安東油田服務集團

Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3337)

INTERIM REPORT 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Luo Lin
Mr. Ma Jian
Mr. Pan Weiguo

Independent Non-executive Directors
Mr. Zhang Yongyi
Mr. Zhu Xiaoping
Mr. Wang Mingcai

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

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

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

AUTHORIZED REPRESENTATIVES
Mr. Luo Lin
Mr. Ngai Wai Fung

QUALIFIED ACCOUNTANT
Ms. Liu Yu (AICPA)

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

COMPANY'S WEBSITE
www.antonoil.com

INVESTORS RELATIONS HOTLINE
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183 Queen's Road Central
Hong Kong

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 75
George Town
Grand Cayman KY 1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER
Guotai Junan Capital Limited

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants

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

as to PRC law:
Tian Yuan Law Firm

as to Cayman Island law:
Maples and Calder

PRINCIPAL BANKERS
China Merchants Bank
Shanghai Pudong Development Bank
Bank of Beijing

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED
3337

DATE OF LISTING
14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's businesses continued to expand rapidly during the first half of 2008. Total revenue increased by 78.2% to RMB310.1 million from RMB174.0 million in the first half of 2007, with each of the four business divisions achieving satisfactory growth. The Group's strong growth was achieved through its focus on continuously introducing new products and services, leveraging its broad customer base and successfully integrating recent acquisitions.

The Group's strong growth also benefited from the favorable operating environment of the oilfield service industry in China. China's GDP grew by 10.4% in the first six months of 2008, driving continued strong demand for energy. Oil price set new records during the period under review, as global energy supply remained tight.

Net profit of the Group declined to RMB7.8 million during the period under review from RMB41.6 million in the first half of 2007, primarily due to foreign exchange losses of RMB48.7 million and share option-related expenses of RMB21.2 million.

Revenue by division (%)

	Six months ended 30 June	
	2008	2007
Well Services	**48.9%**	47.5%
Drilling Services	**33.0%**	30.7%
Production Services	**6.1%**	10.2%
Field Services	**12.0%**	11.6%

WELL SERVICES

The well services business continued to grow rapidly, where revenue increased by 83.3% from RMB82.7 million in the first half of 2007 to reach RMB151.6 million in the first half of 2008. Its contribution to the Group's total revenue increased to 48.9% in the first half of 2008 from 47.5% in the first half of 2007.

Sales of sand screens was 76,668 meters during the period under review, compared to 16,800 meters in the first half of 2007. The strong growth is mainly attributable to the successful consolidation of the operations of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ("Hinen-Hitech") and Beijing Huarme Petroleum Technology Co., Ltd. ("Huarme"), which the Group acquired in November 2007.

The Group introduced selective well completion service in late 2007. Major oilfield customers have shown their strong interest in such advanced technological solutions since the service was introduced. In the first half of 2008, the Group performed well completion services on twelve wells.

The Group completed the acquisition of Jilin Dongxin Oil Engineering Technology Co., Ltd. ("Jilin Dongxin") in March 2008, therefore further enhancing the Group's service capability. The Group performed 149 acidization, fracturing and chemical EOR (enhanced oil recovery) operations in the first half of 2008.

The Group also completed two cementing jobs during the reporting period and provided drilling fluid, killing fluid and micro glass bubble products and services.

DRILLING SERVICES

The Group's drilling services division expanded its service scope and started to provide drilling technology services and drilling project management services in the first half of 2008. This was a major step for the Group towards becoming a one-stop oilfield services provider and it enabled the Group to offer integrated service packages that cover the entire process of drilling, cementing and well completion.

Revenue from the new drilling technology service unit was RMB13.3 million in the first half of 2008. We are procuring advanced equipment, such as LWD (logging while drilling) and MWD (measurement while drilling) equipment to enhance our capability in the drilling services market, especially in providing drilling solutions for the technologically challenging directional and horizontal wells.

Total revenue from the drilling services division amounted to approximately RMB102.4 million in the first half of 2008, representing an increase of RMB49.1 million or 92% from approximately RMB53.3 million in the first half of 2007. Revenue from the sales of drill pipes, heavy-weight drill pipes, drill collars, as well as related services such as testing and welding, continued to increase strongly during the reporting period.

Sales volume of key products – drilling services:

		Six months ended 30 June	
	Unit	**2008**	2007
Drill pipe	tonne	**711**	300
H-W drill pipe/collar	piece	**983**	290

PRODUCTION SERVICES

Revenue from production services amounted to approximately RMB19.0 million in the first half of 2008, representing an increase of RMB1.2 million or 6.7% from approximately RMB17.8 million in the first half of 2007. This business division manufactures and sells specialized production equipment such as polished rods, couplings and downhole pumps, which feature higher anti-corrosion and anti-attrition performances.

Sales volume of key products – production services:

		Six months ended 30 June	
	Unit	**2008**	2007
Polished rod	piece	**2,547**	4,073
Coupling	piece	**57,172**	38,561
Pump	unit	**308**	54

FIELD SERVICES

The Group's field services consist of a comprehensive range of on-site services offered to large oil and gas producing areas, during the exploration and production processes. Our primary services include equipment leasing, coating, mechanical maintenance and ground construction. During the reporting period, field services revenue rose to RMB37.1 million, representing an increase of RMB16.9 million or 83.7% from approximately RMB20.2 million in the first half of 2007.

MARKETING

Leveraging on our nationwide sales network, the Group focuses on further strengthening our relationships with key oilfield customers and introducing new products and services to the market. During the first half of 2008, the Group successfully introduced the integrated drilling technology services to the Northeast China market. Currently, we are focusing our efforts on promoting our advanced well service solutions to more oilfield markets.

While we continue to focus on our existing domestic major oilfield customers, we are also seeing strong demand for our products and services from the international market. As a result, the Group is strengthening its marketing efforts to overseas markets, which has resulted in promising initial results. During the first half of 2008, the Group's sales to overseas market reached RMB23.9 million, primarily from sales of sand screens.

Revenue by region (%)

	Six months ended 30 June	
	2008	2007
North China	**17.5%**	8.9%
Northwest China	**38.4%**	51.7%
Northeast China	**20.0%**	14.0%
Southwest China	**15.3%**	24.3%
Overseas	**7.7%**	–
Others	**1.1%**	1.1%

RESEARCH AND DEVELOPMENT

Focusing on the high-end oilfield service market, the Group greatly emphasizes the importance of research and development, which is a key factor that enables the Group to keep introducing new products and services to satisfy our customers' demand.

During the reporting period, we obtained approval for 10 patents, which increased the total number of patents registered by the Group to 61. Meanwhile, the Group has 168 patent applications still pending for approval. Going forward, our research and development efforts will mainly focus on the areas of technology related to sand control, well completion, downhole tools and wells service chemicals.

HUMAN RESOURCES

Human resources is one of the key factors in supporting our long term growth. As of 30 June 2008, the Group has a total of 761 employees.

OUTLOOK

With the PRC's economy continuing to grow at a fast pace, increasing oil and gas output remains one of the key challenges faced by Chinese oil companies. We believe that investment in oil and gas exploration and production in the PRC will maintain its growth trend in recent years and that the macro industry environment will continue to be favorable for the Group's future development.

The Group expects to maintain its strong growth by taking advantage of the favorable industry environment and increasing our market share. Through strengthening our research and development efforts, expanding co-operations relationships with our partners and seeking merger and acquisition opportunities, we will further expand the portfolio of products and services that we offer, with the goal of becoming a leading "one-stop" oilfield services provider.

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2008 amounted to RMB310.1 million, representing an increase of RMB136.1 million or 78.2% from the first half of 2007. The substantial increase in our revenue was mainly attributable to the sharp increase of revenue from well services, drilling services, and field services.

Materials costs

Materials costs increased from approximately RMB75.6 million in the first half of 2007 to RMB137.2 million in the first half of 2008, representing an increase of 81.5%. The increase was mainly due to the change of overall revenue mix and the increase of materials costs for drilling tools, which surpassed the growth of corresponding revenue.

Staff costs

Staff costs amounted to approximately RMB65.6 million in the first half of 2008, representing an increase of RMB50.1 million or 323.2% from RMB15.5 million in the first half of 2007. The increase was mainly attributable to the RMB21.2 million amortization charges related to share options granted in the second half of 2007 and in February this year. The increase in the total number of the Company's staff, especially senior technical professionals and managerial staff, and the increase of the overall compensation level also led to the increase in staff costs.

Operating lease expenses

Operating lease expenses amounted to approximately RMB3.2 million in the first half of 2008, representing a decrease of RMB2.1 million from the first half of 2007. The decrease was due to the decrease of leased drilling tools.

Depreciation and amortization

Depreciation and amortization amounted to approximately RMB10.9 million in the first half of 2008, representing an increase of RMB6.9 million or 172.5% from RMB4.0 million in the first half of 2007. The increase was mainly attributable to additional machinery and equipment that were added in the casing plant and Huairou manufacturing plant, as well as the increase in amortization of intangible assets from the acquisition of Hinen-Hitech.

Other operating costs

Other operating costs amounted to RMB35.8 million in the first half of 2008, representing an increase of RMB8.7 million or 32.1% compared to RMB27.1 million in the first half of 2007. The increase was mainly attributable to the overall expansion of the Group's businesses.

Operating profit

As a result of the abovementioned, the operating profit for the period under review amounted to approximately RMB57.4 million, representing an increase of approximately RMB10.5 million or 22.4% from RMB46.9 million during the same period last year. The operating profit margin was 18.5% in the first half of 2008, representing a decrease of 8.5 percentage points from 27.0% in the first half of 2007. The decline in operating profit margin was mainly due to the increase of staff costs, which included RMB21.2 million of share option-related expenses for the six months ended 30 June 2008.

The Group's EBITDA, calculated as profit for the period plus net finance costs, income tax expense, depreciation, amortization and share option-related expenses, totalled RMB92.9 million for the period under review, representing an increase of 82.5% from the RMB50.9 million for the same period in 2007. EBITDA margin was 30.0%, for the first half of 2008, compared with 29.2% for the same period of 2007.

Finance costs, net

Net finance costs were approximately RMB40.7 million for the period under review, increased by approximately RMB39.2 million compared to RMB1.5 million in the first half of 2007. The sharp increase was mainly because of a RMB48.7 million foreign exchange loss recognized during the period. The RMB appreciated sharply during the first half of 2008, while the Group was holding the funds raised through its IPO completed in December 2007 in US dollars and HK dollars. The IPO proceeds have been mostly converted into RMB as of the end of June 2008.

Income tax expense

Income tax expense amounted to RMB12.4 million in the first half of 2008, representing an increase of approximately RMB8.6 million from the same period in 2007, mainly because (1) total pre-tax profits of the Group's subsidiaries in the PRC increased sharply during the period under review; (2) preferential tax treatments for certain subsidiaries in the PRC are being phased out during the period under review; (3) share option-related staff costs and foreign currency losses incurred by the Group's overseas companies could not be used to offset profit generated in the PRC.

Profit for the period

As a result of the foregoing, the Group's net profit for the first half of 2008 was approximately RMB7.8 million, representing a decrease of approximately RMB33.8 million or 81.3% from the same period in 2007.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company amounted to approximately RMB8.3 million in the first half of 2008, representing a decrease of RMB34.1 million or 80.4% from the first half of 2007.

Trade receivables

As of 30 June 2008, the Group's net trade receivables were approximately RMB455.8 million, representing an increase of RMB136.8 million from 31 December 2007, mainly because of the increase in turnover.

LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2008, the Group's cash and cash equivalents amounted to approximately RMB327.9 million, representing a decrease of RMB648.8 million from 31 December 2007, mainly because the Group deployed the cash raised through its IPO into its operations, short-term investments and capital expenditure programs.

The Group's outstanding short-term bank loans as of 30 June 2008 amounted to approximately RMB29.5 million. A domestic bank granted the Group a credit facility of RMB200.0 million, of which RMB198.0 million has not been used.

As at 30 June 2008, the gearing ratio of the Group was 6.3%, representing a decrease of 7.7 percentage points compared to the gearing ratio of 14% at 31 December 2007, which was mainly because the Group had paid down some of its short-term bank loans. Gearing ratio is calculated as net debt divided by total capital. Net debt includes borrowings and trade payables. Total capital is calculated as equity plus net debt.

The equity attributable to the Company's equity holders increased from RMB1,384.7 million as of 31 December 2007 to RMB1,455.7 million as of 30 June 2008. The increase was mainly due to the after tax profit during the reporting period and the issue of over allotment shares in January 2008.

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 fluctuation in the RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position. As of 30 June 2008, the Group had foreign currency deposits equivalent to RMB162.7 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

Cash outflow from operating activities in the first half of 2008 was approximately RMB150.3 million, compared with a net cash outflow of RMB35.5 million in the first half of 2007 for the Group, mainly because of the increase of working capital, particularly, trade receivables.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure in the first half of 2008 was approximately RMB95.5 million, primarily for installment payments on recent acquisitions.

CONTRACTUAL LIABILITY

The Group's contractual commitments consist primarily of payment obligations under our operating lease arrangements for offices and certain equipment and machinery. The Group's operating lease commitments amounted to RMB22.1 million as of 30 June 2008.

Capital commitments related to investments in property, plant and equipment at the balance sheet date but not yet provided in the balance sheet amounted to RMB1.3 million.

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 30, which comprises the condensed consolidated balance sheet of Anton Oilfield Services Group (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
5 September 2008

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008

	Note	**As at 30 June 2008 (Unaudited) RMB'000**	As at 31 December 2007 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**183,959**	147,346
Land use rights		**15,077**	15,101
Intangible assets	*5*	**124,995**	99,072
Investment in a jointly-controlled entity	*6*	**53,908**	34,109
Deferred income tax assets		**2,289**	2,852
		380,228	298,480
Current assets			
Inventories	*7*	**165,350**	121,088
Trade and notes receivables	*8*	**455,798**	319,001
Prepayments and other receivables	*9*	**89,456**	43,142
Short-term investments	*10*	**131,000**	–
Restricted bank deposits	*11*	**–**	82,610
Term deposits with initial terms of over three months	*11*	**215,000**	–
Cash and cash equivalents	*11*	**327,891**	976,654
		1,384,495	1,542,495
Total assets		**1,764,723**	1,840,975
EQUITY			
Equity attributable to the equity holders of the Company			
Capital	*12*	**197,411**	195,006
Reserves		**1,258,286**	1,189,653
		1,455,697	1,384,659
Minority interests		**4,619**	5,110
Total equity		**1,460,316**	1,389,769

	Note	**As at 30 June 2008 (Unaudited) RMB'000**	As at 31 December 2007 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,524**	5,045
Other long-term payables		**–**	37,500
		4,524	42,545
Current liabilities			
Short-term borrowings	*13*	**29,500**	163,500
Trade payables	*14*	**68,815**	60,217
Accruals and other payables	*15*	**183,643**	170,171
Current income tax liabilities		**17,925**	14,773
		299,883	408,661
Total liabilities		**304,407**	451,206
Total equity and liabilities		**1,764,723**	1,840,975
Net current assets		**1,084,612**	1,133,834
Total assets less current liabilities		**1,464,840**	1,432,314

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (Unaudited) RMB'000	2007 (Audited) RMB'000
Revenue	16	**310,098**	174,020
Other income, net		**–**	266
Operating costs			
Material costs		**(137,243)**	(75,624)
Staff costs		**(65,607)**	(15,485)
Operating lease expenses		**(3,157)**	(5,239)
Depreciation and amortisation		**(10,870)**	(3,967)
Others		**(35,782)**	(27,048)
		(252,659)	(127,363)
Operating profit	17	**57,439**	46,923
Interest income		**13,723**	2,716
Exchange losses, net		**(48,709)**	(1,189)
Finance expenses		**(5,666)**	(3,043)
Finance costs, net	18	**(40,652)**	(1,516)
Share of profit of a jointly-controlled entity		**3,419**	–
Profit before income tax		**20,206**	45,407
Income tax expense	19	**(12,368)**	(3,772)
Profit for the period		**7,838**	41,635
Attributable to:			
Equity holders of the Company		**8,329**	42,352
Minority interests		**(491)**	(717)
		7,838	41,635
Earnings per share for the profit attributable to the equity holders of the Company (unaudited, expressed in RMB per share)			
– basic and diluted	20	**0.004**	0.027
Proposed dividend	21	**–**	–

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

		Equity attributable to the equity holders of the Company								
	Note	Share capital (Note 12) RMB'000	Share premium (Note 12) RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Exchange differences RMB'000	Total RMB'000	Minority interests RMB'000	Total Equity RMB'000
At 31 December 2006		–	150,518	–	16,933	135,428	–	302,879	2,874	305,753
Profit for the period		–	–	–	–	42,352	–	42,352	(717)	41,635
At 30 June 2007 (Audited)		–	150,518	–	16,933	177,780	–	345,231	2,157	347,388
At 31 December 2007		**195,006**	**647,511**	**277,016**	**20,858**	**244,503**	**(235)**	**1,384,659**	**5,110**	**1,389,769**
Issue of new shares	*12(a)*	**2,405**	**42,813**	**–**	**–**	**–**	**–**	**45,218**	**–**	**45,218**
Share issue expenses		**–**	**(3,406)**	**–**	**–**	**–**	**–**	**(3,406)**	**–**	**(3,406)**
Share option scheme	*12(b)*	**–**	**–**	**21,182**	**–**	**–**	**–**	**21,182**	**–**	**21,182**
Profit for the period		**–**	**–**	**–**	**–**	**8,329**	**–**	**8,329**	**(491)**	**7,838**
Exchange differences		**–**	**–**	**–**	**–**	**–**	**(285)**	**(285)**	**–**	**(285)**
At 30 June 2008 (Unaudited)		**197,411**	**686,918**	**298,198**	**20,858**	**252,832**	**(520)**	**1,455,697**	**4,619**	**1,460,316**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (Unaudited) RMB'000	2007 (Audited) RMB'000
Cash flows from operating activities			
Net cash outflows from operations	*22*	**(146,094)**	(31,345)
Interest paid		**(4,461)**	(2,359)
Interest received		**13,723**	2,716
Income tax paid		**(13,439)**	(4,472)
Net cash used in operating activities		**(150,271)**	(35,460)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(23,709)**	(53,598)
Proceeds from disposal of property, plant and equipment		**787**	34
Purchase of intangible assets		**(1,655)**	(2,637)
Acquisition of a subsidiary, net of cash acquired	*24*	**(24,656)**	–
Payment of acquisition consideration		**(29,900)**	–
Increase in investment in a jointly-controlled entity		**(16,380)**	–
Increase in short-term investments		**(131,000)**	–
Increase in term deposits with initial term of over three months		**(215,000)**	–
Decrease in restricted bank deposits		**82,610**	85,896
Net cash (used in)/generated from investing activities		**(358,903)**	29,695
Cash flows from financing activities			
Proceeds from short-term borrowings		**50,000**	66,000
Repayments of short-term borrowings		**(184,000)**	(70,000)
Issue of new shares	*12(a)*	**45,218**	–
Share issue expenses		**(1,813)**	–
Net cash used in financing activities		**(90,595)**	(4,000)
Net decrease in cash and cash equivalents		**(599,769)**	(9,765)
Cash and cash equivalents, at beginning of the period		**976,654**	46,137
Exchange loss on cash and cash equivalents		**(48,994)**	(1,189)
Cash and cash equivalents, at end of the period		**327,891**	35,183

The accompanying notes are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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 oil field technology services and manufacturing and trading of related products in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and the completion of the reorganisation on 31 October 2007 for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Group's businesses were carried out by the subsidiaries now comprising the Group. The subsidiaries now comprising the Group were controlled by Mr. Luo Lin (the "Controlling Shareholder") before the Reorganisation.

The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 14 December 2007.

The condensed consolidated interim financial information was approved for issue on 5 September 2008.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard 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 2007, which have been prepared in accordance with International Financial Reporting Standards.

The Reorganisation represents a business combination involving entities under common control of the Controlling Shareholder. Accordingly, the Reorganisation has been accounted for as a business combination under common control in a manner similar to a uniting of interests. The condensed consolidated financial statements of the Group for the six months ended 30 June 2007 have been prepared on the merger basis as if the Company had been the holding company of those companies comprising the Group throughout the period, or since their respective dates of incorporation/establishment.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements, except for the following accounting policies which are new to the financial statements of the Group:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities longer than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in "trade and notes receivables", "prepayments and other receivables" and "short-term investments" in the balance sheets.

3. ACCOUNTING POLICIES *(Continued)*

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. Derivative financial instruments are included in "short-term investments" in the balance sheets.

For derivative instruments that do not qualify for hedge accounting, changes in the fair value of these derivative instruments are recognised immediately in the income statement within "other gains/losses".

There are no standards, interpretations or amendments to published standard or interpretations that are mandatory for the first time for the financial year beginning 1 January 2008 and are relevant to the operations of the Group.

The new standards, interpretations or amendments to published standards or interpretations that have been issued, that are relevant to the operations of the Group, but are not effective for the financial year beginning 1 January 2008 have not been adopted are as follows:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management.

- IAS 23 (revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- IFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's share-based payment schemes.

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- IAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The expected impact is still being assessed in detail by management.

4. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Opening net book amount	**147,346**	71,393
Additions	**45,570**	87,137
Acquisition of subsidiaries (Note 24)	**400**	5,596
Disposals	**(568)**	(6,854)
Depreciation	**(8,789)**	(9,926)
Closing net book amount	**183,959**	147,346

As at 30 June 2008, counter-guarantees were provided by certain property, plant and equipment of subsidiaries at the net book value of RMB208,000 (31 December 2007: RMB29,518,000) (Note 13).

5. INTANGIBLE ASSETS

	Patents RMB'000	**Goodwill** RMB'000	**Computer software** RMB'000	**Total** RMB'000
As at 1 January 2007	–	–	–	–
Additions	–	–	2,670	2,670
Acquisition of subsidiaries	20,203	76,886	–	97,089
Amortisation	(685)	–	(2)	(687)
As at 31 December 2007 (Audited)	19,518	76,886	2,668	99,072
As at 1 January 2008	19,518	76,886	2,668	99,072
Additions	–	–	1,655	1,655
Acquisition of a subsidiary (Note 24)	–	26,325	–	26,325
Amortisation	(2,055)	–	(2)	(2,057)
As at 30 June 2008 (Unaudited)	17,463	103,211	4,321	124,995

6. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

Investment in a jointly-controlled entity represents the investment of 50% equity interest in Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東机械制造有限公司, "Northern Heavy"), which is an unlisted and a limited liability company established on 30 October 2007 in the PRC.

	RMB'000 (Unaudited)
As at 1 January 2008	34,109
Addition	16,380
Share of profit	3,419
As at 30 June 2008	53,908

7. INVENTORIES

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Raw materials	37,985	37,740
Work-in-progress	13,844	28,873
Finished goods	96,830	52,957
Spare parts and others	16,691	1,518
	165,350	121,088

8. TRADE AND NOTES RECEIVABLES

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Trade receivables, net (Note i)	451,587	317,541
Notes receivables (Note ii)	4,211	1,460
	455,798	319,001

Notes:

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

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Within 6 months	313,695	300,941
6 months-1 year	130,506	10,265
1 – 2 years	9,026	12,535
2 – 3 years	4,126	554
Over 3 years	478	203
Trade receivables, gross	457,831	324,498
Less: Impairment of receivables	(6,244)	(6,957)
Trade receivables, net	451,587	317,541

(ii) Notes receivables are bank acceptance with maturity dates within six months.

9. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Advances to suppliers	**59,194**	30,263
Amounts due from related parties (Note 25)	**13,771**	–
Other receivables	**16,491**	12,879
	89,456	43,142

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

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Within 6 months	**76,014**	32,303
6 months-1year	**7,845**	7,060
1-2 years	**3,329**	3,189
2-3 years	**1,848**	275
Over 3 years	**420**	315
	89,456	43,142

10. SHORT-TERM INVESTMENTS

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Entrusted Loans (Note i)	**81,000**	–
Structured deposits (Note ii)	**50,000**	–
	131,000	–

Notes:

(i) Anton Oilfield Services (Group) Limited ("Anton Oil"), the Company's subsidiary, entered into two entrusted loan contracts with a bank as of 30 June 2008. The two contracts, which have total principal amounting to RMB81,000,000, bear interest at 5.6% and 5.7% per annum with maturity dates on 20 January 2009 and 29 May 2009, respectively. Counterparties of the contracts are Chongqing Metro Corporation and Beijing Fengtai Comprehensive Investment CORP.. Both of the entrusted loans are secured by China Development Bank.

(ii) Structured deposits represent "Currency-linked Capital Protected Investment Product" ("CPI") held by Anton Oil. Anton Oil entered into 4 CPI contracts with a bank as of 30 June 2008. The principal of the CPI contracts amounted to RMB50,000,000 with maturity dates ranging from 27 November 2008 to 24 December 2008. Such CPI product links investors' return to the exchange rate between HK$ and US$ to enable a potential return up to 2.91% and secure a minimum return at 1.92% yield to maturity. Anton Oil treats these CPI contracts as derivative financial instruments since the date of the transaction, and the change in the fair value of these contracts are recorded in income statement. As of 30 June 2008, the fair value of these CPI contracts approximated to the carrying value.

11. CASH AND BANK

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Cash and cash equivalents		
– Cash on hand	**130**	472
– Deposits in bank	**327,761**	976,182
	327,891	976,654
Term deposits with initial terms of over three months	**215,000**	–
Restricted bank deposits	**–**	82,610
	542,891	1,059,264

Restricted bank deposits are deposits held as securities for bank borrowings of the Group and are restricted for the purposes of the related banking facilities, which has been released upon repayment of the related loans.

Cash and bank are denominated in the following currencies:

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
RMB	**380,149**	79,920
US$	**158,077**	975,848
HK$	**4,665**	3,278
Canadian Dollar	**–**	218
	542,891	1,059,264

12. SHARE CAPITAL AND SHARE OPTIONS

(a) Capital

	Number of shares issued and fully paid of HK$0.1 each (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2008 (Audited)	2,067,250	195,006	647,511	842,517
Net proceeds from over-allotment share issue	25,804	2,405	39,407	41,812
As at 30 June 2008 (Unaudited)	2,093,054	197,411	686,918	884,329

Over-allotment shares were issued by the Company at HK$1.88 per share on 9 January 2008. The resulting share capital and share premium (net of share issue expenses) amounted to RMB2,405,000 and RMB39,407,000, respectively.

12. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

(b) Share options

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

	Average exercise price (In HK$ per share)	**Number of options of shares** (thousands)
As at 31 December 2007 (Audited)	1.04	86,025
Granted	1.634	12,350
As at 30 June 2008 (Unaudited)		98,375

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

Expiry date	**Exercise price** (In HK$ per share)	**Number of share options** (thousands)
2 November 2009	1.04	75,000
16 October 2012	1.04	210
9 October 2015	1.04	10,815
3 February 2012	1.634	12,350
		98,375

Note:

The fair value of the options granted in the six months ended 30 June 2008 is determined using a Black-Scholes Option Pricing Model. The major assumptions used in the pricing model were the exercise price shown above; current stock price of HK$1.62; expected dividend yield of 1.0%; maturity years ranging from 2.5 to 3.5, risk-free rate ranging from 1.58% to 1.88%; annualised volatility ranging from 50.18% to 51.44%.

The total expense recognised in the income statement for the six months ended 30 June 2008 for share options amounted to RMB21,182,000 (for the six months ended 30 June 2007: nil), with a corresponding amount credited in capital reserve.

13. SHORT-TERM BORROWINGS

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Secured bank borrowings		
– Pledged	–	83,000
– Guaranteed (Note i)	500	30,500
	500	113,500
Unsecured bank borrowings	29,000	50,000
	29,500	163,500

Note:

(i) As at 30 June 2008, guaranteed bank borrowings amounting to RMB500,000 were guaranteed by Beijing Zhongguancun Technology Guarantee Company Limited, a third party. Counter-guarantees were provided by certain property, plant and equipment of Beijing Xiguan Antong Testing Technology Limited ("Xiguan Antong") (Note 4) and Wang Shihong, the minority shareholder of Xiguan Antong.

As at 30 June 2008, undrawn bank borrowing facilities of the Group amounted to RMB198,000,000 (31 December 2007: RMB20,000,000).

14. TRADE PAYABLES

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

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
less than 1 year	67,112	58,562
1-2 years	1,112	1,133
2-3 years	445	390
Over 3 years	146	132
	68,815	60,217

The fair value of trade payables approximated the carrying value due to their short maturity period.

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Customer deposits	1,918	1,680
Amounts due to related parties (Note 25)	–	31,764
Accrued expenses	18,455	10,685
Payroll and welfare payable	5,364	2,930
Other taxes payable	32,382	20,802
Consideration for acquisition of subsidiaries	106,989	88,500
Others	18,535	13,810
	183,643	170,171

16. REVENUE AND SEGMENT INFORMATION

The Group conducts its business within one business segment – the business of manufacturing and selling oilfield equipment and providing related services. As the products and services provided by the Group are subject to similar business risks, no segment information has been prepared by the Group for the six months ended 30 June 2007 and 2008. The Group primarily operates within one geographical segment in the PRC, therefore no geographical segment data is presented.

Analysis of revenue by category	**Six months ended 30 June**	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Sales of goods	**214,994**	143,718
Sales of services	**95,104**	30,302
	310,098	174,020

17. EXPENSE BY NATURE

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Staff costs		
– Salaries and other staff expenses	**44,425**	15,485
– Share-based compensation	**21,182**	–
Gain on disposal of property, plant and equipment	**(219)**	(27)
Reversal for impairment of receivables	**(1,515)**	–
Sales tax and surcharges	**4,335**	603
Depreciation	**8,789**	3,964
Amortisation	**2,081**	3

18. FINANCE COSTS, NET

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Interest income	**(13,723)**	(2,716)
Interest expenses on bank borrowing	**4,473**	2,988
Exchange losses, net	**48,709**	1,189
Bank surcharges and others	**1,193**	55
	40,652	1,516

19. 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% in 2008 (for six months ended 30 June 2007: 33%), 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	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Current income tax		
– PRC profit tax	**11,805**	3,772
Deferred income tax	**563**	–
	12,368	3,772

20. 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	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**8,329**	42,352
Weighted average number of ordinary shares in issue (thousands of shares)	**2,092,051**	1,547,250
Basic earnings per share (RMB per share)	**0.004**	0.027

The weighted average number of shares for the six months ended 30 June 2007 for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the 1 share issued upon the incorporation of the Company, the 999,999 shares issued during the Reorganisation of the Group and the capitalisation issue of 1,546,250,000 ordinary shares, which are deemed to have been in issue throughout the period.

(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 2008, 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 2008 to 30 June 2008) 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	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**8,329**	42,352
Weighted average number of ordinary shares in issue (thousands of shares)	**2,092,051**	1,547,250
Adjustments for assumed conversion of share options (thousands of shares)	**32,922**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,124,973**	1,547,250
Diluted earnings per share (RMB per share)	**0.004**	0.027

21. DIVIDEND

The directors of the Company proposed not to distribute dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: nil).

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of profit for the period to net cash outflows operations:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Profit for the period	**7,838**	41,635
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 4)	**8,789**	3,964
– net gain on disposals	**(219)**	(27)
Amortisation of land use rights and intangible assets	**2,081**	3
Reversal for impairment of receivables	**(1,515)**	–
Charge of share option scheme	**21,182**	–
Share of profit of a jointly-controlled entity	**(3,419)**	–
Net foreign exchange loss (Note 18)	**48,709**	1,189
Interest income (Note 18)	**(13,723)**	(2,716)
Interest expenses on bank borrowing (Note 18)	**4,473**	2,988
Income tax expense (Note 19)	**12,368**	3,772
Changes in working capital		
– Inventories	**(43,654)**	10,304
– Trade and notes receivables	**(126,697)**	(49,269)
– Prepayments and other receivables	**(49,748)**	(26,264)
– Trade payables	**(15,792)**	(5,836)
– Accruals and other payables	**3,233**	(11,088)
Net cash outflows from operations	**(146,094)**	(31,345)

23. COMMITMENTS

(a) Capital commitments

Capital commitments related to investments in property, plant and equipment and a jointly-controlled entity at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
Contracted but not provided for		
– Property, plant and equipment	**1,259**	4,722
– Investment in a jointly-controlled entity	**–**	16,380
	1,259	21,102

23. COMMITMENTS *(Continued)*

(b) Operating lease commitments – where the Group is the leasee:

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

	As at 30 June 2008 (Unaudited) RMB'000	As at 31 December 2007 (Audited) RMB'000
No later than 1 year	**5,171**	6,820
1 to 2 years	**5,449**	5,236
2 to 3 years	**5,402**	5,189
3 to 4 years	**5,233**	5,467
4 to 5 years	**552**	3,940
Over 5 years	**305**	611
	22,112	27,263

24. ACQUISITION OF A SUBSIDIARY

On 13 March 2008, the Group acquired 100% interest in Jilin Dongxin Oil Engineering Technology Co., Ltd. from independent third parties. The consideration is RMB36,711,000.

Details of net assets acquired, goodwill and related cash flow arising from the acquisition are as follows:

	RMB'000 (Unaudited)
Purchase consideration	
– Cash paid	25,822
– Credited to other payables	10,889
	36,711
Fair value of net assets acquired	10,386
Goodwill	26,325

24. ACQUISITION OF A SUBSIDIARY *(Continued)*

	Acquiree's carrying amount (Unaudited) RMB'000	Fair Value RMB'000
Property, plant and equipment (Note 4)	481	400
Inventories	445	607
Trade and notes receivables	8,584	8,584
Prepayments and other receivables	5,103	5,103
Cash and bank balances	1,166	1,166
Trade payables	(177)	(177)
Accruals and other payables	(5,297)	(5,297)
Net assets attribute to the equity holders of the Acquirees	10,305	10,386
Net assets acquired (100%)		10,386
Purchase consideration settled in cash		25,822
Cash and cash equivalents in subsidiary acquired		1,166
Cash outflow on acquisition		24,656

The acquired business contributed revenue of RMB12,986,000 and net profit of RMB6,792,000 to the Group for the period from 13 March 2008 to 30 June 2008. If the acquisition had occurred on 1 January 2008, the Group's consolidated revenue would have been RMB310,098,000 and the net consolidated profit attributable to equity holders of the Company would have been RMB5,627,000 for the six months ended 30 June 2008.

25. RELATED PARTY TRANSACTIONS

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

(a) The following companies and persons are related parties of the Group:

Names of related parties	Nature of relationship
Luo Lin	Controlling Shareholder
Anton Energy Services Limited, ("Anton Energy")	Controlled by the same ultimate controlling party
Anton Oilfield Services Holdings Limited Company ("Anton Holdings")	Controlled by the same ultimate controlling party
Yinchuan Tongsheng Well Engineering Technology Limited	Controlled by the same ultimate controlling party
Northern Heavy	Jointly controlled entity of Anton Oil
Ma Jian	Key management
Pan Weiguo	Key management
He Zhigang	Key management

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in this interim financial information, during the six months ended 30 June 2008 and 2007, the following transactions were carried out with related parties:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Purchases of goods		
Northern Heavy	**11,821**	–
	11,821	–
Sales of goods		
Northern Heavy	**1,068**	–
	1,068	–
Payments of the Group on behalf of related parties		
Anton Holdings	**4,758**	–
Luo Lin	**–**	370
Ma Jian	**–**	172
He Zhigang	**–**	2,493
	4,758	3,035
Payments of the related parties on behalf of the Group		
Ma Jian	**–**	56
He Zhigang	**–**	6
Yinchuan Tongsheng Well Engineering Technology Limited	**–**	810
	–	872

25. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related party

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Prepayments and other receivables		
Anton Holdings	**4,758**	–
Northern Heavy	**9,013**	–
	13,771	–
Accruals and other payables		
Anton Holdings	**–**	31,764
	–	31,764
Trade and notes receivables		
Northern Heavy	**1,068**	–
	1,068	–
Trade payables		
Northern Heavy	**5,923**	–
	5,923	–

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

(d) Key management compensation

	As at 30 June 2008 (Unaudited) RMB'000	2007 (Audited) RMB'000
Salaries and other short-term employee benefits	**2,847**	1,160
Pension scheme	**54**	11
Share-based compensation	**2,952**	–
	5,853	1,171

26. SUBSEQUENT EVENTS

(a) On 17 July 2008, Anton Oilfield Services International Company Limited, a wholly owned subsidiary of the Company was set up in Hong Kong, with registered capital of HK$10,000.

(b) On 22 August 2008, Anton Oil entered into a share transfer agreement with third parties, pursuant to which Anton Oil agreed to acquire 70% interest in Shandong Precede Petroleum Technology Company Limited ("Shandong Precede") with a cash consideration of RMB160 million. In addition, Anton Oil will inject RMB50 million into Shandong Precede to increase its total interest in Shandong Precede to 75%.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (for the six months ended 30 June 2007: nil).

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

For the six months ended 30 June 2008, neither of the Company nor any of its subsidiaries purchased, sold or repurchased any of the Company's listed securities.

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

As at 30 June 2008 (unless otherwise stated), the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules were as follows:

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

Name of Director	*Note*	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Luo Lin	1	Founder of a discretionary trust	689,146,150	32.93%
Ma Jian	2	Founder of a discretionary trust	87,850,550	4.20%
Pan Weiguo	3	Beneficiary of a trust	10,612,080	0.51%

Notes:

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

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

3. The interest shown is the vested interest in the Company as declared by Mr. Pan Weiguo on 8 September 2008. Mr. Pan Weiguo is one of the beneficiaries of Anton Harmony Trust, a discretionary trust established by Mr. Pan and certain other employees to hold their interest in the Company. Prior to 8 September 2008 and as at 30 June 2008, Mr. Pan was deemed to be interested in all the shares held under the Anton Harmony Trust, which was 245,674,560 shares, representing 11.74% of the issued share capital of the Company.

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

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

Save as disclosed above, during the six months ended 30 June 2008, none of the directors nor chief executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

As at 30 June 2008, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the share option scheme, which was conditionally adopted on 17 November 2007 (the "Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share	Number of share options as at 1 January 2008	Number of share options granted during the period	Number of share options as at 30 June 2008
			HK$			
Directors						
Zhang Yongyi	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	–	1,400,000	1,400,000
Zhu Xiaoping	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	–	1,200,000	1,200,000
Wang Mingcai	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634		1,000,000	1,000,000
Employees in aggregate	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	–	8,750,000	8,750,000
				–	12,350,000	12,350,000

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of forty-eight months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third, one-third and one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.
2. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.63.

PRE-IPO SHARE OPTION SCHEME

The Company adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 October 2007.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Grantee	*Note*	Date of grant of share options	Number of share options as at 1 January 2008	Number of share options exercised/cancelled/lapsed during the period	Number of share options as at 30 June 2008
Employees in aggregate	1	2 Oct 2007	75,000,000	–	75,000,000
	2	9 Oct 2007	10,815,000	–	10,815,000
	3	16 Oct 2007	210,000	–	210,000
			86,025,000	–	86,025,000

Notes:

1. The option period for the share options granted commences on the date of grant and ends on the last date of the twenty-five months counting from the said date. The grantee is vested with, and entitled to exercise up to, 50% of his share options during the option period commencing from each of the first and second anniversaries of the date of grant.
2. The option period for the share options granted commences on the date of grant and ends on the last date of the eight years counting from the said date. The grantee is vested with, and entitled to exercise up to, 30%, 30%, 20%, 10% and 10% of his share options during the option period commencing from each of the first, second, third, forth and fifth anniversaries of the date of grant.
3. The option period for the share options granted commences on the date of grant and ends on the last date of the five years counting from the said date. The grantee is vested with, and entitled to exercise up to, all of her share options during the option period commencing from the first anniversary of the date of grant.

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

As at 30 June 2008, so far as is known to any director or the chief executive, the shareholders, other than the directors or the chief executive of the Company, who had an interest or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name	*Note*	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	*1, 2, 3*	Trustee	934,820,710	44.66%
Seletar Limited	*1, 2, 3*	Trustee	934,820,710	44.66%
Serangoon Limited	*1, 2, 3*	Trustee	934,820,710	44.66%
Avalon Assets Limited	*1*	Trustee	689,146,150	32.93%
Pro Development Holdings Corp.	*1*	Beneficial owner	689,146,150	32.93%
Elyon Limited	*2*	Trustee	245,674,560	11.74%
Forever Mark Group Limited	*2*	Beneficial owner	245,674,560	11.74%
Chengwei Anton Holdings Inc.	*4*	Beneficial owner	146,644,740	7.01%
Chengwei Ventures Evergreen Fund, LP	*4*	Interest of controlled corporation	146,644,740	7.01%
Chengwei Ventures Evergreen Management, LLC	*4*	Interest of controlled corporation	146,644,740	7.01%
EXL Holdings, LLC	*4*	Interest of controlled corporation	146,644,740	7.01%
Li Eric Xun	*4*	Interest of controlled corporation	146,644,740	7.01%
Li Zhu Yi Jing	*4, 5*	Interest of spouse	146,644,740	7.01%
China Harvest Fund, L.P.	*6*	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment, L.P.	*6*	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment GP	*6*	Interest of controlled corporation	375,000,000	17.92%
Erdos Holding Company Limited	*6*	Beneficial owner	375,000,000	17.92%

Notes:

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

2. The 245,674,560 shares referred to the same batch of shares.

3. The 934,820,710 shares, which is the sum of two batches of 689,146,150 shares and 245,674,560 shares as mentioned in notes 1 and 2 above, referred to the same batch of shares.

4. The 146,644,740 shares referred to the same batch of shares.

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

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

Save as disclosed above, as at 30 June 2008, so far as was known to the directors, no other persons (other than the directors or chief executives) had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the registered required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The directors of the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10, the Rules Governing the Listing of Securities on the Stock Exchange (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 2008.

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 2008, 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 our 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 of Directors 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 our 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 2008.

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

Hong Kong, 5 September 2008