安東石油
Antonoil

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

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

幫助別人成功
自己就能成功
We succeed by helping others to succeed

2010 Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Lin
Mr. Ma Jian
Mr. Wu Di

Independent Non-executive Directors

Mr. Zhang Yongyi
Mr. Zhu Xiaoping
Mr. Wang Mingcai

AUDIT COMMITTEE

Mr. Zhu Xiaoping *(Chairman)*
Mr. Zhang Yongyi
Mr. Wang Mingcai

REMUNERATION COMMITTEE

Mr. Wang Mingcai *(Chairman)*
Mr. Zhu Xiaoping
Mr. Luo Lin

NOMINATION COMMITTEE

Mr. Zhang Yongyi *(Chairman)*
Mr. Wang Mingcai
Mr. Luo Lin

AUTHORIZED REPRESENTATIVES

Mr. Luo Lin
Mr. Ngai Wai Fung

COMPANY SECRETARY

Mr. Ngai Wai Fung (FCIS, FCS (PE), CPA, ACCA)

COMPANY'S WEBSITE

www.antonoil.com

INVESTOR RELATIONS HOTLINE

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183 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

No. 8, Pingcui West Road, Donghuqu
Chaoyang District, Beijing, China 100102

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 75
George Town
Grand Cayman KY 1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

as to Hong Kong and U.S. law:
Sidley Austin

as to PRC law:
Tian Yuan Law Firm

as to Cayman Islands law:
Maples and Calder

PRINCIPAL BANKS

China Merchants Bank
Shanghai Pudong Development Bank
Bank of Beijing

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3337

DATE OF LISTING

14 December 2007

BUSINESS REVIEW

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

Revenue by division (%)

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

WELL COMPLETION

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

Integrated Well Completion

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

Screen Well Completion Technology and Production Tools

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

Gravel Packing Well Completion Technology

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

DOWN-HOLE OPERATION

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

Down-hole Operation (Production Enhancement Service)

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

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

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

Equipment Service

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

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

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

DRILLING TECHNOLOGY

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

Directional Well Technology

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

Integrated Services

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

TUBULAR SERVICES

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

In the first half of 2010, the research and development ("R&D") of the tubular technology achieved breakthrough, completed the development of modular repairment technology and achieved mobile rapid testing and repair. It enabled the Group to respond to its clients' needs more rapidly. At the same time, the Group moved forward the one-stop service for oilfield tubes in Tarim Basin Oil Field. It set up a service centre providing one-stop services in the whole process of testing, maintenance and management of tubes, and also established the headquarters for tubular services in the Korla region, therefore establishing long-term partnerships with local oilfields and consolidating the absolute leading position of the Group in the region's oilfield tubular services circle.

MARKETING

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

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

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

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

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

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

2. Demand for horizontal well large-scale exploration

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

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

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

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

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

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

Revenue by region (%)

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

RESEARCH AND DEVELOPMENT

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

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

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

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

In the drilling technological cluster area, the Group primarily conducted research of sidetracking horizontal well drilling, vertical well drilling and rotary steering technologies. We studied these three technologies that were introduced from overseas and recreated our own know-how and formulated tailor-made solutions to different oilfields based on their specific requirements. We carried out on-site operation services for 8 wells including highly difficult wells, complex wells and special wells. All operations were completed satisfactorily with some exceeding expectations, serving a great model for our promotion in the second half of 2010. In addition, the Group developed one related patent right.

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

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

HUMAN RESOURCES

In the first half of 2010, the Group continued and proactively optimized its human resources structure, and enhanced and improved the human resources reserves that was necessary for our long-term development. Overall results were demonstrated in the following areas:

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

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

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Material Costs

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

Staff Costs

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

Depreciation and Amortisation

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

Other Operating Costs

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

Operating Profit

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

Finance Costs (Net)

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

Income Tax Expenses

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

Profit for the Period

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

Profit Attributable to Equity Holders of the Group

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

Trade Receivables and Trade Payables

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

Inventory

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

EXCHANGE RISK

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

CASHFLOW FROM OPERATING ACTIVITIES

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

CAPTIAL EXPENDITURE AND INVESTMENT

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

CONTRACTUAL LIABILITY

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

As at the balance sheet date, the Group had no capital commitments related to investments in property, plant and equipment.

INTERIM DIVIDEND

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

Unless as otherwise specified, as at 30 June 2010, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules (the "Model Code") were as follows:

(i) Long positions in ordinary shares of HK$0.10 each:

Name of director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust	689,146,150	32.93%
Ma Jian	2	Founder of a discretionary trust	87,850,550	4.20%

Notes:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 689,146,150 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust.

2. Mr. Ma Jian is the founder of the Brewster Trust, which is indirectly interested in 60.4% of the issued share capital of Anton Management Development Holdings Corp., which in turn is interested in 87,850,550 shares of the Company. Mr. Ma Jian and his family members are the beneficiaries of the Brewster Trust.

(ii) Long positions in underlying shares of share options:

The directors of the Company (the "Directors") have been granted options under the Company's share option scheme, details of which are set out in "Share Option Scheme" below.

Save as disclosed above, at no time during the six months ended 30 June 2010, the Directors and chief executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

As at 30 June 2010, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the share option scheme, which was conditionally adopted on 17 November 2007 (the "Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantee	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Note	Number of share options as at 1 January 2010	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2010
Director										
Zhang Yongyi	3 February 2008	3 February 2009 to 2 February 2012	1.634	1, 3	1,400,000					1,400,000
	29 April 2009	29 April 2010 to 28 April 2012	0.684	2, 4	600,000					600,000
				Sub total:	2,000,000					2,000,000
Zhu Xiaoping	3 February 2008	3 February 2009 to 2 February 2012	1.634	1, 3	1,200,000					1,200,000
	29 April 2009	29 April 2010 to 28 April 2012	0.684	2, 4	600,000					600,000
				Sub total:	1,800,000					1,800,000
Wang Mingcai	3 February 2008	3 February 2009 to 2 February 2012	1.634	1, 3	1,000,000					1,000,000
	29 April 2009	29 April 2010 to 28 April 2012	0.684	2, 4	600,000					600,000
				Sub total:	1,600,000					1,600,000
Luo Lin	29 April 2009	29 April 2010 to 28 April 2013	0.684	1, 4	2,000,000					2,000,000
	9 April 2010	9 April 2011 to 8 April 2014	0.750	1, 5	–	80,000				80,000
				Sub total:	2,000,000	80,000				2,080,000
Ma Jian	29 April 2009	29 April 2010 to 28 April 2013	0.684	1, 4	1,500,000					1,500,000
	9 April 2010	9 April 2011 to 8 April 2014	0.750	1, 5	–	500,000				500,000
				Sub total:	1,500,000	500,000				2,000,000
Pan Weiguo	29 April 2009	29 April 2010 to 28 April 2013	0.684	1, 4, 6	1,800,000				1,800,000	–

SHARE OPTION SCHEME *(Continued)*

Grantee	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Note	Number of share options as at 1 January 2010	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2010
Employees in aggregate	3 February 2008	3 February 2009 to 2 February 2012	1.634	1, 3	6,250,000					6,250,000
	29 April 2009	29 April 2010 to 28 April 2013	0.684	1, 4	21,300,000					21,300,000
	9 April 2010	9 April 2011 to 8 April 2014	0.750	1, 5	–	32,500,000			300,000	32,200,000
					38,250,000	33,080,000			2,100,000	69,230,000

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of 48 months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.

2. The option period for the share options granted above commences on the date of grant and ends on the last day of 36 months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of first and second anniversaries of the date of grant.

3. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.63.

4. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.63.

5. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.75.

6. Mr. Pan Weiguo retired as an executive Director of the Company on 27 May 2010.

PRE-IPO SHARE OPTION SCHEME

The Company adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 October 2007. Set out below are the details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Grantee	Note	Date of grant of share options	Number of share options as at 1 January 2010	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2010
Employees in aggregate	1	9 October 2007	3,244,500				3,244,500
	2	16 October 2007	210,000				210,000
			3,454,500				3,454,500

Notes:

1. The option period for the share options granted commences on the date of grant and ends on the last day of the eight years counting from the said date. The grantees are vested with, and entitled to exercise up to 30%, 30%, 20%, 10% and 10% of their share options during the option period commencing from each of the first, second, third, fourth and fifth anniversaries of the date of grant.

2. The option period for the share options granted commences on the date of grant and ends on the last day of the five years counting from the said date. The grantees are vested with, and entitled to exercise up to all of their share options during the option period commencing from the first anniversary of the date of grant.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, so far was known to any Director or the chief executive, the shareholders, other than the Directors or the chief executive of the Company, who had an interest or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares or underlying shares of the Company:

Name	Note	**Capacity**	**Number of ordinary shares**	**Approximate percentage of shareholding**
Credit Suisse Trust Limited	1	Trustee	689,146,150	32.93%
Seletar Limited	1	Trustee	689,146,150	32.93%
Serangoon Limited	1	Trustee	689,146,150	32.93%
Avalon Assets Limited	1	Trustee	689,146,150	32.93%
Pro Development Holdings Corp.	1	Beneficial owner	689,146,150	32.93%
Chengwei Anton Holdings Inc.	2	Beneficial owner	162,350,740	7.76%
Chengwei Ventures Evergreen Fund, LP	2	Interest of controlled corporation	162,350,740	7.76%
Chengwei Ventures Evergreen Management, LLC	2	Interest of controlled corporation	162,350,740	7.76%
EXL Holdings, LLC	2	Interest of controlled corporation	162,350,740	7.76%
Li Eric Xun	2	Interest of controlled corporation	162,350,740	7.76%
Li Zhu Yi Jing	2, 3	Interest of spouse	162,350,740	7.76%
China Harvest Fund, L.P.	4	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment, L.P.	4	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment GP	4	Interest of controlled corporation	375,000,000	17.92%
Erdos Holding Company Limited	4	Beneficial owner	375,000,000	17.92%

Notes:

1. The 689,146,150 shares referred to the same batch of shares.

2. The 162,350,740 shares referred to the same batch of shares.

3. Ms. Li Zhu Yi Jing is Mr. Li Eric Xun's spouse.

4. The 375,000,000 shares referred to the same batch of shares.

Save as disclosed above, as at 30 June 2010, so far was known to the Directors, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The directors of the Company have adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

AUDIT COMMITTEE

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

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

Hong Kong, 27 August 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF ANTON OILFIELD SERVICES GROUP
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 48, which comprises the condensed consolidated balance sheet of Anton Oilfield Services Group (the 'Company') and its subsidiaries (together, the 'Group') as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting'. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2010

Condensed Consolidated Interim Balance Sheet

As At 30 June 2010
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	**377,273**	334,240
Land use rights		**25,769**	26,051
Intangible assets	6	**334,432**	312,087
Investment in a jointly controlled entity	7	**48,789**	50,668
Deferred income tax assets		**1,619**	639
		787,882	723,685
Current assets			
Inventories	8	**258,860**	211,613
Trade and notes receivables	9	**543,888**	429,985
Prepayments and other receivables	10	**71,832**	82,509
Restricted bank deposits	11	**43,502**	3,120
Term deposits with initial terms of over three months	11	**55,579**	67,609
Cash and cash equivalents	11	**124,536**	272,959
		1,098,197	1,067,795
Total assets		**1,886,079**	1,791,480
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	12	**197,411**	197,411
Reserves			
– Proposed final dividend		**—**	18,000
– Others		**1,338,156**	1,295,954
		1,535,567	1,511,365
Non-controlling interests		**33,044**	34,714
Total equity		**1,568,611**	1,546,079

Condensed Consolidated Interim Balance Sheet *(Continued)*

As At 30 June 2010

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2010 (Unaudited)**	As at 31 December 2009 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	**11,937**	—
Deferred income tax liabilities		**2,745**	2,479
		14,682	2,479
Current liabilities			
Short-term borrowings	13	**50,000**	50,000
Current portion of long-term borrowings	13	**23,765**	—
Derivative financial liabilities	14	**180**	—
Trade and notes payables	15	**132,283**	103,138
Accruals and other payables	16	**79,634**	77,895
Current income tax liabilities		**16,924**	11,889
		302,786	242,922
Total liabilities		**317,468**	245,401
Total equity and liabilities		**1,886,079**	1,791,480
Net current assets		**795,411**	824,873
Total assets less current liabilities		**1,583,293**	1,548,558

The accompanying notes on page 28 to 48 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

For The Six Months Ended 30 June 2010
(Amounts expressed in thousands of RMB except per share data)

		Six months ended 30 June	
		2010	2009
	Note	**(Unaudited)**	(Unaudited)
Revenue	17	**337,477**	323,739
Other (loss)/income, net		**(70)**	1,970
Operating costs			
Material costs		**(139,203)**	(162,879)
Staff costs		**(58,816)**	(65,473)
Depreciation and amortisation		**(25,363)**	(16,278)
Sales tax and surcharges		**(3,330)**	(5,815)
Others		**(50,252)**	(48,786)
		(276,964)	(299,231)
Operating profit	18	**60,443**	26,478
Interest income		**1,637**	2,917
Finance costs, net	19	**(1,466)**	(755)
Share of (loss)/profit of a jointly controlled entity		**(1,879)**	60
Profit before income tax		**58,735**	28,700
Income tax expense	20	**(12,628)**	(4,129)
Profit for the period		**46,107**	24,571
Profit attributable to:			
Equity holders of the Company		**40,339**	21,471
Non-controlling interests		**5,768**	3,100
		46,107	24,571
Earnings per share for the profit attributable to the equity holders of the Company			
– basic and diluted	21	**0.019**	0.010
Dividends proposed	22	**–**	–

The accompanying notes on page 28 to 48 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement Of Comprehensive Income

For The Six Months Ended 30 June 2010
(Amounts expressed in thousands of RMB)

		Six months ended 30 June	
		2010	2009
	Note	**(Unaudited)**	(Unaudited)
Profit for the period		**46,107**	24,571
Other comprehensive (loss)/income, net of tax:			
Currency translation differences		**(203)**	31
Cash flow hedges	14	**(180)**	—
Other comprehensive (loss)/income, net of tax for the period		**(383)**	31
Total comprehensive income for the period		**45,724**	24,602
Total comprehensive income attributable to:			
Equity holders of the Company		**39,956**	21,502
Non-controlling interests		**5,768**	3,100
		45,724	24,602

The accompanying notes on page 28 to 48 are 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 2010
(Amounts expressed in thousands of RMB)

		Attributable to the Company's equity holders									
	Note	Share capital	Share premium	Hedging reserve	Capital reserve	Statutory reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total Equity
Balance at 1 January 2009 (Audited)		197,411	686,918	–	301,673	24,951	308,873	(331)	1,519,495	31,119	1,550,614
Total comprehensive income for the period ended 30 June 2009		–	–	–	–	–	21,471	31	21,502	3,100	24,602
Share option scheme	12(b)	–	–	–	6,969	–	–	–	6,969	–	6,969
Capital injection by non-controlling interests		–	–	–	1,576	–	–	–	1,576	525	2,101
Dividends	12(a)	–	(57,000)	–	–	–	–	–	(57,000)	–	(57,000)
Balance at 30 June 2009 (Unaudited)		197,411	629,918	–	310,218	24,951	330,344	(300)	1,492,542	34,744	1,527,286
Balance at 1 January 2010 (Audited)		**197,411**	**629,918**	**–**	**318,606**	**30,768**	**335,076**	**(414)**	**1,511,365**	**34,714**	**1,546,079**
Total comprehensive income for the period ended 30 June 2010		**–**	**–**	**(180)**	**–**	**–**	**40,339**	**(203)**	**39,956**	**5,768**	**45,724**
Share option scheme	12(b)	**–**	**–**	**–**	**2,246**	**–**	**–**	**–**	**2,246**	**–**	**2,246**
Dividends	12(a)	**–**	**(18,000)**	**–**	**–**	**–**	**–**	**–**	**(18,000)**	**(7,438)**	**(25,438)**
Balance at 30 June 2010 (Unaudited)		**197,411**	**611,918**	**(180)**	**320,852**	**30,768**	**375,415**	**(617)**	**1,535,567**	**33,044**	**1,568,611**

The accompanying notes on page 28 to 48 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2010
(Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Net cash used in operating activities		**(59,184)**	(64,674)
Net cash (used in) / generated from investing activities	23	**(103,919)**	13,885
Net cash generated from / (used in) financing activities	23	**14,727**	(44,000)
Net decrease in cash and cash equivalents		**(148,376)**	(94,789)
Cash and cash equivalents, at beginning of the period	11	**272,959**	307,918
Exchange loss on cash and cash equivalents		**(47)**	(470)
Cash and cash equivalents at end of the period	11	**124,536**	212,659

The accompanying notes on page 28 to 48 are an integral part of this condensed consolidated interim financial information.

1. GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(Amounts expressed in thousands of RMB)

4. SEGMENT INFORMATION

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

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the CODM make decisions about resources to be allocated to the segments and assesses their performance. They are so managed according to different nature of products and services. Most of these entities engaged in just single business, except a few entities deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

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

Revenue recognised during the period are as follows:

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

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

(Amounts expressed in thousands of RMB)

4. SEGMENT INFORMATION *(Continued)*

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

(Amounts expressed in thousands of RMB)

4. SEGMENT INFORMATION *(Continued)*

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

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

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

(Amounts expressed in thousands of RMB)

4. SEGMENT INFORMATION *(Continued)*

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Opening net book amount	**334,240**	248,444
Additions	**65,973**	119,079
Disposal of a subsidiary	**–**	(2,359)
Disposals	**–**	(1,535)
Depreciation charge	**(22,940)**	(29,389)
Closing net book amount	**377,273**	334,240

6. INTANGIBLE ASSETS

	Patents	**Goodwill**	**Computer software**	**Total**
As at 1 January 2009	20,540	265,697	4,949	291,186
Additions	24,935	–	566	25,501
Amortisation charge	(4,109)	–	(491)	(4,600)
As at 31 December 2009 (Audited)	41,366	265,697	5,024	312,087
As at 1 January 2010	**41,366**	**265,697**	**5,024**	**312,087**
Additions	**24,516**	**–**	**524**	**25,040**
Amortisation charge	**(2,484)**	**–**	**(211)**	**(2,695)**
As at 30 June 2010 (Unaudited)	**63,398**	**265,697**	**5,337**	**334,432**

(Amounts expressed in thousands of RMB)

7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Investment in a jointly controlled entity represents the investment of 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 Anton'）, which is an unlisted and a limited liability company established on 30 October 2007 in the PRC.

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Opening net book amount	**50,668**	51,629
Share of loss	**(1,879)**	(961)
Closing net book amount	**48,789**	50,668

8. INVENTORIES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Raw materials	**36,945**	70,436
Work-in-progress	**28,564**	12,836
Finished goods	**192,361**	127,221
Spare parts and others	**990**	1,120
	258,860	211,613

(Amounts expressed in thousands of RMB)

9. TRADE AND NOTES RECEIVABLES

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

Notes:

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

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

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

(Amounts expressed in thousands of RMB)

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Advances to suppliers	**38,541**	56,297
Other receivables	**33,291**	26,212
	71,832	82,509

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

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Within 6 months	**55,238**	50,824
6 months - 1year	**4,842**	19,568
1 - 2 years	**6,364**	6,701
2 - 3 years	**5,421**	6,354
Over 3 years	**3,582**	1,552
Prepayments and other receivables, gross	**75,447**	84,999
Less: Impairment of prepayments and other receivables	**(3,615)**	(2,490)
Prepayments and other receivables, net	**71,832**	82,509

(Amounts expressed in thousands of RMB)

11. CASH AND BANK

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Restricted bank deposits *(Note (a))*	**43,502**	3,120
Term deposits with initial terms of over three months	**55,579**	67,609
Cash and cash equivalents		
– Cash on hand	**628**	630
– Deposits in bank	**123,908**	272,329
	223,617	343,688

Note:

(a) As at 30 June 2010, RMB37,197,000 were deposits held as securities for long-term bank borrowings (31 December 2009: nil) (Note 13).

As at 30 June 2010, RMB2,903,000 were pledged to bank for issued notes payable (31 December 2009: RMB1,000,000).

Other restricted bank deposits were cash deposit for letter of credit and letter of guarantee.

Cash and bank are denominated in the following currencies:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
RMB	**195,121**	292,560
US$	**25,226**	43,815
HK$	**1,299**	1,068
Others	**1,971**	6,245
	223,617	343,688

(Amounts expressed in thousands of RMB)

12. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Number of shares issued and fully paid of HK$0.1 each (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2009	2,093,054	197,411	686,918	884,329
Dividends distributed *(Note)*	—	—	(57,000)	(57,000)
As at 30 June 2009 (Unaudited)	2,093,054	197,411	629,918	827,329
As at 1 January 2010	**2,093,054**	**197,411**	**629,918**	**827,329**
Dividends distributed *(Note)*	**—**	**—**	**(18,000)**	**(18,000)**
As at 30 June 2010 (Unaudited)	**2,093,054**	**197,411**	**611,918**	**809,329**

Note:

On 6 March 2010, the directors proposed a final dividend of RMB18,000,000 for the year ended 31 December 2009 (for the year ended 31 December 2008: RMB57,000,000), which is to be paid out of the share premium account of the Company. This dividend was approved by the shareholders at the Annual General Meeting on 27 May 2010, and settled by cash during the six months ended 30 June 2010.

(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 31 December 2008		104,025
Granted	0.684	31,100
Forfeited		(7,771)
As at 30 June 2009 (Unaudited)		127,354
As at 31 December 2009		41,704
Granted	0.75	33,080
Forfeited		(2,100)
As at 30 June 2010 (Unaudited)		72,684

(Amounts expressed in thousands of RMB)

12. 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 (In HK$ per share)	Number of share options (thousands)
31 July 2010	1.04	3,244
2 February 2012	1.634	9,850
16 October 2012	1.04	210
28 April 2013	0.684	26,600
8 April 2014	0.75	32,780
		72,684

Note:

The fair value of the options granted in the six months ended 30 June 2010 is determined using the Black-Scholes Option Pricing Model. The major assumptions used in the pricing model were the exercise price shown above; current stock price of HK$0.75 per share; expected dividend yield of 1.0%; maturity years ranging from 2.5 to 3.5 years, risk-free rate ranging from 1.10% to 1.54%; annualised volatility ranging from 65.56% to 71.39%.

The total expense recognised in the income statement for the six months ended 30 June 2010 for share options amounted to RMB2,246,000 (for the six months ended 30 June 2009: RMB6,969,000), with a corresponding amount credited in capital reserve.

2,100,000 share options granted were forfeited as a result of staff turnover during the six months ended 30 June 2010.

(Amounts expressed in thousands of RMB)

13. BORROWINGS

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Long-term borrowings		
– Secured bank borrowings *(Note (a))*	**35,702**	—
Less: Amount due within one year under current liabilities	**(23,765)**	—
	11,937	—
Short-term borrowings		
– Unsecured bank borrowings *(Note (b))*	**50,000**	50,000

Notes:

(a) As at 30 June 2010, long-term bank borrowings were denominated in US$ and secured by bank deposits of the Group (Note 11), bearing floating interest rates at LIBOR plus 2.25% per annum according to the agreements.

(b) As at 30 June 2010, short-term bank borrowings were denominated in RMB, bearing interest rate at 4.779% per annum (31 December 2009: 4.779%).

As at 30 June 2010, the undrawn bank borrowing facilities of the Group amounted to RMB 442,227,000(31 December 2009: RMB436,475,000).

14. DERIVATIVE FINANCIAL LIABILITIES

Anton Oilfield Services (Group) Limited, a subsidiary of the Group, entered into an interest rate swap contract and a foreign exchange forward contract with Hang Seng Bank (China) Limited Beijing Branch in May 2010, for the purpose of hedging the cash flow interest rate risk and foregin exchange risk associated with its long-term borrowing (Note 13). Both derivative contracts have been designated for cash flow hedge.

(Amounts expressed in thousands of RMB)

15. TRADE AND NOTES PAYABLES

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

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

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

16. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Customer deposits	**5,346**	1,952
Accrued expenses	**5,576**	5,619
Payroll and welfare payable	**7,285**	8,542
Other taxes payable	**22,389**	26,867
Consideration for acquisition of subsidiaries	**17,960**	17,960
Dividend payable	**4,463**	—
Others	**16,615**	16,955
	79,634	77,895

(Amounts expressed in thousands of RMB)

17. REVENUE

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

18. EXPENSE BY NATURE

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

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

(Amounts expressed in thousands of RMB)

19. FINANCE COSTS, NET

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

20. INCOME TAX EXPENSE

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

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

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

(Amounts expressed in thousands of RMB)

21. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2010, the only potential dilutive factor of the Company was the outstanding share options. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease profit or increase loss per share attributable to the ordinary share holders.

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

22. DIVIDENDS

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

(Amounts expressed in thousands of RMB)

23. SUPPLEMENTAL FINANCIAL INFORMATION

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(52,004)**	(75,364)
Purchases of intangible assets	**(15,692)**	(4,029)
Payment of acquisition consideration	**(8,500)**	(58,254)
Decrease in short-term investments and entrusted loans	**–**	81,000
Proceeds from short-term investment and entrusted loans	**–**	5,231
Increase in restricted bank deposits	**(40,382)**	–
Decrease in term deposits with initial term of over three months	**12,030**	41,683
Decrease in financial assets at fair value through profit or loss	**–**	23,418
Others	**629**	200
Net cash (used in)/generated from investing activities	**(103,919)**	13,885
Cash flows from financing activities:		
Proceeds from short-term borrowings	**–**	20,000
Proceeds from long-term borrowings	**35,702**	–
Repayments of short-term borrowings	**–**	(7,000)
Dividends paid	**(20,975)**	(57,000)
Net cash generated from/(used in) financing activities	**14,727**	(44,000)

(Amounts expressed in thousands of RMB)

24. COMMITMENTS

Operating lease commitments – where the Group is the leasee:

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

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
No later than 1 year	**5,949**	5,819
1 to 2 years	**5,930**	6,097
2 to 3 years	**1,414**	3,940
3 to 4 years	**305**	611
	13,598	16,467

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group are also considered as related parties.

(a) The following company is a related party of the Group during the related period:

Name of related party	Nature of relationship
Northern Heavy Anton	Jointly controlled entity of the Group

(Amounts expressed in thousands of RMB)

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with a related party

Save as disclosed elsewhere in this report, during the six months ended 30 June 2010, the following transactions were carried out with a related party:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Purchases of goods		
Northern Heavy Anton	**37,015**	13,260
Sales of goods		
Northern Heavy Anton	**145**	479

(c) Balances with a related party

	As at 30 June 2010	As at 30 June 2009
	(Unaudited)	(Unaudited)
Trade receivables		
Northern Heavy Anton	**572**	–
Trade payable		
Northern Heavy Anton	**7,080**	9,693
Notes payable		
Northern Heavy Anton	**1,535**	–

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

(Amounts expressed in thousands of RMB)

25. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**3,243**	3,352
Pension scheme	**47**	45
Share-based compensation	**527**	313
	3,817	3,710