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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2010 increased by 37.8% to RMB950.7 million from RMB690.0 million in 2009. Net profit attributable to equity holders of the Company increased by 264.3% to RMB116.7 million in 2010 from RMB32.0 million in 2009.

The proposed final dividend was RMB0.0188 per share.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board announces that a special resolution will be proposed at the Annual General Meeting on 16 May 2011 to amend the Company's Memorandum and Articles of Association in order to, among others, empower the Company to adopt deemed consent approach in using the Company's website for corporate communication with shareholders.

RESULTS

The board of directors (the "Board") of Anton Oilfield Services Group (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 with comparative figures for 2009, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	4	**950,715**	690,030
Other gains, net		**575**	3,748
Operating costs			
Material costs		**(395,050)**	(368,240)
Staff costs		**(123,533)**	(115,140)
Operating lease expenses		**(12,741)**	(7,496)
Depreciation and amortisation		**(50,827)**	(34,547)
Sales tax and surcharges		**(18,619)**	(13,547)
Others		**(205,104)**	(117,317)
		(805,874)	(656,287)
Operating profit	5	**145,416**	37,491
Interest income		**3,119**	3,403
Finance expenses		**(5,816)**	(1,602)
Finance income / (costs), net	6	**(2,697)**	1,801
Share of loss of a jointly controlled entity		**(424)**	(961)
Profit before income tax		**142,295**	38,331
Income tax expense	7	**(16,369)**	(725)
Profit for the year		**125,926**	37,606
Attributable to:			
Equity holders of the Company		**116,655**	32,020
Non-controlling interests		**9,271**	5,586
		125,926	37,606
Dividends	11	**39,400**	18,000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- Basic	8	**0.0557**	0.0153
- Diluted	8	**0.0557**	0.0153

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**125,926**	37,606
Other comprehensive loss, net of tax:		
Cash flow hedges	**(1,102)**	—
Currency translation differences	**(2,270)**	(83)
Other comprehensive loss, net of tax for the year	**(3,372)**	(83)
Total comprehensive income for the year	**122,554**	37,523
Attributable to:		
- Equity holders of the Company	**113,283**	31,937
- Non-controlling interests	**9,271**	5,586
Total comprehensive income for the year	**122,554**	37,523

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010

	Note	As at 31 December	
		2010	2009
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**419,471**	334,240
Land use rights		**25,486**	26,051
Intangible assets		**345,858**	312,087
Investment in a jointly controlled entity		**50,244**	50,668
Deferred income tax assets		**3,008**	639
		844,067	723,685
Current assets			
Inventories		**265,423**	211,613
Trade and notes receivables	9	**671,993**	429,985
Prepayments and other receivables		**70,118**	82,509
Restricted bank deposits		**144,353**	3,120
Term deposits with initial terms of over three months		**6,000**	67,609
Cash and cash equivalents		**188,960**	272,959
		1,346,847	1,067,795
Total assets		**2,190,914**	1,791,480
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**197,420**	197,411
Reserves			
- Proposed final dividend	11	**39,400**	18,000
- Others		**1,377,194**	1,295,954
		1,614,014	1,511,365
Non-controlling interests		**36,547**	34,714
Total equity		**1,650,561**	1,546,079

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,150	2,479
Current liabilities			
Short-term borrowings		150,000	50,000
Current portion of long-term borrowings		34,822	—
Derivative financial liabilities		1,102	—
Trade and notes payables	10	218,416	103,138
Accruals and other payables		112,971	77,895
Current income tax liabilities		20,892	11,889
		538,203	242,922
Total liabilities		540,353	245,401
Total equity and liabilities		2,190,914	1,791,480
Net current assets		808,644	824,873
Total assets less current liabilities		1,652,711	1,548,558

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**Year ended 31 December**	
		2010	2009
		RMB'000	*RMB'00*
Cash flows from operating activities			
Net cash inflows from operations	12	**36,254**	66,207
Interest paid		**(2,896)**	(474)
Interest received		**2,661**	3,202
Income tax paid		**(10,062)**	(14,694)
Net cash generated from operating activities		**25,957**	54,241
Cash flows from investing activities			
Purchase of property, plant and equipment		**(93,071)**	(152,929)
Proceeds from disposal of property, plant and equipment		**3,624**	1,661
Purchase of land use rights		**—**	(537)
Purchase of intangible assets		**(39,503)**	(23,129)
Acquisition of subsidiaries, net of cash received		**(8,500)**	(102,054)
Disposal of a subsidiary, net of cash payment		**—**	(2,126)
Increase in restricted bank deposits		**—**	(3,120)
Decrease in term deposits with initial terms of over three months		**61,609**	47,500
Decrease in entrusted loans and structured deposits		**—**	121,000
Proceeds from entrusted loans and structured deposits		**—**	5,888
Disposal of financial assets at fair value through profit or loss		**—**	33,418
Net cash used in investing activities		**(75,841)**	(74,428)
Cash flows from financing activities			
Proceeds from long-term borrowings		**34,822**	—
Proceeds from short-term borrowings		**202,000**	70,000
Repayments of short-term borrowings		**(102,000)**	(27,000)
Proceeds from share options exercised		**59**	—
Dividends distribution		**(25,438)**	(57,000)
Hold as securities of financing activities		**(139,697)**	—
Net cash used in financing activities		**(30,254)**	(14,000)
Net decrease in cash and cash equivalents		**(80,138)**	(34,187)
Cash and cash equivalents, at beginning of the year		**272,959**	307,918
Exchange loss on cash and cash equivalents		**(3,861)**	(772)
Cash and cash equivalents at end of the year		**188,960**	272,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(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, 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.

These financial statements have been approved for issue by the Board of Directors on 20 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New and amended standards adopted by the Group in 2010

- IAS 17 (Amendment) 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS/HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. The Group has applied IAS 17 (amendment) from 1 January 2010. The Group's land use rights are all located in the PRC. The Group's management has reassessed land leases classification by referring to the general principles set out in the standard, and concluded that the amendment has no impact on the Group's classification of land leases which are treated as operating lease.

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

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate shares of the acquiree's net assets. All acquisition-related costs are expensed. Contingent liabilities assumed in a business combination are recognised at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. After the date of the business combination, contingent liabilities are re-measured at the higher of the original amount and the amount under the relevant standard, IAS 37. IFRS 3 (Revised) had no impact on the consolidated financial statement in the current year.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination when it is not traded in an active market. It also permits the grouping of intangible assets as a single asset if each asset has similar economic useful lives. The Group apply this amendment prospectively to all business combinations from 1 January 2010 onwards. The amendment had no impact on the consolidated financial statements in the current year.

3. 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. Most of these entities engaged in just single business, except a few entities deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

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

Revenue recognised during the years ended 31 December 2010 and 2009 are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Well completion	**325,333**	213,888
Down-hole operation	**343,952**	100,034
Drilling technology	**97,464**	88,139
Tubular services	**183,966**	287,969
Total	**950,715**	690,030

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

	Well completion RMB'000	Down-hole operation RMB'000	Drilling technology RMB'000	Tubular services RMB'000	Total RMB'000
For the year ended 31 December 2010					
Revenue (from external customers)	325,333	343,952	97,464	183,966	950,715
EBITDA	140,280	138,791	34,362	59,413	372,846
Depreciation and amortisation	(9,913)	(7,582)	(4,857)	(21,233)	(43,585)
Interest income	268	15	—	16	299
Finance costs, net	(4)	(1)	—	(96)	(101)
Share of loss from a jointly controlled entity	—	—	—	(424)	(424)
Income tax expense	(11,547)	(2,696)	(579)	(1,547)	(16,369)
For the year ended 31 December 2009					
Revenue (from external customers)	213,888	100,034	88,139	287,969	690,030
EBITDA	91,534	37,801	22,396	51,237	202,968
Depreciation and amortisation	(10,258)	(4,034)	(1,702)	(13,291)	(29,285)
Interest income	637	55	—	52	744
Finance costs, net	(131)	(12)	—	(131)	(274)
Share of loss from a jointly controlled entity	—	—	—	(961)	(961)
Income tax expense	(2,125)	141	337	922	(725)

	Well completion RMB'000	Down-hole operation RMB'000	Drilling technology RMB'000	Tubular services RMB'000	Total RMB'000
As at 31 December 2010					
Total assets	756,801	500,289	176,257	335,654	1,769,001
Total assets include:					
Investments in a jointly controlled entity	—	—	—	50,244	50,244
Additions to non-current assets (other than deferred tax assets)	23,783	63,366	33,763	40,633	161,545
As at 31 December 2009					
Total assets	618,029	143,267	46,778	354,205	1,162,279
Total assets include:					
Investments in a jointly controlled entity	—	—	—	50,668	50,668
Additions to non-current assets (other than deferred tax assets)	20,607	6,657	25,621	62,997	115,882

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
EBITDA for reportable segments	**372,846**	202,968
Corporate overheads	**(186,740)**	(134,861)
Depreciation	**(37,778)**	(24,597)
Amortisation	**(5,807)**	(4,688)
Interest income	**299**	744
Finance costs, net	**(101)**	(274)
Share of loss of a jointly controlled entity	**(424)**	(961)
Profit before income tax	**142,295**	38,331

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Assets for reportable segments	**1,769,001**	1,162,279
Corporate assets for general management	**421,913**	629,201
Total Assets	**2,190,914**	1,791,480

4. REVENUE

Revenue by category is analysed as following:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Sales of goods	**554,061**	493,369
Sales of services	**396,654**	196,661
	950,715	690,030

5. EXPENSE BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Gains on disposal of property, plant and equipment	**(341)**	(126)
Addition for impairment of receivables	**6,278**	11,751
Written off trade receivables	**—**	(3,762)
Sales tax and surcharges	**18,619**	13,547
Depreciation	**44,530**	29,389
Amortisation of intangible assets and land use rights	**6,297**	5,158
Auditor's remuneration	**3,400**	3,300

6. FINANCE INCOME / (COSTS), NET

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interest income	**3,119**	3,403
Interest expenses on bank borrowings	**(3,597)**	(474)
Exchange loss, net	**(1,590)**	(683)
Bank surcharges and others	**(629)**	(445)
	(2,697)	1,801

7. INCOME TAX EXPENSE

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

PRC enterprise income tax ('EIT') is provided on the basis of the profits of the PRC established 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 2010 (for the year ended 31 December 2009: 25%), based on the relevant PRC tax laws and regulations, except for certain subsidiaries which are taxed at preferential tax rates as detailed below. 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.

The applicable EIT tax rates of the Group companies during the years ended 31 December 2010 and 2009 are detailed as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
- PRC income tax	**16,467**	(669)
- Other	**2,600**	1,429
Deferred income tax		
- Deferred tax relating to the origination and reversal of temporary differences	**(2,698)**	(35)
	16,369	725

8. 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 year.

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company (RMB'000)	**116,655**	32,020
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,079**	2,093,054
Basic earnings per share (expressed in RMB per share)	**0.0557**	0.0153

(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 31 December 2010, 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 2010 to 31 December 2010) 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.

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company (RMB'000)	**116,655**	32,020
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,079**	2,093,054
Adjustments for assumed conversion of share options (thousands of shares)	**1,110**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,094,189**	2,093,054
Diluted earnings per share (expressed in RMB per share)	**0.0557**	0.0153

9. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables, net (a)	**663,354**	417,974
Trade receivables from a related party	**1,175**	—
Notes receivable (b)	**7,464**	12,011
	671,993	429,985

Note:

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
1 - 6 months	**460,154**	232,790
6 months - 1 year	**119,785**	87,181
1 - 2 years	**71,420**	99,297
2 - 3 years	**19,627**	3,604
Over 3 years	**4,217**	2,319
Trade receivables, gross	**675,203**	425,191
Less: Impairment of receivables	**(10,674)**	(7,217)
Trade receivables, net	**664,529**	417,974

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

(c) As at 31 December 2010, RMB579,402,000 (31 December 2009: RMB410,877,000) and RMB92,591,000 (31 December 2009: RMB19,108,000) of trade and notes receivables were denominated in RMB and US$, respectively.

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

(e) Most of the trade receivables are with credit terms of six months, except for retention money which would be collected one year after the completion of the sales. The maximum exposure to credit risk at the reporting date is the carrying value of above receivables. The Group dose not hold any collateral as security.

(f) Movements of impairment of trade receivables are as follows:

	2010	2009
	RMB'000	RMB'000
As at 1 January	**7,217**	3,700
Additions	**4,843**	9,261
Dispose of a subsidiary	**—**	(1,982)
Written off	**(1,386)**	(3,762)
As at 31 December	**10,674**	7,217

10. TRADE AND NOTES PAYABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**190,994**	78,921
Trade payables to a related party	**9,223**	9,693
Notes payables	**18,199**	14,524
	218,416	103,138

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Less than 1 year	**202,207**	93,763
1 - 2 years	**13,114**	6,961
2 - 3 years	**1,294**	1,406
Over 3 years	**1,801**	1,008
	218,416	103,138

11. DIVIDENDS

The dividends paid in 2009 and 2010 were RMB57,000,000 (RMB0.0272 per ordinary share) and RMB18,000,000 (RMB0.0086 per ordinary share), respectively, which were paid out of the share premium account of the Company. A dividend in respect of the year ended 31 December 2010 of RMB0.0188 per ordinary share, amounting to a total dividend of RMB39,400,000, is recommended by the directors on 20 March 2011, which is to be paid out of the share premium account of the Company. Such dividend is subject to the approval by the shareholders at the next Annual General Meeting. These financial statements do not reflect this dividend payable.

12. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the year to net cash inflows generated from operations:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**125,926**	37,606
Adjustments for:		
Property, plant and equipment		
-depreciation charge	**44,530**	29,389
-net gain on disposals	**(341)**	(126)
Amortisation of land use rights and intangible assets	**6,297**	5,158
Addition of impairment of receivables	**6,278**	7,989
Charge of share option scheme	**7,307**	15,357
Fair value loss on financial assets at fair value through profit or loss	**—**	441
Investment gains from entrusted loans and structured deposits	**—**	(3,068)
Share of loss of a jointly controlled entity	**424**	961
Net foreign exchange loss	**1,590**	683
Interest income	**(3,119)**	(3,403)
Interest expenses on bank borrowings	**3,597**	474
Income tax expense	**16,369**	725
Changes in working capital:		
Inventories	**(53,810)**	(12,229)
Trade and notes receivables	**(246,851)**	14,685
Prepayments and other receivables	**3,349**	5,943
Trade and notes payables	**83,371**	(2,663)
Accruals and other payables	**42,873**	(31,715)
Restricted bank deposits	**(1,536)**	—
Net cash inflows from operations	**36,254**	66,207

Management Discussion and Analysis

BUSINESS REVIEW

Benefited from the factors such as global economic recovery and an increase in real economic demand, the oil industry has shown sign of full recovery in 2010. In China, oil companies speeded up their construction of production capacity. On one hand, they intensified efforts in exploration to gain reserves growth. On the other hand, they actively developed newly explored and proven oil and gas fields, and extensively employed new technologies to increase daily yield per well with a view to achieving steady and increased production in the key oil and gas fields. In order to fulfil the aim of establishing a resource conserving and environmentally friendly society stated in the "Twelfth Five Year Plan", oil companies turned to the natural gas business as their strategic and growth projects, and accelerated the construction of natural gas production capacity to achieve a rapid growth of natural gas production. Meanwhile, Chinese investors seized the cooperation opportunities to actively invest in overseas oilfields. Their overseas business presence continued to grow with strategic access to the countries and regions in the Middle East, Central Asia, Africa and America and yielded significant results.

Against a backdrop as stated above, China's oilfield services industry also fully recovered. By seizing the opportunities arising from the acceleration of natural gas investment by oil companies, the scaled application of horizontal well technologies, the growth in demand for integrated service and increased overseas investments, the Group returned to the track of high speed growth as before 2009 with total revenue amounted to RMB950.7 million, which represented a growth of 37.8% as compared to 2009. Meanwhile, under the guidance of the objective of becoming an international leading oilfield technology service company with a strong foothold in China, the Group further explicitly established its strategic positioning as an oil and gas field development technical service company with wellbore technologies as the core for the current stage, developed new technologies aiming at high-end market and promoted self-developed products falling into the technical services category. In 2010, the Group improved its gross profit margin by succeeding in promoting its self-developed new technologies and increasing the proportion of revenue contribution from products falling into the technical services category. The operating profit and profit after tax of the Group were RMB145.4 million and RMB125.9 million respectively, representing a growth of 287.7% and 234.8% from 2009 respectively.

Under the guidance of its strategic positioning as an oil and gas field development technical service company with wellbore technologies as the core, the Group strived to provide its customers with one-stop service covering the whole process of the oil and gas field development by fully participating in each stage of oil and gas field development, namely drilling, well completion, down-hole operation and oil production. In 2010, the Group established an oil and gas reservoir assessment division, to support its business development of drilling, well completion, down-hole operation and oil production in terms of oil and gas reservoir assessment, and to realize the integration of geology and engineering, the integration of drilling and well completion, the integration of all the single technologies in the course of oil and gas field development. In 2010, the Group introduced a service model of integrated general contracting to provide customers with single well general contracting and block general contracting services, thus effectively making use of the overall technological strength of the Group. That service model of integrated general contracting generally lowered customers' costs and increased efficiency, and was also in line with the development trends in the market. In 2010, the Group realised revenue from the integrated general contracting service model of RMB26.8 million.

The business cluster of the Group was classified into the well completion cluster, the down-hole operation cluster, the drilling technology cluster and tubular services cluster, of which, the well completion technology cluster, the down-hole operation cluster and the drilling technology cluster, as well as the oil production technology service which was tentatively classified into the down-hole operation cluster for management reason due to its relatively small size, were part of the oil and gas field development technical services. Given the business of the tubular services cluster providing their services and products for the use and protection of oil tubular, it had a different development objective and a different business model as compared with the oil and gas field development technical services. As a result, the Group intended to formulate a target-oriented development strategy for the tubular services cluster and develop it independently.

In 2010, revenue from each business cluster was as follows:

Revenue by cluster (%)

	Year ended 31 December 2010	2009
Well completion	34.2%	31.0%
Down-hole operation	36.1%	14.5%
Drilling technology	10.3%	12.8%
Tubular tube services	19.4%	41.7%
Total	100%	100%

Well Completion

In 2010, the Group's well completion technology cluster saw substantial growth with its revenue grown by 52.1% to RMB325.3 million from 2009. Integrated well completion technical services, screen well completion technical services and gravel packing technical services under the well completion techonology cluster realised growth to varying extent.

In 2010, the Group consolidated the integrated well completion technology division and screen well completion technology division to unify the implementation and management of well completion technical services. Revenue of the consolidated division was RMB180.6 million, representing an increase of 61.4% as compared to revenue from the same technological products in 2009 and of which, revenue from integrated well completion technical services was RMB121.9 million, up 237.1% from 2009. The integrated well completion technical services established their self-developed tool design, testing and assembling capabilities as the base of the Group for assembling the well completion tools commenced operation. Under the same technical indicators, the well completion tools of the Group enjoyed substantial cost advantage over the same types of products in the international market. In 2010, integrated well completion technical services made major breakthroughs in the overseas markets with reputation built up, the well completion tools of the Group will be extensively used in the domestic and overseas markets. Revenue from screen well completion technical services in 2010 was RMB58.7 million, only down 22.4% despite the 23.5% decrease of the sales of sand screens used by screen well completion technical services to 42,533 meters from 2009, with profit margin slightly improved. Meanwhile, the Group continued to conduct research and development on the screen well completion technology. In 2010, the self-developed flow adjustment and water control screen pipes of the Group were successfully used in oilfields, thus laying a foundation for nationwide market promotion. The Group continued to provide the oilfield customers with well completion tools and the related equipment as required in oil production. In 2010, these activities maintained a steady growth with revenue of RMB27.0 million, representing a growth of 30.0% from 2009.

Gravel packing well completion services were operated by Shandong Precede, which the Group bought controlling stake in 2008. In 2010, revenue from gravel packing well completion services was RMB116.7 million, representing a growth of 40.3% from 2009. The gravel packing technology of the Group attained the international standard and commanded a solid market position in Shengli oilfield, Henan oilfield and Jidong oilfield. The gravel packing well completion technical services were planned to be further introduced to Xinjiang oilfield, Dagang oilfield, Jilin oilfield, Liaohe oilfield and overseas oil and gas oilfields having such market prospects due to their significant effect on sand rock sand prevention and heavy oil production enhancement.

Down-hole Operation

In 2010, the down-hole operation cluster achieved excellent results with its revenue amounting to RMB344.0 million, representing an increase of 244.0% from 2009. Enhancement operation services and equipment services in the down-hole operation cluster, as well as oil production services which were classified in the down-hole operation cluster, recorded growth to varying extent.

In 2010, revenue from enhancement operation services was RMB221.4 million, representing a growth of 255.4% from 2009, due to the pay-off of the marketing efforts of the Group's multistage fracture technology for horizontal wells. In 2010, Anton Oilfield Services (Group) Ltd, a wholly-owned subsidiary of the Group, was granted unilateral indicative committed workload by PetroChina for the services of multistage sanded fracture for horizontal wells in 77 out of the 102 wells in its oil and gas fields. The average basic price per well was RMB2.2 million. As of 31 December 2010, the Group successfully completed the multistage fracture operation for 56 wells, upon which the relevant gas wells had achieved consecutive high productivity. The significant progress achieved for this business fully demonstrated the Group's strength in the down-hole operation area. This business helped establish the Group's leading position in the industry of multistage fracture technology for horizontal wells and laid the foundation for the long-term partnership between the Group and its major customers, which was to have a positive impact on the development of tight gas and shale gas areas.

The equipment services of the down-hole operation cluster covered coiled tubing services, tubular helium testing services as well as the pumping services that were under construction. The equipment services generated revenue of RMB90.0 million in 2010, representing an increase of 386.5% from RMB18.5 million in 2009. As of the date of this report, the Group had invested in 3 sets of coiled tubing equipment which helped form 3 coiled tubing operating teams covering the markets of the southwestern China region, Changqing region and Middle East countries. During the period under review, the Group's coiled tubing operation services were successfully applied in the Southwestern China region and the Changqing region, and successfully expanded into the Middle East market to provide services to the overseas oil and gas fields invested by Chinese investors. In addition, the enhancement operation combining coiled tubing and hydro jet tools developed by the Group had been successfully applied in the Daqing region, laying the foundation for nationwide promotion. Revenue from coiled tubing services increased to RMB61.2 million in 2010 from RMB3.1 million in 2009. Upon successful application and promotion, the tubular helium testing technology service consolidated its leading position in China with a revenue increase of 87.0% to RMB28.8 million in 2010 from RMB15.4 million in 2009. The Group had set up the industrial entry standards with the customers and was prepared to launch comprehensive promotion of the application of this technology to major gas fields of its customers and the gas storage facilities which were under large scale development.

During the period under review, revenue from the oil production services, which mainly included chemical EOR (enhanced oil recovery), well flushing services and gas lift services, of the Group was RMB32.5 million, representing a growth of 68.5% from 2009. In 2010, the Group established the oil production technology project division to unify the management of the above businesses, thus forging the unique oil production technical services.

DRILLING TECHNOLOGY

In 2010, revenue of the drilling technology cluster was RMB97.5 million, which represented a growth of 10.7% from 2009.

In 2010, revenue of the directional drilling division was RMB70.7 million, representing a decrease of 19.8% from 2009. The Group seized the development opportunities arising from the application of horizontal well technology of oil companies to develop its own technological features based on the technological divergence. As of the date of this report, the Group had established a directional drilling division which included the various technological features of high temperature and high pressure directional drilling, casing exiting sidetracking and drilling acceleration. The above technologies had been successfully applied in oil and gas fields.

In order to fulfill the ever-increasing marketing demand for the integrated service, on 30 June 2010, the Group established the Integrated Project Business Unit, which was engaged in the provision of integrated technical services covering drilling, well completion and down-hole operation, and oil and gas field general contracting services for the markets of, among other things, general contracting for highly difficult wells including the CCS project, general contracting for coal seam gas development and general contracting for oil and gas field development. In August 2010, the Group won the bid for drilling and related works contract of the Carbon Capture and Storage ("CCS") model project of Shenhua Group, under which, the Group provided Shenhua Group with integrated technical services, which included the works of drilling, wireline logging, mud logging, well testing, coring, cementing, well completion, perforating, fracturing and installation of monitoring apparatus, and the control and management of complicated events in the course of operations. The remuneration of the contract of this project was composed of fixed returns and variable returns. The fixed returns were approximately RMB26 million and the variable returns were determined by the actual service volumes. Shenhua Group's CCS project has turned a new page in China's undertaking of complete CCS projects. There were numerous complicated factors and a high degree of difficulties involved in such kind of projects, imposing extremely high requirements on general contractors' overall competency. The successful winning of bid reflected the Group's unparalleled integrated technical services strength, operating competency and project management capability. It also signified the establishment of the Group's advantageous position as an oilfield service provider in China's oil and gas field integration operation area. After the establishment of the Integrated Project Business Unit, the Group was also granted an integrated coal seam gas technical service contract. In 2010, the Integrated Project Business Unit achieved revenue of RMB26.8 million and of which, revenue from CCS project was RMB13.3 million, revenue from coal seam gas project was RMB13.5 million. The establishment of the Integrated Project Business Unit enhanced the overall service capability of the Group, thus having very meaningful significance to the development of the Group.

TUBULAR SERVICES

In 2010, revenue of the tubular services cluster was RMB184.0 million, which represented a decrease of 36.1% from 2009 primarily due to the Group's initiative in adjusting its business structure to increase the proportion of high value-added technical services such as tubular testing and repair in the cluster and decrease the proportion of production and sales of tubulars. The profitability of the tubular services cluster was therefore enhanced.

The Group strived for establishing a one-stop tubular service model with the tubular technical services supplemented with production and sale of tubulars, especially the service capabilities of tubular testing, repair, coating and leasing. In 2010, the Group innovatively and successfully researched and developed its mobile tubular repair technology. Leveraging that technology, the Group was able to provide its customers with on-site repair services in any outdoor environment. The research and development of that technology successfully got rid of the limitation on tubular repair, which had to be conducted in a plant, and enhanced the mobile capability of tubular repair to satisfy the demand for on-site repair service of the customers during outdoor operation.

In 2010, the Group and Baoshan Iron & Steel Company Limited ("Baosteel") entered into a memorandum of cooperation, pursuant to which, the Group was granted with a mandate to repair tubular premium connections from Baosteel. The mandate from Baosteel testified the Group's strength in the area of tubular repair and further enhanced the Group's competitiveness in the industry.

Given the development features of the tubular services cluster, the Group intended to formulate a target-oriented development strategy to develop the tubular services cluster independently. The Group has established the tubular services industrial base in the Korla region, Xinjiang to leverage the advantage enjoyed by the tubular services in the local market and the regional advantage of Xinjiang for the development of the tubular services cluster.

MARKETING

In 2010, the recovery in the oil industry brought with new opportunities to the Chinese oilfield service industry. The Group made different market strategies against the different characteristics of the domestic and overseas markets. Domestically, the Group positioned itself in the high end service market and provided its services in response to the demand for natural gas development, horizontal well technology applications and the integrated service. The Group has adopted a follow-up strategy overseas and provided its services to the overseas oilfields invested by Chinese investors.

In 2010, in terms of the market segments, the Group's revenue from the domestic market was RMB790.7 million, representing an increase of RMB186.9 million or 31.0%. Revenue from the domestic market accounted for 83.2% of the total revenue of 2010. Revenue from the overseas markets was RMB160.0 million, representing an increase of RMB73.8 million or 85.5%. Revenue from the overseas markets accounted for 16.8% of the total revenue of 2010.

Revenue from the domestic market by region (%)

	Year ended 31 December	
	2010	**2009**
Northwest China	37.8%	40.2%
North China	23.5%	24.5%
Northeast China	22.0%	14.5%
Southwest China	16.5%	9.6%
Others	0.2%	11.2%

Revenue from the overseas markets by region (%)

	Year ended 31 December	
	2010	**2009**
The Middle East	67.2%	25.8%
Central Asia	16.3%	26.0%
Africa	8.5%	43.8%
America	8.0%	4.4%

In 2010, there were great potential for development and a tendency of rapid growth in the target markets of the Group:

Natural Gas Exploration:

Natural Gas had become the major energy to be developed in the future in China as the State strongly advocated economic structure transformation and the use of clean energy. According to the forecasts of authoritative institutions, natural gas consumption as a percentage of primary energy consumption will be increased to 8% from less than 4% during the period of the Twelfth Five Year Plan. Oil companies had turned to natural gas development as their major development strategy to satisfy the rapidly growing demand for natural gas and comprehensively invested in various natural gas resources, including conventional natural gas and unconventional natural gas such as coal seam gas and shale gas, as well as underground gas storage facilities which were to satisfy the needs for strategic reserves and consumption adjustment. New technologies and new techniques were to be extensively used in the natural gas development. The Group seized the opportunities by establishing a dedicated research system, including the coal seam gas project division, a shale gas research centre and a underground gas storage facilities research centre, to develop new technologies and products in response to the demand for natural gas investments.

The Group emphasized on the promotion of high-end well completion technical services, down-hole operation technical services and directional drilling technical services in response to the development of the conventional natural gas. The Group emphasized on the promotion of integrated horizontal well drilling and completion technical services in response to coal seam gas development. The Group emphasized on the promotion of high-end well completion technical services, horizontal well multistage fracture technical services and coiled tubing technical services in response to tight gas and shale gas development, and was prepared to establish its pumping service capability to satisfy the demand for tight gas and shale gas development. The Group also emphasized on the promotion of well completion technical services and tubular helium testing technical services in response to the construction of underground storage facilities. Revenue from technical services for natural gas development had become the major source of income of the Group and the Group had also established itself as a natural gas development technology brand in the industry.

Horizontal Well Technology Application:

Oil companies had extensively promoted horizontal well technologies in various onshore oil and gas fields due to the needs for increasing daily yield per well, construction of new explored and proven oil and gas field production capacity and steady and increased production in various oil and gas fields. Compared to the developed North American market, horizontal well technologies in the onshore oilfields in China was in the preliminary stage. In the future, oil and gas field development through horizontal well technology was to become the major development means employed in the onshore oilfields in China. The Group had been striving for developing various new technologies and products to satisfy the demand for the application of horizontal well technology.

The Group had mastered a series of key technologies necessary for horizontal well development. The Group focused on the promotion of the technical services of horizontal well drilling, horizontal well completion and horizontal well fracture, as well as the integrated horizontal well drilling and completion service on the general contracting model, in response to the application of horizontal well technology. Currently, revenue from technical services related to horizontal well had become the major source of income of the Group and the Group had also established itself as a horizontal well technology brand in the industry.

Demand for Integrated Service:

As the exploration environment was becoming more and more complicated, oil companies became more dependent on contract providers with the integrated service capabilities to solve the problems in a systematic approach. In particular, oil companies had stronger demand for the integrated service in new areas such as unconventional gas and horizontal well. In 2010, the Chinese government promulgated the "New 36 Guidelines on Non-state-owned Economy" to encourage private capital to invest in oil and gas exploration and development. The private capital investing in oil and gas fields in the future would rely on the providers with strength in the integrated service to comprehensively develop oil and gas fields in view of the professional and higher technical requirements of oil and gas field exploration.

The integrated service of the Group timely emerged. In 2010, the Group established the Integrated Project Business Unit, which provided the integrated technical service of drilling, well completion and down-hole operation and oil and gas field general contracting services for the markets including the CCS project, general contracting for coal seam gas development and general contracting for oil and gas field development. Upon establishment, the Integrated Project Business Unit successfully developed a market where it secured the CCS project of Shenhua Group and the coal seam gas development projects of local and overseas customer in China, and had good prospects for development.

Development of the overseas markets:

In 2010, Chinese investors actively invested in overseas oil and gas fields to strengthen their overseas strategic presence according to their implementation of overseas strategy. They realised strategic access to the countries and regions in the Middle East, Central Asia, Africa and America and yielded significant results. The post-war reconstruction in the Middle East and the construction of production capacity in Central Asia were particularly attracting in the above countries and regions. As a result, the Middle East and Central Asia had become the regional development focus of the important strategies of the overseas investments of Chinese investors. Meanwhile, the Chinese overseas investments also presented a diversified structure of investors. In addition to the three major oil companies, namely PetroChina, Sinopec and CNOOC which made investment to expand their overseas presence, other Chinese investors such as ZhenHua Oil, Sinochem, CITIC Resources and other solid private investors followed suit. Great development opportunities emerged from overseas oilfield development.

The Chinese oilfield service companies had to quickly respond to the pace of overseas investment of the Chinese investors by rapidly completing establishment of their service capability, thus satisfying the pressing overseas demand of Chinese investors. The Group had been adhering to a follow-up strategy when conducting its overseas operation by following Chinese investors and providing service to their overseas oilfields. During the period under review, the Group made significant progress in the development of the overseas market. On one hand, the service type for the overseas market became more diversified. They developed into the full range of well completion technical services including integrated well completion, screen well completion and gravel packing, from the original integrated well completion technical service and the tubular services, and included the new services of coiled tubing operation and directional well drilling. On the other hand, its overseas markets expanded to more markets including Central Asia, Africa and America with the Middle East as the focus from the previously existing regions such as Central Asia and Africa, thus strengthening the Group's capability of encompassing other markets from its international headquarters at Dubai. Meanwhile, the Group was well prepared for the great development into the overseas market by rapid investments and talent recruitments to build up its overseas service capabilities. Given the encouraging prospects for the overseas market development, the Group believed that the revenue contribution from the overseas market to the Group would rapidly increase in the future.

Marketing Strategy Formulation and Implementation:

In 2010, the Group formulated and fully implemented its four-in-one marketing strategy comprised of strategic marketing, brand marketing, technical marketing and value marketing. Under the strategic marketing strategy, the Group entered into cooperation agreements with major oil and gas companies in China and their oil and gas fields to strengthen the stability and predictability of its operations. Under the brand marketing strategy, the Group made efforts in promoting corporate identity by organising various academic activities. It also established strategic cooperation relationship with international oilfield service companies through activities such as lectures, seminars and campus recruitments at major oil universities nationwide to promote the brand of the Group, thus enhancing its brand's position. Under the technical marketing strategy, the Group strengthened its domestic and overseas technological exchange and promotion to boast the technological features and technical strength of the Company. The Group also strengthened the cooperation with external experts and recruited more in-house experts. The Group enhanced its influence in the industry by boosting the reputation of the experts of the Group. Under the value marketing strategy, the Group stated a core idea of creating value for its customers through cost reduction, which created the price advantage of a single product and service, thus reducing the cost per operation of its customers. The Group also created value for its customers through technological innovation, which constantly introduced new technologies and new products in response to the pressing needs of its customers, the market gap, thus solving the technical problems of its customers. Finally, the Group created value for its customers through service model innovation, which jointly improved the production approach with its customers, thus taking full advantage of the new technologies, and comprehensively promoted the integrated service model, thus reducing the overall costs of its customers.

Marketing System development:

In 2010, the Group continued to strengthen its development of a marketing system. On one hand, leveraged its advantage of coverage of various oil and gas field nationwide with 14 domestic offices and the overseas market with 8 international branches and offices, the Group took full advantage of the feedback to the technology and business division of the Group on a timely basis, thus solving the problems presented by the customers as soon as possible. On the other hand, the Group strengthened its marketing team with both veteran recruitment and campus recruitment so its marketing staff grew to 186 in 2010 from 141 in 2009. The Group also took a bold move to appoint young people to act as the person-in-charge of various marketing offices. That strategy fully realised their passion and creativity for the marketing efforts with significant results.

Research and Development

The Group had established three technological features of natural gas development, horizontal well operation and the integrated service. The natural gas development technologies of the Group established a thorough technological system which applied in conventional natural gas development, tight gas development, coal seam gas development, shale gas development, well completion of gas storage facilities and tubular helium testing. The horizontal well operation technologies of the Group established the one-stop service capability covering horizontal well drilling, well completion and production enhancement. The integrated technology realised the full range service capability which satisfied the needs for the development of horizontal wells, highly difficult wells and unconventional gas reserves, as well as block general contracting.

During the reporting period, the Group continued to strengthen its investment in technology development and achieved satisfactory progress in each business area.

For well completion technology cluster, the Group elaborately established its research and development, design, production assembling capabilities of well completion tools and their ancillary products, thus achieving pipe string design and tools supporting service capabilities to satisfy special well completion requirements. The self-developed special running tools, full bore drill-free well cementation tools and technology, special packer, polished rods, hydraulic pressure adjustment device, gas storage facilities well cementation and completion techniques, ancillary tools, etc. were successfully used, thus realising good economic efficiency for the Group. The new water control well completion and intelligent well completion technology, which were under research and development, were to become the technological breakthrough in the area of well completion for the Group. Their success was to result in new growth. During the reporting period, the Group had obtained 19 related patent rights.

In the down-hole operation cluster, for the production enhancement, the Group's horizontal well multistage fracture technology for tight gas had been set as the standard service model and was extensively promoted by the customers. The research and development of the technology quickened the technological progress of natural gas development and greatly enhanced the development's economic efficiency. Meanwhile, the Group had undertaken the preparation works of shale gas development technology. If the development of shale gas generally commenced, the Group was to be presented with great development opportunities. For the equipment services, the research of the Group was mainly oriented towards coiled tubing operation technology, hydraulic bore horizontal well technology and tubular helium testing technology. Currently, the operation technology such as coiled tubing horizontal well drag acidization technology, sandblast perforation technology, plugging removal, drilling and grinding, dredging and cementing plug had been successfully implemented and the research and development and on site operation of coiled tubing water drainage and gas production technology and ancillary tools also commenced. The Group had self-developed the service capability of the hydraulic bore horizontal well technology with significant results in its on-site performance. Tubular helium testing technology had been generally promoted in the regions of major oil and gas fields and underground gas storage facilities in China, such as the Tarim Basin Oil Field, Xinjiang oilfield, Changqing oilfield, Southwestern oilfield, North China oilfield, Jilin oilfield and Daqing oilfield. Currently, the Group was the sole technology provider of that technology in China and had set up the industrial entry standards with oil companies. During the reporting period, the Group obtained 11 related patent rights.

For the drilling technology, the Group undertook its research mainly from five aspects, namely Carbon Capture and Storage ("CCS") drilling and completion technology, branch well drilling and completion technology, sidetracking horizontal well technology, horizontal drilling technology and rotary steering technology. It also carried out on-site operation services for 28 wells including highly difficult wells, complex wells and special wells, all of them achieved satisfactory results as expected or even better than expected. The implementation of the CCS drilling and completion techniques and the dual-lateral well sidetracking technology of high difficulty paved the good way for new technology promotion and new economic growth in 2011. In particular, the implementation of the CCS drilling and completion technique greatly enhance the integrated general contracting service capability covering drilling, mud logging, wireline logging, well cementing and completion and oil production test of the Group. During the reporting period, the Group obtained 1 related patent right.

For oilfield tubular services, the Group had completed the development of modular tubular repair technology, enabling the Group to carry out mobile tubular repair. During the reporting period, the Group obtained 15 related patent rights.

In 2010, the Group continued to build up the strength in research of Anton design institute which was under the cooperation with China University of Petroleum, and strengthen its cooperation relationship with the institutes of various oil and gas fields. Meanwhile, the Group established a research and development centre in Houston, the United States, the oil field service centre of the world. It cooperated with various international oilfield technical service companies and universities to enhance its strength in research and reduce its research and development costs.

During the reporting period, the Group obtained 46 related patent rights, making the total number of patent rights owned by the Group increasing to 294.

Construction of Capacity

Under the guidance of its strategic positioning as an oilfield technical service provider with wellbore technologies as the core, the Group continued to strengthen its capacity in accordance with its strategic development. In 2010, capital expenditure amounted to RMB137.5 million, of which, investments in fixed assets were RMB89.5 million, investments in intangible assets RMB39.5 million and the payment for the equity investments of prior years RMB8.5 million. During the period under review, the consturction of capacity of each industrial system made progress as scheduled. The well completion technology cluster mainly invested in the assembling base of well completion tools, realising its self-developed tool design, testing and assembling capabilities with the well completion technology feature of the full range of integrated well completion, screen well completion and gravel packing. Down-hole operation cluster mainly invested in coiled tubing and ancillary equipment, and tubular helium testing equipment. Currently, it had built up 3 coiled tubing service teams, 7 tubular helium testing teams and on-site service bases in the Middle East. The drilling technology cluster mainly invested in high temperature and high pressure directional well instruments. Currently, the Group had built up 8 directional well service teams with the technological feature of high temperature and high pressure directional well services. The tubular services cluster mainly invested in mobile tubular repair service capabilities and tubular premium connections repair capability. Currently, 15 testing teams and 5 repair production lines had been built up.

In 2010, the Group further determined its presence and position in terms of global industrial bases and established the bases through self investment and operating lease arrangement. In China, the Group commenced the preliminary works for the research and development headquarters in Beijing, the well completion tool industrial base and purchase and logistics centre in Tianjin Binhai New Area, the down-hole operation industrial base and equipment service centre in Suining, Sichuan, and further strengthened the construction of the tubular services industrial base in the Korla region, Xinjiang, the on-site service base in Tarim Basin oilfield, the on-site service base in Changqing oilfield, the on-site service base in Daqing oilfield, the on-site service base in Jilin oilfield and the on-site service base in Shengli oilfield. For the overseas market, the Group further strengthened the construction of the international headquarters in Dubai, the on-site service bases in countries of the Middle East, the on-site service bases in countries in Central Asia and the on-site service bases in countries of Africa.

Human Resources

In response to the needs of strategic development, the Group continuously and proactively optimised its talent structure, strengthened the training for the talents and recruited the leaders in the industry to enrich and optimise the human resources reserved and as necessary for the long term and leapfrogging development. In 2010, the human resources system establishment achieved better results. Firstly, the overall manpower structure was further optimised with the staff of undergraduate or above education qualifications increased to over 60% of the total staff members. Secondly, technical talents, especially the talents of the core technologies and high end technology, were further recruited and retained in strength. Thirdly, the talent structure became significantly internationalised in line with the increased overseas business volume. Fourthly, the Group placed more emphasis on campus recruitments. 185 fresh graduates were recruited in 2010. It was expected to recruit 238 fresh graduates in 2011. Finally, the Group continued to extensively recruit and train the talents of high end technology, thus laying a solid foundation to equip the Group with the talents of the second venture of the Group.

In 2010, the Group continued to adjust its manpower structure. The core talents were retained and the ancillary employees were changed to outsourced labour. The decrease in the total number of the contracted employees reflected the Group's feature as a technical service company. As at 31 December 2010, the total number of employees of the Group was 1,038, among which 425 were technicians, 282 were on-site servicemen, 186 were marketing personnel and 145 were management personnel. There were 629 employees of the Group with undergraduate or above education qualifications, represented an increase of 105 as compared to 2009.

The Group had adhered to a remuneration policy composed of wages and salaries, staff benefits and share options. For the core talents and the excellent staff, the Group encouraged their growth and long term employment with the Group by providing them with long term incentive mechanism in the form of share options. In 2010, the Group granted a total of 33,080,000 share options which may be subscribed for ordinary shares in the Group to the core talents and the excellent staff. The exercise price per share was HKD$0.75. The share options will become vested after the first anniversary of the grant date and may be exercisable on the basis of one-third of the share options granted each year thereafter. The share options granted to the grantees will expire on 8 April 2014.

Outlook

In 2011, natural gas development, the horizontal well application and the integrated service will be in stronger need in the domestic market. For the overseas markets, there is greater demand for the low cost and rapidly responsive service. The Group will be more forward-looking and head for the target of becoming an international leading one-stop technical service company.

For product positioning, the Group will focus on the wellbore technologies as its core technology to establish an oil and gas field development integrated service system, which includes the drilling technology cluster, the well completion cluster, the down-hole operation cluster and oil production technology. Meanwhile, the Group will pay more attention to the development of the tutular services cluster. The Group will develop tubular services business independently by formulating a target-oriented development strategy.

For the domestic market, the Group will firmly seize the opportunities arising from natural gas investments, extensive horizontal well technology application and the rising demand for the integrated service. The Group will rapidly develop its business in its key markets where oil companies heavily invest.

For the overseas market, the Group will view the overseas oilfield of the Chinese investors as its target market. It will seize the great opportunities in the post war reconstruction of the Middle East and make efforts to develop the Middle East market. Meanwhile, the Group will continue to consolidate its Central Asian and African markets and be in a position to develop the American market.

For technology development, the Group will continue to forge the technological feature of natural gas development, horizontal well operation and the integrated service. The Group will focus on developing its featured technologies of directional drilling, sidetracking drilling operation, integrated drilling, intelligent well completion, flow control, multistage well completion, multistage fracturing, coiled tubing, helium testing and gas lift oil production. The Group provide its customers with one-stop service in a larger scope which was based on the strategic goals and product positioning through self-development, technological cooperation and mergers and acquisitions on the existing basis.

For construction of capacity, the Group will focus its investments in the down-hole operation cluster and mainly invest in coiled tubing and ancillary equipment, and tubular helium testing equipment, pumping equipment. Meanwhile, the Group will also continue to strengthen down-hole tool assembling capability and directional drilling service capability. For industrial base construction, the Group will accelerate its industrial presence and fully activate the construction of the research and development headquarters in Beijing, the well completion tool industrial base and purchase and logistics centre in Tianjin Binhai New Area, and the down-hole operation industrial base and equipment service centre in Suining, Sichuan. The Group will also further consolidate its strength in various on-site service bases domestically and overseas to provide customers with services on a timely and convenient basis.

2011 is the “Year of talents” for the Group. Talent nurturing and recruitment and implantation of the venturing spirit will be the most important works in 2011. The Group will recruit many young elites and make use of the rapid talent growth mechanism. The Group will also activate the leadership program to nurture and recruit senior talents, senior professional managers and entrepreneurial team and search for the persons with leadership in the industry. In 2011, the Group will make greater investment in training and education. The career orientation program will nurture venturers in Anton. The Group plans to facilitate the sustainable development of the Group by talent nurturing, recruitment, training and management.

2010 was the first year of the Group's second venture. By leveraging the recovery of the oil industry and the new development opportunities, the Group succeeded in returning to the way of rapid growth as previously. For 2011, the Group will accelerate its second venture pace. The Group will continue to adopt the divergence strategy for competition. It will forge its integrated oil and gas field development service system with wellbore technologies as the core, thus differentiating itself from other competitors in terms of product positioning. Meanwhile, the Group will make great efforts in establishing strong technical support and service capabilities to keep creating value for the customers so it will become their indispensable partner and head for the target of becoming an international leading oilfield technical service company with a strong foothold in China.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2010 amounted to RMB950.7 million, representing an increase of RMB260.7 million or 37.8% as compared to 2009. The increase of the Group's revenue was mainly attributable to an industrial recovery and the success in the marketing of the new technologies.

Costs of Materials

The costs of materials in 2010 increased to approximately RMB395.1 million, representing an increase of 7.3%, from approximately RMB368.2 million in 2009. The increase was mainly due to the development of business.

Staff Costs

Staff costs amounted to approximately RMB123.5 million in 2010, representing an increase of RMB8.4 million or 7.3% from approximately RMB115.1 million in 2009. This was mainly due to an improvement in the talent structure of the Group with a higher proportion of talents of high academic qualifications and quality.

Operating Lease Expenses

Operating lease expense was in 2010 approximately RMB12.7 million, representing a increase of approximately RMB5.2 million from 2009. The increase was due to an increase of operating lease activities resulting from a rapid growth in business of the Group during the year.

Depreciation and Amortisation

Depreciation and amortisation in 2010 amounted to approximately RMB50.8 million, representing an increase of RMB16.3 million or 47.2% from RMB34.5 million in 2009. The increase was mainly attributable to higher depreciation resulting from the increased use of the equipment purchased for various business clusters.

Sales Tax and Surcharges

Sales tax and surcharges were approximately RMB18.6 million, representing an increase of approximately RMB5.1 million or 37.8% as compared with approximately RMB13.5 million in 2009, mainly due to a significant increase of revenue from the services of the Group as compared to 2009.

Other Operating Costs

Other operating costs in 2010 amounted to approximately RMB205.1 million, representing an increase of approximately RMB87.8 million or 74.9% as compared with approximately RMB117.3 million in 2009. The increase was mainly attributable to an increase in revenue and more investments in research and development.

Operating Profit

As a result of the foregoing, the operating profit in 2010 amounted to approximately RMB145.4 million, representing an increase of approximately RMB107.9 million or 287.7% as compared with RMB37.5 million in 2009. The operating profit margin was 15.3% in 2010, representing an increase of 9.9 percentage points from 5.4% in 2009.

Net Finance Costs

Net finance costs in 2010 was approximately RMB2.7 million, up approximately RMB4.5 million from approximately RMB1.8 million of net finance income in 2009. The increase was mainly due to the lower interest income from the average capital balance of the Group and the increase of interest expenses resulting from the increase in loans.

Income Tax Expense

Income tax expense in 2010 amounted to RMB16.4 million, representing an increase of approximately RMB15.7 million from 2009, mainly due to the significant increase of the profit before tax for the year of the subsidiaries of the Group in China.

Profit for the Year

As a result of the foregoing, the Group's profit for 2010 was approximately RMB125.9 million, representing an increase of approximately RMB88.3 million or 234.8% from the corresponding period of 2009.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company in 2010 amounted to approximately RMB116.7 million, representing an increase of RMB84.7 million or 264.7% from the corresponding period of 2009.

Trade Receivables

As at 31 December 2010, the Group's net trade receivables were approximately RMB664.5 million, representing an increase of RMB246.5 million as compared to the corresponding period of 2009, mainly due to a significant increase of revenue for the period. The average trade receivables turnover days (exclude quality guarantee deposits and other deposits) in 2010 were 195 days, representing a decrease of 19 days as compared to 2009.

In 2010, the Group set up a special committee with its Chief Executive Officer as the chairman of the committee to strengthen the working capital management of the Group, especially for the collection of trade receivables. The Group set specific trade receivables collection target for each sales region, which was a key performance benchmark for the regional managers. In 2010, the Group collected RMB791.9 million, representing an increase of RMB6.9 million or 0.9% from 2009.

Inventory

As at 31 December 2010, the Group's inventory was approximately RMB265.4 million, representing an increase of RMB53.8 million as compared to the same period of 2009, mainly due to an increase in revenue and the accumulation of some tools for the production in the first quarter of 2011 by the Group.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2010, the Group's cash and bank deposits amounted to approximately RMB339.3 million (included: restricted bank deposits, term deposits with initial terms of over three months, cash on hand and cash equilvalents), representing a decrease of RMB4.4 million as compared to the corrsponding period of 2009, mainly due to an increase in working capital.

As at 31 December 2010, the Group's outstanding short term bank loans amounted to RMB150.0 million and the Group's outstanding long term bank loans due within one year amounted to RMB34.8 million. A bank in China granted the Group a credit facility of approximately RMB687.7 million, of which approximately RMB481.4 million were not withdrawn.

As at 31 December 2010, the gearing ratio of the Group was 20.0%, representing an increase from the gearing ratio of 9% in the corresponding period of 2009. This was mainly due to the increase of bank loans, trade payables and notes payables. Net debt included borrowings and trade and notes payables. Total capital was calculated as equity plus net debt.

The equity attributable to equity holders of the Company increased to RMB1.61 billion in 2010 from RMB1.51 billion in 2009. The increase was mainly due to the increase in the profit for the year.

EXCHANGE RISK

The Group mainly conducts its business in RMB. During 2010, the Group continued to expand into overseas markets with most of transactions denominated and settled in US dollars. The exchange risk of the Group also comes from its foreign currency deposits in US dollars. The fluctuation in RMB exchange rate against US dollars may have a negative impact on the Group's operating results and financial position. As at 31 December 2010, the Group had foreign currency deposits equivalent to RMB17.7 million. Appreciation of RMB would result in exchange loss in those bank balances and other assets denominated in foreign currencies. During the year ended 31 December 2010, the Group did not use any derivatives to hedge against the risk of exchange rate fluctuations.

CASHFLOW FROM OPERATING ACTIVITIES

Cash inflow from operating activities in 2010 was approximately RMB26.0 million, as compared with a cash inflow of RMB54.2 million in 2009. This decrease was mainly due to the greater increase in purchase expenditure and various costs and expenses expenditure as compared to the recovered receivables.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2010 was approximately RMB137.5 million, of which, investments in fixed assets were RMB89.5 million, investments in intangible assets RMB39.5 million and the payment for the equity investments of prior years RMB8.5 million.

In 2011, the budgeted capital expenditure is approximately RMB410.0 million, and will be applied primarily for the construction of capacity of the drilling technology cluster, well completion cluster, down-hole operation cluster and tubular services cluster.

CONTRACTUAL LIABILITY

The Group's contractual commitments consist primarily of payment obligations under the Group's operating lease arrangements for offices, bases and certain equipment. The Group's operating lease commitments amounted to RMB16.0 million as at 31 December 2010.

The Group's capital commitments of RMB45.4 million which were not yet provided for in the balance sheet as at the balance sheet date.

CONTIGENT LIABILITIES

As at 31 December 2010, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2010, the Group did not have any off-balance sheet arrangement.

FINAL DIVIDENDS

At the Board meeting held on 20 March 2011, the Board recommended a final dividend to be paid in respect of the year ended 31 December 2010 of RMB0.0188 per share, totaling RMB39.4 million (2009 RMB0.0086 per share, totalling: RMB 18.0 million).

If approved, the said dividend will be paid on or about 31 May 2011 to shareholders whose names appear on the register of members of the Company on 16 May 2011.

The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 9 May 2011 to Monday, 16 May 2011, both days inclusive, during which period no share transfers will be registered. In order to be entitled to the payment of dividend, and eligible for attending and voting at the 2011 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 6 May 2011.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2010, except for the following deviation:

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer of a company must be separated, and must not be assumed by one person. The Company does not separate the Chairman and Chief Executive Officer. Mr. Luo Lin served as both Chairman and Chief Executive Officer of the Company during the reporting period. Mr. Luo was the main founder of the Group. He was responsible for the operational management of the Group since our establishment and was instrumental to the development of the Group. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board of Directors is of the view that continuing to engage Mr. Luo Lin to serve as Chief Executive Officer of the Company at this stage will safeguard the continuity of our operational management and can protect shareholders' interest.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee of the Company has reviewed the audited financial statements for the year ended 31 December 2010.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In view of the amended Rule 2.07A of the Listing Rules relating to the use of electronic means or website for communication with shareholders which became effective on 1 January 2009, the Board proposes to seek approval from the shareholders to pass a special resolution at the Annual General Meeting to be held on 16 May 2011 in order to make certain amendments to the relevant provisions of the Company's articles of association to conform to such amendments to the Listing Rules. Additional amendments will also be proposed to update all references of the Cayman Companies Law (2007 Revision) in the articles of association of the Company to "Cayman Companies Law (2009 Revision)", which came into effect in August 2009. For details, please refer to the circular of the Company to be issued on or about 15 April 2011.

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

Hong Kong, 20 March 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Luo Lin, Mr. Ma Jian, and Mr. Wu Di; the Independent Non-executive Directors are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.