安東石油
Antonoil

安 東 油 田 服 務 集 團
Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

1. Revenue increased by 4.3% to RMB337.5 million
2. Net profit attributable to the Company's Shareholders increased by 87.4% to RMB40.3 million

RESULTS

The board of directors (the 'Board') of Anton Oilfield Services Group (the 'Company') is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the 'Group') for the six months ended 30 June 2010 with comparative figures for the corresponding period in 2009, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

		Six months ended 30 June	
		2010	**2009**
	Note	*(Unaudited)*	*(Unaudited)*
Revenue	5	337,477	323,739
Other (loss)/income, net		(70)	1,970
Operating costs			
Material costs		(139,203)	(162,879)
Staff costs		(58,816)	(65,473)
Depreciation and amortisation		(25,363)	(16,278)
Sales tax and surcharges		(3,330)	(5,815)
Others		(50,252)	(48,786)
		(276,964)	(299,231)
Operating profit	6	60,443	26,478
Interest income		1,637	2,917
Finance costs, net	7	(1,466)	(755)
Share of (loss)/profit of a jointly controlled entity		(1,879)	60
Profit before income tax		58,735	28,700
Income tax expense	8	(12,628)	(4,129)
Profit for the period		46,107	24,571
Profit attributable to:			
Equity holders of the Company		40,339	21,471
Non-controlling interests		5,768	3,100
		46,107	24,571
Earnings per share for the profit attributable to the equity holders of the Company			
- basic and diluted	9	0.019	0.010
Dividends proposed	10	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Profit for the period	46,107	24,571
Other comprehensive (loss)/income, net of tax:		
Currency translation differences	(203)	31
Cash flow hedges	(180)	—
Other comprehensive (loss)/income, net of tax for the period	(383)	31
Total comprehensive income for the period	45,724	24,602
Total comprehensive income attributable to:		
Equity holders of the Company	39,956	21,502
Non-controlling interests	5,768	3,100
	45,724	24,602

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		377,273	334,240
Land use rights		25,769	26,051
Intangible assets		334,432	312,087
Investment in a jointly controlled entity		48,789	50,668
Deferred income tax assets		1,619	639
		787,882	723,685
Current assets			
Inventories		258,860	211,613
Trade and notes receivables	11	543,888	429,985
Prepayments and other receivables		71,832	82,509
Restricted bank deposits		43,502	3,120
Term deposits with initial terms of over three months		55,579	67,609
Cash and cash equivalents		124,536	272,959
		1,098,197	1,067,795
Total assets		1,886,079	1,791,480
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		197,411	197,411
Reserves			
- Proposed final dividend		—	18,000
- Others		1,338,156	1,295,954
		1,535,567	1,511,365
Non-controlling interests		33,044	34,714
Total equity		1,568,611	1,546,079

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2010** *(Unaudited)*	**As at 31 December 2009** *(Audited)*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		11,937	—
Deferred income tax liabilities		2,745	2,479
		14,682	2,479
Current liabilities			
Short-term borrowings		50,000	50,000
Current portion of long-term borrowings		23,765	—
Derivative financial liabilities		180	—
Trade and notes payables	12	132,283	103,138
Accruals and other payables		79,634	77,895
Current income tax liabilities		16,924	11,889
		302,786	242,922
Total liabilities		317,468	245,401
Total equity and liabilities		1,886,079	1,791,480
Net current assets		795,411	824,873
Total assets less current liabilities		1,583,293	1,548,558

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	(59,184)	(64,674)
Net cash (used in)/generated from investing activities	(103,919)	13,885
Net cash generated from/(used in) financing activities	14,727	(44,000)
Net decrease in cash and cash equivalents	(148,376)	(94,789)
Cash and cash equivalents, at beginning of the period	272,959	307,918
Exchange loss on cash and cash equivalents	(47)	(470)
Cash and cash equivalents at end of the period	124,536	212,659

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Amounts expressed in thousands of RMB)

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 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

The directors regard Pro Development Holdings Corp., a company incorporated in British Virgin Islands as the ultimate holding company of the Company.

This condensed consolidated interim financial information was approved for issue on 27 August 2010.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the principal accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

The Group have adopted the following amendments to standards in 2010.

- IFRS 8 (amendment) 'Operating segments'. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker ('CODM'). The Group has applied IFRS 8 (amendment) from 1 January 2010. The Group has revisited its information provided to the CODM and determined the information about total assets for each reportable segment should still be included in the disclosure of segment information.

- IAS 17 (amendment) 'Leases'. The amendment removes the specific guidance on the classification of long-term leases of land as operating lease. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group has applied IAS 17 (amendment) from 1 January 2010. The Group's land use rights are all located in the PRC. The Group's management has reassessed land leases classification by referring to the general principles set out in the standard, and concluded that the amendment has no impact on the Group's classification of land leases which are considered as operating lease.

- IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit and loss. The Group apply this standard prospectively to transactions with non-controlling interests from 1 January 2010 onwards.

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. It clarifies the reassessment requirements on acquisition date should there be any hedging arrangements existed in the acquirees. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate shares of the acquiree's net assets. All acquisition-related costs should be expensed. Contingent liabilities assumed in a business combination are recognised at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. After the date of the business combination, contingent liabilities are re-measured at the higher of the original amount and the amount under the relevant standard, IAS 37. The Group apply this standard prospectively to all business combinations from 1 January 2010 onwards.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination when it is not traded in an active market. It also permits the grouping of intangible assets as a single asset if each asset has similar economic useful lives. The Group apply this amendment prospectively to all business combinations from 1 January 2010 onwards.

4. SEGMENT INFORMATION

The CODM have been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM have determined the operating segments base on these reports.

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. They are so managed according to different nature of products and services. Most of these entities engaged in just single business, except a few entities deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesse performance of four reportable segments: well completion, down-hole operation, drilling technology and tubular services.

Revenue recognised during the period are as follows:

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Well completion	133,125	100,218
Down-hole operation	97,075	38,633
Drilling technology	19,568	65,698
Tubular services	87,709	119,190
Total	337,477	323,739

The measurement of profit and loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluate the performance of the operating segments based on profit and loss before interest, income tax expense, depreciation and amortisation ('EBITDA').

	Well completion	Down-hole operation	Drilling technology	Tubular services	Total
Six months ended 30 June 2010 (Unaudited)					
Revenue (from external customers)	133,125	97,075	19,568	87,709	337,477
EBITDA	62,961	47,276	7,312	33,376	150,925
Depreciation and amortisation	(5,874)	(3,729)	(3,276)	(10,559)	(23,438)
Interest income	143	9	—	12	164
Finance costs, net	8	(8)	—	(318)	(318)
Share of loss from a jointly controlled entity	—	—	—	(1,879)	(1,879)
Six months ended 30 June 2009 (Unaudited)					
Revenue (from external customers)	100,218	38,633	65,698	119,190	323,739
EBITDA	44,920	11,075	18,975	34,894	109,864
Depreciation and amortisation	(5,086)	(1,384)	(447)	(6,472)	(13,389)
Interest income	482	16	—	28	526
Finance costs, net	(17)	(5)	—	(73)	(95)
Share of profit from a jointly controlled entity	—	—	—	60	60

	Well completion	Down-hole operation	Drilling technology	Tubular services	Total
As at 30 June 2010 (Unaudited)					
Segment assets	757,709	357,788	121,434	388,074	1,625,005
Segment assets include:					
Investments in a jointly controlled entity	—	—	—	48,789	48,789
Additions to non-current assets (other than deferred tax assets)	12,941	37,652	13,657	7,177	71,427
As at 31 December 2009 (Audited)					
Segment assets	618,029	143,267	46,778	354,205	1,162,279
Segment assets include:					
Investments in a jointly controlled entity	—	—	—	50,668	50,668
Additions to non-current assets (other than deferred tax assets)	20,607	6,657	25,621	62,997	115,882

A reconciliation of total EBITDA to total profit before income tax is provided as follows:

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	150,925	109,864
Corporate overheads	(66,719)	(68,266)
Depreciation	(20,762)	(11,049)
Amortisation	(2,676)	(2,340)
Interest income	164	526
Finance costs, net	(318)	(95)
Share of (loss)/profit of a jointly controlled entity	(1,879)	60
Profit before income tax	58,735	28,700

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

	As at 30 June 2010	As at 31 December 2009
	(Unaudited)	*(Audited)*
Assets for reportable segments	1,625,005	1,162,279
Corporate assets for general management	261,074	629,201
Total Assets	1,886,079	1,791,480

5. REVENUE

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Sales of goods	179,917	189,667
Sales of services	157,560	134,072
	337,477	323,739

6. EXPENSE BY NATURE

Operating profit is arrived at after charging / (crediting) the following:

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Staff costs		
- Salaries and other staff expenses	56,570	58,504
- Share-based compensation	2,246	6,969
Gain on disposal of property, plant and equipment	—	(151)
Addition for impairment of receivables	2,616	2,369
Depreciation	22,386	13,387
Amortisation	2,977	2,891

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Interest expenses on bank borrowing	1,354	34
Exchange gains/(losses), net	(160)	499
Bank surcharges and others	272	222
	1,466	755

8. INCOME TAX EXPENSE

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 Cayman Islands income tax.

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the PRC subsidiaries of the Group was 25% for the six months ended 30 June 2010 (for the six months ended 30 June 2009: 25%), based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates or, for the subsidiaries established overseas, subject to the prevailing rates of the countries they located. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Current income tax		
- PRC profit tax	12,458	4,178
- Overseas profit tax	884	287
Deferred income tax	(714)	(336)
	12,628	4,129

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Profit attributable to equity holders of the Company (RMB'000)	40,339	21,471
Weighted average number of ordinary shares in issue (thousands of shares)	2,093,054	2,093,054
Basic earnings per share (RMB per share)	0.019	0.010

(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. As at 30 June 2010, the only potential dilutive factor of the Company was the outstanding share options. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease profit or increase loss per share attributable to the ordinary share holders.

No adjustments for assumed conversion of share options for the six months ended 30 June 2010 due to the assumed exercise prices were higher than the average market share price. Therefore there were no dilutive ordinary shares.

10. DIVIDENDS

The directors of the Company proposed not to distribute dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2010 *(Unaudited)*	**As at 31 December 2009** *(Audited)*
Trade receivables, net (Note (a))	542,202	417,974
Notes receivables (Note (b))	1,686	12,011
	543,888	429,985

Note:

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2010 *(Unaudited)*	**As at 31 December 2009** *(Audited)*
Within 6 months	349,575	232,790
6 months - 1 year	115,771	87,181
1 – 2 years	73,783	99,297
2 – 3 years	8,124	3,604
Over 3 years	2,683	2,319
Trade receivables, gross	549,936	425,191
Less: Impairment of receivables	(7,734)	(7,217)
Trade receivables, net	542,202	417,974

(b) As at 30 June 2010 and 31 December 2009, notes receivables are all bank acceptance with maturity dates within six months.

12. TRADE AND NOTES PAYABLES

	As at 30 June 2010 *(Unaudited)*	As at 31 December 2009 *(Audited)*
Trade payables	124,510	88,614
Notes payables	7,773	14,524
	132,283	103,138

Ageing analysis of trade and notes payables at the respective balance sheet dates is as follows:

	As at 30 June 2010 *(Unaudited)*	As at 31 December 2009 *(Audited)*
Within 1 year	120,380	93,763
1 – 2 years	8,730	6,961
2 – 3 years	1,580	1,406
Over 3 years	1,593	1,008
	132,283	103,138

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2010, stimulated by the growth of China's economy, there has been greater demand for oil and natural gas. Amid such a market environment, oil companies in China have increased their capital expenditures on upstream exploration and development, thereby creating a favourable environment for the recovery of the oilfield services industry. In the second half of 2009, oilfield services companies all over the world suffered from a significant decline in revenues and the Group was no exception. In the first half of 2010, due to increased investments by oil companies and the successful promotion of our new technologies, the Group managed to quickly turn around the downward spiral seen in the second half of 2009. In the first half of 2010, the business of the Group returned to stable growth with total revenue rising from RMB323.7 million in the same period of 2009 to RMB337.5 million in the first six months of 2010, representing an increase of 4.3%. Meanwhile, the successful launch of the Group's newly developed technologies to the market, coupled with the higher proportion of revenue contribution from products falling into the technical services category, improved our business structure and thus raised the overall gross profit margin of the Group. The operating profit of the Group amounted to RMB60.4 million, representing an increase of RMB33.9 million or 127.9% as compared with RMB26.5 million in the same period of 2009. Net profit after tax amounted to RMB46.1 million, representing an increase of RMB21.5 million or 87.4% as compared with RMB24.6 million in the same period of 2009. Under the Group's effective strategy of focusing on continually marketing its new technologies, various technologies researched and developed by the Group are being introduced to the market, which will continue to increase the proportion of revenue from businesses with a higher profit margin and in turn will improve our business structure. In light of our emerging and growing equipment service and its healthy development trend, the Group separated the equipment service business from the down-hole operation business, making it a standalone department in the first half of 2010 for further development. In addition, the Group also formulated a development strategy of provision of integrated technical services, thereby establishing the Integrated Project Business Unit to provide integrated technical services to our clients.

Revenue by division (%)

	Six months ended 30 June	
	2010	**2009**
Well completion	39.4%	31.0%
Down-hole operation	28.8%	11.9%
Drilling technology	5.8%	20.3%
Tubular services	26.0%	36.8%

WELL COMPLETION

In the first half of 2010, the Group's well completion technological cluster saw substantial growth with its revenue increasing by 32.8% from RMB100.2 million in the same period of 2009 to RMB133.1 million in the first half of 2010. The EBITDA increased by 40.3% from RMB44.9 million in the same period of 2009 to RMB63.0 million in the first six months of 2010.

Integrated Well Completion

In the first half of 2010, the revenue from the Group's integrated well completion increased by 115.7% from RMB18.5 million in the same period of 2009 to RMB39.9 million. Our liquid-expandable packer, an integrated tool researched and developed by our Group is gradually building its recognition under the brand name in the industry, the large-scale application is expected.

Screen Well Completion Technology and production Tools

Our screen well completion technical services continued to launch high-end products, and develop in the high-end market. Despite that the quantity of sand screens used in well completion technology services by means of screens decreased by 38.9% from that in the same period of 2009 to 12,512 meters, the revenue only decreased slightly by 8.9% from RMB28.2 million in the same period of 2009 to RMB25.7 million in the first half of 2010 with improved profit margin. In the meantime, The self-developed flow adjustment and water control screen pipes of the Group were successfully applied in the Xinjiang region, laying a solid foundation for the subsequent nationwide marketing.The Group continued to provide oilfield customers with tools required for their production process. This business line continued to maintain its steady growth with revenue growing from RMB10.5 million in the same period of 2009 to RMB10.8 million in the first half of 2010, up by 2.9%.

Gravel Packing Well Completion Technology

Following our investment in Shandong Precede in 2008, the gravel packing well completion technology has successfully captured its position in Shengli oilfield, Henan oilfield and Jidong oilfield. Its revenue increased from RMB43.0 million in the same period of 2009 to RMB56.7 million in the first half of 2010, up by 31.9%. The Group is expanding the gravel packing well completion technology to both domestic and overseas oilfield.

DOWN-HOLE OPERATION

The Group's down-hole operation cluster achieved multiple times growth in the first half of 2010 with revenue growing by 151.6% from RMB38.6 million in the same period of 2009 to RMB97.1 million in the first half of 2010. The EBITDA increased from RMB11.1 million in the same period of 2009 to RMB47.3 million in the first half of 2010, representing an increase of 326.1%.

Down-hole Operation (Production Enhancement Service)

In the first half of 2010, the down-hole operation (production enhancement service) cluster posted rapid growth, with its revenue amounting to RMB80.5 million in the first half of 2010, representing an increase of RMB44.4 million or 123.0% from RMB 36.1 million in the same period of 2009.

In 2010, the marketing efforts on the Group's multistage fracture production enhancement technology for horizontal well paid off. In April 2010, Anton Oilfield Services (Group) Ltd, a wholly-owned subsidiary of the Group, was granted unilateral indicative committed workload by PetroChina for the services of multistage sanded fracture for horizontal well in 77 wells out of the 102 wells in its oil and gas fields. The average basic price per well was RMB2.2 million. As of 30 June 2010, the Group successfully completed the multistage fracture operation for 26 wells, upon which relevant gas wells have achieved consecutive high productivity. The significant progress achieved for this business fully demonstrates the Group's strength in the down-hole operation area. This business will help establish the Group's leading position in the industry of multistage fracture technology for horizontal wells and strengthen the long-term partnership between the Group and its major customers, which is expected to have a positive impact on the Group's annual results for 2010.

During the period under review, the Group's chemical EOR (enhanced oil recovery) operation remained steady and established its leading position in the Jilin area. In the meantime, the Group's gas lift production enhancement service achieved breakthrough in Africa and would commence provision of gas lift production enhancement technologial services in block oil and gas fields in Africa.

Equipment Service

In the first half of 2010, given the gradual maturing of the equipment service segment under the down-hole operation division, the Group set up a separate equipment service division, which covered coiled tubing services, tubular helium testing services as well as the pumping services that are under construction. The equipment service division generated revenue of RMB16.6 million in the first half of 2010, increased from RMB2.5 million in the same period of 2009.

As of the date of this announcement, the Group invested in three sets of coiled tubing equipment which helped form three coiled tubing operating teams covering the markets of the southwestern China region, Changqing region and Middle East countries. During the period under review, the Group's coiled tubing operation services were successfully applied in the southwestern China region and the Changqing region, and would continue to expand into the Middle East market to provide custom-made production enhancement operational services to China oil companies' overseas oil and gas fields. In addition, the production enhancement operation combining coiled tubing and hydro jet tools developed by the Group has been successfully applied in the Daqing region, laying the foundation for promotion in the entire country. The coiled tubing business officially commenced operations in 2010 and generated revenue of RMB4.8 million in the first six months of 2010. With the continual exploration of the Middle East market and the starting of enhancement operational of hydro jet, the revenue of coiled tubing business would continue to grow.

In the first six months of 2010, the Group's tubular helium testing technology was promoted nationwide the revenue growing from RMB2.5 million in the same period of 2009 to RMB11.8 million in the first half of 2010. The Group's tubular helium testing technology was cemented its leading position in China, in view of the significant effect of this technology on enhancing the safety of exploration of natural gas, there are huge developing potential. The Group is prepared to launch comprehensive promotion of the application of this technology to the gas storage reservoir market which is one of the key areas for development in China. When it is being fully applied, the tubular helium testing services will see explosive growth in revenue.

DRILLING TECHNOLOGY

In the first half of 2010, since oil companies had procrastinated the implementation of some of its projects, revenue from the drilling technological cluster decreased by 70.2% from RMB65.7 million in the same period of 2009 to RMB19.6 million in the first half of 2010. The EBITDA decreased to RMB7.3 million in the first half of 2010 from RMB19.0 million in the same period of 2009, down by 61.6%. However, with the resumption of relevant projects of oil companies and the full launch of the Group's integrated technological services, revenue from the drilling technology cluster will gradually increase in the second half of 2010.

Directional Well Technology

In the first half of 2010, the Group further improved its drilling technology for high temperature and high pressure directional well, which was successfully applied in the Daqing region, the Jilin region and the Jidong region, and was further introduced to north eastern China in which Sinopec is located, laid a solid foundation for the development of the second half of this year.

Integrated Services

The Group formulated a development strategy of providing integrated technical services in 2010 and on 30 June 2010, it established the Integrated Project Business Unit, which is engaged in the provision of integrated technical services covering drilling, well completion and down-hole operation and oil and gas field general contracting services for the total package service markets of, among other things, highly difficult wells including the Carbon Capture and Storage ("CCS") model project and oil and gas field development including general contracting for coal bed gas exploration. There is significant development potential for integrated technical services and the establishment of the business unit will enhance the overall service capability of the Group, thus having very meaningful significance to the development of the Group.

TUBULAR SERVICES

In the first half of 2010, the Group took a proactive approach to adjust its business structure and increased the proportion of high value-added technological services in the tubular services, decreased the proportion of production and sales of tubular in the services. Consequently, despite that revenue from the tubular services cluster decreased by RMB31.5 million or 26.4% from RMB119.2 million in the same period of 2009 to RMB87.7 million in the first six months of 2010, the EBITDA in the first six months of 2010 only slightly decreased by 4.3% from RMB34.9 million in the same period of 2009 to RMB33.4 million in the first six months of 2010.

In the first half of 2010, the research and development of tubular technology achieved breakthrough, completed the study of modular repairment technology, enabled to carry out mobile rapid testing and repairment. It makes us responding our clients' needs more rapidly. At the same time, the Group moved forward the one-stop service for oilfield tube in Tarim Basin Oil Field. It set up a service centre providing the one-stop service of testing, maintenance and management of tubular, and also established the headquarters for tubular services in the Korla region, therefore establishing long-term partnerships with local oilfields and consolidating the absolute leading position of the Group in the region's oilfield tubular service circle.

MARKETING

In 2010, China's oilfield service industry faced new market landscape and opportunities. The Group seized the opportunities, equipped with new technologies in advance, developed new products and explored new markets to lay a solid foundation for future's development.

In 2010, the oilfield services industry poses four major market opportunities:

1. Demand for further exploration of natural gas due to extensive application of natural gas

   In light of the much advocated State's policy of transformation of economic structure and utilization of clean energy, all large-scale oil companies set their production targets and put more efforts in natural gas exploration, posing tremendous development opportunities for the Group.

   In addition to exploration of conventional natural gas, the exploration of unconventional natural gas has become one of the focuses of oil companies. In 2010, China launched the shale gas resources assessment and entered into a series of memoranda of cooperation with the United States for a large-scale development project for shale gas. After nearly two years' study, the Group has gained extensive experience in mastering shale gas exploration technology. We are currently building up our service capability to gain first-mover advantage over our competitors once the oil companies launch their shale gas exploration plans.

   With growing demand for natural gas, construction of underground gas storage facilities in China is entering into a fast development period. The demand for underground gas storage facilities will bring tremendous opportunities to the Group to utilize its well drilling and completion technologies and tubular helium testing services. The Group is technologically prepared for striving for a leading position in the underground gas storage facility construction market.

2. Demand for horizontal well large-scale exploration

   The technology of horizontal well becomes the major technology of enhancement of production quantity of wells. In order to rapidly enhance the unit production of oil wells, oilfields will enhance the effects of large-scale exploration of horizontal wells, and apply the technology of horizontal well to enhance efficiency. The Group has accumulated extensive experience in horizontal well drilling, well completion and down-hole operation technology. Horizontal well exploration will bring tremendous opportunities to the Group.

3. Demand for general contracting of oil and gas field blocks and integrated technical services

   The Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment (the "New 36 Guidelines on Non-State-owned Economy") promulgated in 2010 by the State encourages private investments to take part in oil and natural gas construction, supports private enterprise investors entering into exploration and development of oilfield area. As exploration of oil and gas fields involves a wide range of professional technologies, it is expected that in the future the private investors investing in oil and gas field exploration will require general contracting and integrated services. It gives an opportunity to the integrated service projects of our Group.

4. Demand for services brought forth by expanded overseas oil and gas field projects by China's oil companies

   In 2010, the major oil companies in China invested heavily in overseas oil and gas fields, reflecting that overseas expansion business strategy has become an important development strategy for oil companies in the China. It matches the strategy of oil companies in China with those of overseas. The Group follows the China clients to their overseas markets and will provide custom-made services to accommodate the needs of those China oil and gas field investors who are developing their overseas projects by rapidly responding to their needs and mobilising our resources. During the period under review, the Group continued to explore well completion technological services, tubular services and other services while reinforcing its overseas service bases and marketing networks. In addition, the Group newly launched its coiled tubing operation services and carried out our overseas business in full swing. In the first six months of 2010, the Group's businesses in the Middle East, Central Asia and Africa achieved steady growth. In the first half of 2010, revenue from its international business amounted to RMB47.2million, representing an increase of RMB8.5 million or 22.0% over RMB38.7 million in the same period of 2009. In the future, the demand of Middle East market production will be enhanced, and one of the focal development areas for the Group.

   To tap into such tremendous market and meet its needs, the Group has formulated a set of strategic marketing strategies, under which the Group will establish strategic partnerships with the major oil and gas companies in China to promote the related products and technologies. In the high-end market area, the Group will build up complementary partnerships with state owned drilling companies to promote the related products and technologies. The Group will also forge strategic partnerships with international oil services companies to mobilize global resources to meet clients' needs.

Revenue by region (%)

	Six months ended 30 June	
	2010	**2009**
North China	**27.0%**	23.1%
North West China	**30.5%**	31.9%
North East China	**14.0%**	20.7%
South West China	**13.0%**	7.6%
Overseas	**14.0%**	11.9%
Others	**1.5%**	4.8%

RESEARCH AND DEVELOPMENT

The Group has established horizontal well completion technology as the core, providing the three major technologies of natural gas exploration technology, horizontal well operation technology and integrated technology. The Group's natural gas exploration technology can cater for the entire technological system of exploration of tight sandstone gas, shale gas and coal bed gas, well completion of gas storage tanks and tubular helium testing. Our horizontal well operating capabilities have the standard to provide one-stop services from well drilling, completion to production enhancement. The integrated technical services we provide can meet the needs of general contracting for exploration of horizontal wells, highly difficult wells and unconventional gas reserves in blocks. In order to support the development of the technological system, the Group increased investments in equipment service, research and development ("R&D") of tools and design capability and has established an R&D center in Houston, the United States to further our cooperation with the Anton Design Institute of China University of Petroleum, make our most efforts on platform of research and development.

During the period under review, the technological R&D of the Group achieved satisfactory progress.

In the well completion technological cluster area, the Group mainly focused on the study of well cementation and completion tools and technologies. Areas of study included running tools for well cementation and completion, multistage fracture tools, full bore drill-free well cementation and completion technology, and so forth. At present, design and manufacturing of tools have all been completed and indoor experiments and testing are in progress. We will conduct on-site testing in the second half of 2010. In addition, the Group developed 20 related patent rights. The R&D of well cementation and completion of gas storage facilities is seeing initial results.

In the down-hole operation (production enhancement service) of the down-hole operation cluster area, the major subject of study in the first half of 2010 was the horizontal well multistage fracture production echancement technology for tight gas reservoirs. At present, a standardized service model has been formed and large-scale promotion is being carried out by PetroChina. The R & D of such technology promotes the technological advancement of the natural gas exploration industry with significant increase in cost effectiveness. The Group developed one related patent right. In the equipment service area, the major direction of study was the coiled tubing operation technology and hydraulic bore horizontal well technology. At this stage, the R & D of coiled tubing perforation technology, coiled tubing horizontal well acidisation technology, and coiled tubing water drainage and gas production technology and their ancillary tools have been completed and on-site operation is in progress. The hydraulic bore horizontal well technology has also entered the on-site operation stage and has been applied on three wells. The well which has commenced production is showing significant increase in production. In addition, the Group is preparing for the application of the shale gas exploration technology.

In the drilling technological cluster area, the Group primarily focused on the study of sidetracking horizontal well drilling, vertical drilling and rotary steering technologies. We studied three technologies that were introduced from overseas and recreated our own know-how and formulated tailor-made solutions to different oil fields based on their specific requirements. We carried out on-site operation services for eight wells including highly difficult wells, complex wells and special wells. All operations were completed satisfactorily with some succeeded beyond expectation, serving a great model for our promotion in the second half of 2010. In addition, the Group developed one related patent right.

In the tubular services cluster area, the focus of study is the technologies in relation to anticorrosive coating for carbon steel and Group's modular testing of drilling tools. At present, we have succeeded in making anticorrosive coating that can withstand temperature as high as 140°C while that for 160°C is being studied. The Group has completed the study of modular management and repair, enabling us to carry out mobile rapid testing and repair. The Group developed nine related parent right.

During the reporting period, the Group developed 31 related patent rights, making the total number of patent rights owned by the Group increasing to 275.

HUMAN RESOURCES

In the first half of 2010, the Group continued and proactively optimized its human resources structure, and enhanced and improved the human resources reserve that was necessary for our future development. Obvious results were achieved and demonstrated in the following areas:

The overall personnel structure was further optimized with a steady increase in the ratio of core technical personnel and staff with a Master's degree and above, and more high-end technical staff were recruited; the marketing team was greatly strengthened with a more significant increase in staff for international business; the Group launched campus recruitment programs for bulk recruitment and high-end technical staff employment programs to ensure a sufficient supply of talents; gradual out-sourcing of low-end positions that were highly replaceable were carried out in order to improve personnel structure, avoid employment risks, reduce labor costs and enhance human resources efficiency.

As at 30 June 2010, the total number of employees of the Group was 976, among which 402 were technicians, 273 were on-site servicemen, 161 were marketing personnel and 140 were management personnel. Among these employees, 154 have a Master's degree and above.

OUTLOOK

Looking forward to the second half of 2010, the Group will fully implement its integrated services with natural gas well exploration, horizontal well exploration, general contracting for oil and gas field blocks and overseas oil and gas field investments by Chinese investors as the core projects. We will accelerate our industrial distribution plan, scale up investments in service equipment, R&D of tools and recruitment of talents so as to speed up the Group's development. In addition, in the international market, the Group will actively explore overseas markets by continuing its pursuit of the "overseas accompanying" strategy with the Middle East as the market focus to market the various signature technologies of the Group.

In 2010, the Group will actively look for opportunities to invest in companies that are in line with its development strategies and possess core competitiveness while maintaining our fast and steady growth.

In addition, the Group will continue to strengthen its operational capital management and strictly follow the established operational capital turnover standard. This will be one of the assessment criteria for our management and business staff so as to accelerate the turnover of operational capital and improve our cash flow.

Looking forward to the full year, the Group will be returning to the track of high speed growth before 2009 and approaching towards its target of being a China-based leading oilfield service company in the world.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2010 amounted to RMB337.5 million, representing an increase of approximately RMB13.8 million or 4.3% from RMB323.7 million in the same period in 2009. Such increase was mainly attributable to the rapid growth of our well completion technology and down-hole operation.

Materials Costs

Materials costs amounted to approximately RMB139.2 million in the first six months of 2010, declining from approximately RMB162.9 million in the same period in 2009, representing a decrease of 14.5%. It was mainly attributable to the higher proportion of technical services-type products, which enhanced the Group's gross profit margin.

Staff costs

Staff costs amounted to approximately RMB58.8 million in the first half of 2010, representing a decrease of approximately RMB6.7 million or 10.2% from approximately RMB65.5 million for the same period in 2009. Such decrease was mainly due to the decrease of amortisation cost of share options in 2010.

Depreciation and Amortisation

Depreciation and amortisation amounted to approximately RMB25.4 million in the first half of 2010, representing an increase of approximately RMB9.1 million or 55.8% from approximately RMB16.3 million in the same period in 2009. The increase was primarily attributable to increase in depreciation expenses due to gradual commencement of operation of the Group's service equipment since the second half of 2009.

Other Operating Costs

Other operating costs amounted to approximately RMB50.3 million in the first half of 2010, representing an increase of approximately RMB1.5 million or 3.1% from approximately RMB48.8 million for the same period in 2009. The increase was mainly due to the increasing expenses on R&D.

Operating Profit

As a result of the abovementioned, the operating profit for the period under review amounted to approximately RMB60.4 million, representing an increase of approximately RMB33.9 million or 127.9% from approximately RMB26.5 million for the same period in 2009. The operating profit margin was 17.9% in the first half of 2010, representing an increase of 9.7 percentage points from 8.2% in the same period of 2009.

Finance Costs (Net)

Finance costs (net) amounted to approximately RMB1.5 million for the period under review, representing an increase of approximately RMB0.7 million compared to RMB0.8 million in the same period of 2009. This was primarily due to higher finance costs that were in line with new loans of the Group.

Income Tax Expense

Income tax expense amounted to approximately RMB12.6 million in the first half of 2010, representing an increase of approximately RMB8.5 million from approximately RMB4.1 million in the same period in 2009, mainly attributable to an increase of aggregate profits before tax of the Group's subsidiaries in China.

Profit for the Period

As a result of the foregoing, the Group's net profit for the first half of 2010 was approximately RMB46.1 million, representing an increase of approximately RMB21.5 million or 87.4% from the same period in 2009.

Profit Attributable to Equity Holders of the Group

Profit attributable to equity holders of the Company amounted to approximately RMB40.3 million for the first half of 2010, representing an increase of approximately RMB18.8 million or 87.4% over the same period of 2009.

Trade Receivables and Trade Payables

As of 30 June 2010, the Group's net trade receivables were approximately RMB543.9 million, representing an increase of RMB113.9 million compared to 31 December 2009, mainly because of an increase in turnover. The average trade receivables turnover days were 241 days, representing an increase of 27 days when compared with the 214 days as of 31 December 2009 and decreased by 14 days from 255 days in the same period in 2009. As of 30 June 2010, the Group's net trade payables were RMB132.3 million, representing an increase of approximately RMB29.2 million as of 31 December 2009. The average trade payables turnover days were 106 days, an increase of 19 days as compared to 87 days as of 31 December 2009.

Inventory

As of 30 June 2010, the Group's inventory was approximately RMB258.9 million, representing an increase of RMB47.3 million or 22.4% compared to 31 December 2009, mainly due to the higher inventory of finished goods as a result of the higher revenue in the reporting period.

LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2010, the Group's cash and cash equivalents amounted to approximately RMB223.6 million, representing a decrease of approximately RMB120.1 million compared to 31 December 2009, mainly because the Group deployed the cash into its operations and capital expenditures.

The Group's outstanding short-term bank loans as at 30 June 2010 amounted to approximately RMB50.0 million. A domestic Chinese bank granted the Group a credit facility of approximately RMB500.0 million, of which approximately RMB442.2 million has not been utilised.

As at 30 June 2010, the gearing ratio of the Group was 12.2%, representing an increase of 3.2 percentage points compared to the gearing ratio of 9.0% as at 31 December 2009. Such increase was mainly due to the increase of bank loans by the Group. Gearing ratio is calculated as net debt divided by total capital. Net debt includes borrowings and trade payables. Total capital is calculated as equity plus net debt.

The equity attributable to the Company's equity holders increased from RMB1.51 billion as at 31 December 2009 to RMB1.54 billion as at 30 June 2010. The increase was mainly due to the profit after tax of the Company recorded during the reporting period.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Some imported and exported goods requires to be settled in foreign currencies. The Group considers that the exchange risk involved in the settlement amounts denominated in foreign currencies is insignificant. The exchange risk of the Group mainly comes from its foreign currency deposits and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against US dollars may have a negative impact on the Group's operating results and financial position. During the reporting period, the Group borrowed some borrowings in US dollars for payment of purchases made in normal operations and for balancing the risk exposures of our assets in US dollars so as to mitigate the Group's exchange risk.

CASHFLOW FROM OPERATING ACTIVITIES

Cash outflow from operating activities in the first half of 2010 was approximately RMB59.2 million, compared with approximately RMB64.7 million in the same period of 2009, representing a decrease of approximately RMB5.5 million. It was mainly attributable to the enhanced management of operating capital by the Group.

CAPTIAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure in the first half of 2010 was approximately RMB76.2 million, primarily for investments in equipment by the service equipment business and investments in intangible assets.

CONTRACTUAL LIABILITY

The Group's contractual commitments mainly consist of payment obligations under the Group's operating lease arrangements for offices and certain equipment and machinery. As at 30 June 2010, the Group's operating lease commitments amounted to approximately RMB13.6 million.

As at the balance sheet date, the Group had no capital commitments related to investments in property, plant and equipment but not yet provided for in the balance sheets.

Interim Dividend

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2010 (for the six months ended 30 June 2009: nil).

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

For the six months ended 30 June 2010, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The directors of the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code') as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Listing Rules') as the code of practice for carrying out securities transactions by the Company's 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 six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable provisions of the Code on Corporate Governance Practices (the 'Code') as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2010, save that the only deviation is the code provision A.2.1 of the Code.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer of the Company must be separated, and must not be assumed by one person. The Company does not separate the chairman's and chief executive officer's duties, Mr. Luo Lin served as both the chairman and the chief executive officer of the Company during the period under review. Mr. Luo Lin was the main founder of the Group, he has been responsible for the operational management since the Group's establishment, and has led the Group's expansion. Mr. Luo Lin possesses rich petroleum industry experience and excellent operational management ability, and the Board is of the view that continuing to have Mr. Luo Lin serving as the chief executive officer of the Company will safeguard the continuity of the operational management and can protect shareholders' interests.

AUDIT COMMITTEE

The Audit Committee, which comprises of three independent non-executive directors, namely Mr. Zhu Xiaoping, Mr. Zhang Yongyi and Mr. Wang Mingcai, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2010.

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

Hong Kong, 27 August 2010

As at the date of this announcement, the Executive Directors of the Company are Mr Luo Lin, Mr Ma Jian and Mr Wu Di; the Independent Non-executive Directors are Mr Zhang Yongyi, Mr Zhu Xiaoping and Mr Wang Mingcai.