared to Q1 FY2013

Other revenue and net income

Other revenue and net income increased by RMB 0.2 million or 5.3% from RMB 4.8 million in Q1 FY2013 to RMB 5.0 million in Q1 FY2014. Details are as below.

	Q1 FY2014 RMB'000	Q1 FY2013 RMB'000
Interest income on financial assets carried at amortised costs	12	10
Gain on disposal of financial assets at fair value through profit and loss	-	1,074
Government grants related to other borrowings	-	556
Consultancy income	4,640	2,749
Others	380	389
	5,032	4,778

Selling and distribution expenses

Overall selling and distribution expenses increased by RMB 0.4 million or 35.6% from RMB 1.0 million in Q1 FY2013 to RMB 1.4 million in Q1 FY2014. The increase was mainly due to increase in marketing and promotional activities in Q1 FY2014 which resulted in an increase in consultancy income.

Administrative expenses

Overall administrative expenses increased by RMB 3.6 million or 91.7%, from RMB 3.9 million in Q1 FY2013 to RMB 7.5 million in Q1 FY2014. The increase was mainly due to the increase in legal and professional fees and related expenses arising from the proposed disposal of the Company's subsidiaries.

Finance costs

Finance costs decreased by RMB 0.6 million or 19.5% from RMB 3.4 million in Q1 FY2013 to RMB 2.8 million in Q1 FY2014. The decrease was due to no imputed interest for the other borrowings in Q1 FY2014.

Review of the Group's Financial Position as at 31 March 2014 and 31 December 2013

Land use rights decreased by RMB 83,000 due to amortisation charge in Q1 FY2014.

Deposits for the acquisition of property, plant and equipment decreased by RMB 19.7 million, mainly due to the recovery of deposits from the supplier.

Prepayments, other receivables and advance and deposits paid to suppliers decreased by RMB 17.1 million, mainly due to the receipt of compensation for land requisition.

Financial assets at fair value through profit or loss represent the investment in equity stocks in the Hong Kong stock market (mainly in blue chips and sizeable H share corporations).

Cash and cash equivalents increased by RMB 21.3 million. Details of changes in cash and cash equivalents are summarised in the consolidated statement of cash flows set out in paragraph 1(c) above.

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Accruals, other payables and deposits received from trade customers decreased by RMB 9.1 million, mainly due to settlement of accrued operating expenses.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects challenging market conditions to continue in the current financial year. To reduce its reliance on the PRC oilfields market, the Group is continuing its effort to diversify its customer base and expand its focus to develop a market overseas. In addition to sales of oilfield equipment and supplies, the Group is developing equipment leasing and contract services in ASP injection for potential customers outside the PRC. However, the slowdown in the global economy and the general uncertainties in the energy industry have posed tough challenges to the Group in growing its activities in the overseas market.

As announced on 27 December 2013, the Company had entered into a conditional sale and purchase agreement with Mr Gao Yanming (the "Purchaser"), the Executive Chairman and controlling shareholder of the Company, pursuant to which the Company had agreed to dispose of all of its subsidiaries to the Purchaser (please refer to the announcement on 27 December 2013 and the circular to shareholders dated 19 March 2014 for further details). The aforesaid disposal has been approved by shareholders at the extraordinary general meeting held on 3 April 2014. Following the completion of the aforesaid disposal, which is expected to take place shortly, the Company will actively seek to acquire a new profitable business and/or procure new investor(s), with a view to ultimately applying to the SGX for the Company's removal from the SGX watch-list.

11. Dividend

(a) Whether any dividend has been declared for the current financial period reported on

No.

(b) Whether any dividend has been declared for the corresponding period of the immediately preceding financial year

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the three months ended 31 March 2014.

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13. Interested Person Transactions

The Company has not obtained a general mandate from shareholders for interested person transactions.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of China Oilfield Technology Services Group Limited confirms that, to the best of their knowledge, nothing has come to their attention which may render the financial statements for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Gao Yanming
Executive Chairman
5 May 2014