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安東石油
Antonoil

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

GROUP FINANCIAL HIGHLIGHTS

1. **Revenue increased by 4.4% to RMB323.7 million**
2. **Net profit attributable to the Company's shareholders increased by 159.0% to RMB21.5 million**
3. **Earnings per share was RMB1.0 cents**

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 2009 with comparative figures for the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

		Six months ended 30 June	
		2009	2008
	Note	**(Unaudited)**	(Unaudited)
Revenue	5	**323,739**	310,098
Other income, net		**1,970**	—
Operating costs			
Material costs		**(162,879)**	(137,243)
Staff costs		**(65,473)**	(65,607)
Depreciation and amortisation		**(16,278)**	(10,870)
Sales tax and surcharges		**(5,815)**	(4,335)
Others		**(48,786)**	(34,604)
		(299,231)	(252,659)
Operating profit	6	**26,478**	57,439
Interest income		**2,917**	13,723
Finance costs, net	7	**(755)**	(54,375)
Share of profit of a jointly controlled entity		**60**	3,419
Profit before income tax		**28,700**	20,206
Income tax expense	8	**(4,129)**	(12,368)
Profit for the period		**24,571**	7,838
Profit attributable to:			
Equity holders of the Company		**21,471**	8,329
Minority interests		**3,100**	(491)
		24,571	7,838
Earnings per share for the profit attributable to the equity holders of the Company			
– basic and diluted	9	**0.010**	0.004
Dividends proposed	10	**—**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit for the period	**24,571**	7,838
Other comprehensive income/(loss), net of tax:		
Currency translation differences	**31**	(285)
Other comprehensive income/(loss), net of tax for the period	**31**	(285)
Total comprehensive income for the period	**24,602**	7,553
Total comprehensive income attributable to:		
Equity holders of the Company	**21,502**	8,044
Minority interests	**3,100**	(491)
	24,602	7,553

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2009 (Unaudited)**	As at 31 December 2008 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**308,236**	248,444
Land use rights		**26,081**	26,072
Intangible assets		**292,316**	291,186
Investment in a jointly controlled entity		**51,689**	51,629
Deferred income tax assets		**555**	532
		678,877	617,863
Current assets			
Inventories		**238,473**	202,591
Trade and notes receivables	11	**540,127**	453,225
Prepayments and other receivables		**101,611**	194,757
Financial assets at fair value through profit or loss		**10,000**	33,859
Term deposits with initial terms of over three months		**73,426**	115,109
Cash and bank		**212,659**	307,918
		1,176,296	1,307,459
Total assets		**1,855,173**	1,925,322
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**197,411**	197,411
Reserves			
– Proposed final dividend		**—**	57,000
– Others		**1,295,131**	1,265,084
		1,492,542	1,519,495
Minority interests in equity		**34,744**	31,119
Total equity		**1,527,286**	1,550,614

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2009 (Unaudited)**	As at 31 December 2008 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**2,094**	5,407
		2,094	5,407
Current liabilities			
Short-term borrowings		**20,000**	7,000
Trade and notes payables	12	**116,293**	123,545
Accruals and other payables		**171,874**	215,934
Current income tax liabilities		**17,626**	22,822
		325,793	369,301
Total liabilities		**327,887**	374,708
Total equity and liabilities		**1,855,173**	1,925,322
Net current assets		**850,503**	938,158
Total assets less current liabilities		**1,529,380**	1,556,021

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(Amounts expressed in thousands of RMB)

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(64,674)**	(150,271)
Net cash generated from/(used in) investing activities	**13,885**	(358,903)
Net cash used in financing activities	**(44,000)**	(90,595)
Net decrease in cash and cash equivalents	**(94,789)**	(599,769)
Cash and cash equivalents, at beginning of the period	**307,918**	976,654
Exchange loss on cash and cash equivalents	**(470)**	(48,994)
Cash and cash equivalents at end of the period	**212,659**	327,891

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

This condensed consolidated interim financial information was approved for issue on 28 August 2009.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the principal accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two performance statements: the income statement and statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, ‘Operating segments’. IFRS 8 replaces IAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable operation segments whilst removing the previously reported geographical segments.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (‘CODM’). The CODM has been identified as the Chief Executive Officer, the vice presidents and the directors of the Company.

  IFRS 8 amended certain disclosure items whereby the Group has restated comparative information accordingly.

- Amendment to IFRS 7, ‘Financial instruments: disclosures’. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make such additional disclosures in its financial statements for the year ending 31 December 2009.

- IAS 23 (amendment), ‘Borrowing costs’. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. This amendment has no impact on the Group as the option to capitalise the borrowing costs has been already applied.

- IFRS 2 (amendment), ‘Share-based payment’. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment has no a material impact on the Group’s financial statements.

- The IASB has issued an improvement document in May 2008 and one of the amendments to IFRS 7 required the exclusion of interest income from net financial expenses. The Group has separately presented interest income in the unaudited condensed consolidated interim income statement in the current period and restated prior period comparative accordingly.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: recognition and measurement'.

4. SEGMENT INFORMATION

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

The CODM assesses performance of four reportable segments: drilling technology, well completion technology, down-hole operation technology and oilfield tube and field support services.

Revenue recognised during the period are as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Drilling technology	**65,698**	10,902
Well completion technology	**100,218**	146,654
Down-hole operation technology	**38,633**	37,522
Oilfield tube and field support services	**119,190**	115,020
Total	**323,739**	310,098

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 interest, income tax expense, depreciation and amortisation ('EBITDA').

	Drilling technology	Well completion technology	Down-hole operation technology	Oilfield tube and field support services	Total
			(Unaudited)		
Six months ended 30 June 2009					
Revenue (from external customers)	**65,698**	**100,218**	**38,633**	**119,190**	**323,739**
EBITDA	**18,975**	**44,920**	**11,075**	**34,894**	**109,864**
Depreciation and amortisation	**(447)**	**(5,086)**	**(1,384)**	**(6,472)**	**(13,389)**
Interest income	**—**	**482**	**16**	**28**	**526**
Finance costs, net	**—**	**(17)**	**(5)**	**(73)**	**(95)**
Share of profit from a jointly controlled entity	**—**	**—**	**—**	**60**	**60**
Six months ended 30 June 2008					
Revenue (from external customers)	10,902	146,654	37,522	115,020	310,098
EBITDA	1,888	106,067	25,198	5,680	138,833
Depreciation and amortisation	(272)	(2,992)	(561)	(6,283)	(10,108)
Interest income	—	49	12	36	97
Finance costs, net	—	(128)	(4)	(340)	(472)
Share of profit from a jointly controlled entity	—	—	—	3,419	3,419

	Drilling technology	Well completion technology	Down-hole operation technology	Oilfield tube and field support services	Total
			(Unaudited)		
As at 30 June 2009					
Total assets	**47,941**	**619,476**	**151,284**	**371,110**	**1,189,811**
Total assets include:					
Investments in a jointly controlled entity	**—**	**—**	**—**	**51,689**	**51,689**
Additions to non-current assets (other than deferred tax assets)	**20,745**	**5,502**	**9,009**	**26,209**	**61,465**
As at 31 December 2008					
Total assets	22,036	581,381	138,204	353,681	1,095,302
Total assets include:					
Investments in a jointly controlled entity	—	—	—	51,629	51,629
Additions to non-current assets (other than deferred tax assets)	17,401	182,704	66,471	15,666	282,242

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
EBITDA for reportable segments	**109,864**	138,833
Corporate overheads	**(68,266)**	(111,563)
Depreciation	**(11,049)**	(8,027)
Amortisation	**(2,340)**	(2,081)
Interest income	**526**	97
Finance costs, net	**(95)**	(472)
Share of profit of a jointly controlled entity	**60**	3,419
Profit before income tax	**28,700**	20,206

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

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Unaudited)
Assets for reportable segments	**1,189,811**	1,095,302
Corporate assets for general management	**665,362**	830,020
Total Assets	**1,855,173**	1,925,322

5. REVENUE

	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Sales of goods	**189,667**	214,994
Sales of services	**134,072**	95,104
	323,739	310,098

6. EXPENSE BY NATURE

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

	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Staff costs		
– Salaries and other staff expenses	**58,504**	44,425
– Share-based compensation	**6,969**	21,182
Gain on disposal of property, plant and equipment	**(151)**	(219)
Addition/(Reversal) for impairment of receivables	**2,369**	(1,515)
Depreciation	**13,387**	8,789
Amortisation	**2,891**	2,081

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowing	**34**	4,473
Exchange losses, net	**499**	48,709
Bank surcharges and others	**222**	1,193
	755	54,375

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.

Income tax is provided on the basis of the profits of the Company's subsidiaries 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 subsidiaries of the Group was 25% for the six months ended 30 June 2009 (for the six months ended 30 June 2008: 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	
	2009	2008
	(Unaudited)	(Unaudited)
Current income tax		
– PRC profit tax	**4,178**	11,805
– Overseas profit tax	**287**	—
Deferred income tax	**(336)**	563
	4,129	12,368

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	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**21,471**	8,329
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,054**	2,092,051
Basic earnings per share (RMB per share)	**0.010**	0.004

(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 2009, the only potential dilutive factor of the Company was the outstanding share options. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease profit or increase loss per share attributable to the ordinary shareholders. 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 2009 to 30 June 2009) based on the assumed exercise price of outstanding share options (including the exercise price and the share-based payment expense attributable to future services that is not yet recognised), 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	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**21,471**	8,329
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,054**	2,092,051
Adjustments for assumed conversion of share options (thousands of shares) *(Note)*	**—**	32,922
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,093,054**	2,124,973
Diluted earnings per share (RMB per share)	**0.010**	0.004

Note: No adjustments for assumed conversion of share options for the six months ended 30 June 2009 due to the assumed exercise prices were higher than the average market share price. Therefore there were no dilutive ordinary shares.

10. DIVIDENDS

The directors of the Company proposed not to distribute dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Trade receivables, net *(Note a)*	**536,499**	443,343
Notes receivables *(Note b)*	**3,628**	9,882
	540,127	453,225

Notes:

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

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Within 6 months	**345,356**	323,065
6 months - 1 year	**122,757**	85,995
1 – 2 years	**66,163**	31,594
2 – 3 years	**3,452**	5,427
Over 3 years	**2,358**	962
Trade receivables, gross	**540,086**	447,043
Less: Impairment of receivables	**(3,587)**	(3,700)
Trade receivables, net	**536,499**	443,343

(b) Notes receivables are all of bank acceptance with maturity dates within six months.

12. TRADE AND NOTES PAYABLES

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Trade payables	**83,681**	89,856
Trade payables to a related party	**4,338**	4,542
Notes payables	**28,274**	29,147
	116,293	123,545

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

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Within 1 year	**111,372**	115,563
1 – 2 years	**3,242**	6,593
2 – 3 years	**581**	868
Over 3 years	**1,098**	521
	116,293	123,545

The fair values of trade and notes receivables approximated their carrying values due to the short maturity period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the extremely difficult market conditions caused by the global financial turmoil and low oil price, the Group's business still experienced a slight growth in the first half of 2009 as compared with the same period in 2008. Total revenue increased by 4.4% to RMB323.7 million from RMB310.1 million as for the same period in 2008, with all the four business divisions achieving satisfactory growth through on-going consolidation of existing market and exploration in new products and market.

In the first half of 2009, the operating profit of the Group amounted to RMB26.5 million, a decrease of RMB30.9 million or 53.8% over RMB57.4 million as for the same period in 2008. Profit after tax increased by RMB16.8 million or 215.4% to RMB24.6 million, from RMB7.8 million as for the same period in 2008. The substantial increase of profit after tax is due to the impact of non-operating factors such as exchange losses resulted in a small comparable net profit in the same period of 2008.

In the first half of 2009, cash flow used in operating activities amounted to RMB64.7 million, representing a decrease of RMB85.6 million as compared with the same period in 2008. Due to the seasonal factor of the industry, the operational cash flow of the Group in the first half of 2009 still recorded a negative figure, but the Group adopted effective measures to manage its working capital, resulting in an improvement in operating cash flow as compared with the same period in 2008.

Revenue by division (%)

	Six months ended 30 June	
	2009	2008
Drilling technology division	**20.3%**	3.5%
Well completion technology division	**31.0%**	47.3%
Down-hole operation technology division	**11.9%**	12.1%
Oilfield tube and field support services division	**36.8%**	37.1%

DRILLING TECHNOLOGY DIVISION

The business of drilling technology division continued to grow rapidly, where revenue increased by 502.8% from RMB10.9 million for the same period in 2008 to RMB65.7 million in the first half of 2009. Its contribution to the Group's total revenue increased to 20.3% in the first half of 2009 from 3.5% for the same period in 2008.

In the first half of 2009, the Group further pushed its drilling technology integration and drilling project management services into the market. During the period under review, the Group successfully launched the aforesaid services to Daqing oilfield and Huabei oilfield, whereby the Group has received favorable comments from the customers. The Group also successfully initiated rotary steering service to clients such as Sinopec Northwestern Bureau and Sinopec Southwestern Company on the basis of having its first stage investment in directional well team and equipment in 2008.

In the first half of 2009, the Group has also provided LWD (logging while drilling) services and MWD (measurement while drilling) services to CNPC Daqing oilfield and Jilin oilfield, Sinopec Northwestern Bureau, it has achieved favorable results.

WELL COMPLETION TECHNOLOGY DIVISION

The revenue of well completion technology division decreased by 31.7% from RMB146.7 million for the same period in 2008 to RMB100.2 million in the first half of 2009.

In the first half of 2009, affected by the delay of production plans by major customers, sales of sand screens decreased to 20,460 metres from 76,668 metres for the same period in 2008. As the production activities of major customers resume to normal level in the second half of 2009, it is expected that sales of sand screens will remain stable for 2009.

In the first half of 2009, the well completion technology integration business under the well completion technology division maintained stable growth, the Group carried out well completion services for 28 wells. The Group has further improved its gravel-packing well completion technology, and successfully achieved exclusive position in sand control technology market of Dagang oilfield.

In the first half of 2009, the Group successfully carried out a one-stop well completion technology integration project in Jilin region, in which the Group acts on its own ranging from solution design, tool selling service, product delivery, to research and development of related tools, reflecting the strong technical strength of the Group in well completion.

During the period under review, the Group continued to provide oilfield customers with the down-hole completion tools and related equipment necessary in their oil production process. This business maintained a stable growth.

DOWN-HOLE OPERATION TECHNOLOGY DIVISION

In the first half of 2009, income from the down-hole operation technology division was RMB38.6 million, representing an increase of RMB1.1 million or 2.9% as compared with RMB37.5 million for the same period in 2008.

In the first half of 2009, the Group performed 84 acidization, fracturing and chemical EOR (enhanced oil recovery) operations. The tubular helium testing project, introduced in 2008 by the Group, is still being the leader in the market. Despite the complicated geological environment and the difficult testing requirements in the South-West oil and gas field, the Group was able to complete the testing project, which won a good reputation and laid a solid foundation for the Group to expand business.

OILFIELD TUBE AND FIELD SUPPORT SERVICES DIVISION

In the first half of 2009, income from the oilfield tube and field support services division was RMB119.2 million, representing an increase of RMB4.2 million or 3.7% as compared with RMB115.0 million for the same period in 2008.

The Group's tube testing and welding services had expanded into the international market such as Kazakhstan in the first half of 2009, which makes the testing and welding team an international team in the real sense.

Sales volume of key products:

		Six months ended 30 June	
	Unit	**2009**	2008
Drill pipe	tonne	**464**	711
Heavy-weight drill pipe/collar	piece	**1,784**	983

MARKETING

Both the outbreak of the global financial turmoil and the sharp decrease compared with the highest in the international oil prices in 2008 had complicated effects on the petroleum and oilfield service industry in China. Under the market environment with both crisis and opportunities, the Group further increased its efforts in targeted marketing by further expanding into new services, new projects and new markets while ensuring its dominating position in existing markets, resulting the domestic market further improved and breakthrough was made in weak sectors. In the first half of 2009, the Group actively expanded coiled tubing services in South-West area which increased the market share in Sinopec and Changqing oilfield. In the meantime, the offshore coiled tubing technology had achieved initial success which laid a foundation in ocean business field.

In the first half of 2009, the Group continued to improve its international business, established its first overseas service base in Kazakhstan, and continued to expand services including drill pipe testing, wearable zone surfacing and drill pipe repair. In addition to the existing sand screens sales and related services, additional services, such as sand picking and gravel-packing services are added. At the same time, the Group also explored certain new business networks, such as the Middle-East, Africa and Southeast Asia markets. The Group has formed a preliminary marketing network globally. The Group's international business developed pursuant to the China petroleum companies' overseas investment strategy has been established initially.

In the first half of 2009, the income from international operations amounted to RMB38.7 million, representing an increase of RMB14.8 million, or 61.9%, as compared with RMB23.9 million for the same period in 2008.

Revenue by region (%)

	Six months ended 30 June	
	2009	2008
North China	**23.1%**	17.5%
Northwest China	**31.9%**	38.4%
Northeast China	**20.7%**	20.0%
Southwest China	**7.6%**	15.3%
Overseas	**11.9%**	7.7%
Others	**4.8%**	1.1%

RESEARCH AND DEVELOPMENT

In the first half of 2009, the Group actively commenced self-development of technology and the cooperation with domestic and foreign technology, as well as the research and development and introduction of several products and technology. First, it jointly established Anton Research and Design Institute of University of Petroleum with University of Petroleum (Beijing) and co-invested in the construction of laboratories, talent introduction, relevant qualification declaration, key technology issues tackling, academic exchange and technology promotion, so as to realize the successful transformation of technological research. At the same time, it signed strategic cooperation framework agreements with Oil-drilling Engineering Technology Research Institute of CNPC, Mud Technology Service Branch of CNPC Bohai Drilling Engineering Company Limited and Gas Production Engineering Research Institute of PetroChina Southwest Oil & Gasfield Company to form strategic cooperating alliance.

In the first half of 2009, the amount of investment on core technological areas was RMB6.5 million. The number of research and development projects was 25. During the reporting period, the Group obtained approval for 43 patents, which increased the total number of patents registered by the Group to 138. Meanwhile, the Group has 103 patent applications still pending for approval.

With regard to well drilling, the key issues of deep well sidetracking technology and vertical drilling technology were tackled and integrated and won the competition among a number of foreign well-known companies.

With regard to well completion, a number of tools used in the well were invented: high temperature thermal production packer, non-drilling board, spinning oriented shoes, drilling binding shoes and floating binding shoes. Self-developed water controlling binding pipes have undergone on-site testing in a number of wells. The third generation AOC alloy pole has passed on-site testing and produced in batches. The anti-sand technology and auxiliary products have been recognized highly by users and were applied widely.

With regard to down-hole operation technology, the development of continuous oil pipe operation equipment, the team and service capability were completed. The hydraulic horizontal equipment and technology and static pipe hydraulic multi-layer crushing technology were introduced, which extended the horizontal well crushing technology. The technological difficulty found in on-site application of oil pipe sealed testing technique was successfully solved, which meets the well monitoring and testing to a greater extent.

With regard to pipe coating, large area promotion and application was realized in special coating pipes and preserving technology.

HUMAN RESOURCES

As at 30 June 2009, the Group has a total of 1,220 employees, among which 98 are marketing personnel, 435 are technicians, 512 are on-site servicemen and 175 are management personnel. The Group actively responded to the difficult market environment brought by crisis. It continued to optimize talent structure and human resource reserves, which can be shown in the following aspects:

The Group's overall personnel structure was further optimized. The ratio of high-end and specialist talents increased and there was rapid growth for international business personnel and there was a decrease in the number of auxiliary personnel. The current number of staff for the Group's high-end talents reaches 39, international business personnel reaches 50 and staff possessing a master degree reaches 119;

Stage two of option incentive scheme was implemented as scheduled. A large group of staff who work in key positions in marketing, production, research and development and management and core technicians were offered options;

Despite facing with market difficulties, the Group still continues its campus recruitment programme in batches and the plan of introducing high-end talents so as to ensure that there is sufficient talent reserve to cope with the demand for Group's rapid growth.

OUTLOOK

The Group's long-term strategic objective is to become a global leading PRC-based oilfield technological services company and gradually expand our business from oilfield development to oilfield exploitation and oilfield maintenance and management, with a view to build an integrated one-stop service industry of oilfield technologies. In the next three years, the Group will continue to focus on the oilfield development operation, target to develop complete ancillary technical capacity which include design, tools, chemical materials and ancillary equipment and is capable of supporitng one-stop oilfield technology services, and expand our presence in the international market in accordance with the overseas strategies of Chinese investors. To help realize the aforesaid strategic objective, the Group will establish and improve the centralized PRC-based procurement and logistics platform, the research and development and manufacturing platform, the human resource platform and the operation management platform in the forthcoming three years.

Although the development pace of the Group's operations in the first half of 2009 was affected to some extent by the global financial crisis in the second half of 2008 and the significant decrease in international oil price over the historic high level, the Group believes that all of its divisions are still under rapid and stable development. Following the completion of the investment and construction of the respective divisions in the earlier period, it is expected that the fours main divisions, including drilling technology, well completion technology, down-hole operation technology, oilfield tube and field support services, will deliver outstanding performance in the second half of 2009.

In the second half of 2009, the Group will take the opportunity to accelerate its construction in respect of industrial structure, marketing, research and development, human resource investment and operation. In addition, the Group will further expand its business in overseas markets, such as Middle Asia, Africa and Middle East. Overall ancillary technical capacity in relation to design, tools, chemical materials and ancillary equipment will be further improved and the centralized operation supporting system will be strengthened. In addition, the Group will stick to the model of organic growth and M&A growth. In the second half of 2009, the Group will continue to actively seek companies which meet the requirements of our development strategies, fall in line with our core businesses and possess core competitive strengthens to acquire or hold interests in such companies, so as to support the Group's development and realize the Group's strategies by leveraging on the synergy resulting from integrated management.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2009 amounted to RMB323.7 million, representing an increase of RMB13.6 million or 4.4% from the same period in 2008. During the reporting period, the revenue from the Group's business divisions maintained stable operating conditions, of which the drilling services recorded larger growth as compared to the previous period.

Materials costs

Materials costs increased from approximately RMB137.2 million for the same period in 2008 to approximately RMB162.9 million in the first half of 2009, representing an increase of 18.7%. The increase was mainly due to the change in the overall revenue mix.

Staff costs

Staff costs amounted to approximately RMB65.5 million in the first half of 2009, representing a decrease of RMB0.1 million or 0.1% from approximately RMB65.6 million for the same period in 2008. During the reporting period, the Company's staff increased to 1,220 from 761 for the same period in 2008. Wage expenses increased from RMB44.4 million in the same period of 2008 to RMB58.5 million in the first half of 2009; meanwhile, amortisation of share options decreased to RMB7.0 million in the first half of 2009 from RMB21.2 million for the same period of 2008.

Depreciation and amortisation

Depreciation and amortisation amounted to approximately RMB16.3 million in the first half of 2009, representing an increase of RMB5.4 million or 49.5% from approximately RMB10.9 million in the same period of 2008. The increase was mainly attributable to an increase in depreciation as a result of the successive put into operation of the service equipment purchased in the second half of 2008 and the first half of 2009.

Business tax and surcharge

Business tax and surcharge for the first half of 2009 was RMB5.8 million, increased by RMB1.5 million or 34.9% as compared to the same period in 2008, which was mainly attributable to an increase in the proportion of revenue from services in total revenue.

Other operating costs

Other operating costs amounted to RMB48.8 million in the first half of 2009, representing an increase of RMB14.2 million or 41.0% compared to RMB34.6 million for the same period in 2008. The increase was mainly attributable to the relevant expenses of Shandong Precede Petroleum Technology Company Limited charged to the consolidated profit and loss accounts following the acquisition of the company. In addition, the expansion of the business scale and an increase in the number of staff also contributed to increased selling expenses and other administrative expenses.

Operating profit

As a result of the abovementioned, the operating profit for the period under review amounted to approximately RMB26.5 million, representing a decrease of approximately RMB30.9 million or 53.8% from approximately RMB57.4 million for the same period in 2008. The operating profit margin was 8.2% in the first half of 2009, representing a decrease of 10.3 percentage points from 18.5% for the same period in 2008. This was mainly due to the decrease in the price of products and services provided by the Company under the influence of market conditions; although the Company has adopted coping measures, the corresponding effect will only be reflected in the operating results of the Company in the second half of 2009.

Finance costs, net

Net finance costs were approximately RMB0.8 million for the period under review, representing a decrease of approximately RMB53.6 million compared to approximately RMB54.4 million for the same period in 2008. The decrease in finance costs was mainly due to the recognition of exchange loss of the financly funds of IPO held in HK dollars or US dollars of approximately RMB48.7 million in the same period of 2008.

Income tax expense

Income tax expense amounted to RMB4.1 million in the first half of 2009, representing a decrease of approximately RMB8.3 million from RMB12.4 million in the same period in 2008, mainly attributable to (1) a decrease in operating profit derived by the Group from its subsidiaries in China; (2) the Group's subsidiary, Xinjiang Tongao Oilfield Services Limited, was recognised as an enterprise under the category of national encouraged industries during the reporting period and accordingly enjoyed a preferential tax rate of 15%.

Profit for the period

As a result of the foregoing, the Group's net profit for the first half of 2009 was approximately RMB24.6 million, representing an increase of approximately RMB16.8 million or 215.4% from the same period in 2008.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company amounted to approximately RMB21.5 million in the first half of 2009, representing an increase of RMB13.2 million or 159.0% from the same period in 2008.

Trade receivables and trade payables

As at 30 June 2009, the Group's net trade and notes receivables were approximately RMB540.1 million, representing an increase of RMB86.9 million from 31 December 2008. The average trade receivables turnover days (exclude quality guarantee deposits and other deposits) was 255 days, an increase of 27 days as compared to 228 days in the same period of 2008. As at 30 June 2009, the Group's net trade payables were approximately RMB116.3 million, representing a decrease of RMB7.2 million from the same period of 2008. The average trade payables turnover days was 133 days, an increase of 48 days as compared to 85 days in the same period of 2008, which was mainly attributable to better terms for trade payables and more usage of bills for settlement.

Inventory

As at 30 June 2009, the Group's inventory amounted to approximately RMB238.5 million, an increase of RMB35.9 million from 31 December 2008, which was mainly attributable to the increase in the revenue from sales of services as a percentage of total revenue of the Company. As at the end of the reporting period, the cost of uncompleted services increased by RMB27.0 million as compared to the same period in 2008; meanwhile, the Company had purchased some service equipments in advance in preparation for the operations in the second half of 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2009, the Group's cash and cash equivalents amounted to approximately RMB212.7 million, representing a decrease of RMB95.2 million from 31 December 2008, mainly because the Group deployed the cash into its operations and capital expenditure programs.

The Group's outstanding short-term bank loans as at 30 June 2009 amounted to approximately RMB20.0 million. A domestic bank granted the Group a credit facility of RMB500.0 million, of which RMB451.7 million has not been used.

As at 30 June 2009, the gearing ratio of the Group was 8.2%, representing an increase of 0.2 percentage points compared to the gearing ratio of 8.0% as at 31 December 2008, which was mainly attributable to an increase in the balance of operating payables of 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 decreased from RMB1,519 million as at 31 December 2008 to RMB1,493 million as at 30 June 2009. The decrease was mainly due to the the distribution of profits amounting to RMB57.0 million by the Company during the reporting period, which offset the increase brought by profits for the period.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Only a small quantity of imported and exported goods need to be settled in foreign currencies. The Group is of the opinion that the exchange risk involved in the collection and payment in foreign currencies for the Group is insignificant. The exchange risk for the Group is mainly attributable to its foreign currency deposits. The appreciation in the RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position. As at 30 June 2009, the Group had foreign currency deposits equivalent to RMB64.3 million. Appreciation of RMB would result in exchange loss from these assets denominated in foreign currencies. During the reporting period, the Group did not use any derivatives to hedge against the risk of foreign exchange fluctuations.

CASHFLOW FROM OPERATING ACTIVITIES

Net cash outflow from operating activities in the first half of 2009 was approximately RMB64.7 million, compared with a net cash outflow of RMB150.3 million in the first half of 2008 for the Group, mainly because of the improved management of operating capital by the Group.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure in the first half of 2009 was approximately RMB137.6 million, primarily for the acquisition of oilfield service equipment and the payment of the equity consideration.

CONTRACTUAL LIABILITY

The Group's contractual commitments consist primarily of payment obligations under the operating lease arrangements for offices and certain equipment and machinery. The Group's operating lease commitments amounted to approximately RMB18.0 million as at 30 June 2009.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009 (for the six months ended 30 June 2008: nil).

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

For the six months ended 30 June 2009, 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 above-mentioned rules during the six months ended 30 June 2009.

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 2009, 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 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 controls and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2009.

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

Hong Kong, 28 August 2009

As at the date of this announcement, the executive directors of the Company are Mr. Luo Lin, Mr. Ma Jian, Mr. Pan Weiguo; and the independent non-executive directors are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.