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安 東 油 田 服 務 集 團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

Revenue of the Group rose 52.7% from RMB526.4 million in the same period of 2011 to RMB803.7 million in the first half of 2012. Profit attributable to equity holders of the Company increased by 145.8% from RMB50.7 million in the same period of 2011 to RMB124.6 million in the first half of 2012.

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 2012 (hereinafter referred to as "the first half of the year", "during the period under review" or "during the reporting period") with comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2012
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		702,003	538,576
Land use rights		60,598	31,281
Intangible assets		406,496	365,422
Investment in a jointly controlled entity		4,000	4,000
Deferred income tax assets		15,890	17,643
		1,188,987	956,922
Current assets			
Inventories		368,062	271,411
Trade and notes receivables	11	966,812	670,959
Prepayments and other receivables		200,551	120,794
Restricted bank deposits		32,200	10,380
Term deposits with initial terms of over three months		1,400	5,000
Cash and cash equivalents		333,036	462,154
		1,902,061	1,540,698
Total assets		3,091,048	2,497,620
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		198,621	198,115
Reserves			
- Proposed final dividend		—	35,700
- Others		1,568,695	1,432,315
		1,767,316	1,666,130
Non-controlling interests		83,238	73,967
Total equity		1,850,554	1,740,097

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2012
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		28,000	—
Long-term bonds		299,128	—
Other long-term payable		9,167	14,847
Deferred income tax liabilities		2,548	957
		338,843	15,804
Current liabilities			
Short-term borrowings		227,350	315,000
Current portion of long-term borrowings		4,908	5,003
Current portion of other long-term payable		11,121	10,896
Derivative financial liabilities		193	—
Trade and notes payables	12	386,328	257,791
Accruals and other payables		237,068	123,852
Current income tax liabilities		34,683	29,177
		901,651	741,719
Total liabilities		1,240,494	757,523
Total equity and liabilities		3,091,048	2,497,620
Net current assets		1,000,410	798,979
Total assets less current liabilities		2,189,397	1,755,901

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

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

		Six months ended 30 June	
		2012	**2011**
			(Reclassified, Notes 3, 6)
	Note	*(Unaudited)*	*(Unaudited)*
Revenue	5	803,700	526,407
Cost of Sales		(418,966)	(299,601)
Gross Profit		384,734	226,806
Other gains		664	2,194
Selling Expenses		(72,289)	(42,492)
Administrative expenses		(94,773)	(73,316)
Research and development fees		(28,889)	(21,829)
Sales tax and surcharges		(15,739)	(8,621)
Operating profit	6	173,708	82,742
Interest income		1,172	1,074
Finance expenses, net	7	(16,935)	(6,543)
Share of loss of a jointly controlled entity		—	(5,894)
Profit before income tax		157,945	71,379
Income tax expense	8	(25,035)	(15,140)
Profit for the period		132,910	56,239
Profit attributable to:			
Equity holders of the Company		124,643	50,655
Non-controlling interests		8,267	5,584
		132,910	56,239
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
- basic	9	0.0592	0.0242
- diluted	9	0.0587	0.0239
Dividends	10	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Profit for the period	132,910	56,239
Other comprehensive income/(loss), net of tax:		
Cash flow hedges	(193)	353
Currency translation differences	416	(2,467)
Other comprehensive income/(loss) for the period, net of tax	223	(2,114)
Total comprehensive income for the period	133,133	54,125
Total comprehensive income attributable to:		
Equity holders of the Company	124,866	48,541
Non-controlling interests	8,267	5,584
	133,133	54,125

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	(84,150)	(63,211)
Net cash used in investing activities	(179,149)	(105,957)
Net cash generated from financing activities	135,079	135,874
Net decrease in cash and cash equivalents	(128,220)	(33,294)
Cash and cash equivalents, at beginning of the period	462,154	188,960
Exchange loss on cash and cash equivalents	(898)	(3,803)
Cash and cash equivalents at end of the period	333,036	151,863

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

(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, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

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

On 14 May 2012, the Company acquired 55% equity interest of Bazhou Chang Xiang Applied Chemical Technology Co., Ltd., Bazhou Cheng Xi Petroleum Commodity Co., Ltd. and Bazhou Cheng Xi Petroleum Commodity Kazakhstan Co., Ltd.

This condensed consolidated interim financial information has not been audited.

This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 24 August 2012.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Change of presentation of the condensed consolidated interim income statement

For the six months ended 30 June 2012, the Company adopted an alternative presentation of the condensed consolidated interim income statement, with operating expenses presented by function. The comparative figures for the six months ended 30 June 2011 have been reclassified according to the change in presentation. A reconciliation of operating expenses by nature is disclosed in Note 6.

Amended standards adopted by the Group:

- Amendments to IFRS 7, 'Financial instruments: disclosures'. The amendments were as a result of amendments on disclosure requirements of transfers of financial assets released in October 2010 (effective for financial year beginning 1 July 2011). The amendments clarified and strengthened the disclosure requirements of transfers of financial assets which help users of financial statements evaluating related risk exposures and the effect of those risks on the financial position of the Group and its subsidiaries. The Group and its subsidiaries adopt and amendments from 1 January 2012. These amendments have no material impact on the unaudited condensed consolidated interim financial information.

New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

  There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 makes decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

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

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

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
Six months ended 30 June 2012 (Unaudited)					
Revenue	321,310	222,999	165,180	94,211	803,700
EBITDA	169,341	84,560	48,837	38,641	341,379
Depreciation and amortisation	(10,894)	(7,134)	(5,806)	(10,973)	(34,807)
Interest income	34	299	8	533	874
Finance expenses, net	—	—	(844)	(127)	(971)
Share of loss from a jointly controlled entity	—	—	—	—	—
Income tax expense	(11,705)	(5,500)	(4,625)	(3,205)	(25,035)
Six months ended 30 June 2011 (Unaudited)					
Revenue	225,200	136,413	83,488	81,306	526,407
EBITDA	116,749	48,020	27,422	15,684	207,875
Depreciation and amortisation	(8,295)	(5,757)	(4,049)	(9,502)	(27,603)
Interest income	37	237	—	13	287
Finance expenses, net	(171)	30	(16)	(20)	(177)
Share of loss from a jointly controlled entity	—	—	—	(5,894)	(5,894)
Income tax expense	(8,112)	(3,107)	(2,633)	(1,288)	(15,140)

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
As at 30 June 2012 (Unaudited)					
Segment assets	724,654	941,871	576,709	315,431	2,558,665
Segment assets include:					
Investments in a jointly controlled entity	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	43,493	27,582	153,973	23,811	248,859
As at 31 December 2011 (Audited)					
Segment assets	577,089	882,670	198,773	334,836	1,993,368
Segment assets include:					
Investments in a jointly controlled entity	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	158,407	9,777	29,451	25,329	222,964

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

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
EBITDA for reportable segments	341,379	207,875
Corporate overheads	(148,530)	(103,109)
Depreciation	(26,475)	(23,234)
Amortisation	(8,332)	(4,369)
Interest income	874	287
Finance expenses, net	(971)	(177)
Share of loss of a jointly controlled entity	—	(5,894)
Profit before income tax	157,945	71,379

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

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Assets for reportable segments	2,558,665	1,993,368
Corporate assets for general management	532,383	504,252
Total assets per balance sheet	3,091,048	2,497,620

Geographical Information

	Revenue		Non-current Asset	
	Six months ended 30 June		As at 30 June	As at 31 December
	2012	2011	2012	2011
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*
PRC	607,011	397,366	1,068,386	881,642
Iraq	130,984	87,801	117,368	71,926
Other countries	65,705	41,240	3,233	3,354
Total	803,700	526,407	1,188,987	956,922

Client Information

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

For the six months ended 30 June 2012

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

Note: Client 2, 5, 6, 7 are entities controlled by one major oilfield operator, and client 3, 4 are entities controlled by another major oilfield operator.

For the six months ended 30 June 2011

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
Client 1	—	—	26,624	—	26,624
Client 2	—	—	17,163	—	17,163
Client 3	—	—	10,760	—	10,760
Client 4	—	15,530	—	—	15,530
Client 5	73,259	—	—	—	73,259
Client 6	29,100	—	—	—	29,100
Client 7	—	—	—	35,737	35,737
Total	102,359	15,530	54,547	35,737	208,173

Note: Client 2, 3, 6 and 7 are entities controlled by one major oilfield operator.

5. REVENUE

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Sales of goods	226,216	155,083
Sales of services	577,484	371,324
	803,700	526,407

6. EXPENSE BY NATURE

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

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Materials and services	327,509	227,166
Staff costs		
- Salaries and other staff expenses	82,143	66,584
- Share-based compensation	9,406	4,750
Depreciation	29,421	26,561
Amortisation	9,385	4,662
Sales tax and surcharges	15,739	8,621
Other operating expenses	157,053	107,515
- Addition for impairment of receivables	13,986	2,121
- Loss/(Gain) on disposal of property, plant and equipment	5	(149)
Total operating cost	630,656	445,859

7. FINANCE EXPENSES , NET

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Interest expenses on bank borrowings	14,928	3,431
Exchange losses, net	1,314	1,336
Bank surcharges and others	693	1,776
	16,935	6,543

8. INCOME TAX EXPENSE

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

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for PRC subsidiaries of the Group was 25% for the six months ended 30 June 2012 (for the six months ended 30 June 2011: 25%), based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates. The subsidiaries established overseas are subject to the prevailing rates of the countries they located. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Current income tax		
- PRC profit tax	14,825	9,681
- Overseas profit tax	8,714	10,169
Deferred income tax	1,496	(4,710)
	25,035	15,140

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	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Profit attributable to equity holders of the Company (RMB'000)	124,643	50,655
Weighted average number of ordinary shares in issue (thousands of shares)	2,104,737	2,096,084
Basic earnings per share (RMB per share)	0.0592	0.0242

(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 2012, 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 2012 to 30 June 2012) 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	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Profit attributable to equity holders of the Company (RMB'000)	124,643	50,655
Weighted average number of ordinary shares in issue (thousands of shares)	2,104,737	2,096,084
Adjustments for assumed conversion of share options (thousands of shares)	18,608	25,477
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	2,123,345	2,121,561
Diluted earnings per share (expressed in RMB per share)	0.0587	0.0239

10. DIVIDENDS

On 25 May 2012, upon the approval from the annual general meeting of the shareholders, the Company declared 2011 final dividend of RMB0.0170 per ordinary share, totaling RMB36,694,000 (2010 final dividend: RMB39,426,000, RMB0.0188 per share).

The directors of the Company proposed not to distribute dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2012 *(Unaudited)*	**As at 31 December 2011** *(Audited)*
Trade receivables from third parties, net (a)	947,162	647,212
Notes receivables	19,650	23,747
	966,812	670,959

Note:

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

	As at 30 June 2012 *(Unaudited)*	**As at 31 December 2011** *(Audited)*
Within 6 months	720,990	418,914
6 months - 1 year	151,041	166,584
1 - 2 years	73,687	61,697
2 - 3 years	10,027	11,786
Over 3 years	9,287	6,023
Trade receivables, gross	965,032	665,004
Less: Impairment of receivables	(17,870)	(17,792)
Trade receivables, net	947,162	647,212

(b) As at 30 June 2012, receivables of RMB4,800,000 derived from the contract entered into between Bazhou Cheng Xi Petroleum Commodity Co., Ltd., a subsidiary of the Company, and a customer were as security for short-term bank borrowing amounting to RMB10,000,000 (31 December 2011: RMB211,964,000 were as security for short-term bank borrowing amounting to RMB105,000,000).

12. TRADE AND NOTES PAYABLES

	As at 30 June 2012 *(Unaudited)*	**As at 31 December 2011** *(Audited)*
Trade payables	370,961	217,765
Trade payables to a related party	4,227	—
Notes payables	11,140	40,026
	386,328	257,791

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

	As at 30 June 2012 *(Unaudited)*	**As at 31 December 2011** *(Audited)*
Less than 1 year	367,403	241,681
1-2 years	9,644	10,843
2-3 years	4,926	3,142
Over 3 years	4,355	2,125
	386,328	257,791

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Performance

As 2012 unfolds, the development of natural gas in China shows strong momentum, with several basins of strategic importance striving to accomplish higher production targets. As the development of natural gas accelerates, demands for both standard and new technologies grow robustly. In the overseas markets, many Chinese investors' overseas projects are speeding up development. Halfaya Project in Iraq, for example, advanced to commence commercial operations with its first phase of production capacity ahead of schedule, whereas the second phase of capacity building is under construction simultaneously. In view of such intense development plans, clients are more prone to rely on Chinese partners for technical support, who are more responsive to their needs, to quickly complete capacity building.

Embracing a year with opportunities abound, the Group continued to maintain its 'natural gas strategy' domestically and its 'follow-up strategy' in the overseas markets. For the first half of 2012, the Group's total revenue reached RMB803.7 million, a 52.7% or RMB277.3 million increase from RMB526.4 million in the corresponding period in 2011. The growth is primarily attributable to the rapid expansion of natural gas development in China, fast growth of the Group's business in the overseas markets as well as sustained growth in its core services and the rapid launches of new services.

In the first half of 2012, the Group's gross profit was RMB384.7 million, a 69.6% or RMB157.9 million increase from RMB226.8 million in the corresponding period in 2011. Gross margin increased by 4.8 percentage points, from 43.1% of the same period last year to 47.9%. Net profit increased by RMB76.7 million to RMB132.9 million, representing a significant increase of 136.5% as compared to RMB56.2 million in the corresponding period in 2011. Profit attributable to equity holders amounted to RMB124.6 million, representing an increase of RMB73.9 million, or 145.8%, as compared with RMB50.7 million in the same period of 2011. Net profit margin climbed to 16.5% from 10.7% in the same period last year. The substantial profit increase was mainly due to the successful implementation of the Group's profitability enhancement program. In the first half of the year, the Group reduced the procurement cost of materials from suppliers through bargaining and centralized merchandizing; reduced third-party sourcing of materials and services by massively promoting the use of self-developed products and services; stringently controlled cost and expenses through setting up comprehensive financial targets and carrying out a reward and penalty system that is aligned with the targets. All such measures effectively contributed to the significant improvement of the Group's profitability. In

addition, through provision for impairment made at the end of last year and proactively carrying out measures to reduce losses for the joint venture under the tubular services cluster, Northern Heavy Anton Machinery Manufacturing Co., Ltd ("Northern Heavy Anton"), the Group did not make further provisions for impairment in the first half of the year.

In the first half of 2012, the Group achieved encouraging results in its domestic and overseas market expansion. Domestically, as oil companies boosted investments in the development of natural gas, there were greater needs for both standard and high-end technologies. This further provided markets for the Group's development and led it to evolve into a new service structure that provides high-end technical services supplemented by standard business from solely rendering high-end technical services. The Group also actively expanded the market for development of natural gas in the first half of the year and managed to attract more customers throughout the country. Notably, it secured new orders from Sinopec and Yanchang Petroleum as well as several high-value contracts and batch orders across the country. Accordingly, the Group's position in the domestic natural gas development market is further consolidated. As regards to the overseas market, since Chinese investors geared up their investment and development, there were urgent needs for technical services. Therefore, the Group not only launched more services into the existing markets but also started rendering services in a new market in Iraq, the Halfaya Project, which has created a strong source of revenue. The Group has also made breakthroughs in the emerging South American market and started to realize revenue there. The Group is rapidly establishing its brand in the overseas markets to lay a solid foundation for its future expansion.

In the first half of 2012, the Group's business grew remarkably. Shares in the Group's core business, oil and gas field development technical services (covering drilling, well completion and down-hole operation clusters) continued to increase, with all business clusters posting solid gains. Revenue from oil and gas field development technical services accounted for 88.3% of the Group's revenue, up 3.7 percentage points as compared to 84.6% in the same period last year. The three major services, namely the multistage fracking services and coiled tubing services in the down-hole operation cluster, and directional drilling services in the drilling technology cluster, continued to satisfy the needs of oilfields in their development of natural gas, and the business performance of the three services improved steadily in the reporting period. The three major services accounted for 40.9% of the Group's revenue. During the reporting period, the Group successfully launched new services and completed several high-value integrated projects, which provided more growth engines.

In the first half of the year, the Group further enhanced the construction of its service capacity and, through self-development, technical cooperation and M&A, successfully enriched the service capabilities of each business cluster. For instance, the Group rapidly built up its technology and service capability of the drilling fluid service in the first half of the year and earned customers' trust promptly as the service passed the test of operating successfully in ultra-complex wells in the Tarim Basin. As a result, a batch order was secured for the full year and the drilling fluid service is expected to become a signature service of the Group. The Group has devoted itself to building an integrated service capability to provide customers with one-stop technical services covering drilling, well completion, down-hole operation and oil production. During the reporting period, the Group managed to secure a number of general contracts for integrated drilling, and the integrated service model will play an important role in the Group's future business development.

Besides organic growth, the Group stepped up its efforts in acquisitions. In May 2012, it completed the acquisition of the 55% equity interest in the Bazhou Companies, a leading drilling fluid service company specializing in high-end water-based drilling fluids, with a consideration of RMB61.1 million. The investment supplements the Group's R&D and production capabilities in the high-end water-based drilling fluid technology and brings with it a large team of engineers with extensive experiences rarely seen at home. This will optimize the overall layout of the Group's drilling fluid business.

In the beginning of 2012, the Group set out clear financial targets focusing on further improving capital efficiency and included working capital indicators in each department's daily management targets. Such measures have achieved satisfactory outcome, and the Group's working capital management indicators for the first half of the year were fully enhanced. The average accounts receivables turnover days for the year ended June 30, 2012, were 170 days, a decrease of 66 days as compared to the same period last year; the average accounts payables turnover days were 127 days, an increase of 9 days from the corresponding period last year; the average inventory turnover days decreased by 28 days from the same period last year to 137 days. In addition, the Group further optimized its debt structure. In May 2012, leveraging its AA- credit rating given by a rating company of Moody's Investors Service, it successfully registered with the National Association of Financial Market Institutional Investors with regard to the issuance of medium-term notes with a principal amount totalling RMB500 million within two years. In the same month, the Group completed the issuance of the first tranche of three-year notes with a principal amount of RMB300 million bearing an interest rate of 6.59% per annum. In the current stage, the Group has secured both adequate internal sources of capital as well as short-term and medium-to-long term financing channels to fund its development at different stages.

Geographical Market Analysis

In the first half of 2012, the Group's revenue from the domestic market was RMB607.0 million, representing an increase of RMB209.6 million or 52.7% from RMB397.4 million last year, and accounting for 75.5% of the Group's total revenue. Revenue from the overseas markets was RMB196.7 million, representing an increase of RMB67.7 million or 52.5% from approximately RMB129.0 million last year, and accounting for 24.5% of the Group's total revenue. During the reporting period, the Group completed a total of 767 jobs domestically and 145 jobs in overseas markets.

Revenue breakdown between domestic and overseas markets

	Six months ended 30 June			**Revenue from the respective market as a percentage of total revenue**	
	2012	**2011**	**Change**	*Six months ended 30 June 2012*	*Six months ended 30 June 2011*
	(RMB' million)	*(RMB' million)*	*(%)*		
Domestic	607.0	397.4	52.7%	75.5%	75.5%
Overseas	196.7	129.0	52.5%	24.5%	24.5%
Total	**803.7**	**526.4**	**52.7%**	**100.0%**	**100.0%**

Analysis of domestic revenue

	Six months ended 30 June			**Revenue from the respective region as a percentage of domestic revenue**	
	2012	**2011**	**Change**	*Six months ended 30 June 2012*	*Six months ended 30 June 2011*
	(RMB' million)	*(RMB' million)*	*(%)*		
Northwest China	211.6	93.8	125.6%	34.9%	23.6%
North China	191.3	132.7	44.2%	31.5%	33.4%
Northeast China	126.5	111.3	13.7%	20.8%	28.0%
Southwest China	77.6	59.6	30.2%	12.8%	15.0%
Total	**607.0**	**397.4**	**52.7%**	**100.0%**	**100.0%**

Analysis of overseas revenue

	Six months ended 30 June 2012	2011	Change	Revenue from the respective region as a percentage of overseas revenue	
				Six months ended 30 June 2012	*Six months ended 30 June 2011*
	(RMB' million)	*(RMB' million)*	*(%)*		
The Middle East	134.7	104.2	29.3%	68.5%	80.8%
Central Asia	48.4	13.7	253.3%	24.6%	10.6%
Africa	7.9	10.7	-26.2%	4.0%	8.3%
America	5.7	0.4	N/A*	2.9%	0.3%
Total	**196.7**	**129.0**	**52.5%**	**100.0%**	**100.0%**

* Business from the American market, which is still under early market development, was immaterial in the corresponding period last year. Thus, no change was reported in this regard.

Remarkable growth in the domestic natural gas business

The natural gas business in the domestic market experienced robust growth in the first half of 2012. The Tarim Basin and Erdos Basin are China's two major natural gas basins of strategic importance with the country's largest natural gas reserves and most active upstream activities. The Group's revenue from Northwest and North China, where the two basins are located, accounted for 66.4% of the Group's domestic revenue for the first half of the year. With the golden age of natural gas development just around the corner for the domestic market, markets for standard technical services have witnessed strong growth. The Group has built on its well-established brand of high-end technical services to propel the development of its standard technical services, converting its service structure from providing only high-end technical services to rendering high-end services that are supplemented by standard business, thereby fostering more solid growth.

Major business development in the domestic market

- The Tarim Basin was the major focus area of the Group this year. The basin is the strategic energy base for China's West-East Gas Transmission project, and its major oil field, the Tarim Oil Field, will be developed into the "Daqing in Xinjiang", with reference to an article published in the *China Petroleum Daily* in January this year. The production target of the Tarim Oil Field has been set

at 30 million tons for 2013-2015 and 40 million tons for 2016-2019. Although the field contains abundant conventional gas, extraction presents a complex engineering challenge due to the unusual depth, high temperatures and high pressure within the wells. To realize the goal of doubling production, drilling engineering challenges must be resolved. In view of such demand, the Group rapidly established its full service capacity in drilling fluid services in the first half of the year and has since gathered a team of over 100 experienced engineers and the capability to render both oil-based and water-based drilling fluid technologies and operations. Thus, the Group was able to provide customers with high-end drilling fluid technical solutions for wells with different depths and in different geological environments, effectively shortening the drilling cycle and increasing drilling efficiency. The Group has just embarked on aggressive business development in the Tarim Basin, it will further expand the promotion of its services to provide reliable technical support that addresses the production requirements of the basin in the future.

- The Erdos Basin remains a steady market for the Group. The basin is known to the world as a huge tight gas basin and a typical reservoir with low permeability, low pressure and low output, thereby with huge demands for horizontal well and multistage fracking technologies for stimulation. Its major oil field, the Changqing Oil Field, will be developed into the "Daqing of West China". According to a featured report in the press center of CNPC, the oil and gas equivalent production of the basin will increase from 40 million tons in 2011 to 50 million tons. To cope with this fast growth, technical difficulties related to production stimulation must be overcome, and horizontal well multistage fracking technology is the key solution. Besides the wide application of high-end technologies, a free competition mechanism has also been introduced into the basin, opening up for various types of investors to participate in development. The Group is the market leader of multistage fracking technology and has accumulated experience from operations in nearly 200 wells over the years. The Group added Sinopec and Yanchang Petroleum to its clientele in the first half of the year, from whom it secured several batch orders, further consolidating its market position. Sinopec boosted its development of tight gas in the basin this year, creating a large number of horizontal well orders.

- The Songliao Basin has changed in recent years from a traditional main supply base of crude oil into an energy base involved in the development of both natural gas and oil, with natural gas being the main driver of production growth. Owing to the growing need for standard technologies driven by such structural change, the Group's business in the basin experienced remarkable growth this year, especially in the provision of standard technical services such as standard directional drilling technology and well completion tools.

- The large-scale construction of underground gas storage facilities has fully taken off in China. Thanks to its early market deployment and technical preparation, the Group safeguarded its dominating market position in the underground gas storage market. The Group not only rendered exclusive tubular helium testing services to five underground gas storage facilities in the country, helping clients to prevent natural gas pipe strings from leaking, but also offered products and services to facilitate well cementing and completion technologies, ensuring favorable injection and storage conditions for the underground gas storage facilities.

Outstanding performance of overseas market expansion

In the first half of 2012, the Group's overseas orders increased notably, owing to the accelerating development of the overseas projects of Chinese investors. Revenues from overseas markets amounted to RMB196.7 million, up 52.5% from the same period last year. Of these markets, the Middle East recorded revenues of RMB134.7 million during the reporting period, representing an increase of 29.3% as compared to the corresponding period last year. This was mainly attributable to the stable income generated by the full development of the two major oil fields in the Middle East serviced by the Group. The Middle East remains the Group's largest overseas market, with revenues accounting for 68.5% of the total overseas revenue. Revenues contributed by Central Asia increased by 253.3% during the reporting period, accounting for a strong 24.6% of the overseas revenue as customers strengthened the development efforts in this region.

Major business development in overseas markets

- As a major strategic overseas market for Chinese investors, the Iraq market continued to develop rapidly this year. The Group continued to develop steadily and consolidate its market position in the AI-Ahdab Project. Moreover, the Group has added the Halfaya Project as its new customer, which is entering a stage of intensive development with strong demand for technical services. The Group continued to leverage its successful experiences and strategies accumulated in Iraq by first garnering customer recognition through the provision of coiled tubing acidizing services that effectively overcome the area's geographical constraints to boost production recovery. This way, the Group could gain a fast access to cross-market other services into the area. In the first half of the year, the Group's coiled tubing services delivered outstanding stimulation performance for the Halfaya Project, gaining high regard from the client and making the Group the area's preferred technical support partner over international service companies. The Group subsequently entered into a long-term agreement with the oilfield, providing production management

services to ensure smooth production at the oilfield. With the Al-Ahdab and Halfaya Projects entering into larger-scale development stages, the Group will strengthen its promotion efforts and strive to further provide one-stop solutions. We are confident to grow and prosper in the Iraqi market.

- Central Asia has become a major market for customers to ensure overseas production this year. In order to accommodate growing demands for drilling brought by the accelerating development of oilfields in the region, the Group actively promoted vertical drilling and directional drilling service to improve drilling speed, and offered various well completion tools and services. This has enabled us to achieve business growth faster than expected.

- The Group has dispatched personnel to South America to explore the market. During the reporting period, the market generated revenue for the first time.

Business Cluster Analysis

In the first half of 2012, the oil and gas field development technical services, which constitute the core business of the Group (including drilling technology, well completion and down-hole operation clusters), remained the main driver behind the Group's growth in revenue, with figures reaching RMB709.5 million, representing an increase of RMB264.4 million or 59.4% as compared to RMB445.1 million in the same period last year. Revenue generated from this line of business accounted for 88.3% of the Group's total revenue, up 3.7 percentage points from 84.6% in the same period last year.

Within the oil and gas field development technical services area, the Group's three leading technical services, namely multistage fracking services, coiled tubing services and directional drilling services continued to demonstrate excellent growth, with the total revenue amounting to RMB329.0 million, representing an increase of RMB103.3 million or approximately 45.8% compared to a total of RMB225.7 million in the same period last year. During the reporting period, revenue from those technical services decreased marginally as a percentage of the Group's total revenue, a decrease of 2.0 percentage points from 42.9% in the same period last year to 40.9% this year. This was due to a broader revenue base driven by the completion of several high-value integrated projects and its successful promotion of new technical services.

The revenue from the tubular services cluster, the Group's supplementary business, has improved from RMB81.3 million in the corresponding period last year to RMB94.2 million during the reporting period, an increase of RMB12.9 million or 15.9%. The proportion of its revenue to the total revenue of the Group continued to drop from 15.4% in the same period last year to 11.7% in the first half of 2012.

Revenue breakdown by business clusters

	Six months ended 30 June			As a percentage of total revenue	
	2012	**2011**	**Change**		
				Six months ended 30 June 2012	*Six months ended 30 June 2011*
	(RMB Million)	*(RMB Million)*	*(%)*		
Oil and gas field development technical services	**709.5**	**445.1**	**59.4%**	**88.3%**	**84.6%**
Down-hole operation cluster	321.3	225.2	42.7%	40.0%	42.8%
Well completion cluster	223.0	136.4	63.5%	27.7%	25.9%
Drilling technology cluster	165.2	83.5	97.8%	20.6%	15.9%
Tubular services	**94.2**	**81.3**	**15.9%**	**11.7%**	**15.4%**
Total	**803.7**	**526.4**	**52.7%**	**100.0%**	**100.0%**

Oil and gas field development technical services

Revenue analysis of top three technical services

		Six months ended 30 June			As a percentage of total revenue	
		2012	**2011**	**Change**		
					Six months ended 30 June 2012	*Six months ended 30 June 2011*
	Business Cluster	*(RMB Million)*	*(RMB Million)*	*(%)*		
Multistage fracking services	Down-hole operation	143.3	89.6	59.9%	17.8%	17.0%
Coiled tubing services	Down-hole operation	101.6	83.7	21.4%	12.6%	15.9%
Directional drilling services	Drilling technology	84.1	52.4	60.5%	10.5%	10.0%
Total		**329.0**	**225.7**	**45.8%**	**40.9%**	**42.9%**

Down-hole Operation Cluster

In the first half of 2012, the down-hole operation cluster achieved outstanding results with revenue contribution of RMB321.3 million, representing an increase of 42.7% from RMB225.2 million in the same period last year. The services in this cluster are mainly employed to address problems related to well construction and well intervention. Therefore, the business cluster gains popularity among customers in natural gas basins with ambitious production targets to achieve and overseas oil fields with a tight schedule to resume a quick recovery of production output.

The down-hole operation cluster includes three business departments, which are respectively: 1) production enhancement operation department with multistage fracking services as its main technical service, which recorded a revenue of RMB143.3 million in the first half of the year, representing an increase of 59.9% from RMB89.6 million in the same period last year; 2) equipment service department including coiled tubing services and tubular helium testing services, which recorded a revenue of RMB154.1 million in the first half of the year, representing an increase of 47.2% from RMB104.7 million in the corresponding period last year; and 3) oil production service department including chemical EOR, well flushing services and gas lift services, which recorded a revenue of RMB23.9 million in the first half of the year, a decrease of 22.7% from RMB30.9 million in the same period last year. EBITDA for the down-hole operation cluster increased substantially by 45.1% from RMB116.7 million in the corresponding period last year to RMB169.3 million in the first half of this year. Due to the reduction in unit costs of purchase orders from strategic suppliers, EBITDA grew by 0.9 percentage points in the first half of the year from 51.8% in the same period last year to 52.7%.

Major development of down-hole operation cluster

- The multistage fracking service has made encouraging results in market expansion this year. During the reporting period, its revenue reached RMB143.3 million, a 59.9% increase from RMB89.6 million in the same period last year. The Group completed 47 jobs in the first half of the year, representing an increase of 80.8% or 21 jobs from 26 jobs in the corresponding period last year. In 2012, the development of tight gas gained rapid growth in the country and the most prominent growth came from Sinopec whose horizontal well orders increased significantly. More and more customers opt for horizontal well multistage fracking technology due to its effectiveness in stimulation in low-permeability gas reservoirs, making it a major method of well construction used to reach high production targets. The market size of this technical service increased this year due to the popularity. As a pioneer of this technology in

China, the Group has completed nearly 200 jobs in horizontal well multistage fracking operations. During the reporting period, it secured several contracts with batch orders and won several tenders from Sinopec creating a total backlog of 70 jobs.

- In the first half of the year, revenue from coiled tubing services was RMB101.6 million, representing an increase of RMB17.9 million or approximately 21.4% from RMB83.7 million in the same period last year. The Group completed 81 jobs in the domestic market and 79 jobs overseas. In the domestic market, coiled tubing equipment was fully put into operation, driving growth in the work volume for the Group, while the Group also successfully promoted the application of new technology in coiled tubing operations, adding coiled tubing grinding services to support customers in their use of the new well-construction techniques. In the overseas market, the Group is a leader in coiled tubing acidizing services in the Iraqi market and has completed over 100 jobs in the area. Due to new orders obtained from the Halfaya Project in the first half of the year, the Group generated revenue of RMB84.2 million from this service in the Middle East market, representing an increase of RMB11.5 million, up 15.8% as compared to RMB72.7 million in the same period last year. The Group successfully implemented its coiled tubing acidizing services in the Halfaya Project that notably improved output. The Group received a letter of appreciation from the client who praised the Group's outstanding performance in the operation, marking a solid foundation for future cooperation.

- Revenue from the Group's tubular helium testing services increased by a substantial 150.0%, up from RMB21.0 million in the same period last year to a record high of RMB52.5 million in the first half of 2012. The increase was mainly attributable to the Group's successful promotion of the technology and to the market expansion propelled by the construction of underground gas storage facilities. In the first half of the year, the Group recorded a significant increase in the number of orders, including an annual general contract in the Tarim region, a regional batch order in the Northeast China area and annual general contracts for all the country's underground gas storage facilities. To date, the Group remains the exclusive supplier of tubular helium testing services and has completed 118 jobs during the first half of the year.

- During the reporting period, revenue from the Group's oil production services amounted to RMB23.9 million, a 22.7% decrease from RMB30.9 million in the same period last year. The drop was due to fiercer competition in well-established oil fields in the Northeast China region. In view of this, the Group quickly shifted its business from domestic markets to emerging overseas markets, focusing on providing production management services to

newly-developed overseas oil fields and opening up new markets. During the reporting period, the Group won the tender from the Halfaya Project in Iraq for the provision of operation management services for certain oil production main facilities under a 1+1 year term, which requires the operation and maintenance of equipment of central gathering station for the oil production of 23 wells. This service successfully opened up a new market for the Group. Following an entry into the Iraqi market, this service finds good opportunities to expand its business volume given that the local oilfields are prepared to unfold more large scale development.

Well Completion Cluster

In the first half of 2012, the well completion cluster demonstrated strong growth momentum, contributing a revenue of RMB223.0 million, a 63.5% increase from RMB136.4 million in the same period last year. The increase was mainly driven by it rapid growth in the overseas markets. The cluster's services mainly resolve challenges in wellbore construction after drilling in varying geological environments, offering well completion services during both well construction and well intervention. The services are widely exercised in areas of high-temperature wells, complicated wells, or reserves seriously affected by aggregates, and heavy oil wells.

The well completion cluster currently comprises two business departments, which are: 1) well completion integration, including well cementing and completion products and services, sandscreen well completion and oil production tools and services, which recorded a revenue of RMB135.1 million in the first half of 2012, an increase of 81.1% from RMB74.6 million in the same period last year; 2) Shandong Precede, a subsidiary acquired by the Group in 2008 that provided gravel packing well completion products and services, which recorded a revenue of RMB87.9 million in the first half of 2012, representing an increase of 42.2% from RMB61.8 million in the same period last year. EBITDA of the well completion cluster rose by a substantial 76.3%, and increase from RMB48.0 million in the same period last year to RMB84.6 million in the first half of this year. EBITDA margin also increased from 35.2% in the corresponding period last year by 2.7 percentage points to 37.9% in the first half of year. The increase was mainly attributable to the reduction of procurement cost of tools as a result of the broader application of self-developed tools. In addition, the Group has seen preliminary results from its self-developed intelligent well completion technology, which is expected to bring a new driver in the development of the cluster.

Major development of well completion cluster

- In the first half of 2012, revenue from well cementing and completion products and services was RMB92.2 million, an increase of RMB45.1 million or 95.8% from RMB47.1 million in the same period last year. The growth in the domestic market was driven by demand for well cementing and completion services needed in the Tarim Basin for the region's development and needed for the construction of underground gas storage facilities across the country, while the growth in the overseas market was due to business expansion in the Turkmenistan market in Central Asia and the Iraq market in the Middle East.

- In the first half of 2012, revenue from sandscreen well completion and oil production tools was RMB42.9 million, representing an increase of RMB15.4 million or 56.0% from RMB27.5 million in the same period last year. The demand for sandscreen business has recovered as inventories in the Northwest China market were digested and the success in overseas marketing in the South American and Canadian markets. Use of sandscreen was therefore grown to 19,400 meters, representing an increase of 199.0% from 6,489 meters in the same period last year.

- Shangdong Precede, a subsidiary of the Group, continued to grow steadily. In the first half of 2012, it provided 246 jobs of gravel packing services, generating a revenue of RMB87.9 million, an increase of 42.2% from RMB61.8 million in the same period last year. On top of steady growth in the Shengli and Henan markets, the Group successfully developed business in the Northwest heavy oil region, which is set to become another important market for the Group's gravel packing services.

Drilling Technology Cluster

In the first half of 2012, the drilling technology cluster grew remarkably, contributing revenue of RMB165.2 million, an increase of 97.8% from RMB83.5 million in the same period last year. After years of business deployment, the cluster has developed into three major businesses, providing customers with professional drilling technical services and resolving complex drilling engineering problems.

The drilling technology cluster comprises three business departments: 1) the directional drilling segment mainly providing Measurements While Drilling ("MWD"), Logging While Drilling ("LWD"), rotary steerable drilling and geological steerable drilling. The revenue of this department reached RMB84.1 million during the reporting period, an increase of 60.5% from approximately RMB52.4 million in the same period last year; 2) the integrated drilling department which is engaged in single well general contracting and block general contracting in relation to drilling

and cementing services. The revenue of this department reached RMB44.7 million in the first half of the year, an increase of 43.7% from RMB31.1 million in the same period last year; and 3) the newly-established drilling fluid service department provides high-end drilling fluid materials, technology and operational services for high temperature and high pressure wells. This department contributed a revenue of RMB25.6 million during the first half of the year. The newly-acquired Bazhou Companies contributed revenue of RMB10.8 million. EBITDA of the drilling technology cluster increased from RMB27.4 million in the same period last year by 78.1% to RMB48.8 million for the first half of the year. EBITDA margin increased to 29.5%, down 3.3 percentage points as compared to 32.8% in the same period last year, which was mainly due to the higher proportion of low-margin service revenue in the cluster.

Major development of drilling technology cluster

- During the first half of 2012, the Group registered a saturated workload in its directional drilling business and completed 28 jobs domestically and 18 jobs overseas, recording a revenue of RMB84.1 million during the reporting period, an increase of 60.5% from RMB52.4 million over the same period last year. By combining the use of domestically manufactured conventional Measurements While Drilling ("MWD") apparatus, imported high-end MWD, Logging While Drilling (LWD) apparatus and Rotary Steerable System (RSS) technology, the Group was able to offer highly competitive directional drilling solutions. With an increasing demand for standard technical services in the domestic market, the Group rapidly gained market share with its domestically manufactured standard apparatus, including the winning of a batch order from a whole block in Northeast China. In the overseas market, business in Iraq has grown significantly. With customers seeking to quickly accomplish production in Central Asia, the Group also successfully secured a strong work volume for vertical drilling in Kazakhstan by seizing its increasing demand for drilling.

- The revenue of the integrated drilling department reached RMB44.7 million for the first half of the year, representing an increase of 43.7% over RMB31.1 million during the same period last year. The department targeted three key markets, namely general contracting projects for sidetrack drilling and horizontal well technologies, underground gas storage well cementing projects as well as new technical services for drilling projects. The marketing rolled out from the beginning of this year achieved excellent results. In the first half of the year, the Group offered integrated drilling general contracting services to Yanchang Oilfield's first sidetracking horizontal well. Construction of the well went smoothly and drilling was completed ahead of schedule, fully reflecting the efficiency and management effectiveness of the Group's integrated projects that

gained high regard from the client. Meanwhile, the Group collaborated with Schlumberger in the area of flexible cement slurry technology, with an aim to build up a leading brand for underground gas storage well cementing technical services. In this regard, the Group has secured a number of agreements and ensured that the workload for the year is at full capacity. During the reporting period, the integrated drilling services completed a total of 7 jobs in China.

- The drilling fluid service is an important new service for the Group. With the extensive and rapid exploration of complex wells, high-quality drilling fluid services have become an integral part of the drilling service portfolio. In the first half of the year, the Group rapidly developed a comprehensive drilling fluid service structure. In terms of oil-based drilling fluid technologies, the Group established cooperation with the Chinese joint venture company of MI-SWACO, a world-leading company in drilling fluid technologies, to jointly promote the application of high-end, oil-based drilling fluid in the development of complex wells onshore. At the same time, the Group constructed its own drilling fluid laboratories and mud station to support a full service capacity in the oil-based drilling fluid area. During the reporting period, operations of three wells for the Group were underway, with part of the revenue already being registered. As these operations demonstrated faster speed, more cost-saving, and sound performance, they gained client's recognition which laid a solid foundation for earning subsequent work opportunities. On 16 July 2012, for instance, the Group announced that it won the bid for 8-10 jobs in the Tarim Basin, which covers the provision of oil-based drilling fluid technical services for ultra-high temperature and ultra-high pressure wells, cementing the Group's market position in that area. In terms of high-end, water-based drilling fluid, the Group acquired a 55% interest in a high-end water-based drilling fluid and technical services company, the Bazhou Companies, which speicialize in water-based drilling fluids applicable in high-temperature and high-pressure wells with depths that exceed 5,000 meters. The acquiree also brought a team of more than 100 senior engineers. In the future, the Company will further integrate oil-based drilling fluid technologies and water-based drilling fluid technologies to explore the combination of drilling fluid technical services to accommodate wells of different depths and geological features, aspiring to build a leading brand for drilling fluid services in China.

Tubular Services Cluster

In the first half of 2012, the tubular services cluster maintained sustained growth, with its revenue reaching RMB94.2 million, representing an increase of RMB12.9 million, or 15.9%, up from RMB81.3 million for the same period in 2011. This growth stemmed from the Group's securing general contracts for a number of

services in the first half of the year, a testimony to the market recognition of the Group's focus on providing one-stop third-party tubular services to its clients. The Group's one-stop, third-party tubular services comprise tubular inspection and evaluation, tubular repair, tubular leasing and tubular operation management, which gained popularity among clients because the solution provides greater convenience in the use of tubular pipes and effectively reduces the cost of use. EBITDA of this cluster substantially increased by 145.9%, up from RMB15.7 million in the same period last year compared to RMB38.6 million in the first half of this year. Due to the higher proportion of high-margin service revenue in the cluster, its EBITDA grew by 21.7 percentage points in the first half of the year, up from 19.3% in the same period last year to 41.0%.

Major development of tubular service cluster

- The cluster entered into several general service contracts with customers in the Tarim market, in services including drilling tool leasing and drilling pipe wear-resistant belt welding, securing enough workload for the entire year. The newly-launched premium connector repair business in the first half of the year was well received in the market and thus further extended the scope of services in the cluster.

- Northern Heavy Anton is a joint venture under the tubular service cluster. The Group prudently allocated a considerable amount of RMB31.9 million for the provision of impairment for the investment at the end of 2011. In the first half of the year, Northern Heavy Anton implemented a loss-reduction scheme that aims to reduce expenses by various cost-control measures on the one hand and explore new revenue streams by new product development and launch on the other hand. The operation of the company has improved compared with the same period last year. As such, the Group makes no further provision for the impairment of this investment.

Buildup of Service Capacity

The buildup of service capacity is an important part of the Group's growth management and provides an essential support for the continued development and expansion of its businesses. The Group has consistently been pursuing the strategic objective of establishing integrated technical services for oil and gas field development with wellbore-related technologies as its core. As such, the Group actively facilitates the building up of integrated service capacity, i.e. a comprehensive value chain integration of drilling, well completion, down-hole operation and oil production, and the integration of a supply chain comprising technologies, tools, chemical materials, facilities and talents. The Group has adopted various means to facilitate the buildup of integrated service capacity of all

businesses, including investment, mergers and acquisition ("M&A"), research and development ("R&D"), talent recruitment and development. As of 30 June of 2012, the Group's capital expenditure for the construction of service capacity amounted to approximately RMB182.7 million, representing an increase of approximately 70.7% as compared to RMB107.0 million for the corresponding period last year. Out of the capital expenditure, investments in fixed assets were approximately RMB111.9 million, representing an increase of 24.1% over the corresponding period last year; investments in intangible assets were approximately RMB31.0 million, representing an increase of 146.0% over the corresponding period last year; payment for equity investments amounted to RMB39.9 million, representing an increase of 9 times over the corresponding period last year, which was mainly attributed to the first installment of consideration for the acquisition of the Bazhou Companies.

Investment and M&A

During the reporting period, the Group stepped up its efforts in investment and M&A, focusing on the investment in equipment, facilities and industrial bases of all the core services and newly established key businesses. Meanwhile, the Group also actively looked for M&A targets in China and overseas, and completed one acquisition project. Through investment and M&A, the Group significantly enhanced the service capacity of all business clusters.

Major Investment and M&A Projects

- As for drilling fluids, the Group seized the opportunities presented by the domestic high-end drilling fluid market during the reporting period, and rapidly built up its service capacity in oil-based and water-based drilling fluids through investment and M&A. With respect to oil-based drilling fluid, the Group swiftly established a drilling fluid laboratory and a mud station facility in the Tarim region to support oil-based drilling fluid services. Having such functions as R&D, fluid-mixing, recycling, storage and processing, the establishment offered support for the technological cooperation between the Group and MI-SWACO, a world leader in drilling fluid technology. Joint operation was successfully carried out in the region and satisfactory results were reaped. With respect to water-based drilling fluid, the Group acquired the 55% equity interest in the Bazhou Companies to attain their talents, technologies, production lines and market for high-end water-based drilling fluids, successfully consolidating the Group's position in the high-end drilling fluid sector.

- As for directional drilling, during the reporting period, the Group invested in the establishment of five new directional well operating units. As of 30 June 2012, the Group had built up 15 directional well operating units, of which 12 operated in China, two operated in the Middle East and one operated in Central Asia.

- Pressure pumping is a key new business of the Group. As such, the Group is committed to building up its integrated service capacity with a focus on the investment in the equipment and materials required for this service. Regarding the 10 pressure pumping equipment that were ordered last August, five equipment with a service capacity of 10,000 HHP had been delivered and examined as of 30 June 2012, and the remaining equipment is planned to arrive in the third quarter. Two operating units have been built as well. With the equipment arriving successively, the Group has rapidly opened up the market and commenced operation in the area of unconventional resources. Meanwhile, the Group has started investing in pressure pumping materials. Together with the equipment, an integrated pressure pumping service capacity is being developed.

- As for coiled tubing, the Group was in the process of building up three new coiled tubing operating units during the reporting period. One unit is expected to be completed in October this year and will engage in operations in China. The remaining two units are expected to be set up in the first half of next year. Currently, the Group has four coiled tubing units in operation. Of which, two operate in China and two operate in the Middle East. The Group will have the service capacity of seven coiled tubing operation units upon completion of the investment.

- As for tubular helium testing, the Group set up one new tubular helium testing operation unit during the reporting period. As of 30 June 2012, the Group had 10 tubular helium testing operating units. Meanwhile, the set up of three tubular helium testing operating units are underway and are expected to be completed in the second half of this year.

- In the first half of 2012, the construction of industrial bases in China and overseas was rolled out smoothly. In China, the Group actively explored strategic partners to commit resources in the construction of the base for the Group to avoid investment in non-core assets. During the reporting period, the relevant works of all bases were in full swing. Abroad, the construction of the first phase of the on-site service base in Halfaya, Iraq was fully completed. The construction of the second phase was carried out concurrently.

Research and Development

In the first half of 2012, the focus of the Group's investment in R&D is on the key technologies required for the development of all the businesses, emphasizing on facilitating the research of proprietary product development with the aim of increasing self-developed products, enhancing operating efficiency, ensuring safety during development and achieving cost-saving in well development process. During the reporting period, the Group also devised and implemented a scientific research incentive scheme to award those scientific research projects that made outstanding contributions, with an aim to boost the motivation of research and technical staff to deliver more technical breakthroughs and R&D projects. In the first half year, the Group invested RMB36.9 million in R&D, representing an increase of 8.2% as compared to RMB34.1 million for the corresponding period last year. Out of the investment, intangible assets amounted to RMB8.0 million and R&D expenses amounted to RMB28.9 million. During the reporting period, the Group added a total of 29 patent rights, bringing the total number of the Group's patent rights to 354.

Major R&D Projects

- Research on sidetracking slim hole technologies for horizontal well drilling and well completion: The Group successfully completed the integrated drilling projects of sidetracking window opening, sidetracking horizontal well drilling and completion technologies for 4 inch slim hole, the first case in China, demonstrating an established technical leadership in China.

- Research and production of large-size tubular helium testing tools for underground gas storage facilities: The Group successfully completed the research and production of 13 3/8 inch casing and 10 3/4 inch casing which were put into use in well testing. This is an advanced technology safe and reliable, which provided further technical support to the Group in rapidly expanding integrated projects for the underground gas storage facility market;

- Fracture fluid portable set can project: The Group has completed the trial production of the sample machine. Set cans have the advantages of having a large volume, low transportation costs, occupying a very small on-site area, and being safe and reliable. The utilization of portable set cans will significantly reduce the cost of pressure pumping technology service and enhance the Group's market competitiveness of this business.

- After over 100 experiments, the PBL intelligent well completion technology has now completed both oil and water experiments, high pressure filling experiments and high density media filling experiments, satisfying the technical requirements of well filling operations under different geological conditions, with indoor successful rate reaching 80%. It is expected that the technology can be launched for application in the market during the second half of this year.

Human Resources

The Group continued to build its service capacity based on the emphasis on 'Talents First', in which the Group diversified the programs for recruiting, training, retaining and motivating talents, thus strengthening the Group's talent reserves that are a critical support to the Group's fast business expansion and long-term development. As of June 30, 2012, the total number of permanent staff was 1,395, representing an increase of 10.5% from 1,262 at the end of last year. Among these employees, 556 were engineers (end of 2011: 514), 498 were on-site servicemen (end of 2011: 447), 178 were marketing personnel (end of 2011: 178) and 163 were management personnel (end of 2011: 123). Employees of senior engineer level or above accounted for about 25.8% of the Group's total staff. Outsourced labour amounted to 866 persons during the first half of the year, representing an increase of 13.5% compared to last year.

Major development in human resources

- During the first half of the year, the Group made special efforts to strengthen high-end staffing. The Group hired senior executives from Motorola and Shell in China to lead the Group's human resources management, and these international talents can serve to introduce global best practice to the organization to facilitate the Group's globalization strategy. The Group also recruited top-class industry leaders to oversee new business areas such as drilling fluid, drilling technology, pressure pumping and new materials, anchoring the Group's development in new business.

- During the first half of the year, the Group continued to pursue its strategy of seeking skilled talents through public recruitment, and sourcing young talents through campus recruitment and talent discovery internally. During the reporting period, the Group hired 68 skilled talents through public recruitment, all of whom are experienced professionals and on-site engineers who can provide operational support to cope with the rapid expansion of the Group's businesses. It also recruited 218 graduates from campuses at home and abroad thus far in 2012.

- The Group introduced changes to its salary incentive scheme, making it an indispensable part for the Group to achieve its financial objectives. The new scheme links the salary of a position to indicators such as revenue, profit targets and collection of receivables, motivating employees to accomplish the targets by means of merit pay. This significantly reduced direct costs and improved capital efficiency.

- During the first half of 2012, the Group granted a total of 53,100,000 ordinary share options to over 160 core personnel and high-performers. Of these, 40,000,000 share options are exercisable at a price of HKD1.072 each, 6,000,000 at HKD1.24 each and the remaining 7,100,000 at HKD1.16 each.

Outlook

In the second half of 2012, the Group is optimistic about the opportunities presented by its "natural gas" strategy in China and "follow-up" strategy in the overseas markets. Domestically, the Group is fully geared up to bid for several sizable tenders in major natural gas basins in the second half of the year. So far, the Group has announced the winning of bids for batch orders in the oil-based drilling fluid service and multistage fracking service. The diversified business layout built primarily on high-end technical services and supplemented by standard technical services already proved effective and this model is expected to create more market opportunities. Overseas, the Group will continue to explore growing market demands from Chinese investors who are speeding up oilfield development in the Middle East, Central Asia and South America, especially the huge demands for technical services in the Halfaya Project in Iraq. As of 30 June 2012, the Group's order backlog already amounted to 572 jobs domestically and 82 jobs overseas, or a total of 654 jobs. Together with new volume generated from several winning bids, the second half of year will be a peak time for order execution.

Building on the steady growth of the current services, the Group will also strengthen the promotion of new services in the second half of 2012, with drilling fluid, pressure pumping and integrated drilling services as the new key services. For the drilling fluid service, the Group will further integrate oil-based and water-based drilling fluid services to provide tailor-made drilling fluid services for wells with ultra depth and ultra high temperature. For pressure pumping services, with the first phase of service capacity construction already completed, the services will be launched in the unconventional resources area in the second half of the year to accumulate related technical experience. For the integrated drilling services, the business already showed strong momentum this year, the Group will continue to develop and utilize its integrated service capacity to complete the strong order backlog.

The buildup of service capacity will continue to focus on the development of each business cluster through various means like making further investment in equipment, promoting the construction of industrial bases, encouraging R&D projects, introducing all levels of talents as well as actively searching for M&A targets both domestically and abroad to back up the Group's sustainable growth.

The profitability enhancement program and asset use efficiency enhancement program implemented this year have shown remarkable results. In view of that, the Group will continue to carry out the reward and penalty system that is aligned with comprehensive financial targets. With the commitment of all employees, the Group endeavors to deliver strong financial performance. The year of 2012 is expected to be a year of harvest.

FINANCIAL REVIEW

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

Revenue

The Group's revenue in the first half of 2012 amounted to RMB803.7 million, representing an increase of RMB277.3 million or 52.7% as compared to the same period of 2011. The increase of the Group's revenue was mainly attributable to the the rapid expansion of natural gas development in China, fast growth of the Group's business in overseas markets as well as the sustained growth in its core services and the rapid launches of its new services.

Cost of Sales

The operating costs in the first half of 2012 increased to RMB419.0 million, representing an increase of 39.9%, from RMB299.6 million in the same period of 2011. The increase was mainly due to the increase in sales.

Other Gains

Other gains in the first half of 2012 decreased to RMB0.7 million, representing an decrease of 68.2%, from RMB2.2 million in the same period of 2011. The decrease was mainly due to the decrease in government subsidies.

Selling Expenses

The selling expenses in the first half of 2012 amounted to RMB72.3 million, representing an increase of RMB29.8 million or 70.1% as compared with RMB42.5 million in the same period of 2011. This was mainly attributable to the Group's strengthened marketing efforts.

Administrative Expenses

The administrative expenses in the first half of 2012 amounted to RMB94.8 million, representing an increase of RMB21.5 million or 29.3% as compared with RMB73.3 million in the same period of 2011. This was mainly attributable to the increase of the Group's scale.

R&D Expenses

The R&D expenses for the first half of 2012 amounted to RMB28.9 million, representing an increase of RMB7.1 million or 32.6% as compared with RMB21.8 million in the same period of 2011. This was mainly attributable to the Group's increased investment in research and development.

Sales Tax and Surcharges fees

The sales tax and surcharge fees in the first half of 2012 amounted to RMB15.7 million, representing an increase of RMB7.1 million or 82.6% as compared with RMB8.6 million in the same period of 2011. The increase was mainly due to an increase in sales tax taxable income of the Group.

Operating Profit

As a result of the foregoing, the operating profit in the first half of 2012 amounted to RMB173.7 million, representing an increase of RMB91.0 million or 110.0% as compared with RMB82.7 million in the same period of 2011. The operating profit margin was 21.6% in the first half of 2012, representing an increase of 5.9 percentage points from 15.7% in the same period of 2011.

Finance Expenses (Net)

Net finance expenses in the first half of 2012 was RMB16.9 million, up approximately RMB10.4 million compared to the same period of 2011. The increase was mainly due to the increase in financing expenses arisen from bank borrowings for investments in fixed assets, R&D, and the construction of service capacity.

Share of Loss or Profit of a Jointly Controlled Entity

The share of loss or profit of a jointly controlled entity was nil in the first half of 2012, as compared to the loss of RMB5.9 million in the same period of 2011.

Income Tax Expense

Income tax expense in the first half of 2012 amounted to RMB25.0 million, representing an increase of approximately RMB9.9 million from the same period of 2011, mainly due to an increase in average tax rate because the Group grew more business in overseas markets and some of them have higher tax rate.

Profit for the Period

As a result of the foregoing, the Group's profit for the first half of 2012 was RMB132.9 million, representing an increase of RMB76.7 million or 136.5% from the same period of 2011.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company in the first half of 2012 amounted to approximately RMB124.6 million, representing an increase of approximately RMB73.9 million or 145.8% from the same period of 2011.

Trade and Notes Receivables

As at 30 June 2012, the Group's net trade and notes receivables were approximately RMB966.8 million, representing an increase of RMB295.8 million as compared to 31 December of 2011. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in the first half of 2012 were 170 days, representing a decrease of 66 days as compared to the same period of 2011. This was mainly attributable to the Group's strengthened management of receivables collection.

Inventory

As at 30 June 2012, the Group's inventory was RMB368.1 million, representing an increase of RMB96.7 million as compared to 31 December 2011, mainly due to the higher inventory of some tools to prepare for larger business volume.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2012, the Group's cash and bank deposits amounted to approximately RMB366.6 million (included: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of RMB110.9 million as compared to 31 December 2011, mainly due to the Group's increased investment in fixed assets and intangible assets in order to meet the needs of its own development, and also a substantial increase in investing cash outflow required for M&A.

As at 30 June 2012, the Group's outstanding short term bank loans amounted to RMB227.4 million and the Group's outstanding long term bank loans due within one year amounted to RMB4.9 million. Credit facilities granted to the Group by domestic banks in China amounted to RMB923.4 million, of which approximately RMB658.0 million were not used.

As at 30 June 2012, the gearing ratio of the Group was 33.8%, representing an increase of 8.8 percentage points from the gearing ratio of 25.0% as at 31 December 2011. This was mainly due to the increase of bank loans, trade payables and notes payables. Net debt included borrowings and trade and notes payables. Total capital was calculated as equity plus net debt.

The equity attributable to equity holders of the Company increased to RMB1,767.3 million in the first half of 2012 from RMB1,666.1 million as at 31 December 2011. The increase was mainly due to the increase in profit for the period.

EXCHANGE RISK

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

NET CASH USED IN OPERATING ACTIVITIES

As at 30 June 2012, net cash used in operating activities of the Group amounted to RMB84.2 million, representing an increase of RMB21.0 million outflow as compared to the same period in 2011. This was mainly attributable to a greater increase in purchase costs and various costs and expenses compared to the increase in recovered receivables.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for the first half of 2012 was approximately RMB182.7 million, of which, investments in fixed assets were approximately RMB112.3 million, investments in intangible assets were approximately RMB8.0 million and the payment for the equity investments was approximately RMB39.9 million.

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 2012, the Group's operating lease commitments amounted to approximately RMB5.4 million. As at the balance sheet date (30 June 2012), the Group had capital commitments of approximately RMB218.4 million, which was not provided for in the balance sheet.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2012, the Group did not have any off-balance sheet arrangement.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (For the six months ended 30 June 2011: nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2012, except for the following deviation:

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 reporting period. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The directors of the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the Model Code during the reporting period.

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

For the period ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2012.

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

Hong Kong, 24 August 2012

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.