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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 2013**

FINANCIAL HIGHLIGHTS

Revenue of the Group rose 31.5% from RMB803.7 million in the same period of 2012 to RMB1,057.0 million in the first half of 2013. Profit attributable to equity holders of the Company increased by 31.8% from RMB124.6million in the same period of 2012 to RMB164.2 million in the first half of 2013.

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 2013 (hereinafter referred to as "the first half of the year", "during the period under review" or "during the reporting period") with comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2013

	Note	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,165,712	955,056
Land use rights	8	22,490	28,757
Intangible assets	9	367,800	371,185
Investment in joint ventures	10	13,386	4,000
Deferred income tax assets		19,192	19,553
		1,588,580	1,378,551
Current assets			
Inventories	11	499,479	487,040
Trade and notes receivables	12	1,112,502	948,305
Prepayments and other receivables	13	219,214	239,931
Restricted bank deposits	14	20,840	15,629
Term deposits with initial terms of over three months	14	2,000	—
Cash and cash equivalents	14	363,406	523,378
		2,217,441	2,214,283
Total assets		3,806,021	3,592,834
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	202,371	200,836
Reserves			
– Proposed final dividend		—	97,600
– Others		1,848,598	1,673,425
		2,050,969	1,971,861
Non-controlling interests		90,026	109,093
Total equity		2,140,995	2,080,954

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

As at 30 June 2013

		As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
LIABILITIES			
Non-current liabilities			
Long-term bonds	16	299,234	299,051
Other long-term payable	17	108	3,256
Deferred income tax liabilities		652	979
		299,994	303,286
Current liabilities			
Short-term borrowings	18	402,357	191,568
Current portion of long-term borrowings	18	—	20,000
Current portion of other long-term payable	17	8,985	11,604
Trade and notes payables	19	453,790	730,444
Accruals and other payables	20	461,086	217,670
Current income tax liabilities		38,814	37,308
		1,365,032	1,208,594
Total liabilities		1,665,026	1,511,880
Total equity and liabilities		3,806,021	3,592,834
Net current assets		852,409	1,005,689
Total assets less current liabilities		2,440,989	2,384,240

The accompanying notes on page 8 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For The Six Months Ended 30 June 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Revenue	21	1,057,002	803,700
Cost of sales		(591,925)	(418,966)
Gross profit		465,077	384,734
Other gains, net	23	12,144	664
Selling expenses		(81,357)	(72,289)
Administrative expenses		(119,747)	(94,773)
Research and development expenses		(32,049)	(28,889)
Sales tax and surcharges		(10,089)	(15,739)
Operating profit	22	233,979	173,708
Interest income		743	1,172
Finance expenses	24	(21,974)	(16,935)
Share of loss of joint ventures		(5,688)	—
Profit before income tax		207,060	157,945
Income tax expense	25	(37,358)	(25,035)
Profit for the period		169,702	132,910
Profit attributable to:			
Equity holders of the Company		164,228	124,643
Non-controlling interests		5,474	8,267
		169,702	132,910
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– basic	26	0.0765	0.0592
– diluted	26	0.0741	0.0587
Dividends	27	—	—

The accompanying notes on page 8 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Profit for the period	169,702	132,910
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	—	(193)
Currency translation differences	(7,614)	416
Total items that may be reclassified subsequently to profit or loss	(7,614)	223
Other comprehensive (loss)/income for the period, net of tax	(7,614)	223
Total comprehensive income for the period	162,088	133,133
Total comprehensive income attributable to:		
Equity holders of the Company	156,614	124,866
Non-controlling interests	5,474	8,267
	162,088	133,133

The accompanying notes on page 8 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to the Company's equity holders										
	Note	Share capital	Share premium	Capital reserve	Statutory reserve	Hedging reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total Equity
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2012 (Audited)		198,115	579,601	340,267	40,646	—	516,998	(9,497)	1,666,130	73,967	1,740,097
Profit for the period		—	—	—	—	—	124,643	—	124,643	8,267	132,910
Other comprehensive income/(loss):											
- Cash flow hedges		—	—	—	—	(193)	—	—	(193)	—	(193)
- Currency translation differences		—	—	—	—	—	—	416	416	—	416
Total comprehensive income		—	—	—	—	(193)	124,643	416	124,866	8,267	133,133
Share option scheme	15(b)	—	—	9,406	—	—	—	—	9,406	—	9,406
Share option exercised	15(a)	506	4,573	(1,471)	—	—	—	—	3,608	—	3,608
Dividends	27	—	(36,694)	—	—	—	—	—	(36,694)	(10,000)	(46,694)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	11,004	11,004
Balance at 30 June 2012 (Unaudited)		198,621	547,480	348,202	40,646	(193)	641,641	(9,081)	1,767,316	83,238	1,850,554
Balance at 1 January 2013 (Audited)		200,836	572,850	349,331	56,111	—	804,112	(11,379)	1,971,861	109,093	2,080,954
Profit for the period		—	—	—	—	—	164,228	—	164,228	5,474	169,702
Other comprehensive income/(loss):											
- Currency translation differences		—	—	—	—	—	—	(7,614)	(7,614)	—	(7,614)
Total comprehensive income		—	—	—	—	—	164,228	(7,614)	156,614	5,474	162,088
Share option scheme	15(b)	—	—	15,705	—	—	—	—	15,705	—	15,705
Share option exercised	15(a)	1,704	21,560	(6,220)	—	—	—	—	17,044	—	17,044
Dividends	27	—	(98,314)	—	—	—	—	—	(98,314)	—	(98,314)
Disposal of subsidiaries	30	—	—	—	—	—	—	—	—	(23,916)	(23,916)
Repurchase and cancellation of shares	15(a)	(169)	(9,897)	—	—	—	—	—	(10,066)	—	(10,066)
Others		—	—	(1,875)	—	—	—	—	(1,875)	(625)	(2,500)
Balance at 30 June 2013 (Unaudited)		202,371	486,199	356,941	56,111	—	968,340	(18,993)	2,050,969	90,026	2,140,995

The accompanying notes on page 8 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Net cash used in operating activities	28	(2,525)	(84,150)
Net cash used in investing activities	28	(216,547)	(179,149)
Net cash generated from financing activities	28	69,623	135,079
Net decrease in cash and cash equivalents		(149,449)	(128,220)
Cash and cash equivalents at beginning of the period		523,378	462,154
Exchange loss on cash and cash equivalents		(10,523)	(898)
Cash and cash equivalents at end of the period		363,406	333,036

The accompanying notes on page 8 to 38 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

1. GENERAL INFORMATION

Anton Oilfield Services Group (the 'Company') was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the 'Group') are principally engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the 'PRC') and other oversea countries. 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 the British Virgin Islands, as the ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

This condensed consolidated interim financial information has been reviewed, not audited.

This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 11 August 2013.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial information for the year ended 31 December 2012, as described in those annual financial statements.

New and amended standards adopted by the Group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 10 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10. This standard has no material impact on this condensed consolidated interim financial information.
- IFRS 11, 'Joint arrangements'. Under IFRS 11 investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Before 1 January 2012, the group's interest in its jointly controlled entity (note 10) was accounted for under the equity method. Under IFRS 11, the jointly controlled entity has been assessed to be a joint venture and is still accounted for under the equity method therefore this standard has no material impact on this condensed consolidated interim financial information.
- IFRS 12 requires disclosures of interests in unconsolidated structured which were not previously required by IAS 27 and therefore not available in the most recent annual financial statements. An entity having interests in unconsolidated structured entities would consider providing those disclosures in their 2013 interim report if such information is significant to an understanding of changes in the financial position and performance. This standard has no material impact on this condensed consolidated interim financial information.
- IFRS 13 'Fair value measurement'. IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. These standards have no material impact on the unaudited condensed consolidated interim financial information.
- IAS 19 (revised) 'Employee benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. These amendments have no material impact on this condensed consolidated interim financial information.

There are no other new or amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2012.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial information as at 31 December 2012.

There have been no changes in the risk management policies since 31 December 2012.

5.2 Liquidity risk

Compared to the year ended 31 December 2012, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

5.3 Fair value estimation

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

The estimated fair value of long-term bonds was approximately RMB304 million and RMB314 million as at 30 June 2013 and 31 December 2012, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

6. SEGMENT INFORMATION

The chief executive officer, vice presidents and directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the chief operating decision makers for the purposes of allocating resources and assessing performance.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision-maker makes decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the chief operating decision-maker.

The chief operating decision-maker assess performance of four reportable segments: down-hole operation, well completion, drilling technology and tubular services.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The chief operating decision-maker evaluates the performance of the operating segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance expenses (net), and share of loss from joint ventures ('EBITDA'). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarters of the Group.

	Down-hole operation RMB' 000	Well completion RMB' 000	Drilling technology RMB' 000	Tubular services RMB' 000	Total RMB' 000
Six months ended 30 June 2013 (Unaudited)					
Revenue	473,760	192,851	249,282	141,109	1,057,002
EBITDA	259,925	62,009	68,543	77,463	467,940
Depreciation and amortisation	(23,485)	(7,768)	(10,769)	(12,531)	(54,553)
Interest income	24	104	28	115	271
Finance expenses, net	(266)	(465)	(216)	(36)	(983)
Share of loss of joint ventures	(5,688)	—	—	—	(5,688)
Income tax expense	(18,482)	(5,241)	(5,347)	(8,288)	(37,358)
Six months ended 30 June 2012 (Unaudited)					
Revenue	321,310	222,999	165,180	94,211	803,700
EBITDA	169,341	84,560	48,837	38,641	341,379
Depreciation and amortisation	(10,894)	(7,134)	(5,806)	(10,973)	(34,807)
Interest income	34	299	8	533	874
Finance expenses, net	—	—	(844)	(127)	(971)
Income tax expense	(11,705)	(5,500)	(4,625)	(3,205)	(25,035)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

6. SEGMENT INFORMATION *(CONTINUED)*

	Down-hole operation RMB' 000	Well completion RMB' 000	Drilling technology RMB' 000	Tubular services RMB' 000	Total RMB' 000
As at 30 June 2013 (Unaudited)					
Total assets	1,317,578	903,751	534,422	414,158	3,169,909
Total assets include:					
Investments in joint ventures	9,386	—	—	4,000	13,386
Additions to non-current assets (other than deferred tax assets)	195,216	13,158	15,880	61,178	285,432
As at 31 December 2012 (Audited)					
Total assets	989,095	954,503	697,904	359,738	3,001,240
Total assets include:					
Investments in joint ventures	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	253,792	28,205	132,039	37,175	451,211

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
EBITDA for reportable segments	467,940	341,379
Corporate overheads	(199,927)	(148,530)
Depreciation	(44,709)	(26,475)
Amortisation	(9,844)	(8,332)
Interest income	271	874
Finance expenses, net	(983)	(971)
Share of loss of joint ventures	(5,688)	—
Profit before income tax	207,060	157,945

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

6. SEGMENT INFORMATION (CONTINUED)

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

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Assets for reportable segments	3,169,909	3,001,240
Corporate assets for general management	636,112	591,594
Total assets per balance sheet	3,806,021	3,592,834

Geographical information

	Revenue		Non-current Asset	
	Six months ended 30 June		As at	As at
	2013	2012	30 June 2013	31 December 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
PRC	840,975	607,001	1,355,658	1,215,104
Iraq	164,008	130,984	167,439	150,860
Other countries	52,019	65,705	65,483	12,587
Total	1,057,002	803,700	1,588,580	1,378,551

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

6. SEGMENT INFORMATION *(CONTINUED)*

Client information

Sales made to individually significant customer of each operating segment (accounts for over 10% of the total revenue of each operating segment) are as following:

For the six months ended 30 June 2013 (Unaudited)

	Down-hole operation RMB' 000	Well completion RMB' 000	Drilling technology RMB' 000	Tubular services RMB' 000	Total RMB' 000
Client a	1,259	—	31,058	—	32,317
Client b	20,227	66,809	81,458	90,741	259,235
Client c	81,380	10,006	11,959	—	103,345
Client d	52,863	1,062	—	—	53,925
Client e	144,228	—	—	—	144,228
Total	299,957	77,877	124,475	90,741	593,050

Note: Clients a, b, c, d are entities controlled by the same major oilfield operator.

For the six months ended 30 June 2012 (Unaudited)

	Down-hole operation RMB' 000	Well completion RMB' 000	Drilling technology RMB' 000	Tubular services RMB' 000	Total RMB' 000
Client 1	62,719	—	—	—	62,719
Client 2	38,568	—	—	—	38,568
Client 3	37,568	—	—	—	37,568
Client 4	—	—	—	14,017	14,017
Client 5	35,529	—	—	—	35,529
Client 6	—	—	40,224	—	40,224
Client 7	—	—	25,616	49,983	75,599
Client 8	—	21,403	—	—	21,403
Total	174,384	21,403	65,840	64,000	325,627

Note: Clients 2, 5, 6, 7 are entities controlled by the same major oilfield operator, and clients 3, 4 are entities controlled by another major oilfield operator.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

7. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Opening net book value	955,056	538,576
Additions	339,389	117,999
Acquisition of subsidiaries	—	75,295
Disposal of subsidiaries (Note 30)	(70,115)	—
Depreciation charge	(50,888)	(29,505)
Disposals	(7,730)	(362)
Closing net book value	1,165,712	702,003

- (a) As at 30 June 2013, buildings with a total net book value of RMB36,798,000 were pledged as counter-guarantee for short-term borrowings (31 December 2012: RMB37,742,000 for short-term borrowings and RMB6,770,000 for long-term borrowings)(Note 18).
- (b) The Group entered into a sale and leaseback contract in 2011, pursuant to which the Group disposed of some machinery and equipment with a carrying amount of RMB30,975,000 and finance leased back for a period of 3 years.

Machinery and equipment includes the following amounts where the Group is a lessee under the sale and leaseback contract:

	As at	As at
	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	RMB' 000	RMB' 000
Cost - capitalised sale and leasebacks	38,198	38,198
Accumulated depreciation	(7,797)	(5,828)
	30,401	32,370

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

8. LAND USE RIGHTS

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are held on leases within 50 years. The movement is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Opening net book value	28,756	31,281
Additions	—	23,600
Acquisition of subsidiaries	—	6,002
Disposal of subsidiaries (Note 30)	(6,002)	—
Amortisation charge	(264)	(285)
Closing net book value	22,490	60,598

As at 30 June 2013, land use rights with net book value of RMB 12,696,000 was pledged as counter-guarantee for short-term borrowings (Note 18) (31 December 2012: land use rights amounting to RMB13,022,000 and RMB6,585,000 were pledged as counter-guarantee for short-term and long-term borrowings, respectively).

9. INTANGIBLE ASSETS

	Patents	Goodwill	Computer software	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at 1 January 2013	95,665	269,461	6,059	371,185
Additions	7,840	—	2,412	10,252
Disposal of subsidiaries (Note 30)	—	(3,764)	(155)	(3,919)
Amortisation charge	(8,713)	—	(1,005)	(9,718)
As at 30 June 2013 (Unaudited)	94,792	265,697	7,311	367,800
As at 1 January 2012	94,516	265,697	5,209	365,422
Additions	7,962	42,114	98	50,174
Amortisation charge	(8,738)	—	(362)	(9,100)
As at 30 June 2012 (Unaudited)	93,740	307,811	4,945	406,496

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

10. INVESTMENT IN JOINT VENTURES

As of 31 December 2012, the investment represents 50% equity interest in Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東機械製造有限公司, 'Northern Heavy'). In 2013, another investment was made to Tongzhou IPM Services Co., Ltd. (同舟一體化油田技有限公司, 'TIPM'), which was jointly set up by Anton Oilfield Services (Group) Ltd. ('Anton Oil'), a subsidiary of the Company, and Schlumberger Oilfield(s) Pte.Ltd., with the Group's share of equity interest as 40% (Pursuant to the Articles of Association of TIPM, all significant financial and operating decisions require unanimous affirmative vote of all its directors who are appointed by both venturers). Both joint ventures are unlisted limited liability companies established in the PRC.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Beginning of the period	4,000	4,000
Addition	15,074	—
Share of loss	(5,688)	—
Ending of the period	13,386	4,000

11. INVENTORIES

	As at	As at
	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	RMB' 000	RMB' 000
Raw materials	157,053	135,253
Work-in-progress	98,906	167,896
Finished goods	257,875	202,363
Spare parts and others	2,410	3,698
	516,244	509,210
Less: provision for inventory obsolescence	(16,765)	(22,170)
	499,479	487,040

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Trade receivables, net (a)	1,090,537	919,430
Notes receivable (c)	21,965	28,875
	1,112,502	948,305

Note:

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

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Within 6 months	840,292	735,256
6 months - 1 year	188,185	137,975
1 - 2 years	52,583	47,000
2 - 3 years	17,924	8,679
Over 3 years	14,285	7,205
Trade receivables, gross	1,113,269	936,115
Less: impairment of receivables	(22,732)	(16,685)
	1,090,537	919,430

(b) Most of the trade receivables are with credit terms of one year, except for retention money which would be collected one year after the completion of the sales. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above.

(c) Notes receivable are bank acceptance with maturity dates within six months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Advances to suppliers	23,502	74,997
Other receivables	195,712	164,786
Amounts due from a related party (Note 31 (c))	—	148
	219,214	239,931

Ageing analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Within 6 months	39,942	119,815
6 months - 1 year	147,657	89,515
1 - 2 years	28,637	23,276
2 - 3 years	776	900
Over 3 years	4,062	8,530
Prepayments and other receivables, gross	221,074	242,036
Less: Impairment	(1,860)	(2,105)
Prepayments and other receivables, net	219,214	239,931

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

14. CASH AND BANK

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Restricted bank deposits (a)	20,840	15,629
Term deposits with initial terms of over three months	2,000	—
Cash and cash equivalents		
– Cash on hand	712	959
– Deposits in bank	362,694	522,419
Total cash and cash equivalents	386,246	539,007

(a) As at 30 June 2013, bank deposits amounting to RMB20,840,000 (31 December 2012: RMB15,629,000) were pledged as collateral to banks for letter of guarantee and issuance of notes payable.

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

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
RMB	245,492	419,516
US\$	84,243	97,535
HK\$	35,949	4,574
EUR	5,075	4,301
KZT	9,684	11,069
PHP	4,854	808
Others	949	1,204
	386,246	539,007

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

15. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

		Authorised	
		Number of	HK\$' 000
		shares	
As at 30 June 2012 and 2013		3,500,000,000	350,000
	Number of	Share capital	
	shares issued	HK\$' 000	RMB' 000
	and fully paid		
	of HK\$0.1 each		
	(thousand)		
As at 1 January 2012	2,101,551	210,155	198,115
Exercise of options	6,224	622	506
As at 30 June 2012 (Unaudited)	2,107,775	210,777	198,621
As at 1 January 2013	2,134,914	213,491	200,836
Exercise of options	21,390	2,139	1,704
Share purchased and cancelled (Note)	(2,124)	(212)	(169)
As at 30 June 2013 (Unaudited)	2,154,180	215,418	202,371

Note:

During March and April 2013, the Company acquired 2,124,000 of its own shares through purchases on the Hong Kong Stock Exchange, which were then all cancelled on 20 May 2013. The total amount paid to acquire the shares was RMB10,066,000 and has been deducted from share capital and share premium.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

15. SHARE CAPITAL AND SHARE OPTIONS *(CONTINUED)*

(b) Share options

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

	Average exercise price in HK\$ per share	Number of options of shares (thousands)
As at 1 January 2012		104,138
Granted (on 19 January 2012)	1.072	40,000
Granted (on 16 April 2012)	1.240	6,000
Granted (on 18 June 2012)	1.160	7,100
Forfeited	1.184	(5,289)
Exercised	0.701	(6,224)
Expired	1.634	(8,550)
As at 30 June 2012 (Unaudited)	1.066	137,175
As at 1 January 2013		116,583
Granted (on 10 January 2013)	3.878	33,730
Granted (on 21 June 2013)	5.742	1,296
Granted (on 28 June 2013)	5.600	298
Forfeited	1.386	(4,409)
Exercised	0.999	(21,390)
As at 30 June 2013 (Unaudited)	2.037	126,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

15. SHARE CAPITAL AND SHARE OPTIONS (CONTINUED)

(b) Share options (CONTINUED)

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

Expiry date	Exercise price (HK\$ per share)	Number of share options (thousands)
8 April 2014	0.750	4,807
19 May 2014	1.450	1,250
22 November 2014	0.760	8,852
18 January 2015	1.072	1,000
19 May 2015	1.450	22,345
9 January 2016	3.878	3,030
18 January 2016	1.072	31,098
15 April 2016	1.240	5,700
17 June 2016	1.160	7,100
21 November 2016	2.610	8,503
27 December 2016	3.820	129
9 January 2017	3.878	30,700
20 June 2019	5.742	1,296
27 June 2019	5.600	298
		126,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

15. SHARE CAPITAL AND SHARE OPTIONS *(CONTINUED)*

(b) Share options *(CONTINUED)*

Note:

The fair value of the options granted during the six months ended 30 June 2013 is determined using the Binomial Option Pricing Model. The major assumptions used in the pricing model for options granted were the exercise price shown above, and the other parameters are shown below:

Parameters	Options granted during the six months ended 30 June	
	2013	2012
Share price as of the valuation date (HK\$)	3.38-5.72	1.06-1.24
Expected dividend yield	1.00%	1.00%
Forfeiture rate	0.00%	0.00%
Exercise multiples	2.0-5.0	1.9-2.1
Maturity years	2.0-5.0	1.0-3.0
Risk free rate	0.30%-1.31%	0.33%-0.60%
Annualised volatility	49.30%-58.16%	46.88%-52.47%

The total expense recognised in the income statement for the six months ended 30 June 2013 for share options amounted to RMB15,705,000 (for the six months ended 30 June 2012: RMB9,406,000), with a corresponding amount credited in capital reserve.

16. LONG-TERM BONDS

Anton Oil issued a RMB medium-term note with a maturity of 3 years in May 2012 on China's Interbank Bond Market at par value of RMB300 million, bearing interest at 6.59% per annum. The net proceeds received by the Group approximated RMB299 million. Interest is payable on an annually basis. The effective interest rate is 6.74% per annum. As at 30 June 2013, interest payable amounted to approximately RMB2 million (31 December 2012: RMB12 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

17. OTHER LONG-TERM PAYABLE

As at 30 June 2013, other long-term payable represents sale and leaseback liabilities.

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Gross sale and leaseback liability		
– No later than 1 year	9,498	12,430
– Later than 1 year and no later than 3 years	108	3,313
	9,606	15,743
Future finance charges on sale and leaseback	(513)	(883)
Present value of sale and leaseback liability	9,093	14,860

The present value of sale and leaseback liabilities is as follows:

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
No later than 1 year	8,985	11,604
Later than 1 year and no later than 3 years	108	3,256
	9,093	14,860

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

18. BORROWINGS

	As at 30 June 2013 (Unaudited)		As at 31 December 2012 (Audited)	
	Amounting RMB' 000	Interest rate	Amounting RMB' 000	Interest rate
Long-term borrowings				
– Secured bank borrowings (a)	—	—	20,000	7.07%
Less: Amount due within one year under current liabilities	—	—	(20,000)	7.07%
	—		—	
Short-term borrowings				
– Unsecured bank borrowings				
– RMB denominated (b)	209,500	6%-7.2%	59,000	6%
– US\$ denominated (c)	142,857	3.25%- Libor+4.048%	67,568	Libor+3.711%- Libor+6.644%
– Secured bank borrowings				
– RMB denominated (d)	50,000	6%	65,000	6%-8.53%
	402,357		191,568	

- (a) As at 31 December 2012, secured long-term bank borrowings were all denominated in RMB and secured by land use rights amounting to RMB6,585,000 (Note 8) and buildings of the Group with a total net book value of RMB6,770,000 (Note 7), bearing interest at 7.07% per annum.
- (b) Unsecured RMB denominated short-term bank borrowings amounting to RMB500,000 were guaranteed by Anton Oil, a subsidiary of the Company.
- (c) Unsecured US\$ denominated short-term bank borrowings amounting to RMB100,624,000 were guaranteed by the Company.
- (d) Secured short-term bank borrowings amounting to RMB50,000,000, were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd., a third party, with the Group's buildings of net book value amounting to RMB36,798,000 (Notes 7) and land use rights with net book value of RMB12,696,000 (Note 8) pledged as counter-guarantee (31 December 2012: the Group's buildings with net book value of RMB37,742,000 and land use rights amounting to RMB13,022,000).
- (e) As at 30 June 2013, the undrawn bank borrowing facilities of the Group amounted to RMB232 million (31 December 2012: RMB434 million) with maturity between 9 July 2013 and 8 April 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

19. TRADE AND NOTES PAYABLES

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Trade payables	387,287	643,134
Trade payables to related parties (Note 31(c))	17,922	50,354
Notes payables	48,581	36,956
	453,790	730,444

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

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Less than 1 year	430,149	692,188
1 - 2 years	18,634	24,930
2 - 3 years	1,701	8,983
Over 3 years	3,306	4,343
	453,790	730,444

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

20. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Advance from customers	7,058	16,268
Accrued expenses	11,407	15,572
Payroll and welfare payable	22,503	46,624
Taxes other than income taxes payable	70,232	90,235
Consideration for acquisition of subsidiaries	4,538	6,360
Payables to equipment vendors	322,184	—
Dividend payable	1,000	3,000
Interest payable	1,959	12,128
Others	20,205	27,483
	461,086	217,670

21. REVENUE

	Six months ended 30 June	
	2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Sales of goods	148,515	226,216
Sales of services	908,487	577,484
	1,057,002	803,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

22. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Materials and services	423,720	327,509
Staff costs		
– Salaries and other staff expenses	137,622	82,143
– Share-based compensation (Note 15(b))	15,705	9,406
Depreciation	50,530	29,421
Amortisation	9,982	9,385
Sales tax and surcharges	10,089	15,739
Other operating expenses	187,519	157,053
– Provision for impairment of receivables	5,952	13,986
– Loss on disposal of property, plant and equipment	2,423	5
Total operating cost	835,167	630,656

23. OTHER GAINS, NET

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Gains on disposal of subsidiaries (Note 30)	13,252	—
Others	(1,108)	664
	12,144	664

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

24. FINANCE EXPENSES

	Six months ended 30 June	
	2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Interest expenses	17,317	14,928
Exchange losses, net	2,909	1,314
Others	1,748	693
	21,974	16,935

25. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

For the Company's 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 PRC subsidiaries of the Group was 25% for the six months ended 30 June 2013 (six months ended 30 June 2012: 25%) based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates. The subsidiaries established overseas are 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	
	2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Current income tax		
– PRC profit tax	22,726	14,825
– Overseas profit tax	14,102	8,714
Deferred income tax	530	1,496
	37,358	25,035

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

26. 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	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB' 000)	164,228	124,643
Weighted average number of ordinary shares in issue (thousands of shares)	2,145,501	2,104,737
Basic earnings per share (expressed in RMB per share)	0.0765	0.0592

(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 2013, the only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January 2013 to 30 June 2013) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB' 000)	164,228	124,643
Weighted average number of ordinary shares in issue (thousands of shares)	2,145,501	2,104,737
Adjustments for assumed conversion of share options (thousands of shares)	69,344	18,608
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	2,214,845	2,123,345
Diluted earnings per share (expressed in RMB per share)	0.0741	0.0587

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

27. DIVIDENDS

On 3 June 2013, upon the approval from the annual general meeting of the shareholders, the Company declared 2012 final dividend of RMB0.0456 per ordinary share, totaling RMB98,314,000 (2011 final dividend: RMB36,694,000 of RMB0.0170 per share).

The directors of the Company did not propose any dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: nil).

28. SUPPLEMENTAL FINANCIAL INFORMATION

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Profit for the period	169,702	132,910
Adjustments for:		
Property, plant and equipment		
– depreciation charge (note 22)	50,530	29,421
– net loss on disposals (note 22)	2,423	4
Amortisation of land use rights and intangible assets (note 22)	9,982	9,385
Addition of impairment of receivables (note 22)	5,952	13,986
Charge of share option scheme (note 22)	15,705	9,406
Gain on disposal of subsidiaries	(13,252)	—
Share of loss of a joint venture	5,688	—
Net foreign exchange loss (Note 24)	2,909	1,314
Interest income	(743)	(1,172)
Interest expenses	17,317	14,928
Income tax expense	37,358	25,035
Changes in working capital:		
Inventories	(66,102)	(57,944)
Trade and notes receivables	(226,359)	(233,108)
Prepayments and other receivables	(70,944)	(36,829)
Trade and notes payables	87,604	59,137
Accruals and other payables	32,769	7,258
Restricted bank deposits	(5,211)	(21,820)
Net cash inflows from operations	55,328	(48,089)
Interest paid	(27,303)	(11,404)
Interest received	743	1,172
Income tax paid	(31,293)	(25,829)
Net cash used in operating activities	(2,525)	(84,150)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

28. SUPPLEMENTAL FINANCIAL INFORMATION (CONTINUED)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Investing activities:		
Purchases of property, plant and equipment	(244,797)	(112,279)
Purchases of land use rights	—	(22,995)
Purchases of intangible assets	(10,251)	(7,977)
Disposal of subsidiaries (Note 30)	55,761	—
Disposal of property, plant and equipment	5,307	357
Acquisition of subsidiaries, net of cash paid	—	(34,355)
Investment in a joint venture	(15,074)	—
Acquisition consideration of subsidiaries	(5,493)	(5,500)
(Increase)/Decrease in term deposits with initial term of over three months	(2,000)	3,600
Net cash used in investing activities	(216,547)	(179,149)
Financing activities:		
Proceeds from short-term borrowings	331,124	232,350
Proceeds from long-term bonds	—	299,128
Repayments of short-term borrowings	(162,568)	(345,000)
Repayments of long-term borrowings	—	(12,000)
Proceeds from share options exercised	17,044	3,608
Repayments of sale and leaseback	(5,597)	(6,313)
Purchase of own shares (Note 15(a))	(10,066)	—
Dividends paid	(100,314)	(36,694)
Net cash generated from financing activities	69,623	135,079

Note: Significant non-cash transactions

The principal non-cash transactions for the period ended 30 June 2013 were short-term bank loans borrowed via trade finance agreement whereby the bank made payments to the Group's suppliers directly, which involved no cash receipts or payments by the Group. The aggregate amount of such short-term bank loans borrowed during the period ended 30 June 2013 was approximately RMB42million (six months ended 30 June 2012: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

29. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Contracted but not provided for		
– Property, plant and equipment	82,095	289,442
	82,095	289,442

(b) Operating lease commitments – where the Group is the lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements, with the future aggregate minimum lease payments as follows:

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
No later than 1 year	19,427	3,080
1 to 2 years	7,100	1,156
2 to 3 years	3,633	533
3 to 4 years	3,500	—
4 to 5 years	3,500	—
Over 5 years	2,260	—
	39,420	4,769

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

30. DISPOSAL OF SUBSIDIARIES

In February 2013, Anton Oil entered into a share transfer agreement with an independent third party to dispose of the Group's 55% equity interest in Bazhou Anton Chang Xiang Applied Chemical Technology Co., Ltd. (巴州安東暢想油田應用化學技術有限公司, 'Bazhou Anton'), Bazhou Chang Xiang Applied Chemical Technology Co., Ltd.(巴州暢想應用化學技術有限公司, 'Bazhou Changxiang'), Bazhou Cheng Xi Petroleum Commodity Co., Ltd.(巴州誠熙石油物資有限公司, 'Bazhou Chengxi') and Bazhou Cheng Xi Petroleum Commodity Kazakhstan Co., Ltd. ('Bazhou HSK'), for a total consideration of RMB56,497,000. This disposal was completed on 6 February 2013, with a gain on disposal approximating RMB13.25 million which has been recognised as "other gains".

The following table sets forth the consolidated assets, revenue and profit of the disposed subsidiaries:

	As at 6 February 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Cash and cash equivalents	736	2,795
Fixed assets	70,115	70,115
Land use right	6,002	6,003
Intangible assets	155	155
Other assets	164,278	156,138
Total assets	241,286	235,206
Total liabilities	181,302	177,444
Total equity	59,984	57,762
	For the period from 1 January 2013 to 6 February 2013 (Unaudited) RMB' 000	For the period from 14 May 2012 (acquisition date) to 30 June 2012 (Unaudited) RMB' 000
Revenue	113	10,771
Net (loss)/profit for the period	(3,302)	1,432

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

31. RELATED PARTY TRANSACTIONS

(a) The following companies are related parties of the Group during the year ended 30 June 2013 and 2012:

Names of related parties	Nature of relationship
Northern Heavy	Joint venture of Anton Oil
Tongzhou IPM Services Co., Ltd. ('TIPM')	Joint venture of Anton Oil
Schlumberger NV ('SLB NV')	Shareholder of the Company since 6 July 2012
China Nanhai Magcobar Mud Co., Ltd. ('Nanhai Magcobar')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Oilfield China ('SLB China')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Drilling (Singapore) Pte. Ltd. ('SLB Singapore')	Controlled by the same ultimate parent company of SLB NV
Schlumberger JHP Oilfield Technologies (Shandong) Co.,Ltd. ('SLB JHP')	Controlled by the same ultimate parent company of SLB NV
Smith Drilling Equipment (Changzhou) Ltd. ('Smith Drilling')	Controlled by the same ultimate parent company of SLB NV
Dowell Schlumberger (Western) S.A. ('Dowell SLB')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technology Services(Beijing) Co.,Ltd.('STS Beijing')	Controlled by the same ultimate parent company of SLB NV

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2013

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
<hr/>		
Purchases of goods or services		
Northern Heavy	115	4,227
Nanghai Magcobar	23,509	—
SLB China	23,282	—
Smith Drilling	2,502	—
Dowell SLB	17,281	—
STS Beijing	4,200	—
	<hr/> 70,889	4,227
Sales of goods		
Northern Heavy	105	—
	<hr/>	<hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2013

31. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Balances with related parties

	As at 30 June 2013 (Unaudited) RMB' 000	As at 31 December 2012 (Audited) RMB' 000
Prepayments and other receivable (Note 13)		
Northern Heavy	—	148
Trade and notes payable (Note 19)		
Northern Heavy	378	18,824
Nanghai Magcobar	2,348	21,449
SLB China	8,161	6,028
SLB JHP	—	674
Smith Drilling	—	257
Dowell SLB	6,410	3,122
STS Beijing	625	—
	17,922	50,354

Balances with related parties were all unsecured, non-interest bearing and had no fixed repayment terms.

(d) Key management compensation

	Six months ended 30 June	
	2013 (Unaudited) RMB' 000	2012 (Unaudited) RMB' 000
Salaries and other short-term employee benefits	7,588	5,666
Pension scheme	123	96
Share-based payments	3,193	1,632
	10,904	7,394

32. SUBSEQUENT EVENTS

On 8 August 2013, Anton Oil issued a RMB denominated medium-term note with a maturity of 3 years on China's Interbank Bond Market at par value of RMB200 million, bearing nominal interest at 7.3% per annum. The proceeds from this note will be used as general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Entering 2013, natural gas development in China continued to accelerate. Increasing local production and reducing external dependency became important considerations to protect China's national energy security. As a result, in the first half of 2013, natural gas exploration and development activities continued to move ahead at full speed, with oil companies further intensifying exploration and development of conventional natural gas on the one hand and actively examining and facilitating the extraction of unconventional natural gas resources on the other. However, natural gas development at home currently faces two major challenges, the technical challenges of conventional gas and the efficiency constraint of unconventional gas. Conventional gas has become increasingly difficult to develop, adding to the risks associated with drilling activities and significantly prolonged drilling cycle. The production per well of unconventional gas is low and declines fast, resulting in a much shorter life of an unconventional gas well than that of a conventional gas well, posing further challenges in sustaining the production. In light of these challenges, oil companies are in urgent need of adopting new techniques through the application of drilling optimization and stimulation technologies to lift drilling speed and increase production per well. Furthermore, they need to continuously increase the number of wells drilled to offset the fast-declining life of individual wells in order to meet China's imperative demand on natural gas production. In addition to adopting changes in technologies, national oil companies have also introduced reforms in their system by gradually opening up the upstream, beginning to partner with investors outside the industry in small blocks and marginal blocks, and encouraging their investment in oil and gas exploration and development. Due to the lack of professional experience and operational capabilities in exploration and development these investors, who are more return driven, rely more heavily on independent oilfield service providers for their highly efficient services. As an oilfield service provider with a stellar track record, strength in technical innovation, and integrated service capabilities, the Group is poised to benefit from the tremendous market opportunities presented by such developments in the industry.

In the overseas market, the flow of investments and mergers and acquisitions previously made by Chinese investors have been materializing as multiple projects moved ahead on schedule and entered different stages of construction. The Group is committed to a "follow-up" strategy to offer services that cater specifically to the development needs of Chinese investors in various regions and whose projects are in different construction stages. Driven by the need for low-cost and accessible services, Chinese investors have shown a growing appetite for services provided by Chinese firms. Furthermore, unlike operations at home, Chinese investors operating overseas run their operations entirely as a pure oil company. They have no in-house service force, nor do they invest in related services resources such as equipment and tool manufacturing capabilities. As such, what Chinese investors want from a Chinese service provider is not only investment in such service capacity as equipment and infrastructure to enable drilling and well completion in the stage of capacity construction, but also long-term and full-lifecycle support during production for continued productivity and oilfield management. This is why the Group's follow-up strategy has demonstrated consistent success. By providing targeted and full-lifecycle services to closely match the project progress made by the Chinese investors and building long-term partnerships with them, the Group can benefit enormously from the great market opportunities generated from the growing Chinese outward investment.

Management Discussion and Analysis

In response to the buoyant and higher-than-expected demand in the Chinese natural gas market, the Group has swiftly redeployed its strategy in the domestic and overseas markets. In the current phase, the Group prioritizes the domestic market as the core market for development. For the overseas market, its contribution maintains at a fair level as of now and the Group will strengthen its growth overseas in a later stage. It has also reinforced the implementation of the integrated service strategy by making up for its inadequacies in regular service capacity, including equipment for operations and manufacturing capabilities, aiming to mobilize the demand for regular services through the Group's technologies for the high-end market and to drive the sustainable growth of technologies for the high-end market with the availability of regular services. The synergies can leverage operations in integrated services to bring growth to individual services. This model will shape the Group as an asset-light technical service provider with talents and technology as main growth drivers, with certain assets as auxiliary growth drivers, and with integrated service offerings with synergistic benefits. Starting in 2012, the Group began to invest in assets such as pressure pumping equipment to replenish regular service capacity and to draw upon its strong position in the high-end market such as in the stimulation space to quickly build up its business. In the first half of 2013, the Group further accelerated service capacity building to lift the constraints on growth due to insufficient service capacity and to pave the way for further rapid growth. Meanwhile, the Group continued to enhance its operational efficiencies, with the economies of scale becoming more evident, while profitability and capital management efficiency continued to be kept at stable and healthy levels.

In the first half of 2013, the Group's total revenue amounted to RMB1,057.0 million, representing an increase of RMB253.3 million, or 31.5%, from RMB803.7 million in the same period of 2012. The revenue growth was mainly due to the Group's continued market expansion in major Chinese natural gas basins, rapid growth of its existing businesses and revenue contributions beginning to accrue from new businesses.

In the first half of 2013, the Group posted RMB234.0 million in operating profit, an increase of RMB60.3 million, or 34.7%, from RMB173.7 million in the same period of 2012. Net profit stood at RMB169.7 million, an increase of RMB36.8 million, or 27.7% from RMB132.9 million in 2012. Profit attributable to equity holders of the Company amounted to RMB164.2 million, an increase of RMB39.6 million, or 31.8%, from RMB124.6 million in the same period of 2012. Net profit margin attributable to the equity holders of the Company remained at 15.5%, on a par compared with the same period of 2012. The Group's profitability was maintained at a sound level due to its stable gross margin level and the dilution of the selling and administrative expenses benefitted from a certain degree of economies of scale from rapid business growth.

Management Discussion and Analysis

In the first half of 2013, the Group seized the huge market opportunities from domestic natural gas development and continued to penetrate the Tarim Basin, Erdos Basin, and Sichuan Basin where the clients were consistently stepping up their development efforts. It vigorously sought to identify the technological challenges and services needs of the clients in these three basins. To address the daunting engineering challenges in the Tarim Basin with ultra-deep, high-temperature and ultra-high pressure wells, the Group mobilized its outstanding local team of engineers and leveraged the engineers' knowledge of the complicated geological conditions in the basin and their mature mastery of high-end technical services to help the clients tackle a multitude of serious challenges in drilling efficiency and stimulation. In view of the stimulation hurdles in low-permeability oil and gas reserves in the Erdos Basin and Sichuan Basin, the Group continued to pioneer advanced stimulation techniques to help the clients increase production with fit-for-purpose solutions. Therefore, the Group has made further penetration in regional markets. In the first half of 2013, its revenue in the domestic market grew by 38.6% over the same period of 2012, with remarkable growth especially in all three core basins. In the overseas market, business developed steadily. In the Middle East, steady progress was made in the Al-Ahdab project, while the client has kicked off investment in Phase II of the Halfaya project as it commenced construction of pipeline before proceeding to drilling and well completion, and subsequently to the development of relevant blocks as scheduled. In South America, the Group has established a presence in the market after spending two years laying the groundwork and is expected to see the region as a new growth driver in its overseas business. Compared with the same period of 2012, the Group's revenue in the overseas market grew by 9.8%.

In the first half of 2013, the Group witnessed continued growth in both its core and supplementary businesses. In oil and gas development technical services (including drilling technology, well completion and down-hole operation), further growth was noted. The suite of services built around the demands for drilling optimization and stimulation continued to drive growth. The existing services including drilling fluid, directional drilling, coiled tubing, multistage fracking and pressure pumping achieved further market penetration and showed consistent growth. In addition, the Group introduced a series of new techniques and technical services in response to such critical client needs as drilling optimization and stimulation. These new offerings included, among others, coiled tubing-conveyed resettable packer fracturing for horizontal wells in low-permeability oil and gas reserves, fiber-diverting volume fracking for ultra-deep vertical wells launched in partnership with Schlumberger, and horizontal well performance drilling for complex oil and gas reserves. Such new techniques and technical services delivered excellent results upon application. Their preliminary launch and operations have been completed and well received by the market, creating a bigger market and emerging to be new growth drivers for the Group's business. In tubular services, the Group's one-stop service model revolving around the application of OCTG has been successfully implemented on a wider scale. As such, the service has diversified from drilling tool inspection to casing and tubing inspection in a broader scale, and from small-scale drilling tool leasing to large-scale leasing services. On the back of vibrant growth of the tubular services in the first half of 2013, the Group will continue to improve its tubular inspection capabilities, add more resources available for leasing, and develop a full-fledged, one-stop service model with inspection at the core and encompass full services across repair, leasing and operation, with a view to tangibly reducing the cost of tubular use, simplifying management and mitigating safety hazards in tubular use for the clients. The Group's complete product line and its ability to meet evolving client needs with innovative technical solutions have helped shape the Group's core competitiveness and leadership.

Management Discussion and Analysis

In the first half of 2013, the Group furthered the integrated service strategy at a fast pace. It made up for the inadequacies in regular service capacity on the one hand and further increased technical competency in the high-end market on the other so as to realize an asset-light integrated service model. In terms of replenishing regular services capacity, the Group made key investments in pressure pumping equipment for fracking services, in rigs for promoting the integrated service model, and in comprehensive and proprietary well completion tool testing, assembling and manufacturing capabilities. Upon completing the replenishment of regular service capacity, the Group will leverage its leadership position in high-end fracking technical services to drive the deployment of pressure pumping equipment and use the equipment to support further promotion of the Group's high-end fracking technologies. Once the regular service capacity is replenished, it will drive demand growth in the use of rigs through its combined strengths and general contracting capability in the drilling space; rigs can also help to win integrated service contracts and induce growth of other individual technical services. Furthermore, it will benefit from its leading market position in high-end well completion services to promote the application of a full range of well completion tools to achieve cost savings and leverage the full range of well completion tools to ensure the quality of high-end well completion services and to accelerate growth in the high-end segment. As of 30 June, 2013, the Group had a capacity of 55,200 HHP in pressure pumping equipment and two 5,000-meter drilling rigs; the well completion tools base in Tianjin has finished one phase of construction. The Group's regular services capabilities were quickly boosted. In terms of improving the competency for high-end technical services, the Group has intensified R&D and technology partnerships, quickly promoted and employed a host of drilling optimization and stimulation-related technologies, including performance drilling technologies for horizontal wells, oil-based drilling fluid technologies to enhance drilling efficiency, coiled tubing-conveyed resettable packer fracturing to achieve stimulation, and fiber-diverting volume fracturing in the stimulation space launched in partnership with Schlumberger. While building capacity in regular services and developing high-end services, the Group further intensified its efforts to develop the integrated service model that can benefit both regular and high-end services. On the one hand, the Group increased recruitment of top-caliber professionals in the geology and reservoir areas and developed technical competencies for oil and gas reservoir evaluation and analysis to promote the integrated service model from the perspective of oil reservoir and production. On the other hand, it expedited recruitment and training of engineers for Tongzhou IPM, a joint venture with Schlumberger, to promote the integrated service model on the engineering side.

The Group's vision is to become a leading global oilfield service provider with a strong foothold in China. At the heart of this vision are people, a core competitive advantage for an oil and gas technical services company. To attain this goal, the Group has to attract the best people, and more importantly, to nurture great people from within. Further to revamping its human resources system in 2012, the Group intensified efforts in the first half of 2013 to bring in top industry talents and a cohort of seasoned professionals on the one hand. On the other hand, it increased the headcount for graduate hire. 680 graduates, most of whom outstanding students and student leaders, were recruited from petroleum universities and other prestigious universities across the country. They will come on board in the third quarter and receive training. The Group is committed to nurturing these talented graduates to become high achievers who can offer best-in-class services to the clients in support of the Group's development.

Management Discussion and Analysis

In the first half of 2013, the Group's capital management efficiency remained at a healthy level. For the six months ended 30 June, 2013, the average accounts receivables turnover days were 163 days, a decrease of 7 days as compared with the same period last year; the average inventory turnover days rose by 13 days from the same period last year to 150 days; the average accounts payables turnover days were 167 days, an increase of 40 days from the corresponding period last year. The Group was able to maintain healthy working capital management metrics thanks to rigorous internal management controls, related performance assessment mechanism as well as strengthened supply chain management. In addition, the Group further diversified its access to overseas financing channels and increased offshore trade finance and general credit facility.

Geographical Market Analysis

In the first half of 2013, the Group's revenue from the domestic market was RMB841.0 million, representing an increase of RMB234.0 million or 38.6% from RMB607.0 million for the same period last year, and accounting for 79.6% of the Group's revenue. Revenue from the overseas market was RMB216.0 million, representing an increase of RMB19.3 million or 9.8% from RMB196.7 million for the same period last year, and accounting for 20.4% of the Group's revenue.

Revenue Breakdown between Domestic and Overseas Markets

	Six months ended 30 June			Revenue from the respective market as a percentage of revenue	
	2013	2012	Change	Six months ended 30 June	
	(RMB million)	(RMB million)		2013	2012
Domestic	841.0	607.0	38.6%	79.6%	75.5%
Overseas	216.0	196.7	9.8%	20.4%	24.5%
Total	1,057.0	803.7	31.5%	100.0%	100.0%

Revenue Analysis of Domestic Market

	Six months ended 30 June			Revenue from the respective market as a percentage of domestic revenue	
	2013	2012	Change	Six months ended 30 June	
	(RMB million)	(RMB million)		2013	2012
Northwest China	312.3	211.6	47.6%	37.1%	34.9%
North China	304.2	191.3	59.0%	36.2%	31.5%
Southwest China	116.3	77.6	49.9%	13.8%	12.8%
Northeast China	108.2	126.5	-14.5%	12.9%	20.8%
Total	841.0	607.0	38.6%	100.0%	100.0%

Management Discussion and Analysis

Revenue Analysis of Overseas Market

	For the six months ended 30 June			Revenue from the respective market as a percentage of overseas revenue	
	2013 (RMB million)	2012 (RMB million)	Change (%)	For the six months ended 30 June	
				2013	2012
Middle East	165.5	134.7	22.9%	76.6%	68.5%
Central Asia	32.2	48.4	-33.5%	14.9%	24.6%
Americas	14.0	5.7	145.6%	6.5%	2.9%
Africa	4.3	7.9	-45.6%	2.0%	4.0%
Total	216.0	196.7	9.8%	100.0%	100.0%

Strong growth in the domestic natural gas business and regional market strategies pursued to respond to local client needs

In the first half of 2013, benefiting from the acceleration of natural gas development in China to meet imperative production targets, the Group's domestic natural gas business posted strong growth. Drilling optimization and stimulation became critical needs. Meanwhile, given the unique characteristics of the complex geology, well depth, permeability and reservoir in each of the key domestic natural gas basins and the differences in the management models of oil company subsidiaries, the technical solutions and service models needed also vary. In light of this, the Group has developed regional market strategies in the Tarim Basin, Erdos Basin, and Sichuan Basin and provided customized services to cater to the specific needs of these regions.

Management Discussion and Analysis

Major business development in the domestic market

- In the Tarim Basin, ultra-deep oil and gas reservoirs, complex formations and high temperature and high pressure are serious constraints on drilling speed and productivity. Recognizing these constraints and local market demand, the Group introduced and applied multiple drilling optimization and stimulation technologies which have shown remarkable results in terms of shortening the drilling cycle and increasing production per well. This has helped the clients fulfill their production targets ahead of schedule. On the optimization side, the Group started in 2012 to use oil-based drilling fluid on a broad scale in blocks with wells deeper than 6,500 meters in the Tarim region. In the first half of 2013, the operation for some additional wells was completed. The results from this application shown a marked increase in the rate of penetration in the well section using oil-based drilling fluid. Accordingly, the average drilling cycle was shortened from around 400-plus days to around 200-plus days. This has made oil-based drilling fluid a critical drilling optimization technology in the region. On the stimulation side, the Group applied in the first half of 2013 the fiber-diverting volume fracturing technology in partnership with Schlumberger in a drill pad of ultra-deep wells (3 wells in total) over 6,500 meters deep in the Tarim region, which helped the client overcome the hindrance to reservoir stimulation caused by high temperature and high pressure in these ultra-deep wells. Upon employing this technology, the average production per well of the three wells has tripled. Based on its vital contributions to the clients in terms of better drilling performance and higher production, the Group's market position is growing ever stronger in the Tarim Basin.
- In the Erdos Basin, oil and gas reservoirs featuring low permeability, low pressure and low abundance have led to such major development challenges as low production per well and fast-declining pressure and production. As a primary source of oil and gas supply in China, the Erdos Basin was under pressure to use scalable stimulation technologies to continuously increase production per well and enable effective and efficient development on a large scale. Years ago, the Group introduced and applied open-hole multistage fracturing technology for horizontal well and successfully contributed to the region's first high-yield horizontal well with the design and implementation of the critical technology. This helped rewrite the history of the Erdos Basin traditionally known for its low production per well. Thanks to the successful track record of applying of the technology over the years, the Group has become an unparalleled leader in multistage fracturing technology. In recent years, the Group has made efforts to make the technology a popular and affordable stimulation technology by employing in-house tools for the application of this technology which is more cost-effective to the clients. In the first half of 2013, the Group introduced another new multistage fracturing technology in the Erdos Basin, coiled tubing-conveyed resettable packer multistage fracturing, which improved production by 5-8 times as compared with the adjacent vertical well. The client has endorsed the technology which is now being used in mass in Sinopec blocks. At the same time, given its low permeability nature, the Erdos Basin relies primarily on pressure pumping for well construction and the front-end drilling solution is influenced by the back-end fracturing solution. In view of this, the Group has quickly deployed the addition of pressure pumping equipment in the basin and signed a strategic partnership agreement with the largest state-owned down-hole operation company in the basin to help complement its pressure pumping service capacity. The fast decline in production in low-permeability oil and gas reservoirs means the life of a well is significantly shortened. To maintain the output targets of the basin, the clients have to keep drilling more and fracturing more in order to offset the loss of production. Therefore, the Group's integrated service capabilities in fracturing that combine high-end technologies and regular service equipment will be used on a large scale in the region.

Management Discussion and Analysis

- In the Sichuan Basin, shale gas resources are as abundant as conventional natural gas. The basin is home to a number of mega gas fields that present enormous potential for exploration and development. At the same time, the basin is featured with complex geologies, deep wells, high sulfur content and low-permeability reservoirs. This creates a host of challenges for development. Recognizing these challenges, the Group introduced and implemented a series of technical services on directional drilling, drilling new technologies, coiled tubing, multistage fracking and pressure pumping and committed to rolling out new techniques to address client needs of drilling optimization and stimulation. This has generated continued business growth. In addition, the Group has actively enforced its integrated service model in the region, starting with contractor drilling service. In the first half of 2013, the Group's newly purchased rigs were delivered and first put into use in the marginal blocks of the basin to apply rig-driven general contracting service, the service quality of which has been applauded by the clients. The project also set the precedent that the drilling service with rigs can be leveraged to bring in the demand for directional drilling and drilling fluid services.

Steady development in the overseas market

In the first half of 2013, Chinese investors pressed ahead with their overseas investment projects on schedule. In Iraq, major projects have moved into the stage of stable production, while preparing to enter the next round of massive development. As a result, the Group's business volume in these projects developed steadily. At the same time, in South America, Chinese investors started to take an active part in investment. Older and new oil fields alike faced various development challenges, prompting the demand for a combination of various technical services such as drilling and well completion if the capacity construction is to be completed. Thanks to the preparation and market development efforts in the last few years, the Group has entered the South American market where its business made a remarkable breakthrough in the first half of 2013. Overall, overseas revenue as a share of Group revenue has remained on a fair level and met the Group's strategic target for the overseas market. In the first six months of 2013, the Group's revenue from the overseas market amounted to RMB216.0 million, up 9.8% from the same period last year. In breakdown, the Middle East remained the Group's top overseas market, posting RMB165.5 million in revenue in the first half of 2013, representing an increase of 22.9% as compared with the corresponding period last year. It accounted for 76.6% of the Group's overseas revenue. The Americas generated RMB14.0 million in revenue in the first half of 2013, up 145.6% from the same period last year and accounting for 6.5% of the Group's total overseas revenues. In particular, South America has started to show some remarkable potential for business development.

Management Discussion and Analysis

Major business development in the overseas market

- Iraq remained a primary market for Chinese investors to operate overseas, where the Group has amassed profound operational expertise and garnered strong trust from the clients in two key projects, Al-Ahdab and Halfaya. In addition to its core offering of coiled tubing acidizing services as the foundation of business, the Group has made a committed effort to bringing in drilling, well completion and down-hole operation services. Therefore, even as Al-Ahdab and Halfaya Phase I were moving into the stage of steady development, the Group was nonetheless able to increase market penetration in and gain revenue growth from both projects in the first half of 2013. Additional services included directional drilling and oilfield station management and operation services in the Halfaya project. The client has officially commenced pipeline construction for Halfaya Phase II, to be followed by drilling and well completion. The Group is actively preparing its technologies for contributing to the client's larger-scale block development. At the same time, the Group continued its effort to achieve further penetration in the Iraqi market. In the first half of 2013, it successfully took on the Buzurgan Project as a new client through the provision of coiled tubing acidizing services, broadening its presence in the market.
- South America was a prioritized new market for the Group. After previous resources buildup, market promotion and technological exchanges, the Group has built strategic partnerships in South America and also tapped into the market opportunities in Colombia. Oil wells in Columbia has high sand content and more heavy oil reserves, and the Group provided tailored technical services including well completion integration and directional drilling services to local clients. The Group was looking to increase its presence in other South American countries and to replicate its successful experience in Colombia to more markets.

Business Cluster Analysis

In the first half of 2013, the Group saw continued growth in both the core and supplementary businesses. The Group's core business, oil and gas field development technical services (including drilling technology, well completion and down-hole operation clusters), generated RMB915.9 million in revenue, representing an increase of RMB206.4 million or 29.1% from RMB709.5 million of the same period last year. Revenue from this business accounted for 86.7% of the Group's revenue, down 1.6 percentage points from 88.3% of the same period last year. The Group's supplementary business, the tubular services cluster, registered revenue of RMB141.1 million, in the first half of 2013, up from RMB94.2 million in the corresponding period last year by RMB46.9 million or 49.8%, accounting for 13.3% of the Group's revenue for the same period, compared with 11.7% in the same period last year.

Management Discussion and Analysis

To meet pressing production targets, the clients have become more demanding with drilling optimization and stimulation. Relying on one single technology was no longer enough to satisfy the varied technical demands of the clients in complex geological conditions. The ability to offer a variety of fit-for-purpose technical solutions and stay abreast with latest technical capabilities has become increasingly important. As a leading technical services provider, the Group has a long-standing commitment to fit-for-purpose solutions to meet the clients' varied needs and creating core value for the clients through enhanced technologies. On drilling optimization, the Group introduced oil-based drilling fluid technology in the ultra-deep wells in the Tarim Basin in response to the problem of a long drilling cycle and effectively helped the clients shorten the drilling cycle. In response to the highly challenging horizontal wells with drilling rate of penetration constraints in the Sichuan Basin, the Group launched the performance directional drilling service with high-speed motor to help the clients reduce the time for drilling horizontal laterals. On stimulation, recognizing the low permeability challenge in the Erdos Basin, the Group widely applied the open-hole multistage fracking service for horizontal wells, which increased production by multiple folds. Also in light of the local geology and client needs, the Group offered the coiled tubing-conveyed resettable packer multistage fracking service which resulted in cost savings and enhanced efficiency. With respect to the difficulty of setting fracking tools inside ultra-deep wells in the Tarim Basin, the Group launched the fiber-diverting volume fracking service in partnership with Schlumberger, which improved production significantly. For the fields that required well cementing, the Group delivered the cased-hole multistage fracking service to the satisfaction of the clients' targets. Meanwhile, the Group identified the long-term development needs in the Sichuan Basin, Erdos Basin and Tarim Basin and invested in the pressure pumping equipment to facilitate the delivery of technical services with various new fracking technologies and to create value for the clients.

Revenue Breakdown by Business Clusters

				As a percentage of revenue	
	For the six months ended 30 June			For the six months ended 30 June	For the six months ended 30 June
	2013 (RMB million)	2012 (RMB million)	Change (%)	2013	2012
Oil & gas field development					
technical services	915.9	709.5	29.1%	86.7%	88.3%
Down-hole operation cluster	473.8	321.3	47.5%	44.9%	40.0%
Drilling technology cluster	249.3	165.2	50.9%	23.6%	20.6%
Well completion cluster	192.8	223.0	-13.5%	18.2%	27.7%
Tubular services	141.1	94.2	49.8%	13.3%	11.7%
Total	1,057.0	803.7	31.5%	100%	100.0%

Down-hole Operation Cluster

In the first half of 2013, the down-hole operation cluster gained robust growth and registered a revenue of RMB473.8 million, representing an increase of 47.5% from RMB321.3 million of the same period last year. The services in this cluster mainly address the production constraints during the well construction and production phases. It strives to develop an integrated solution around fracking services, including engineering professionals, fracking design, techniques, tools and fracking equipment service capabilities as well as the R&D and manufacturing capabilities of proppants and chemicals.

The down-hole operation cluster consists of five business departments: 1) the well stimulation department with horizontal well open-hole multistage fracking service as its main technical service. This department recorded a revenue of RMB227.6 million in the first half of 2013, representing an increase of 58.8% from RMB143.3 million in the same period last year; 2) the coiled tubing service department offering coiled tubing technologies, which recorded a revenue of RMB127.0 million in the first half of 2013, representing an increase of 25% from RMB101.6 million in the corresponding period last year; 3) the pressure pumping services department which harnesses the hydraulic horsepower of pressure pumping equipment to provide services. This department booked RMB14.6 million in revenue. It was newly set up in the first half of 2012 when the pressure equipment for service was still in manufacturing by the supplier and not yet in operation to generate revenue; 4) the tubular helium testing service department providing tubular helium testing services for casing and tubing in gas wells and underground gas storage facilities, which recorded a revenue of RMB53.6 million in the first half of 2013, representing an increase of 2.1% from RMB52.5 million in the corresponding period last year; and 5) the oil production service department including oil production management services, and such services as chemical EOR (enhanced oil recovery), well flushing, and gas lift, which recorded a revenue of RMB51.0 million in the first half of 2013, an increase of 113.4% from RMB23.9 million of the same period last year. EBITDA for the down-hole operation cluster increased significantly by 53.5% from RMB169.3 million in the corresponding period last year to RMB259.9 million in the first half of 2013. EBITDA margin grew by 2.2 percentage points in the first half of 2013 from 52.7% of the same period last year to 54.9%, on the back of improved supply chain management, which led to lowered procurement costs, and also due to the introduction of new businesses with higher EBITDA margins.

Major development of down-hole operation cluster

- Horizontal well open-hole multistage fracking service continued its rapid growth in the first half of 2013. During the reporting period, it posted RMB227.6 million in revenue, a 58.8% increase from RMB143.3 million of the same period last year. The Group completed a total of 100 jobs in the first half of 2013, an increase of 53 jobs from 47 in the same period last year. As the technology became more recognized and accepted by the clients, it has now grown to be a commonly used technology for developing low-permeability oil and gas reservoirs, expanding from limited use to a large scale application. Since introducing this technology, the Group had completed an aggregate of nearly 380 jobs as of 30 June 2013 and established a dominant industry leadership in this area. To further encourage the use of this technology, the Group has quickened the pace of promoting and adopting lower-cost, in-house tools to not only help the client achieve higher production and save costs in the use of the technology, but also to enable the Group to maintain its profitability.

Management Discussion and Analysis

- In the first half of 2013, revenue from coiled tubing services amounted to RMB127.0 million, representing an increase of RMB25.4 million or 25.0% from RMB101.6 million of the same period last year. Coiled tubing, often called “universal operational equipment”, however, can only achieve maximum technical results in different operations with the right kind of tools. The Group has been committed to pioneering with new coiled tubing technologies in China. It seeks to drive market demand for coiled tubing services by developing and applying tools to promote new techniques. Domestically, in the first half of 2013, the Group continued to offer bridge-plug milling service for the construction of complex wells and for the fracking operations of shale gas wells in the Sichuan Basin. It continued to provide coiled tubing scale-removal service for high sulfur-bearing producing wells to ensure continued production. At the same time, the Group used in-house expertise to introduce the coiled tubing-conveyed resettable packer multistage fracking technology in response to the client call for advanced multistage fracking techniques in the Erdos Basin. This technology proved to be yet another highly-efficient fracking technology after horizontal well open-hole multistage fracking technology. It can establish full bore and deliver outstanding stimulation results, which makes it ideal particularly for tight oil wells with strict full-bore requirements. In the first half of 2013, the Group successfully employed the technology in three tight oil horizontal wells and achieved production increase by 5 to 8 times compared with that in the adjacent vertical well. With such compelling validation of the technology, the Group quickly received batch orders in the Erdos Basin. This again demonstrated the Group’s ability to lead the market with technology innovation. As a result, the Group not only maintained its leadership position in horizontal well open-hole multistage fracking, but also increased its readiness for further market development with the new type of fracking technique to ensure the long-term development of the Group in the region. In the overseas market, both the Al-Ahdab project and Halfaya Phase I in Iraq were moving into a steady production stage. Accordingly, the coiled tubing acidizing service performed in these projects saw steady growth. Thanks to the well-established reputation of the service in Iraq, it also made a successful entry into the Buzurgan project and grew its client base.
- In the first half of 2013, pressure pumping services posted RMB14.6 million in revenue. When this department was set up in early 2012, the pressure pumping equipment for service was still being manufactured by the supplier and not yet put in operation to generate revenue. China is home to massive reserves of low-permeability resources, but the production per well has been persistently low. Therefore, pressure pumping has been widely applied in the well construction of such resources. As fracturing gains importance, the front-end drilling design has to be developed based on the back-end fracking solution. In other words, in the stage of drilling, considerations must be taken on how to drill and establish the wellbore that can maximize the results of subsequent fracking. Furthermore, as the production of low-permeability resources has a fast decline, the life span of a well is usually shorter and the client must continuously develop new wells to stabilize the production level for a block. Such development will inevitably generate huge demand for fracking services. What is needed is not only ample supply of fracking techniques and tools, but also a lot of pressure pumping equipment to perform the fracking technique. This creates an excellent market environment for the Group to market its integrated services for stimulation that consolidates sophisticated fracking technology, tools, materials and related equipment. Recognizing that state-owned service providers are specialized in drilling and have insufficient pressure pumping equipment, the Group, in addition to servicing oil companies directly, also signed strategic partnership agreements with state-owned service providers to fill their gap in service capacity. In the first half of 2013,

Management Discussion and Analysis

the Group already signed partnership agreements with three state-owned oilfield services companies to offer pressure pumping services in different blocks of the Erdos Basin and Sichuan Basin. In the first half of 2013, the Group had pressure pumping equipment with a total capacity of 24,000 HHP operating in the market. In May and June, 2013, additional equipment with a combined HHP of 31,200 was delivered, which will be put into use in the second half of the year. As fracking is a stage operated subsequent to drilling, fracking operations will fully unfold in the second half after the clients finish their drilling operations in the first half. The Sichuan Basin and Erdos Basin with enormous demand will be the focus regions of the Group for such business.

- Revenue from tubular helium testing services was registered at RMB53.6 million in the first half of 2013, an increase of 2.1% from RMB52.5 million for the same period last year. Tubular helium testing is a critical technology for enhancing safety of natural gas wells. The Group first brought the technology to China. After years of large-scale promotion, the clients now fully appreciate the importance and reliability of the technology and its use has been extended from gas storage facilities to gas fields across the country. Being the standard-setter on this technology, the Group continues to lead on its development. Benefiting from the vibrant speed of natural gas development in China, this technology is now spreading to natural gas wells all over the country and has made full inroads into the space of gas storage facilities.
- In the first half of 2013, revenue from oil production services amounted to RMB51.0 million, a 113.4% increase over RMB23.9 million for the same period last year. Since 2012, this department has started to target oil and gas production management service contracts of large size and with higher returns. It had then swiftly gained access to the Halfaya project in Iraq by winning the operational management service contract for the oil gathering and transportation station in Halfaya Phase I. The Group continued to execute the contract in the first half of 2013 and was able to win, on the back of its high-quality service, an operational management service contract for natural gas export and receiving pipelines in Halfaya Phase I, which ensured steady revenue growth. Going forward, the Group will continue to vigorously develop oilfield production management services to provide post-production management support as part of its broader effort to improve the integrated service model.

Drilling Technology Cluster

In the first half of 2013, the drilling technology cluster achieved a stellar performance with a revenue of RMB249.3 million, an increase of 50.9% from RMB165.2 million in the same period of 2012. This cluster focuses on the clients' pressing need for drilling optimization and offers an end-to-end drilling service solution aimed at improving drilling efficiency, increasing success rate and saving the total cost of drilling. It has been building the design capability of drilling general contracting, raw material products, individual core technologies, and drilling rig service capability.

Management Discussion and Analysis

The drilling technology cluster comprises four business departments: 1) directional drilling, which mainly provides Measurements While Drilling (MWD), Logging While Drilling (LWD), rotary steerable drilling and geo-steering drilling services. Revenue booked under this department reached RMB105.0 million during the reporting period, an increase of 24.9% from RMB84.1 million of the same period last year; 2) drilling fluid service, which provides drilling fluid materials, technology and operational expertise to the clients. This department contributed RMB77.4 million in revenue in the first half of 2013, up from RMB36.4 million in the corresponding period of last year by 112.6%; 3) drilling new technology service (previously called “integrated drilling”), which is engaged in general contracting around drilling technologies, reaming technology, and cementing technology. The revenue of this department reached RMB59.5 million in the first half of 2013, an increase of 33.1% from RMB44.7 million for the first half of 2012; and 4) contractor drilling service, a department set up this year to undertake general contracts for rig-driven drilling projects, drilling and well completion projects and block general contracting projects through managing and operating the Group’s self-owned rigs and third-party owned rigs. This department posted RMB7.4 million in revenue in the first half of 2013. EBITDA of the drilling technology cluster increased from RMB48.8 million in the first half of 2012 to RMB68.5 million in the first half of this year, an increase of 40.4%. EBITDA margin for the first half of 2013 stood at 27.5%, down 2.0 percentage points from 29.5% for the first half of 2012, mainly due to the addition of businesses with lower profit margins in the first half of this year.

Major development of drilling technology cluster

- In the first half of 2013, the directional drilling department recorded a revenue of RMB105.0 million, an increase of 24.9% from RMB84.1 million of the same period last year. In the first half of this year, the department made further expansion in both domestic and overseas markets and diversified its service offering as it continued to pursue the direction of tapping into the high-end segment with best-in-class technology and developing mid-to-high end segments by building in-house capabilities. In the domestic market, the department continued to solidify its position in the Northwest markets and accelerated development in the Southwest market. In the Southwest market, with a number of key wells requiring drilling optimization and enhanced efficiency, the department launched the performance drilling with high-speed motor technology, which used a combination of drilling tools that comprise high-speed motor and featured drill bits coupled with Measurements While Drilling (MWD) designed for high-temperature and high-pressure conditions. The drilling tools served to achieve drilling acceleration, enhanced performance, and shorter drilling cycle, whereas MWD served to ensure drilling efficiency in such well condition. The technology successfully withstood the test of high down-hole temperature and pressure, and achieved about 30% speed improvement. This technology further enriched the Group’s technical competencies for drilling optimization. On the overseas front, the department maintained steady development in the Al-Ahdab project in Iraq. It added an annual contract with the Halfaya project and completed the relocation of the equipments. In South America, the department received its first order from Colombia, which was a milestone for the overseas expansion of directional drilling service. In Central Asia, mud motor leasing was developed as a new service to supplement the need of local drilling service providers for directional drilling.

Management Discussion and Analysis

- Drilling fluid service contributed RMB77.4 million in revenue in the first half of 2013, an increase of 112.6% over RMB36.4 million for the same period of 2012. Since last year, the Group has been promoting oil-based drilling fluid service in the most challenging ultra-deep wells in the Tarim Basin and employed the service in their complex well sections. In the first half of 2013, it had performed the service in over 10 wells on an accumulative basis. The results of application showed a marked increase in the rate of penetration by three times in the well section using oil-based drilling fluid and average drilling cycle decreased from 400-plus days to 200-plus days. The optimization results were superior and there was a clear case of cost savings. While achieving drilling optimization, the service also reduced lost circulation in the target zone and had outstanding performance in lost circulation prevention. Based on the above-mentioned performance, the department continued to win service contracts in the high-end market in the Tarim region in the first half of 2013 and gained access for the first time to the shale gas market in Southwest China, which helped pave the way for future market expansion.
- Drilling new technology service contributed a revenue of RMB59.5 million in the first half of 2013, an increase of 33.1% from RMB44.7 million of the same period last year. The department is responsible for mastering high-end individual drilling technologies, and promoting and applying new technologies with its powerful drilling design capabilities, especially with regard to the provision of innovative technical solutions for long horizontal wells, lateral wells and highly challenging well cementing tasks. In the first half of 2013, the department made steady progress in such projects as well cementing in gas storage facility, casing window sidetracking, and wellbore reaming. In the Southwest market, it introduced horizontal well cementing service into the shale gas market, which used high-density cement slurry for well cementing, the service quality of which the service quality received positive reviews from the client. This helped diversify the Group's portfolio of services in the shale gas market.
- Contractor drilling service is a new business set up by the Group for its integrated service strategy. It provides rig equipment the Group needs for the provision of integrated services and solves the problems of not being able to find in time the appropriate rig equipment from drilling contractors during the implementation of the integrated general contracting service and not being able to effectively control the service quality of the contractors. Therefore, the Group's strategic decision to invest in rigs was not for the drilling rig service itself, but rather to support the rollout of its integrated general contracting service. The rigs are expected to generate integrated general contracting service orders, which in turn will stimulate the development of other individual technical services such as drilling fluid, directional drilling, well completion tools and fracking. Based on this philosophy, the Group will not invest heavily in rigs. Instead it will invest moderately based on its development needs from integrated general contracting services so it could continue to operate as an asset-light technical service provider. In the first half of 2013, the Group purchased three rigs, with the two 5,000-meter drilling rigs having been delivered by the end of June. The first rig spud in a marginal block of the Sichuan Basin to provide drilling general contracting service. It was the first time that the Group had offered a holistic drilling solution to the client by using its own rig equipment to sell directional drilling and drilling fluid services. The quality of its service was applauded by the client. This gave a vote of confidence to the model of using rig equipment to drive integrated services. The second rig was deployed in the Erdos Basin, ready for implementing an integrated service project for the local clients. In the first half of 2013, the contractor drilling service department recorded RMB7.4 million in revenue.

Management Discussion and Analysis

- Tongzhou IPM Services Co., Limited (“Tongzhou IPM”), a joint venture established with the world-leading oilfield services company Schlumberger at the end of 2012 for the Group’s integrated project management (IPM) services, has fully started capacity building. It has begun the hire of engineers, who were sent to Schlumberger and the Group’s project sites for on-the-job training. The JV has also been communicating actively with international oil companies and shale gas investors to participate in preliminary work in their projects and to prepare for business development.

Well Completion Cluster

In the first half of 2013, revenue from the well completion cluster was RMB192.8 million, a drop of 13.5% from RMB223.0 million in the same period of last year. The decline was largely caused by the rescheduling of drilling and completion in an overseas project that now has to focus on pipeline installation for subsequent development, and the slight decline in the business of the Group’s subsidiary, Shandong Precede. The cluster’s services mainly address challenges in well bore construction against particular formations after the stage of drilling, including well completion in both construction and production phases.

The well completion cluster currently comprises two business departments: 1) well completion integration, including products and technical services associated with well cementing and well completion, sandscreen completion and oil recovery tools and services, which recorded a revenue of RMB118.0 million in the first half of 2013, a decline of 12.7% from RMB135.1 million in the first half of 2012; 2) Shandong Precede, a subsidiary acquired by the Group in 2008 that provided gravel packing completion products and services, which recorded a revenue of RMB74.8 million in the first half of 2013, a decline of 14.9% from RMB87.9 million in the same period of 2012. EBITDA of the well completion cluster fell by 26.7% from RMB84.6 million in the first half of 2012 to RMB62.0 million in the first half of 2013. EBITDA margin for the first half of 2013 fell by 5.7 percentage points from 37.9% in the first half of 2012 to 32.2% in the first half of this year, mainly due to revenue decline in this cluster and disposal of its relatively aged inventories.

Major development of well completion cluster

- In the first half of 2013, revenue from products and technical services in well cementing and completion, and production completion reached RMB95.6 million, an increase of 3.7% from RMB92.2 million in the same period of 2012. The manufacturing of some well completion tool products in this cluster was outsourced, which constrained the growth of this business due to lack of control over cost, lead time and quality. Recognizing this problem, the Group already started the construction of an integrated industrial base in Tianjin Binhai New Area which will consolidate well completion tool design, testing, experimentation, manufacturing and assembly. It has started to work with world-leading services companies to develop its product lines. The base is scheduled for completion and is commissioning in stages between 2014 and 2015. Upon completion, it will equip the Group with fully self-made well completion tools and substantially increase its competitiveness in well completion.

Management Discussion and Analysis

- While building the manufacturing capacity for well completion tools, the Group continued to develop new well completion techniques tailored to the needs of the clients in well construction. Specifically, well cementing and completion service saw a breakthrough in the Tarim Basin. In response to the well completion requirements in the Tarim Basin, the Group introduced its proprietary full bore multistage fracture acidizing technology in well completion, which delivered superior stimulation performance for the clients.
- In the overseas market, the Group was keeping in pace with the clients' progress on development in Iraq. In the Al-Ahdab project, well cementing and completion service has completed the development for the current phase and is ready to follow the development of the next phase. With the progression of Halfaya Phase I, production completion service moved quickly on market promotion and received the client's endorsement. It will start offering products and services in the second half of 2013.
- Shandong Precede, an independently operated subsidiary of the Group, had flat development. In the first half of 2013, its revenue was RMB74.8 million, a drop of 14.9% from RMB87.9 million of the same period of 2012, mainly due to lackluster growth in the mature markets covered by the company and new market development effort not paying off until the second half of 2013.

Tubular Services Cluster

In the first half of 2013, the tubular services cluster had an outstanding performance, posting RMB141.1 million in revenue, representing an increase of RMB46.9 million, or 49.8%, from RMB94.2 million of the first half of 2012. This cluster provides services to oil and gas companies for the use of OCTG (including drilling tools, casing and tubing) in the stages of drilling, well completion and oil production. Its aim is to help the clients improve safety, reduce the cost and simplify management in the use of OCTG. In recent years, this cluster has been vigorously developing one-stop, third-party tubular services. It has scored very encouraging progress thanks to increased client demand for safety in the development of natural gas wells. As a result, the Group's tubular inspection service has expanded from drilling tool inspection to casing and tubing inspection in a larger scale. Meanwhile, as the clients become more cost-consciousness with tubular management, the Group's tubular leasing services has also scaled up significantly, boosting both revenue and profitability. EBITDA of the tubular services cluster was up by a remarkable 100.8% from RMB38.6 million in the first half of 2012 to RMB77.5 million in the first half of 2013. EBITDA margin grew by 13.9 percentage points from 41.0% in the first half of 2012 to 54.9% in the first half of 2013. The increase was mainly attributable to the higher EBITDA margins of the new businesses.

Management Discussion and Analysis

Major development of tubular services cluster

- Domestically, with respect to natural gas development, especially development of highly complex conventional natural gas wells in the Tarim Basin, oil companies have raised the bar for safe tubular use. This is because oil companies were grappling with increasingly complex wells in their development and the use of substandard casing and tubing in the well would likely cause grave losses. Therefore, their inspection needs have expanded from just drilling tools to the quality control of casing and tubing. They have actively approached professional service providers to improve the access to casing and tubing inspection capabilities. Recognizing this need, the Group responded swiftly by broadening the scope of tubular inspection service from drilling tool inspection only to a full spectrum of OCTG inspection including drilling tool, casing and tubing inspection. In the first half of 2013, it already made inroads into the market and received strong endorsement from the clients. Going forward, the market potential for the inspection service is huge. The Group's tubular leasing service has picked up speed since last year. On the supply side, strategic suppliers were engaged to provide favourable payment terms for batch purchasing orders of drilling tools. On the sales side, strategic framework agreements were signed with the clients to lock revenue sources. The scope of leasing has rapidly scaled up. In the first half of 2013, leasing service grew robustly. In the overseas market, this cluster has progressed well with its market development efforts. In the first half of 2013, inspection and evaluation service entered a new market in Central Asia. Operation and repair services also spread to Central Asia and the Halfaya project in Iraq. The strategy of the tubular services cluster has proven sound. Going forward, the Group will continue to elevate its tubular inspection capabilities, ramp up more resources available for leasing, and vigorously build an integrated service model with inspection at the core and all-encompassing services across repair, leasing and operation. The goal is to tangibly reduce the cost of tubular use, simplify management and minimize the safety hazards associated with tubular use for the clients.
- Northern Heavy Anton Machinery Manufacturing Co., Ltd ("Northern Heavy Anton"), a joint venture under the tubular services cluster, saw performance improvement in the first half of 2013 as compared with the same period last year. The improvement was attributable to the company's efforts in strengthening management, cutting costs and growing revenue, and steadily pushing for sales. However, there remains a need to speed up new product R&D to open up new market development. Adopting a prudent accounting approach, the Group made a considerable loss provision of RMB31.9 million at the end of 2011 for its investment in this joint venture. Since the business of the joint venture experienced no significant change in the first half of 2013, the Group considers no further impairment was needed for this investment during the period.

Alignment of Strategic Resources

In the first half of 2013, the Group vigorously pushed ahead the implementation of its integrated service strategy for oil and gas development with high-end technical services as the driver and with regular services as the support. As such, the Group made up for the inadequate regular service capacity on the one hand and continued to strengthen the R&D and introduction of high-end technologies on the other, preemptively deployed and aligned all-round strategic resources through investment, R&D and human resources development. During the first half of 2013, the Group's capital expenditure spending amounted to RMB270.3 million, an increase of 48% from RMB182.7 million of the same period last year.

Alignment of Investments

In the first half of 2013, the Group, guided by its strategic objective, quickly advanced investments in regular service equipment mainly in pressure pumping equipment to meet the clients' need for stimulation. It also made investment in rigs which were essential to the provision of integrated operations for clients. The Group also actively facilitated the construction of a base that could boost its ability to run a full suite of in-house testing and processing capabilities for well completion tools, as well as other major bases to better support the Group's industrial development agenda.

Major investment projects

- On pressure pumping, the equipment was part of the Group's featured investment in critical regular service equipment aimed for stimulation. The Group quickly moved ahead with its integrated service capacity building as it has signed strategic partnership agreements with a leading domestic pressure pumping equipment supplier in order to cut purchasing costs, shorten the delivery lead time, and ensure supply. In the first half of 2013, the Group invested in an additional pressure pumping service capacity of 31,200 HHP. As at 30 June 2013, the Group had a combined pressure pumping service capacity of 55,200 HHP. In July, a new fleet with an additional capacity of 20,000 HHP had been delivered. Meanwhile, the Group is actively building capacities in the R&D, formula mixing and manufacturing of materials and chemicals required for fracturing, which together with the Group's fracturing technologies, techniques, tools and equipment, serve to establish an integrated service capacity around fracturing.
- On coiled tubing, as at 30 June 2013, the Group had 5 coiled tubing units in operation, 3 of which operating domestically and 2 in the Middle East. Besides, the Group had 2 additional sets of coiled tubing equipment arrived its global headquarters in Dubai in July, 2013.
- On tubular helium testing, the Group set up 3 new tubular helium testing operation units in the first half of 2013. As at 30 June 2013, the Group had a total of 14 tubular helium testing operation units.
- On directional drilling, in the first half of 2013, the Group invested in 7 new directional drilling operation units. As of 30 June 2013, the Group had built up a total of 27 directional drilling operation units, of which 15 operating domestically, 6 in the Middle East and 6 in Central Asia.
- On contractor drilling rig service, to meet the clients' needs for integrated services, the Group purchased three 5,000-meter drilling rigs, two of which were delivered in May and June 2013 respectively. In addition, one more rig was delivered in late July. In the reporting period, the first rig has made a successful spud, opened up access to the Sichuan Basin market, quickly received orders, and established a model of driving the sales of directional drilling and drilling fluid services through rigs. The fast ramp up of drilling rig service capacity will facilitate the growth of Group's integrated general contracting business.

Management Discussion and Analysis

- On tubular services, to develop the integrated service model centered upon inspection, the Group has strengthened capacity building for tubular inspection and evaluation technical services. Meanwhile, it further enhanced the Group's tubular leasing and operation service capacity. It added the oil drilling tools to boost the capacity for the leasing and operation service. It also built new casing and tubing inspection equipment and related instruments and apparatus and completed the qualification inspection conducted by the China National Accreditation Board for Laboratories.
- On establishing its in-house manufacturing capacity and the construction of industrial bases, domestically, the well completion tools base in Tianjin Binhai New Area, funded and constructed by a strategic partner at the Group's request, is now past the stage of design validation for the production lines. Civil engineering for the plant and the ordering of processing equipment has started. The Group has been in talks with global service providers firms regarding partnerships in well completion tool design and manufacturing. Once completed, the base will integrate a full range of functions around well completion tools across tool design, experimentation, assembly, testing and processing, and provide fully proprietary well completion tools for the Group. Similarly, the down-hole operation industrial base in Suining, Sichuan province, also funded and constructed by a strategic partner, has completed the engineering work for the principal structure of the buildings and is expected to become ready for use by year-end 2013. Upon completion, the base will serve as the head office for the Group's down-hole operation and provide storage space, repair and maintenance for down-hole equipment, R&D, and training for workers as well as frontline operational support. It will also provide office space and accommodation for down-hole engineers. In the overseas market, the second phase construction of the operational bases in the Al-Ahdab project and the Halfaya project in Iraq has been completed, which served to provide strong support for frontline operations, production and life in the field.

Alignment of R&D Resource

In the first half of 2013, the Group continued to pursue its strategic plan and moved forward the research and development ("R&D") of proprietary products mainly in connection with stimulation and integration of its product lines in a bid to further increase the Group's efficiency in stimulation and thus lower the customers' overall costs. During the first half of 2013, the Group invested RMB42.3 million in R&D, up by 14.6% comparing to RMB36.9 million of the same period last year. During the reporting period, the Group obtained a total of 23 patent rights, increasing the number of patent rights owned by the Group to 394.

Key R&D projects

- Directional drilling software: the R&D of seven functional modules covering trajectory design and calculation, corrected azimuth calculation, anti-collision scanning, 3-D view, etc. was completed. The trial version had been used by three service teams for three months and the results were satisfactory. The Group will continue to improve the functionality of the friction torque module.
- Development of rotary liner hangers and their auxiliary tools: the Group completed the development and proprietary manufacturing of four series of tools in two sizes and specifications and applied them in three jobs. By the end of the year, the Group will complete the proprietary manufacturing of six series of tools in three sizes and specifications and of their auxiliary tools.

Management Discussion and Analysis

- Development of coiled tubing casing multistage stimulation technology: the Group has mastered the coiled tubing bridge-plug milling technology and is able to fast drill 12 levels of bridge-plug in a single run. The testing and study of coiled tubing and reel cabling-conveyed wireline were completed and the Group now possess the capability of integrated operation of conveyed wireline, perforating, setting and fast drilling of bridge plugs. The state-of-the art coiled tubing-conveyed resettable packers fracturing technology had been applied, achieving coiled tubing jetting + annulus fracturing, coiled tubing jetting + annulus fluid infusion operations. The combined application of such technologies will significantly enhance the Group' s service capability & capacity for natural gas production enhancement operation.
- Development and implementation of the new clean fracturing fluid: the Group has successfully developed the formula of three series of fracturing fluids (90 °C, 120 °C and 160 °C). The next step will be interim testing and evaluation experiment, manufacturing and promotion of the products. Application for invention patents has been made.

Alignment of Human Resources

The Group has an unwavering commitment to talent as a prime resource for development. In 2013, the Group further advanced the 'Talents First' strategy with the world-class human resources management system. While attracting top industry talents, the Group also made graduate hires on a large scale. At the same time, it further improved the talent management and training to provide for a strong reserve of human resources required for the long-term development of the Group. As at 30 June 2013, the Group had a permanent staff of 1,564. With the disposal of the Bazhou Companies, the non-core technical staff was also dismissed. The comparable staff size of the Group has increased by 96 people over the last year.

Major development in human resources

- Talent recruitment further expedited. In the first half of 2013, the Group intensified its efforts to strengthen its base of engineers fit for the Group's businesses. It continued to attract technical experts at drilling, well completion and down-hole operations on the one hand and actively built up the frac crews and rig crews so that they could start offering operations to the clients as soon as the purchased equipment arrives. In line with its strategy, the Group continued to bring in top industry talents during the first half of 2013. To reinforce the integrated service model, it further improved reservoir evaluation and analysis capabilities by engaging top-notch talents in the geology and reservoir space. To benchmark towards the internationally accepted QHSE system, the Group recruited leading QHSE experts from world-leading oil companies. In addition, to meet rapidly growing business needs, the Group increased its annual headcount for campus recruitment from 400 set in January to 680. As of 30 June 2013, all the campus recruitment had been completed. All the graduate hires are expected to finish induction and group training by the third quarter.
- A fast track talent development program was established. In light of the considerable number of graduates joining, the Group was prepared to offer training courses for them to quickly qualify as field engineers. The various industry experts within the Group acted as trainers who provided both technical and on-the-job training. They taught with rigs and put the new graduate hires to work in various business units to help them improve the hands-on skills, deepen their understanding of wellbore technologies, and increase their professional knowledge of the QHSE process.

Management Discussion and Analysis

- A human resources architecture aligned with the Group's strategy was laid down. In the first half of 2013, the Group further optimized the organizational structure of the oil and gas field development unit and Anton Research Institute to increase their support of the Group's overall business. In addition, in the reporting period, three regional companies were set up in the Tarim, Sichuan and Erdos basins, which consolidated the marketing, operations and industry capabilities of the Group in the three basins, enabled further penetration in the regional markets, gained affinity to the clients and supported the Group's strategic plans for the domestic market.
- To provide uninterrupted human resources to support the sustainable development of the Group, a "succession plan" was initiated in the first half of 2013 at the Group to select immediate and prospective successors for all key positions. For the successor candidates, long-term development plans were formulated and focused talent development would be provided to help the Group create a powerful talent pool.
- In the first half of 2013, the Group granted a total of 35,324,000 ordinary share options to over 290 high-performing employees and core staff members. Among the total share options awarded, 33,730,000 are exercisable at a price of HKD3.878 per share, 1,296,000 at a price of HKD5.742 per share and 298,000 at a price of HKD5.600 per share.

OUTLOOK

Looking ahead into the second half of 2013, natural gas investment will persist in the domestic market. Oil companies will continue to prioritize the development of conventional gas and tight gas, while beginning to commence preliminary-stage shale gas projects. Tight oil has attracted oil companies' attention and this may translate into huge opportunities in the future. The second half of each year is the active season in exploration and development. Thus, oil companies are set to increase their exploration and development activities in major onshore basins such as the Tarim Basin, Erdos Basin and Sichuan Basin, generating an even greater demand for drilling optimization-related and stimulation-related services. In the overseas market, Chinese investors will continue to press ahead with their overseas project construction in order to meet their strategic objectives. Of these projects, Halfaya Phase II, which is of a larger scale development, has entered the next stage of construction.

Natural gas in China is stepping into a golden age. The Group will continue to grow its domestic business footprint and prioritize the domestic market as the core market for development. The Tarim Basin, Erdos Basin and Sichuan Basin remain the three major regional markets for the Group domestically, and the Group will fully implement its regionalized strategies and actively respond to the specific needs of services for drilling optimization and stimulation. At the same time, the Group will continue to develop and nurture business in other basins. On the overseas front, the Group aims to maintain a fair proportion of overseas revenue, with a focus on Iraq by actively mobilizing technologies and resources available for the next stage of development. Meanwhile, it will build on its previous development success in South America, gradually introducing more of the Group's products and replicate its success in other markets in South America.

On products, the Group will continue to develop an asset-light integrated service model. The model has an emphasis on talent and technology as growth drivers, seeks to complement regular services capacity and consistently improve the integrated product line to generate synergies. On the one hand, the Group will continue to compete on technology leadership in the market. In the second half of 2013, it will continue to enrich the Group's suite of technologies for drilling optimization and stimulation through ongoing technical upgrades and introducing new technologies. On the other hand, as the Group fully boosted its equipment service capacity, it will be able to leverage its advantages in the high-end market to accelerate the market use of regular service equipment and to create mutually reinforcing synergies with technology. Furthermore, the Group will expedite the building of reservoir evaluation and analysis capabilities and of the human resources at the Tongzhou IPM. With an integrated service model more well prepared, it is set to catalyze the business of individual services.

Management Discussion and Analysis

To brace for long-term development, the Group has the vision to invest proactively to build its human resources, regular service capacity and external collaborative resources. In terms of human resources development, the Group will intensify talent development in the second half of 2013. It will develop professional training for about 680 new graduate hires joining the Group and speed up their development into field engineers through on-the-job training and lab training. It will contribute to creating a sizable talent pool with sufficient human resources to support the long-term development of the Group. On the building of regular service capacity, the Group continues to pursue investments in regular service equipment such as pressure pumping equipment and rigs. In July, it added 20,000 HHP and one 5,000-meter drilling rig. It has also started a new round of procurement for pressure pumping equipment and rigs. The Group also continues to progress with the construction of the well completion tools base in Tianjing Binhai New Area and the down-hole operation industrial base in Suining, Sichuan province. The down-hole operation base in Suining is expected to be commissioned by year-end 2013. The Group will base on its strategic plan to determine the pace of accelerating in order to meet the strategic targets at a faster pace.

In terms of building partnerships, the Group will step up strategic partnerships to drive business growth. It will continue to cement strategic partnerships with oil company clients and lock in on markets through such strategic partnerships. It will forge strategic partnerships with state-owned service companies to complement each other's inadequacies and to increase the Group's market channels. It will pursue strategic alliances with global services companies that draw upon each other's comparative advantages to launch new products and services to the market.

Coupled with rapid business growth, the Group is also benchmarking towards world-class management practices, especially in the area of Quality, Health, Safety and the Environment (QHSE). The Group is actively bringing in leading QHSE experts from international oil companies, step up the investment in QHSE, foster a stronger QHSE culture, so as to establish a world-class QHSE management system.

On financial strategy, the Group remains committed to maintaining stable profitability and a healthy level of capacity management efficiency. It will continue to broaden the onshore and offshore financing channels. In August, the Group completed the issuance of the second tranche of the medium notes in the amount of RMB200,000,000. The Group's debt structure is further optimized.

With the Group's rapid capacity building of talent and equipment, the Group is well poised to realize its strategic objectives at a faster pace.

Management Discussion and Analysis

FINANCIAL REVIEW

In order to provide investors with a more direct analysis of the Group's cost structure, the Group has since 2012 adopted an accounting format consistent with its internal management, which classifies costs and expenses by function instead of classification by nature as in previous disclosures. The new format helps investors to better analyze direct cost of sales and major expenses.

Revenue

The Group's revenue in the first half of 2013 amounted to RMB1,057.0 million, representing an increase of RMB253.3 million or 31.5% as compared to RMB803.7 million in the same period of 2012. The increase in the Group's revenue was mainly attributable to the Group's continued market expansion in major Chinese natural gas basins, rapid growth of its existing businesses and revenue contributions beginning to be generated from new businesses.

Cost of Sales

The cost of sales in the first half of 2013 increased to RMB591.9 million, representing an increase of 41.3%, from RMB419.0 million in the same period of 2012. The increase was mainly due to the increase in sales.

Other Gains

Other gains in the first half of 2013 increased to RMB12.1 million from RMB0.7 million in the same period of 2012. Such increase was mainly due to the gains on the disposal of the Bazhou Companies.

Selling Expenses

The selling expenses in the first half of 2013 amounted to RMB81.4 million, representing an increase of RMB9.1 million or 12.6% as compared with RMB72.3 million in the same period of 2012. This was mainly due to the increase in sales of the Group.

Administrative Expenses

The administrative expenses in the first half of 2013 amounted to RMB119.7 million, representing an increase of RMB24.9 million or 26.3% as compared with RMB94.8 million in the same period of 2012. This was mainly due to the increase in sales of the Group.

R&D Expenses

The R&D expenses for the first half of 2013 amounted to RMB32.0 million, representing an increase of RMB3.1 million or 10.7% as compared with RMB28.9 million in the same period of 2012. This was mainly attributable to the Group's increased investment in research and development.

Sales Tax and Surcharges

The sales tax and surcharges for the first half of 2013 amounted to RMB10.1 million, representing a decrease of RMB5.6 million or 35.7% as compared with RMB15.7 million in the same period of 2012. The decrease was mainly due to the reform of national tax system whereby taxes borne by certain businesses was changed from sales tax last year to value-added tax, which was not included in sales tax and surcharges.

Operating Profit

As a result of the foregoing, the operating profit in the first half of 2013 amounted to RMB234.0 million, representing an increase of RMB60.3 million or 34.7% as compared with RMB173.7 million in the same period of 2012. The operating profit margin was 22.1% in the first half of 2013, representing an increase of 0.5 percentage point from 21.6% in the same period of 2012.

Finance Expenses (Net)

Net finance expenses in the first half of 2013 was RMB21.2 million, up by RMB15.8 million compared to the same period of 2012. The increase was mainly due to the increased liabilities used for the Group's strategic resource alignment including the fixed-asset investment and the subsequent increase in finance costs.

Share of Loss or Profit of a Joint Venture

The share of loss of a joint venture in the first half of 2013 amounted to RMB5.7 million, mainly due to the expenses incurred by the joint venture, Tongzhou IPM Services, during the startup period. No share of loss or profit of a joint venture was incurred in 2012.

Income Tax Expense

Income tax expense for the first half of 2013 amounted to RMB37.4 million, representing an increase of approximately RMB12.4 million from the same period of 2012, the increase was mainly attributable to the corresponding increase in pre-tax charges as a result of a significant increase in profit before tax.

Profit for the Period

As a result of the foregoing, the Group's profit for the first half of 2013 was RMB169.7 million, representing an increase of RMB36.8 million or 27.7% from the same period of 2012.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the first half of 2013 amounted to approximately RMB164.2 million, representing an increase of approximately RMB39.6 million or 31.8% from the same period of 2012.

Management Discussion and Analysis

Trade and Notes Receivables

As at 30 June 2013, the Group's net trade and notes receivables were approximately RMB1,112.5 million, representing an increase of RMB164.2 million as compared to 31 December of 2012. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in the first half of 2013 were 163 days, representing a decrease of 7 days as compared to the same period of 2012. This was mainly attributable to the Group's strengthened management of receivables collection.

Inventory

As at 30 June 2013, the Group's inventory was RMB499.5 million, representing an increase of RMB12.5 million as compared to 31 December 2012, mainly due to the increase in sales of the Group.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2013, the Group's cash and bank deposits amounted to approximately RMB386.2 million (included: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of RMB152.8 million as compared to 31 December 2012, mainly due to the Group's increased investment in fixed assets and intangible assets in order to meet the needs of its own development.

As at 30 June 2013, the Group's outstanding short term bank loans amounted to RMB402.4 million. Credit facilities granted to the Group by banks amounted to RMB655.0 million and US\$40.0 million, of which approximately RMB232.0 million and US\$23.7 million were not used.

As at 30 June 2013, the gearing ratio of the Group was 35.1%, representing a decrease of 2.3 percentage points from the gearing ratio of 37.4% as at 31 December 2012. This was mainly due to the decrease in trade payables and notes payables. Net debt included borrowings and trade and notes payables. Total capital was calculated as equity plus net debt.

The equity attributable to equity holders of the Company increased to RMB2,051.0 million in the first half of 2013 from RMB1,971.9 million as at 31 December 2012. The increase was mainly due to the increase in profit for the period.

DISPOSAL OF SUBSIDIARIES

In February 2013, the Group disposed of its 55% interests in Bazhou Anton Chang Xiang Applied Chemical Technology Co., Ltd. (巴州安東暢想油田應用化學技術有限公司), Bazhou Chang Xiang Applied Chemical Technology Co., Ltd.(巴州暢想應用化學技術有限公司), Bazhou Cheng Xi Petroleum Commodity Co., Ltd.(巴州誠熙石油物資有限公司,) and Bazhou Cheng Xi Petroleum Commodity Kazakhstan Co., Ltd. (together the "Bazhou Companies"), for a total consideration of RMB56,497,000, with a gain on disposal approximating RMB13.3 million.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Some imported and exported goods require to be settled in foreign currencies. The Group considers that the exchange risk involved in the settlement amounts being denominated in foreign currencies is insignificant. The exchange risk of the Group mainly arises from its foreign currency deposits and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against US dollars may have a negative impact on the Group's operating results and financial position.

NET CASH USED IN OPERATING ACTIVITIES

As at 30 June 2013, net cash used in operating activities of the Group amounted to RMB2.5 million, representing a decrease of RMB81.7 million outflow as compared to the same period in 2012. This was mainly because of such factors as the enhanced capital efficiency and the further reduction of trade receivables turnover days during the period.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's net capital expenditure for the first half of 2013 was RMB214.5 million, of which, investments in fixed assets were RMB239.5 million, investments in intangible assets were RMB10.3 million, payment of the equity investments was RMB20.5 million and disposal of equity interest was RMB55.8 million. The Group will base on its strategic plan to determine the pace of accelerating the construction of service capacity, which may change the capital expenditures accordingly.

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 2013, the Group's operating lease commitments amounted to approximately RMB39.4 million. As at the balance sheet date (30 June 2013), the Group had capital commitments of approximately RMB82.1 million, which was not provided for in the balance sheet.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2013, the Group did not have any off-balance sheet arrangement.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (For the six months ended 30 June 2012: nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2013, except for the following deviation:

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive of a Company should be separate, and should not be performed by the same individual. The Company does not separate the roles of Chairman and Chief Executive Officer, with Mr. Luo having served as both Chairman and Chief Executive Officer of the Company during the reporting period. Mr. Luo was the main founder of the Group. He was responsible for the operational management of the Group since our establishment and was instrumental to the development of the Group. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board of Directors is of the view that continuing to engage Mr. Luo to serve as Chief Executive Officer of the Company at this stage will safeguard the continuity of our operational management and can protect shareholders' interests.

DIRECTORS' SECURITIES TRANSACTIONS

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 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 reporting period.

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

For the period ended 30 June 2013, the Company repurchased a total 2,124,000 shares (2012: nil) on the Stock Exchange at an aggregate consideration of approximately HK\$10,641,792 (2012: nil). All the repurchased shares were subsequently cancelled. Particulars of the repurchases are as follows:

Month	Number of ordinary shares repurchased	Purchase price		Aggregate Consideration paid HK\$
		Highest HK\$	Lowest HK\$	
March 2013	324,000	5.0200	4.9800	1,623,612
April 2013	1,800,000	5.0101	5.0000	9,018,180
Total	2,124,000			10,641,792

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2013.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2013.

By order of the Board

Anton Oilfield Services Group

LUO Lin

Chairman

Hong Kong, 11 August 2013

As at the date of this announcement, Mr. LUO Lin, Mr. WU Di and Mr. LIU Enlong are the executive directors of the Company; Mr. Jean Francois POUPEAU is a non-executive director of the Company; and Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai are the independent non-executive directors of the Company.