

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 and Six Months Ended 30 June 2014

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

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated income statement

	<u>Group</u>			<u>Group</u>		
	Three months ended 30.6.2014 (Unaudited)	Three months ended 30.6.2013 (Unaudited)	Increase/ (Decrease)	Half year ended 30.6.2014 (Unaudited)	Half year ended 30.6.2013 (Unaudited)	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	-	-	N/A	-	-	N/A
Cost of sales	-	-	N/A	-	-	N/A
Gross profit	-	-	N/A	-	-	N/A
Other revenue and net income	-	1,011	(100.0)	5,032	5,789	(15.0)
Selling and distribution expenses	-	(1,067)	(100.0)	(1,391)	(2,093)	(33.5)
Administrative and other operating expenses	3,765	(19,976)	119.0	(3,740)	(23,891)	(183.5)
Finance costs	-	(2,926)	(100.0)	(2,763)	(6,360)	(56.6)
Gain on disposal of subsidiaries	23,823	-	N/A	23,823	-	N/A
Profit/(loss) before income tax	27,588	(22,958)	220.1	20,961	(26,555)	178.9
Income tax expenses	-	-	N/A	-	-	N/A
Profit/(loss) for the period	27,588	(22,958)	220.1	20,961	(26,555)	178.9
Profit/(loss) per share						
- Basic (RMB cents)	3.79	(3.16)		2.88	(3.65)	
- Diluted (RMB cents)	N.A.	N.A.		N.A.	N.A.	

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1 Consolidated statement of comprehensive income

	<u>Group</u>			<u>Group</u>		
	Three months ended 30.6.2014 (Unaudited) RMB'000	Three months ended 30.6.2013 (Unaudited) RMB'000	Increase/ (Decrease) %	Half year ended 30.6.2014 (Unaudited) RMB'000	Half year ended 30.6.2013 (Unaudited) RMB'000	Increase/ (Decrease) %
Profit/(loss) for the period	27,588	(22,958)	220.1	20,961	(26,555)	178.9
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive income/(loss) for the period	27,588	(22,958)	220.1	20,961	(26,555)	178.9

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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 from operations is arrived at after charging/(crediting):

	<u>Group</u>		<u>Group</u>	
	Three months ended 30.6.2014	Three months ended 30.6.2013	Half year ended 30.6.2014	Half year ended 30.6.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of land use rights	-	82	-	165
Interest income on financial assets carried at amortised cost	-	(104)	(12)	(114)
Interest expenses on secured interest-bearing bank borrowings	-	2,926	2,763	6,360
Fair value loss on financial assets at fair value through profit or loss	-	128	-	148
Net exchange differences	-	99	-	99
Government grants related to other borrowings	-	(556)	-	(1,112)
Impairment loss on inventories	-	13,056	-	13,056
Gain on disposal of subsidiaries	(23,823)	-	(23,823)	-
Reversal of accruals and other payables	(3,765)	-	(3,765)	-

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1(b)(i) A balance sheet (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 30.06.2014 (Unaudited) RMB'000	As at 31.12.2013 (Audited) RMB'000	As at 30.06.2014 (Unaudited) RMB'000	As at 31.12.2013 (Audited) RMB'000
ASSETS				
Current assets				
Prepayments, other receivables and advance and deposits paid to suppliers	-	114	-	114
Cash and cash equivalents	1,059	4,371	1,059	4,371
	1,059	4,485	1,059	4,485
Assets of disposal group classified as held for sales	-	67,025	-	-
	1,059	71,510	1,059	4,485
Total assets	1,059	71,510	1,059	4,485
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the Company				
Share capital	352,903	352,903	352,903	352,903
Reserves	(351,844)	(502,250)	(351,844)	(356,271)
Total equity/(capital deficiency)	1,059	(149,347)	1,059	(3,368)
Current liabilities				
Accruals, other payables and deposits received from trade customers	-	4,813	-	4,813
Due to directors	-	3,040	-	3,040
	-	7,853	-	7,853
Liabilities directly associated with disposal group classified as held for sale	-	213,004	-	-
	-	220,857	-	7,853
Total liabilities	-	220,857	-	7,853
Total equity and liabilities	1,059	71,510	1,059	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 30.06.2014		As at 31.12.2013	
(Unaudited)		(Audited)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30.06.2014		As at 31.12.2013	
(Unaudited)		(Audited)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

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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.

	<u>Group</u>		<u>Group</u>	
	Three months ended 30.6.2014 (Unaudited) RMB'000	Three months ended 30.6.2013 (Unaudited) RMB'000	Half year ended 30.6.2014 (Unaudited) RMB'000	Half year ended 30.6.2013 (Unaudited) RMB'000
Cash flows from operating activities				
Profit/(loss) before income tax	27,588	(22,958)	20,961	(26,555)
Adjustments for:				
Interest income	-	(104)	(12)	(114)
Dividend income	-	-	-	-
Interest expenses	-	2,926	2,763	6,360
Amortisation of land use rights	-	82	-	165
Fair value loss on financial assets at fair value through profit or loss	-	128	-	148
Government grant related to other borrowings	-	(556)	-	(1,112)
Impairment loss on inventories	-	13,056	-	13,056
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	(1,074)
Reversal of accruals and other payables	(3,765)	-	(3,765)	-
Gain on disposal of subsidiaries	(23,823)	-	(23,823)	-
Operating loss before working capital changes	-	(7,426)	(3,876)	(9,126)
Increase in inventories	-	(2,288)	-	(3,939)
Decrease/(increase) in prepayments, other receivables and advances and deposits paid to suppliers	(11)	11,102	-	2,614
Decrease in trade payables	-	(68)	-	(4,352)
Increase/(decrease) in accruals, other payables and deposits received from trade customers	(4,701)	1,975	1,315	(4,467)
Decrease in amounts due to directors	(600)	-	-	(363)
Decrease in amount due from a related company	-	-	-	5,787
Cash generated from/(used in) operation	(5,312)	3,295	(2,561)	(13,846)
Income tax paid	-	-	-	-
Net cash generated from/(used in) operating activities	(5,312)	3,295	(2,561)	(13,846)

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Cash flows from investing activities

Interest received	-	104	12	114
Proceed from disposal of financial assets at fair value through profit or loss	-	-	-	5,664
Net cash generated from investing activities	-	104	12	5,778

Cash flows from financing activities

Interest paid	-	(2,370)	(2,763)	(5,252)
Receipt on disposal of subsidiaries	2,000	-	2,000	-
Repayment of secured interest-bearing bank borrowings	-	(11,000)	-	(11,000)
Net cash used in financing activities	2,000	(13,370)	(763)	(16,252)

Net decrease in cash and cash equivalents	(3,312)	(9,971)	(3,312)	(24,320)
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Cash and cash equivalents at beginning of the period	4,371	21,980	4,371	36,329
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Cash and cash equivalents at end of the period	1,059	12,009	1,059	12,009
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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 RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total 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 and 1 April 2014 (Unaudited)	352,903	307,817	(161,707)	32,262	(687,249)	(155,974)
Disposal of subsidiaries	-	-	161,707	(32,262)	-	129,445
Profit for the period and total comprehensive income for the period	-	-	-	-	27,588	27,588
As at 30 June 2014 (Unaudited)	352,903	307,817	-	-	(659,661)	1,059
As at 1 January 2013 (Audited)	352,903	307,817	(161,707)	32,262	(635,467)	(104,192)
Loss and total comprehensive income for the period	-	-	-	-	(3,597)	(3,597)
As at 31 March 2013 and 1 April 2013 (Unaudited)	352,903	307,817	(161,707)	32,262	(639,064)	(107,789)
Loss and total comprehensive income for the period	-	-	-	-	(22,958)	(22,958)
As at 30 June 2013 (Unaudited)	352,903	307,817	(161,707)	32,262	(662,022)	(130,747)

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<u>Company</u>	Share capital	Share premium	Accumulated losses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at 1 January 2014 (Audited)	352,903	307,817	(664,088)	(3,368)
Loss and total comprehensive income for the period	-	-	(773)	(773)
As at 31 March 2014 and 1 April 2014 (Unaudited)	352,903	307,817	(664,861)	(4,141)
Profit and total comprehensive income for the period	-	-	5,200	5,200
As at 30 June 2014 (Unaudited)	352,903	307,817	(659,661)	1,059
As at 1 January 2013 (Audited)	352,903	307,817	(660,267)	453
Loss and total comprehensive income for the period	-	-	(11)	(11)
As at 31 March 2013 and 1 April 2013 (Unaudited)	352,903	307,817	(660,278)	442
Loss and total comprehensive income for the period	-	-	(287)	(287)
As at 30 June 2013 (Unaudited)	352,903	307,817	(660,565)	155

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 March 2014. There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2014 and 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 30 June 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

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- 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 to 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 30 June 2014, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

- 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>		<u>Group</u>	
	Three months ended 30.6.2014 (Unaudited) RMB cents	Three months ended 30.6.2013 (Unaudited) RMB cents	Half year ended 30.6.2014 (Unaudited) RMB cents	Half year ended 30.6.2013 (Unaudited) RMB cents
Basic profit/(loss) per share	3.79	(3.16)	2.88	(3.65)

Basic profit per share was calculated based on the Group's profit attributable to owners of the Company for three months ended 30 June 2014 and half year ended 30 June 2014 of approximately RMB27.6 million and RMB21.0 million respectively divided by 728,595,000 ordinary shares.

As there were no potential dilutive ordinary shares in existence for three months and six months ended 30 June 2014 and 2013, no diluted profit/(loss) per share has been presented.

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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 30.6.2014 (Unaudited) RMB cents	As at 31.12.2013 (Audited) RMB cents	As at 30.6.2014 (Unaudited) RMB cents	As at 31.12.2013 (Audited) RMB cents
Net asset value per ordinary share	0.1	(17.9)	0.1	0.0

Net asset value per ordinary share was calculated based on:

- the net assets of the Group/Company as at 30 June 2014 and 31 December 2013; and
- the 728,595,000 ordinary shares in issue as at 30 June 2014 and 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.**

Review of the Group's Performance for Q2 FY2014 as compared to Q2 FY2013

Other revenue and net income

There was no other revenue and net income in Q2 FY2014 due to the disposal of all subsidiaries of the Company as at 30 April 2014.

Selling and distribution costs

There were no selling and distribution expenses in Q2 FY2014 due to the disposal of all subsidiaries of the Company as at 30 April 2014.

Administrative expenses

Administrative expenses increased by RMB 23.8 million or 119.0%, from RMB 20.0 million in Q2 FY2013 to RMB (3.8 million) in Q2 FY2014. The increase was mainly due to (1) no administrative expenses incurred in Q2 FY2014 after the disposal of all subsidiaries of the Company as at 30 April 2014, and (2) reversal of accruals and other payables at the time of disposal of all subsidiaries of the Company.

Finance costs

No finance costs were incurred in 2Q FY2014 due to the disposal of all subsidiaries of the Company as at 30 April 2014.

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Gain on disposal of subsidiaries

As at 30 April 2014, the Company disposed of all its subsidiaries at a consideration of RMB 2.0 million.

Review of the Group's Financial Position as at 30 June 2014 and 31 December 2013

Cash and cash equivalents decreased by RMB 3.3 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.

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.

Shareholders of the Company had at the extraordinary general meeting held on 3 April 2014 approved the disposal of all of the subsidiaries of the Company (please refer to the announcement on 27 December 2013 and the circular to shareholders dated 19 March 2014 for further details). Following the completion of the aforesaid disposal, the Company is currently actively seeking 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. Any material further developments will be announced by the Company.

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 interim dividend has been declared or recommended for the three months ended 30 June 2014.

13. Interested Person Transactions

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

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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 second quarter ended 30 June 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Gao Yanming
Executive Chairman
4 August 2014