

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2011

FINANCIAL HIGHLIGHTS

1. Revenue increased by 56.0% to RMB526.4 million
2. Net profit attributable to the Company's Shareholders increased by 25.6% to RMB50.7 million

RESULTS

The board of directors (the 'Board') of Anton Oilfield Services Group (the 'Company') is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the 'Group') for the six months ended 30 June 2011 (hereinafter referred to as "during the period", "during the period under review" or "during the reporting period") with comparative figures for the corresponding period in 2010, as follows:

**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		452,049	419,471
Land use rights		23,545	25,486
Intangible assets		354,039	345,858
Investment in a jointly controlled entity		44,350	50,244
Deferred income tax assets		<u>7,363</u>	<u>3,008</u>
		<u>881,346</u>	<u>844,067</u>
Current assets			
Inventories		282,465	265,423
Trade and notes receivables	11	788,709	671,993
Prepayments and other receivables		114,313	70,118
Restricted bank deposits		36,074	144,353
Term deposits with initial terms of over three months		5,000	6,000
Cash and cash equivalents		<u>151,863</u>	<u>188,960</u>
		<u>1,378,424</u>	<u>1,346,847</u>
Total assets		<u><u>2,259,770</u></u>	<u><u>2,190,914</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		197,924	197,420
Reserves			
- Proposed final dividend		—	39,400
- Others		<u>1,433,582</u>	<u>1,377,194</u>
		<u>1,631,506</u>	<u>1,614,014</u>
Non-controlling interests		<u>39,829</u>	<u>36,547</u>
Total equity		<u><u>1,671,335</u></u>	<u><u>1,650,561</u></u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(CONTINUED)**

AS AT 30 JUNE 2011

(Amounts expressed in thousands of RMB)

	<i>Note</i>	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term borrowings		5,021	—
Deferred income tax liabilities		<u>1,795</u>	<u>2,150</u>
		<u>6,816</u>	<u>2,150</u>
Current liabilities			
Short-term borrowings		218,000	150,000
Current portion of long-term borrowings		11,643	34,822
Derivative financial liabilities		749	1,102
Trade and notes payables	12	226,388	218,416
Accruals and other payables		98,310	112,971
Current income tax liabilities		<u>26,529</u>	<u>20,892</u>
		<u>581,619</u>	<u>538,203</u>
Total liabilities		<u><u>588,435</u></u>	<u><u>540,353</u></u>
Total equity and liabilities		<u><u>2,259,770</u></u>	<u><u>2,190,914</u></u>
Net current assets		<u><u>796,805</u></u>	<u><u>808,644</u></u>
Total assets less current liabilities		<u><u>1,678,151</u></u>	<u><u>1,652,711</u></u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME
STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	5	526,407	337,477
Other income/(loss), net		2,194	(70)
Operating costs			
Materials and services costs		(227,166)	(139,203)
Staff costs		(71,334)	(58,816)
Depreciation and amortisation		(31,223)	(25,363)
Sales tax and surcharges		(8,621)	(3,330)
Others		<u>(107,515)</u>	<u>(50,252)</u>
		<u>(445,859)</u>	<u>(276,964)</u>
Operating profit	6	<u>82,742</u>	<u>60,443</u>
Interest income		1,074	1,637
Finance costs, net	7	(6,543)	(1,466)
Share of loss of a jointly controlled entity		<u>(5,894)</u>	<u>(1,879)</u>
Profit before income tax		71,379	58,735
Income tax expense	8	<u>(15,140)</u>	<u>(12,628)</u>
Profit for the period		<u>56,239</u>	<u>46,107</u>
Profit attributable to:			
Equity holders of the Company		50,655	40,339
Non-controlling interests		<u>5,584</u>	<u>5,768</u>
		<u>56,239</u>	<u>46,107</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings per share for the profit			
attributable to the equity holders of the			
Company			
- basic	9	0.0242	0.0193
- diluted	9	<u>0.0239</u>	<u>0.0193</u>
 Dividends proposed	 10	 <u>—</u>	 <u>—</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	56,239	46,107
Other comprehensive income/(loss), net of tax:		
Currency translation differences	(2,467)	(203)
Cash flow hedges	<u>353</u>	<u>(180)</u>
Other comprehensive loss, net of tax for the period	<u>(2,114)</u>	<u>(383)</u>
Total comprehensive income for the period	<u>54,125</u>	<u>45,724</u>
Total comprehensive income attributable to:		
Equity holders of the Company	48,541	39,956
Non-controlling interests	<u>5,584</u>	<u>5,768</u>
	<u>54,125</u>	<u>45,724</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW
STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash used in operating activities	(63,211)	(59,184)
Net cash used in investing activities	(105,957)	(103,919)
Net cash generated from financing activities	<u>135,874</u>	<u>14,727</u>
Net decrease in cash and cash equivalents	(33,294)	(148,376)
Cash and cash equivalents, at beginning of the period	188,960	272,959
Exchange loss on cash and cash equivalents	<u>(3,803)</u>	<u>(47)</u>
Cash and cash equivalents at end of the period	<u><u>151,863</u></u>	<u><u>124,536</u></u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

(Amounts expressed in thousands of RMB unless otherwise stated)

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, Uglund House, Grand Cayman, KY1-1104, 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 unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 26 August 2011.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards (‘IFRS’).

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this Unaudited Condensed Consolidated Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

New and amended standards adopted by the Group

- Amendment to IAS34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

- Amendments to IFRS 7, “Financial instruments: disclosures”. The amendments were as a result of the May 2010 Improvements to IFRSs (the “May 2010 Improvements”) (effective for financial year beginning from 1 January 2011). The May 2010 Improvements clarified certain quantitative disclosures and removed the disclosure requirements on financial assets with renegotiated terms. The Group adopt the May 2010 Improvement on IFRS 7 on 1 January 2011. These amendments have no material impact on the unaudited condensed consolidated interim financial information.

4. SEGMENT INFORMATION

The chief operating decision-maker (‘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 assess their performance. They are so managed according to different nature of products and services. Most of these entities are 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 assess 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	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Well completion	136,413	133,125
Down-hole operation	225,200	97,075
Drilling technology	83,488	19,568
Tubular services	<u>81,306</u>	<u>87,709</u>
Total	<u>526,407</u>	<u>337,477</u>

The CODM evaluate the performance of the operating segments based on profit and loss before interest, income tax expense, depreciation and amortisation (‘EBITDA’).

	Well completion	Down-hole operation	Drilling technology	Tubular services	Total
Six months ended 30 June 2011 (Unaudited)					
Revenue (from external customers)	<u>136,413</u>	<u>225,200</u>	<u>83,488</u>	<u>81,306</u>	<u>526,407</u>
EBITDA	<u>48,020</u>	<u>116,749</u>	<u>27,422</u>	<u>15,684</u>	<u>207,875</u>
Depreciation and amortisation	(5,757)	(8,295)	(4,049)	(9,502)	(27,603)
Interest income	237	37	—	13	287
Finance costs, net	30	(171)	(16)	(20)	(177)
Share of loss from a jointly controlled entity	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,894)</u>	<u>(5,894)</u>
Six months ended 30 June 2010 (Unaudited)					
Revenue (from external customers)	<u>133,125</u>	<u>97,075</u>	<u>19,568</u>	<u>87,709</u>	<u>337,477</u>
EBITDA	<u>62,961</u>	<u>47,276</u>	<u>7,312</u>	<u>33,376</u>	<u>150,925</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,879)</u>	<u>(1,879)</u>

	Well completion	Down-hole operation	Drilling technology	Tubular services	Total
As at 30 June 2011					
(Unaudited)					
Segment assets	<u>872,561</u>	<u>537,715</u>	<u>234,696</u>	<u>323,319</u>	<u>1,968,291</u>
Segment assets include:					
Investments in a jointly controlled entity	<u>—</u>	<u>—</u>	<u>—</u>	<u>44,350</u>	<u>44,350</u>
Additions to non-current assets (other than deferred income tax assets)	<u>5,214</u>	<u>43,071</u>	<u>8,918</u>	<u>14,217</u>	<u>71,420</u>
As at 31 December 2010					
(Audited)					
Segment assets	<u>756,801</u>	<u>500,289</u>	<u>176,257</u>	<u>335,654</u>	<u>1,769,001</u>
Segment assets include:					
Investments in a jointly controlled entity	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,244</u>	<u>50,244</u>
Additions to non-current assets (other than deferred income tax assets)	<u>23,783</u>	<u>63,366</u>	<u>33,763</u>	<u>40,633</u>	<u>161,545</u>

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

	Six months ended 30 June	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
EBITDA for reportable segments	207,875	150,925
Corporate overheads	(103,109)	(66,719)
Depreciation	(23,234)	(20,762)
Amortisation	(4,369)	(2,676)
Interest income	287	164
Finance costs, net	(177)	(318)
Share of loss of a jointly controlled entity	<u>(5,894)</u>	<u>(1,879)</u>
Profit before income tax	<u>71,379</u>	<u>58,735</u>

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

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Assets for reportable segments	1,968,291	1,769,001
Corporate assets for general management	<u>291,479</u>	<u>421,913</u>
Total Assets	<u><u>2,259,770</u></u>	<u><u>2,190,914</u></u>

5. REVENUE

	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Sales of goods	155,083	179,917
Sales of services	<u>371,324</u>	<u>157,560</u>
	<u><u>526,407</u></u>	<u><u>337,477</u></u>

6. EXPENSE BY NATURE

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

	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Staff costs		
- Salaries and other staff expenses	66,584	56,570
- Share-based compensation	4,750	2,246
Gain on disposal of property, plant and equipment	(149)	—
Addition for impairment of receivables	2,121	2,616
Depreciation	26,561	22,386
Amortisation	4,662	2,977

7. FINANCE COSTS, NET

	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Interest expenses on bank borrowing	3,431	1,354
Exchange losses/(gains), net	1,336	(160)
Bank surcharges and others	<u>1,776</u>	<u>272</u>
	<u><u>6,543</u></u>	<u><u>1,466</u></u>

8. INCOME TAX EXPENSE

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

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the PRC subsidiaries of the Group was 25% for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 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	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
- PRC profit tax	9,681	12,458
- Overseas profit tax	10,169	884
Deferred income tax	<u>(4,710)</u>	<u>(714)</u>
	<u>15,140</u>	<u>12,628</u>

9. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (RMB'000)	50,655	40,339
Weighted average number of ordinary shares in issue (thousands of shares)	<u>2,096,084</u>	<u>2,093,054</u>
Basic earnings per share (RMB per share)	<u>0.0242</u>	<u>0.0193</u>

(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 2011, 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 2011 to 30 June 2011) 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	
	2011	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (RMB'000)	50,655	40,339
Weighted average number of ordinary shares in issue (thousands of shares)	2,096,084	2,093,054
Adjustments for assumed conversion of share options (thousands of shares)	<u>25,477</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	<u>2,121,561</u>	<u>2,093,054</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.0239</u>	<u>0.0193</u>

10. DIVIDENDS

On 16 May 2011, upon the approval from the annual general meeting of the shareholders, the Company declared 2010 final dividend of RMB0.0188 per ordinary share, totaling RMB39,426,000 (2009 final dividend: RMB18,000,000).

The directors of the Company proposed not to distribute dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2011 <i>(Unaudited)</i>	As at 31 December 2010 <i>(Audited)</i>
Trade receivables from third parties, net (a)	786,237	663,354
Trade receivables from a related party	<u>1,376</u>	<u>1,175</u>
Total trade receivables, net	787,613	664,529
Notes receivables	<u>1,096</u>	<u>7,464</u>
	<u>788,709</u>	<u>671,993</u>

Note:

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

	As at 30 June 2011 <i>(Unaudited)</i>	As at 31 December 2010 <i>(Audited)</i>
Within 6 months	465,069	460,154
6 months - 1 year	213,597	119,785
1 - 2 years	93,657	71,420
2 - 3 years	19,892	19,627
Over 3 years	<u>6,955</u>	<u>4,217</u>
Trade receivables, gross	799,170	675,203
Less: Impairment of receivables	<u>(11,557)</u>	<u>(10,674)</u>
Trade receivables, net	<u>787,613</u>	<u>664,529</u>

- (b) As at 30 June 2011, account receivables amounting to RMB233,233,494 were pledged as security for a bank borrowing facility of RMB200,000,000, in which RMB86,000,000 had been drawn down as at 30 June 2011, bearing an interest rate of 7.32% per annum (31 December 2010: Nil).

12. TRADE AND NOTES PAYABLES

	As at 30 June 2011 <i>(Unaudited)</i>	As at 31 December 2010 <i>(Audited)</i>
Trade payables	182,306	190,994
Trade payables to a related party	11,584	9,223
Notes payables	<u>32,498</u>	<u>18,199</u>
	<u>226,388</u>	<u>218,416</u>

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

	As at 30 June 2011 <i>(Unaudited)</i>	As at 31 December 2010 <i>(Audited)</i>
Within 1 year	204,294	202,207
1 - 2 years	11,678	13,114
2 - 3 years	8,246	1,294
Over 3 years	<u>2,170</u>	<u>1,801</u>
	<u>226,388</u>	<u>218,416</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2011, the domestic and overseas oilfield service industry continued to see a growth trend. During the first half of the year, with the successful implementation of its “follow-up” strategy in the overseas market, the Group was becoming an indispensable technical cooperation partner of its customers, thereby achieving rapid growth in the overseas market during the period. In the meantime, since the Group focused on the target market of natural gas development in the domestic market, it benefited from the strong growth of natural gas consumption in China and the ongoing investments in the natural gas areas by its customers and thus continued to maintain strong growth momentum during the period. Total revenue for the reporting period rose from RMB337.5 million in the same period of 2010 to RMB526.4 million, representing an increase of approximately 56.0%. During the first half of the year, operating profit of the Group amounted to RMB82.7 million, representing an increase of RMB22.3 million or approximately 36.9% as compared with RMB60.4 million in the same period of 2010. Profit after tax amounted to RMB56.2 million, representing an increase of RMB10.1 million or approximately 21.9% as compared with RMB46.1 million in the same period of 2010. The increase in profit was lower than the increase in revenue mainly because the Group had increased its investment in R&D and proactively adjusted its financial structure with a corresponding increase in finance costs, and its investee, Northern Anton Heavy Anton Machinery Manufacturing Co., Ltd. recorded losses. If the effect of these factors had been removed, the profitability of the Group’s principal businesses in fact would have increased.

Under its strategic positioning as an oil and gas field development technical service company based on wellbore technologies in the current stage, the Group continued to focus on providing oil and gas field development technical services of drilling, well completion, down-hole operation and oil production, while developing its tubular business independently. In the first half of 2011, oil and gas field development technical services accounted for 84.6% of the Group’s revenue, while the tubular business accounted for 15.4%. In 2010, the Group launched the integrated general contracting service model, which was well-received by the market. In the first half of 2011, the Group realized revenue from the integrated general contracting service model of RMB31.1 million. In the meantime, the investment-driven business development model of the Group was becoming mature. During the first half of 2010, the Group established an independent equipment service department and invested in featured down-hole operation equipment for the provision of equipment services to customers. As of 30 June 2011, the Group made cumulative investments of RMB159.1 million and set up three coiled tubing teams and seven tubular helium

testing service teams. Currently, with various equipments successively being put in place and in operation, revenue realised by the equipment service division in the first half of 2011 amounted to RMB104.7 million, representing significant growth from RMB16.6 million in the same period of the prior year. To capture the opportunities in China's natural gas development, the Group also established an oil and gas field development department, and intended to establish project companies to participate in unconventional natural gas blocks transferral tenders in the PRC. If the Group makes a successful bid in the future, the Group will invest in the blocks in the capacity of project manager through project financing. In the meantime, the Group will become the major technical service partner of these blocks for the provision of integrated technical services that are necessary for their development. By doing so, the Group plans to secure upstream resources to develop its foreseeable customer base in the long run, thus directly accelerating its business growth.

For the six months ended 30 June 2011, the Group's revenue by division was as follows:

Revenue by division (%)

	Six months ended	
	30 June	
	2011	2010
1. Oil and gas development technical services	<u>84.6%</u>	<u>74.0%</u>
1.1 Well completion	25.9%	39.4%
1.2 Down-hole operation	42.8%	28.8%
1.3 Drilling technology	15.9%	5.8%
2. Tubular services	<u>15.4%</u>	<u>26.0%</u>
Total	<u>100%</u>	<u>100%</u>

WELL COMPLETION

In the first half of 2011, the Group's well completion technology cluster maintained steady growth with its revenue up approximately 2.5% to RMB136.4 million in the first half of 2011 from RMB133.1 million in the same period of 2010. EBITDA decreased by approximately 23.8% to RMB48.0 million in the first six months of 2011 from RMB63.0 million in the same period of 2010 due to a rise in materials and services costs and greater investments in new product development. The Group had set up an oil and gas well tool centre aiming to achieve cost reduction through more investments in research and development of new products.

Integrated Well Completion Technology

In the first half of 2011, revenue from the Group's integrated well completion technical services increased by approximately 18.0% to RMB47.1 million from RMB39.9 million in the same period of 2010 due to their development in the domestic and overseas markets. With the commencement in the construction of gas storage facilities in China and the expansion of the overseas market, the integrated well completion technology was expected to grow in the second half of 2011.

Sand Screen Well Completion Technology and Production Tools

In the first half of 2011, the quantity of sand screens used in sand screen well completion technology services decreased by approximately 48.1% to 6,489 meters from 12,512 meters in the same period of 2010 due to the postponement of certain projects to the second half of the year. Revenue decreased by approximately 37.4% to RMB16.1 million in the first half of 2011 from RMB25.7 million in the same period of 2010. Performance of our sand screen well completion technical services will improve after the launch of those projects in the second half of 2011. In the first half of 2011, the Group continued to provide oilfield customers with tools required in the production process. Revenue from this business line increased by approximately 5.6% to RMB11.4 million in the first half of 2011 from RMB10.8 million in the same period of 2010.

Gravel Packing Well Completion Technology

In the first half of 2011, Shandong Precede, a subsidiary of the Group, continued to post stable growth with revenue increased by approximately 9.0% to RMB61.8 million in the first half of 2011 from RMB56.7 million in the same period of 2010. Its gravel packing well completion technical service continued to capture a leading position in the market. In addition to the Shengli, Henan and Jidong markets, it also entered into the Liaohe and Xinjiang markets.

DOWN-HOLE OPERATION

The Group's down-hole operation cluster achieved multifold growth with revenue up by approximately 131.9% to RMB225.2 million in the first half of 2011 from RMB97.1 million in the same period of 2010 because the down-hole operation equipment invested by the Group were operating at full capacity upon being put in place on site, which was led by consistent demand from the customers for domestic natural gas development and production capacity expansion of overseas oilfields. EBITDA increased from RMB47.3 million in the same period of 2010 to RMB116.7 million in the first half of 2011, representing an increase of approximately 146.7%.

Down-hole Operation (Production Enhancement Service)

In the first half of 2011, the down-hole operation (production enhancement service) division maintained steady growth, with its revenue amounting to RMB120.5 million in the first half of 2011, representing an increase of RMB40.0 million or approximately 49.7% from RMB80.5 million in the same period of 2010.

After the successful marketing of the horizontal well multistage fracture production enhancement technology of the Group in 2010, the Group, in the first half of 2011, continued to provide oil companies with such service for tight gas reservoir development and completed the operation for 26 wells, upon which the relevant gas wells achieved consistent elevated productivity, contributing revenue of RMB89.6 million and representing growth of approximately 35.8% from the same period in 2010. Due to our established reputation in that area, in the first half of 2011, the Group successfully won the bid for two historic shale gas horizontal well multistage fracture projects. After bidding for the public tender, solution identification and resource preparation for four months, the Group undertook the fracture operation of Sichuan — Wei X Well that was commenced on 25 June 2011. The large scale multistage fracture operation was completed after dedicated work for seven days and nights. Wei X Well was the first shale gas horizontal well fracture well enhancement in China, in which, the latest concept and the most advanced method in terms of, among others, fluid design and multistage fracture technique were applied. New records were also set in terms of the number of horizontal well fracture stages, the fluid volume per well, the number of pieces of fracture equipment and the time for the major fracture operation. The horizontal well multistage fracture operation led by the Group was a milestone in the history of shale gas development in China. The horizontal well multistage fracture production enhancement technology is the most effective means for the development of low permeability and ultra low permeability oil and gas reservoirs such as tight gas and shale gas. Most of the newly discovered natural gas reservoirs in China are gas reservoirs of low permeability. As the demand for natural gas rapidly grows, oil companies will make every effort to develop various natural gas resources, including tight gas and shale gas, thus creating a tremendous market for the horizontal well multistage production enhancement technology of the Group.

During the period under review, revenue from the oil production services, which included chemical EOR (enhanced oil recovery), well flushing services and gas lift management, of the Group was RMB30.9 million, representing growth of approximately 115.5% from the same period in 2010. The Group had established the regional service capacity in response to the local features of the Jilin region and the northwest region.

Equipment Service

In 2010, 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. It also invested in featured down-hole operation equipments to provide its customers with equipment services. As of 30 June 2011, the Group made cumulative investments of RMB159.1 million and set up three coiled tubing teams and seven tubular helium testing service teams. With various equipment being put in place and in operation successively, revenue from the equipment service division increased by about 5.3 times to RMB104.7 million in the first half of 2011 from RMB16.6 million in the same period of 2010.

Currently, all of the three coiled tubing teams of the Group were in operation. The businesses based on the coiled tubing and ancillary equipment technology fully operated in the southwestern China region, Changqing region and the Middle East. They included the technical services such as coiled tubing acidising, coiled tubing gas lift, coiled tubing sandblast, coiled tubing plugging removal, coiled tubing testing and nitrogen making gas lift. In the first half of 2011, revenue from coiled tubing services increased by 17.7 times from the same period in 2010 to RMB89.9 million, of which the coiled tubing business in the Middle East countries recorded revenue of RMB72.7 million, and had signed long-term service contracts with clients. In the meantime, the Group was further developing the new services such as coiled tubing fracture and coiled tubing well completion, which were based on the coiled tubing technology and the related tools. After the successful application of the production enhancement operation technology combining coiled tubing and hydro jet tools developed by the Group in the Daqing region, that technology was also applied in the Shengli region. The Group was upgrading the technology for nationwide promotion. Compared to the developed markets in North America, the coiled tubing oil and gas reservoir development technology was initially promoted in China, presenting huge potentials for further development in the future. The Group had prepared to further invest in four to five sets of coiled tubing and ancillary equipment in response to ever-increasing market demand.

As oil companies attached much more importance to safe production in natural gas wells, the Group's tubular helium testing technology was rapidly promoted nationwide with revenue growing from RMB11.8 million in the same period of 2010 to RMB21.0 million in the first half of 2011. The Group completed 53 well tests. Currently, the Group's tubular helium testing technology maintained its leading position in China. With the commencement in the construction of gas storage facilities in China, the tubular helium testing services will continue to realise growth in revenue.

The market demand for the fracture service became increasingly stronger due to the development of the low permeability or ultra low permeability gas reservoirs such as those of tight gas, coal bed methane and shale gas. The Group had prepared to invest in the establishment of its fracture service capacity of 30,000 to 40,000 hydro horsepower in response to the great opportunities arising from natural gas development. Upon completion of the investment, the Group will not only have horizontal well multistage fracture technology and ancillary tools, but also have its own equipment service capacity, thus developing the integrated fracture technical service capacity for enhancing the Group's competitiveness.

DRILLING TECHNOLOGY

Since oil companies extensively applied the horizontal well technology in the first half of 2011, revenue from the drilling technology cluster increased by about 3.3 times from RMB19.6 million in the same period of 2010 to RMB83.5 million in the first half of 2011. The EBITDA increased by about 2.8 times to RMB27.4 million in the first half of 2011 from RMB7.3 million in the same period of 2010. As the demand for high-end drilling technologies from oil companies and the demand for integrated drilling service grows, the Group will accordingly make greater investment in directional well apparatus and establish greater integrated technical service capacity. Revenue from the drilling technology cluster is expected to continue to increase in the second half of 2011.

Directional Well Technology

In the first half of 2011, revenue from the directional well technology division achieved rapid growth and was RMB52.4 million in the first half of 2011, representing an increase of approximately 167.3% from RMB19.6 million in the same period of 2010. In order to speed up building the production capacity of natural gas, oil companies attached much more importance to the horizontal well techniques which had become the most effective means to enhance yield per well. Given this opportunity, the Group made cumulative investment amounting to approximately RMB71.1 million, set up six service teams and successfully applied its drilling technology for directional wells in the regions such as Daqing, Jilin, Southwest China, Karamay and Tarim Basin. In the first half of 2011, the Group had successfully promoted its advanced directional drilling technology and achieved satisfactory operational results in the Daqing region and Jilin region. In the Tarim Basin region, the Group further promoted the directional well technology to be used in high temperature and high pressure ultra-deep horizontal wells and succeeded in completing an operation in a well of more than 7,000 metres deep for the first time. While fully developing the domestic market, the Group began to extend its

directional well technical services to the overseas market. In the first half of 2011, the directional well technology, which was successfully applied in Iraq and Kazakhstan, laid the foundation of the Group for the general promotion of such technology in the overseas market.

Integrated Services

In 2010, the Group 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 methane exploration. In the first half of 2011, revenue amounted to RMB31.1 million, of which, revenue from CCS project was RMB16.9 million. Construction works of the Shenhua Project which was successfully bid by the Group in August 2010 was completed. In the first half of 2011, the Integrated Project Business Unit commenced operation with a focus on integrated drilling solution, and was currently entering into the integrated services market of coal bed methane in the Northeastern region and will have better development in the second half of 2011.

TUBULAR SERVICES

Revenue from the tubular service operations decreased by approximately 7.3% to RMB81.3 million in the first half of 2011 from RMB87.7 million in the same period in 2010. Tubular services under independent development still maintained a service-based development strategy and reduced the sales of drill pipes and collars in terms of business volume. In the first half of 2011, Northern Heavy Anton, an investee of the Group, incurred a loss of RMB11.8 million, and the Group shared a loss of RMB5.9 million in proportion. The tubular services of the Group currently conducted research and development on high-end drilling tools made of new materials with Northern Heavy Anton Machinery Manufacturing Co., Ltd. to build up its new profitability. As the Group made investments to develop the business independently from management, marketing network to research and development system for tubular services, tubular services recorded a decrease of approximately 53.0% in EBITDA to RMB15.7 million in the first half of 2011 from RMB33.4 million in 2010 and it will gradually recover in the future.

MARKETING

In the first half of 2011, the Group encountered favourable market situations and opportunities. For the domestic market, natural gas development and exploration of new blocks remained as the major works of oil companies. The correspondingly developed products and services of the Group such as integrated drilling technical services, directional well technical services, well completion integrated technical

services, horizontal well multistage fracture production enhancement services, coiled tubing services and tubular helium testing services achieved better growth. For the overseas market, the “follow-up” strategy of the Group worked very well. The Group had established strategic partnership with Chinese investors overseas, thus resulting in substantial growth of the directional well technical services, well completion integrated technical services, coiled tubing services and tubular technical services. The favourable business development in the domestic and overseas markets laid a solid foundation for the growth during the year.

In the first half of 2011, in terms of the market segments, the contribution of the domestic market accounted for 75.5% of the Group’s revenue, amounting to RMB397.4 million, representing an increase of RMB112.2 million or 39.3% as compared to the same period of 2010. The contribution of the overseas market accounted for 24.5% of the Group’s revenue, amounting to RMB129.0 million, representing an increase of RMB81.8 million or 173.0% as compared to the same period of 2010. Revenue contributed by the overseas market to the Group continued to increase.

Revenue from the domestic market by region (%)

	Six months ended 30 June	
	2011	2010
North East China	28.0%	32.0%
North China	33.4%	36.1%
North West China	23.6%	16.6%
South West China	<u>15.0%</u>	<u>15.3%</u>
Total	<u>100%</u>	<u>100%</u>

Revenue from the overseas market by region (%)

	Six months ended 30 June	
	2011	2010
The Middle East	80.8%	49.3%
Africa	8.3%	7.2%
Central Asia	10.6%	35.4%
North America	<u>0.3%</u>	<u>8.1%</u>
Total	<u>100%</u>	<u>100%</u>

The Twelfth Five-Year Plan of China's oil companies emphasizes natural gas and overseas developments, which are in line with the Group's target markets - China's natural gas development and the development of overseas oilfields by Chinese investors. In 2011, our target markets consisted of the following characteristics:

I. China's natural gas development passed through the development phase

1. *Full launch of capacity construction of natural gas*

In 2011, oil companies in China indicated that efforts were to be stepped up in exploration and speed up capacity construction. In 2015, production volume of natural gas will account for 50% of China's oil and gas volume. In view of this, oil companies had set up their natural gas production plan and production targets for key oilfields, and increased investment in exploration and applied new technologies to solve the difficulties encountered in the course of natural gas development, in order to realise their production plans and targets. These technologies included horizontal well technology to increase daily yield per well, multistage fracture technology suitable for low permeability or ultra-low permeability gas reservoir development, and new well completion technology suitable for complicated environment and new testing technologies to ensure safety in development. In view of these needs, the Group developed and promoted its directional well technical services, integrated well completion technical services, horizontal well multistage fracture technical services, coiled tubing service and tubular helium testing service, which achieved satisfactory results. The full launch of natural gas capacity construction will provide the Group with huge opportunities for development.

2. *Commencement of underground gas storage facilities*

In 2011, Xinjiang gas storage facilities, Chongqing gas storage facilities and other underground gas storage facilities invested by oil companies in China were under construction. These gas storage facilities, when completed, will be important for the safe and stable gas supply for gas consumption areas. Construction of gas storage facilities has to meet the injection and output conditions, as well as to ensure operation safety. In view of this, the Group promoted its directional well technical services, well completion technical services, sand screen well completion technical services and tubular helium testing services, which achieved satisfactory results. Commencement of underground gas storage facilities construction will provide the Group with huge opportunities for development.

3. *Unconventional natural gas investment becoming an industry trend*

In 2011, unconventional natural gas investment has become an industry trend. State-owned oil companies in China had started to conduct preliminary evaluation work. In the meantime, many international oil companies also announced their plans to invest in China's unconventional natural gas market in the next five years, while other independent investors also actively entered into the market. In the future, the unconventional natural gas industry will become a popular investment for investors. With its advanced technologies, the Group owns the technologies necessary for unconventional natural gas development. In the first half of 2011, the Group completed the multistage fracture works of China's first shale gas horizontal well, which provided oil companies with invaluable experience for resources evaluation in setting out shale gas investment strategies. The Group is an independent oilfield technical service company in China and, as one of the few companies which have the integrated drilling and completion technical service capacity, the Group will benefit from the growing number of investors entering the unconventional natural gas industry and become their major technical support partner.

II. **Rapid development of Chinese investors' overseas businesses**

In the first half of 2011, Chinese investors continued to increase their investment overseas and their overseas businesses grew rapidly. In the first half of 2011, in the Middle East, the Al-waha project phase I in Iraq with the annual production capacity of 3 million tons invested by Chinese investors commenced production ahead of schedule, and the Halfaya project in Iraq also entered the preparatory stage of large-scale development; in Central Asia, Chinese investors and local national oil companies signed co-operation agreements to expand the co-operation scale and jointly explore and develop new blocks; in Africa, Chinese investors stepped up efforts in exploration and development, and actively identified new investment opportunities; in South America, the blocks invested by Chinese investors started to implement the preparatory work for the development, and in the meantime, Chinese investors were also planning other new projects in South America, and therefore the region presented huge market potentials.

In line with the implementation of overseas development strategies by Chinese investors, the Group actively expanded its overseas businesses by building up the onsite service capacity to target at the demands of local markets, providing them with timely and comprehensive services and establishing strategic partnership with its customers, and the Group has become its customers' indispensable technical support partner.

RESEARCH AND DEVELOPMENT

In 2011, the Group continued to conduct research and development based on three major technologies, namely natural gas development technology, horizontal well operation technology and integrated technology. Research and development on natural gas development technology continued to be related to the development of tight gas, coal bed methane and shale gas. Research and development on horizontal well operation technology continued to be related to the demand of operation of horizontal well drilling, horizontal well completion and horizontal well production enhancement. Research and development on integrated technology continued to meet the general contracting needs of highly difficult wells and unconventional gas reservoirs development project blocks.

In the first half of 2011, the Group invested RMB34.1 million in research and development and achieved progress as follows:

For the well completion technology cluster, the Group established an oil and gas well tools centre and placed emphasis on the research and development and continued improvement of well cementing and completion tools, multistage fracture tools as well as the production of well completion tools, and so forth. Meanwhile, the Group also actively searched for international partners through the centre of the Group in Houston, the United States. At present, some international companies of well completion technology have already expressed cooperative intention to the Company on concerted research and development, design and construction of production capacity. The Group was currently fostering communication and negotiation with them. In the meantime, the Group had confirmed the construction of a tool laboratory and a tool base in Binhai New Area, Tianjin which was to conduct tool design, test and assembling, while the preliminary planning and design was underway. Save as research and development on tools, the Group was committed to the research, development and improvement of the multistage well completion technology, intelligent well completion technology, flow adjustment and water control technology, as well as gravel packing technology. During the period under review, the Group obtained 9 related patent rights.

For the down-hole operation (production enhancement service) of the down-hole operation cluster, the major subject of its research in the first half of 2011 was continuing improvement of horizontal well multistage fracture production enhancement technology for tight gas and shale gas reservoirs based on the existing foundation, particularly a series of down-hole operation technology required by the shale gas development. For the equipment service, the major research direction was the coiled tubing operation technology and hydraulic bore horizontal well technology. The research on the coiled tubing operation technology was mainly

related to development of various operation functions of coiled tubing. At this stage, the research and development of coiled tubing perforating technology, coiled tubing horizontal well acidisation technology, coiled tubing water drainage and gas production technology and their ancillary tools continued to improve. The hydraulic bore horizontal well technology continued to be applied in different regions. In the first half of 2011, it also entered the on-site operation stage and has been applied in 4 wells resulting in significant production enhancement. The Group was improving its ancillary tool and technology. Through the research and development centre of the Group in Houston, the United States, in the first half of 2011, the Group began its exchange with companies of various international technical services in North America on fracture pumping services, coiled tubing services, shale gas technical services and dewatering gas production technical services, in order to prepare for technological collaboration in such areas. During the period under review, the Group obtained 10 related patent rights.

For the drilling technology cluster, the Group primarily conducted research on the needs of drilling acceleration and enhanced reservoir contact, particularly the application of the related technology in horizontal wells. In the meantime, the Group also concentrated on building the service capacity of integrated drilling and undertook research on various kinds of technologies and consumables being required. In the first half of 2011, the Group began its exchange with international technical service companies engaged in directional well drilling and international equipment companies engaged in the development and manufacture of directional well apparatus and tools. Technological collaboration in such areas would be entered into among those companies and the Group. During the period under review, the Group obtained 1 such related patent right.

For the tubular services cluster, the research focus was the technologies in relation to anti-sulfur tubular repair and premium connections repair. Currently, the service capacity of such technologies had been built up, with the advancement of the research and development on special material small-sized drilling tools jointly with the Group's investee, Northern Heavy Anton. During the period under review, the Group obtained 2 such related patent rights.

During the reporting period, the Group obtained 22 related patent rights, increasing the total number of patent rights owned by the Group to 316.

Building up of service capacities

Under the guidance of its strategic positioning as an oilfield technical service provider with wellbore technologies as the core, in 2011, the Group formulated its

service capacity planning for the next three years. It focused on building up capacities through investments, combining organic self-development with a growth model of merger and acquisition, thus rapidly establishing an integrated structure of service capacities.

For fixed asset investments, the Group will focus on establishing its fracture pumping service capacity, various coiled tubing operation service capacity, tubular helium testing service capacity, directional drilling service capacity and integrated tool design, test and assembling capacity. For merger and acquisition, the Group will focus on investing in companies equipped with featured technologies and capturing leading position in the area of its single technology. The Group will also identify technologically advanced companies overseas which is suitable for investment through joint venture, controlling interest and non-controlling interest by the Group.

In the first half of 2011, the Group approved investment plans of RMB165.8 million, which was mainly used for building up the directional drilling service capacity, coiled tubing and ancillary equipment operation service capacity and tubular helium testing service capacity, and the preliminary investment for various production bases and establishing the on-site service bases in the Middle East countries. The investments will be gradually completed by 2012. In the first half of 2011, the capital expenditure of the Group was RMB107.1 million, of which the fixed asset investment amounting to RMB90.5 million, the intangible investment RMB12.6 million and the payment for the equity investments in the prior years RMB4.0 million. In the first half of 2011, the Group set up two new directional drilling service teams and two tubular helium testing service teams and started to set up three coiled tubing service teams, commenced the establishment of its fracture pumping service capacity. In the presence of industrial bases, the preliminary design and planning for the well completion tool industrial base in Binhai New Area, Tianjin, the down-hole operation industrial base in Suining, Sichuan and the tubular service industrial base in Xinjiang commenced by the Group. In the overseas market, the Group further enhanced the infrastructure for the Al-Waha project and commenced the preliminary design of the Halfaya base in Iraq commenced.

HUMAN RESOURCES

In 2011, the Group formulated a mid-to-long term strategic plan for human resources, with a view to continuously enhancing the organisation and human resources structure, searching for top-class talents in the industry and professionals specialised in advanced technologies, recruiting talents from overseas, enhancing talent nurturing and ensuring that we have a stable workforce for the long-term development of the Group. The Group also issued the strategic guidelines on human resources stipulating the following human resources objectives for 2011 in the first half of the year:

The head count of the Group increased by 20% to around 1,200. The number of employees engaged in technical services and marketing was maintained at around 80% of the Group's total number of employees. The structure was continuously optimised to enhance the capacity for technological research and development and on-site operation. The senior employees within and above the fifth rank (the Group's human resources under the Chief Executive Officer were classified into 8 ranks, and the 8th rank was Executive Vice President and Senior Vice-president and the 5th rank was senior engineers) accounted for about 30% of the Group's total number of employees, i.e. about 360. In 2011, the Group intended to recruit 238 graduates from both domestic and overseas universities; and in 2011, staff costs and human resources expenditure, including training expenses, should account for 15% or below of the Group's revenue.

In the first half of 2011, the human resources works of the Group achieved the following results: Firstly, the organisation of the Group was optimised with steady improvement in human resources efficiency. Secondly, the talent structure of the Group was further optimised with a steady increase in the ratio of technical personnel and staff with qualification above an undergraduate degree. More core high-end technical staff were introduced with increased and improved retention. Thirdly, the Group internally placed much emphasis on selection and training of outstanding talents and core talents for various positions to increase its talent reserves.

As at 30 June 2011, the total number of employees of the Group was 1,127, among which 509 were technicians, 309 were onsite servicemen, 194 were marketing personnel and 115 were management personnel. Among these employees, 635 had qualification above an undergraduate degree. For the Group's employees, those engaged in technical services and marketing accounted for about 83% of the Group's total number of employees, and the employees within and above the 5th rank accounted for about 27%. In the first half of 2011, total staff costs and human resources expenditure including training costs accounted for about 14% of the Group's revenue. In the meantime, 180 graduates were confirmed to join the Group in the second half of the year.

OUTLOOK

In the second half of 2011, the Group will continue to promote its oil and gas field development technical services including drilling, well completion, down-hole operation and oil production. For the domestic market, the focus will be on the natural gas development, construction of gas storage facilities, and the general contracting services for oil and gas field blocks of state-owned oil companies. The Group will also develop the market of the blocks invested by international oil companies in China as well as the market of the blocks invested by independent

investors, so as to promote the rapid development of the Group's domestic operations. For the overseas market, the Group will focus on the Middle East market and expedite the pace of building up its service capacities to meet customer needs, and begin to expand into markets of other overseas countries to promote the Group's overseas operations.

The Group's major focuses in its work in the second half of 2011 will be to enhance the efficiency of asset utilisation, to boost the building up of its service capacities and to upgrade its operation capacity. The Group will strengthen its working capital management, enhance its asset utilisation and improve its cash flow. It will also actively build up various products and services to prepare and lay a solid foundation for the development for the next two years. The Group will upgrade its operation capacity to ensure that the Group keeps delivering high operation quality while undertaking multiwell operation or implementing complicated operation.

In the first half of 2011, the PRC government strengthened its control over the financial market by raising the required reserve ratio and the benchmark interest rate under the severe domestic macro-economic situations. Despite such situations, the Group as a listed company in Hong Kong with a relatively low gearing ratio can raise capital through various means both domestically and overseas. In the domestic market, the Group may raise capital by issuing notes in the interbank market and also through financial leasing. In the overseas market, the Group may raise capital through syndicated loans and bond issuance as well as through equity financing in due course, so as to obtain capital for long-term development. In the second half of 2011, the Group will actively utilise its financing platform mainly through debt financing to secure capital for future development, thereby improving the Group's financial structure and enhancing the Group's return on net assets.

It is expected that the Group will maintain rapid growth momentum for the year, steering towards its goals of becoming an international leading oilfield technical service company with a strong foothold in China.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2011 amounted to approximately RMB526.4 million, representing an increase of approximately RMB188.9 million or approximately 56.0% from approximately RMB337.5 million in the same period in 2010. Such increase was mainly attributable to the rapid revenue growth of oil and gas field development technical services.

Materials and services costs

Materials and services costs amounted to approximately RMB227.2 million in the first half of 2011, representing an increase of RMB88.0 million from approximately RMB139.2 million in the same period of 2010, mainly attributable to the rise in business volume and inflation.

Staff Costs

Staff costs amounted to approximately RMB71.3 million in the first half of 2011, representing an increase of approximately RMB12.5 million or approximately 21.3% from approximately RMB58.8 million for the same period in 2010. Such increase was mainly due to the increase in staff number and the issuance of share options to employees.

Depreciation and Amortisation

Depreciation and amortisation amounted to approximately RMB31.2 million in the first half of 2011, representing an increase of approximately RMB5.8 million or approximately 22.8% from approximately RMB25.4 million in the same period in 2010. The increase was primarily attributable to an increase in depreciation expenses due to gradual commencement of the Group's service equipment operations since the second half of 2010.

Other Operating Costs

Other operating costs amounted to approximately RMB107.5 million in the first half of 2011, representing an increase of approximately RMB57.2 million or approximately 113.7% from approximately RMB50.3 million for the same period in 2010. The increase was mainly due to the increase in the research and development expenditure, investments in the overseas market and administration costs.

Operating Profit

As a result of the abovementioned, the operating profit for the period under review amounted to approximately RMB82.7 million, representing an increase of approximately RMB22.3 million or approximately 36.9% from approximately RMB60.4 million for the same period in 2010.

Finance Costs (Net)

Finance costs (net) amounted to approximately RMB6.5 million for the period under review, representing an increase of approximately RMB5.0 million compared to RMB1.5 million in the same period of 2010. This was primarily due to the new loans made by the Group, which generated corresponding finance costs.

Income Tax Expenses

Income tax expenses amounted to approximately RMB15.1 million in the first half of 2011, representing an increase of approximately RMB2.5 million from approximately RMB12.6 million in the same period in 2010, 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 2011 was approximately RMB56.2 million, representing an increase of approximately RMB10.1 million or approximately 21.9% from RMB46.1 million in the same period of 2010.

Profit Attributable to Equity Holders of the Group

Profit attributable to equity holders of the Company amounted to approximately RMB50.7 million for the first half of 2011, representing an increase of approximately RMB10.4 million or approximately 25.6% from RMB40.3 million in the same period of 2010.

Trade Receivables and Trade Payables

As at 30 June 2011, the Group's net trade receivables were approximately RMB787.6 million, representing an increase of approximately RMB123.1 million compared with RMB664.5 million as at 31 December 2010, mainly because of an increase in turnover. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) were 236 days, down by 5 days from 241 days in the same period of 2010. As at 30 June 2011, the Group's net trade payables were RMB193.9 million, representing a decrease of approximately RMB6.3 million from RMB200.2 million as of 31 December 2010. The average trade payables turnover days were 118 days, representing an increase of 12 days as compared with 106 days in the same period of 2010.

Inventory

As at 30 June 2011, the Group's inventory was approximately RMB282.5 million, representing an increase of approximately RMB17.1 million compared with RMB265.4 million as of 31 December 2010, mainly due to the higher inventory of finished goods as a result of the higher revenue in the reporting period. The turnover of inventory was 165 days, a decrease of 69 days compared to 234 days in the same period of 2010.

Liquidity and capital resources

As at 30 June 2011, the Group's cash and cash equivalents amounted to approximately RMB192.9 million, representing a decrease of approximately RMB146.4 million compared with RMB339.3 million as of 31 December 2010, mainly because the Group deployed the cash into its operations and capital expenditures.

As at 30 June 2011, the Group's outstanding short-term bank loans amounted to approximately RMB218.0 million. Four domestic Chinese bank granted the Group a credit facility of RMB835.7 million, of which approximately RMB566.5 million has not been utilised.

As at 30 June 2011, the gearing ratio of the Group was 21.6%, representing an increase of 1.6 percentage points compared to the gearing ratio of 20.0% as at 31 December 2010. 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 RMB1,614.0 million as at 31 December 2010 to RMB1,631.5 million as at 30 June 2011. 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 2011 was approximately RMB62.2 million, compared with approximately RMB59.2 million in the same period of 2010, representing an increase of approximately RMB3.0 million. It was mainly attributable to the increase in operating expenses due to the increase in business volume.

Capital expenditure and investment

The Group's capital expenditure in the first half of 2011 was approximately RMB107.1 million, primarily for investments in fixed assets, investments in intangible assets and the balance payment for equity investments in prior years.

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 2011, the Group's operating lease commitments amounted to approximately RMB13.4 million.

As at the balance sheet date (30 June 2011), the Group had capital commitments of RMB94.0 million, which was not provided for in the balance sheet.

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 2011 (for the six months ended 30 June 2010: nil).

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

For the six months ended 30 June 2011, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The directors of the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code') as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Listing Rules') as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 30 June 2011.

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 2011, 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 2011.

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

Hong Kong, 26 August 2011

As at the date of this announcement, the executive Directors of the Company are Mr Luo Lin, Mr Wu Di and Mr Liu Enlong; and the independent non-executive Directors are Mr Zhang Yongyi, Mr Zhu Xiaoping and Mr Wang Mingcai.