安東石油 Antonoil

Anton Oilfield Services Group
安東油田服務集團

(incorporated in the Cayman Islands with limited liability)
(Stock Code:3337)

ANNUAL REPORT

2007

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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

+86 10 84717788

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

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

REGISTERED OFFICE

PO Box 309 GT, 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

Corporate Information

COMPLIANCE ADVISER

Guotai Junan Capital Limited
Rm 2601-3, 26/F., Low Block,
Grand Millennium Plaza,
181 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22 Floor, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

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

as to PRC law:
Tian Yuan Law Firm

as to Cayman 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

Financial Summary

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under International Financial Reporting Standards:

CONSOLIDATED INCOME STATEMENTS

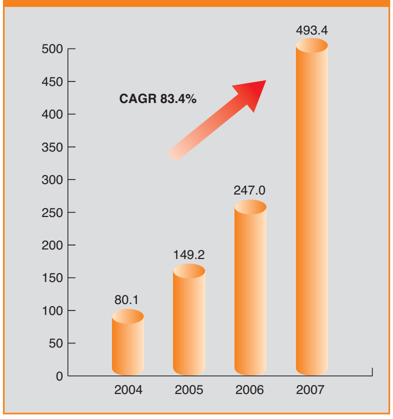
RMB'000	Year ended 31 December			
	2004	2005	2006	**2007**
Revenue	80,053	149,225	246,951	**493,434**
Other income, net	355	104	1,987	**888**
Operating costs	(53,929)	(101,406)	(164,104)	**(360,951)**
Operating profit	26,479	47,923	84,834	**133,371**
Finance costs, net	(172)	(556)	(1,384)	**(6,546)**
Profit before income tax	26,307	47,367	83,450	**127,314**
Profit for the year	26,211	45,744	78,497	**113,157**
Attributable to:				
Equity holders of the Company	26,211	43,792	76,651	**113,000**
Minority interests	–	1,952	1,846	**157**
Dividends	500	15,500	–	**–**

CONDENSED CONSOLIDATED BALANCE SHEETS

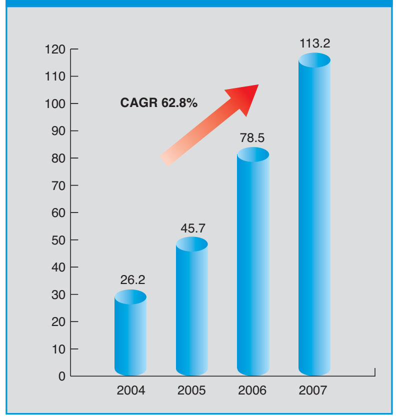
RMB'000	As at 31 December			
	2004	2005	2006	**2007**
Assets				
Non-current assets	20,041	50,706	84,655	**298,480**
Current assets	71,854	130,123	421,337	**1,542,495**
Total Assets	91,895	180,829	505,992	**1,840,975**
Total Equity	53,378	97,902	305,753	**1,389,769**
Liabilities				
Non-current liabilities	–	–	–	**42,545**
Current liabilities	38,517	82,927	200,239	**408,661**
Total liabilities	38,517	82,927	200,239	**451,206**
Total equity and liabilities	91,895	180,829	505,992	**1,840,975**
Net current assets	33,337	47,196	221,098	**1,133,834**
Total assets less current liabilities	53,378	97,902	305,753	**1,432,314**

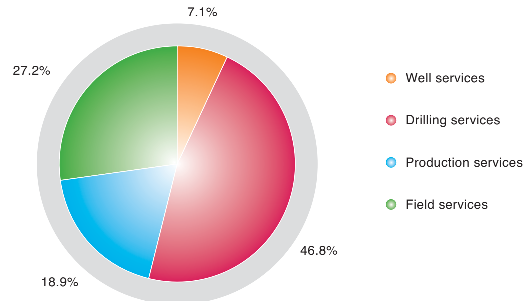
Operational Highlights

Revenue (RMB million)

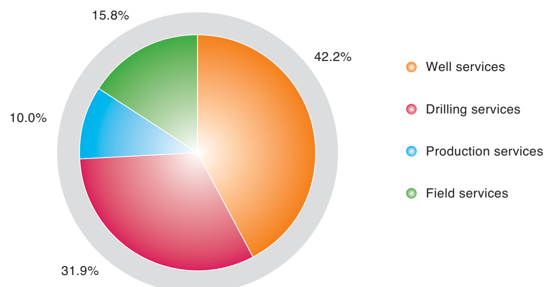


Net Profit (RMB million)

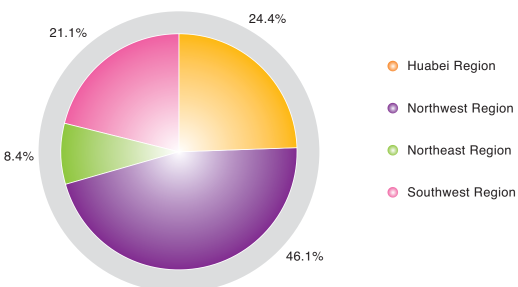




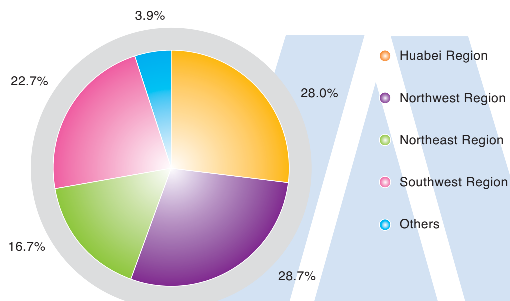
Revenue by business segment in 2006 (%)



Revenue by business segment in 2007 (%)



Revenue by region in 2006 (%)



Revenue by region in 2007 (%)

Corporate Milestones in 2007

April

Started implementation of ERP system, which was brought online in September.

June

Reached agreement with inventors on second round of US$18.5 million private equity financing.

August

Established overseas subsidiary Anton Energy Services Corp. in Canada.

September

Anton Oilfield Services (Group) Limited was awarded by the tile of "Patent Model Company" by Beijing Intellectual Property Office.

October

Formed a joint venture with Inner Mongolia Northern Heavy Industry Group Co., Ltd. to produce heavy weight drill pipes and drill collars.

Completed first cementing operation in Sichuan.

November

Completed the acquisition of the entire equity interest of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. and Beijing Huarme Petroleum Technology Co., Ltd.

December

Completed the Changshenping #1 well completion project in Jilin Oilfield, which integrated multiple services including well completion tools, sand screens and well completion fluid under a "one-stop service" model.

Completed listing on the Main Board of Stock Exchange of Hong Kong, raising net proceeds of RMB842.4 million.

Obtained certifications by Beijing Zhongyou Certification Center for Health, Safety and Environment for the group's EMS/OHS/HSE systems.

Chairman's Statement

"Anton Group successfully completed its IPO in 2007, which is an important milestone. More importantly, we have also made great progress in improving our management and risk control, enlarging our talent pool, broadening our investment, accelerating our new product development and strengthening our market exploration. We are now better prepared and better planned for the tasks of 2008. I am more confident that ever about the Group's sustained, rapid growth in the future."

Dear Shareholders,

I am pleased to present the annual report for the year ended 31 December 2007 of Anton Oilfield Services Group (the "Company") and its subsidiaries (the "Group") to all shareholders. In 2007, the Group maintained its strong growth momentum. Turnover reached RMB493.4 million, representing an increase of 99.8% compared to 2006. Profit attributable to equity holders of the Company amounted to RMB113.0 million, representing an increase of 47.4%. From 2004 to 2007, the compound annual growth rates of the Group's turnover and profit attributable to equity holders of the Company reached 83.4% and 62.8% respectively. For the year ended 31 December 2007, earnings per share was RMB7 cents.

Anton Group successfully completed its IPO in 2007, which is an important milestone. More importantly, we have also made great progress in improving our management and risk control, enlarging our talent pool, broadening our investment, accelerating our new product development and strengthening our market exploration. We are now better prepared and better planned for the tasks of 2008. I am more confident that ever about the Group's sustained, rapid growth in the future.

Chairman's Statement

ANNUAL REVIEW

In respect of strategic development and management during the reporting period, the Group engaged a well-known consulting firm to help the Group to reorganize its structure. Learning from famous international oilfield service companies, the Group had developed the matrix control system. The application of ERP system supported the Group to achieve such transformation via the information platform and further strengthened the Group's internal and operating management system, hence enhancing its risk control capability and ensuring stable development. During this year, the Group also successfully passed the ISO9001 quality examination and obtained the EMS, OHS and HSE system certification.

As a technology-focused services company, talents are the most important resources for the Group's continuous development. In 2007, the Group attracted 204 new employees, most of which were professional technicians and sales staff. Upon our successful listing, the Group's employee incentive system also became more mature. The Company adopted an option scheme, which enhanced the performance-linked employee incentive system. In February 2008, the Group granted options to some of the key employees. I believe such system will attract more talents, and will be essential in maintaining a professional team. It will also be an advantage for the Group to attract talents in the industry. Attracting talents as well as the establishment and implementation of the option scheme has laid a solid foundation for the Group's further development.

In respect of merger and acquisition during this year, the Group had successfully completed the acquisition of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd, a sand screen manufacturing enterprise. The acquisition solidified our leading position in China well and sand control market. Upon the merger and acquisition, the Group's operation remained satisfactory and its strong growth momentum continued. The Group also set up a joint venture, Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東機械製造有限公司) with Inner Mongolia Northern Heavy Industry Group, which strengthened our research and development as well as increased our production capacity of drilling equipment. In March 2008, the Group completed the merger and acquisition of Jilin Dongxin Oil Engineering Technology Co., Ltd. ("Jilin Dongxin"), an oilfield services company engaging in acidization and chemical-based production capacity enhancement, and enhanced the Group's service capability in the Northeast region. The Group has obtained valuable experience from these three equity investments, which symbolized mergers and acquisitions would be the new driving force for the Group's future development.

In respect of research and development, the Group had integrated its resources for research and development in 2007 and established Anton Research Institute, which helped the Group successfully launch new services and products in relation to well completion and cementing. Those new products received obvious results and attained a significant growth. The Group has accumulated considerable experience in terms of new product development and commercialization in the course of development. The establishment of Anton Research Institute would also be favourable to the integration of the resources and power of research and development, and hence would firmly accelerate the Group's organic growth.

In respect of market expansion, in addition to continuing to consolidate the established markets and expanding into new regions in China, the Group has prepared to enter the international markets. During this year, the Group had established a subsidiary in Canada, sought to develop international partnership, and conducted research on customer information and market demands in order to be fully prepared for entering international markets. We will continue to develop our strategy based on our solid customer relationship and in-depth industry knowledge.

The Group has formed a special committee with a view to deal with the issue of weak management on the Group's working capital. The committee reviews the working capital condition on a monthly basis and sets targets for the recovery of outstanding receivables and acts as an important examination indicator for the regional directors. These measures have significantly improved the Group's working capital condition. During the year ended 31 December 2007, the Group's net operating cash inflow has reached approximately RMB24.6 million.

OUTLOOK

Oilfield service industry in China is at an unprecedented growing stage. On one side, the global supply of energy is tense and oil prices remain high, while on the other side, the economy of the PRC continues to grow rapidly, the demand on energy is increasing and the reliance on energy imports intensifies. Such a macro-environment has determined the continuous growth of the China's up-stream investment in oil and gas exploration and production. Meanwhile, the development of new oil and gas fields with complicated geometric conditions and the transformation of developed oilfields will pose new challenges to China's oilfield services companies and increase the demand for high-end technical service. We expect the oilfield services industry to be further liberalised in order to attract more oilfield services companies to fulfill the remarkable growing demand.

As such, the Group has developed a strategy that emphasizes on life cycle of wells and focuses on the well services technology. The Group's objective is to develop into a one-stop oilfield services company and to empower the four business divisions to seize such historic opportunities to grow rapidly and cohesively. Looking ahead, the Group will adhere to its formulated development strategy and continue to launch new products and services, as well as to provide services to oilfield customers during the complete process of drilling, well completion and production.

The Group's business will further differentiate and grow in accordance with the development strategy. In 2008, the Group will focus on developing well services technology, including downhole services, well completion and cementing services. The Group will also take advantage of its favourable position to gradually expand its scale on drilling products and services, and maintain the current growth in other products and services at the same time.

Chairman's Statement

The Group's core development strategy lies within proprietary research and development, mergers and acquisitions and industry partnerships. Anton Research Institute is the platform for the Group's proprietary research and development. Merger and acquisition is the key driving force for the Group's long-term growth. Acquisition of Jilin Dongxin marked the beginning of the Group's merger and acquisition activities for 2008. Meanwhile, the cooperation between the Group and major international oilfield services companies will continue to be strengthened in order to organize the best resources of technical products in the world for the customers, and allow different parties to achieve business growth.

Looking forward to 2008, in respect of research, development and commercialization of new technology and products, investments in mergers and acquisitions, industry partnerships and attracting talents, the Group will also develop in a faster pace than expected. We will also maintain our strict management control, be foresighted in our future development, make reasonable planning with an effort to sustain the Group's rapid growth momentum.

APPRECIATION

Lastly, the Group's outstanding achievements in the past six years since its inception are the results of the efforts of all staff, long-lasting support from partners and customers, as well as the cooperation of shareholders and financial institutions. I would like to take this opportunity to express my appreciation to every one that has contributed to the development of the Group.

Chairman
Luo Lin

Hong Kong, 28 March 2008

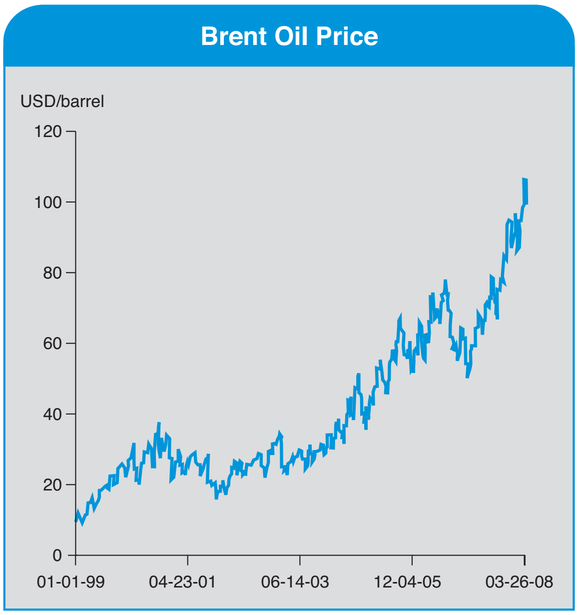
Management Discussion and Analysis

"In 2007, the Group maintained its strong growth momentum seen in recent years. Revenue reached RMB493.4 million, representing an increase of 99.8% compared to RMB247.0 million of 2006. Net profit after tax attributable to equity holders of the Company for the year amounted to RMB113.0 million, increased by 47.4% from 2006."

INDUSTRY DEVELOPMENT

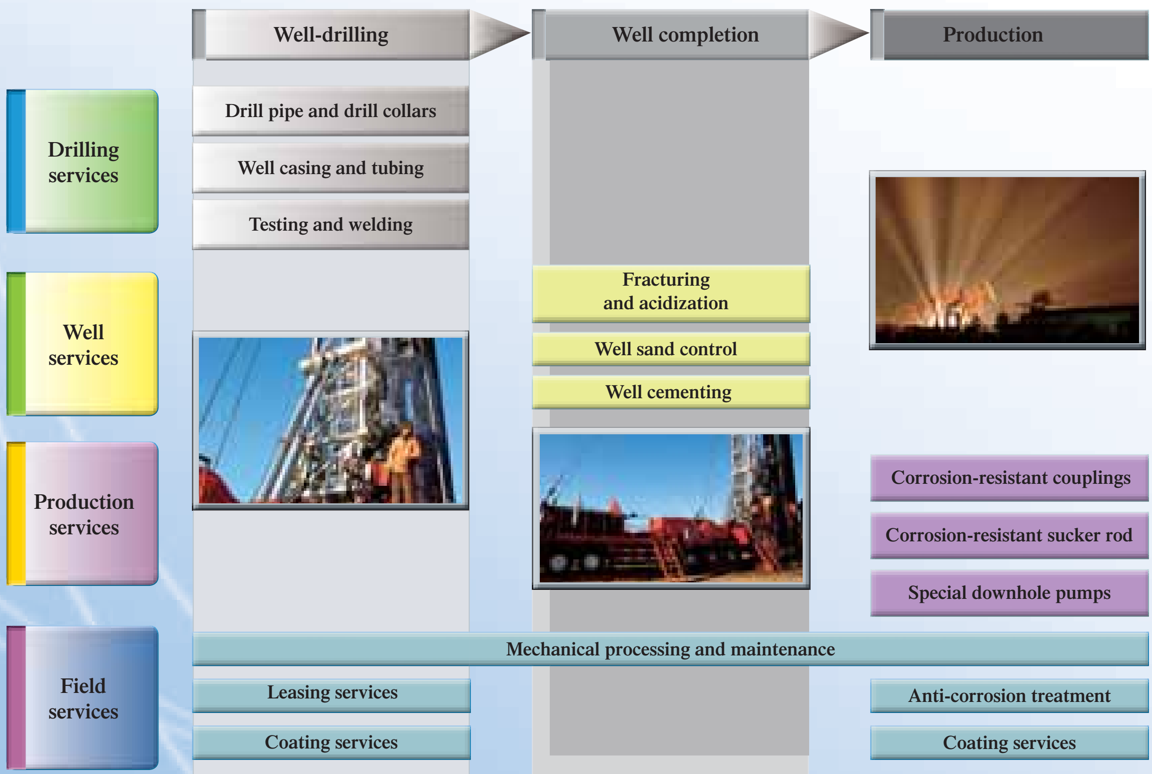
China economy continued to grow in 2007, with GDP rising 11.4% from 2006. Sustained economic growth fuelled higher demand for energy. China's oil and natural gas consumption in 2007 was approximately 412 million tons of oil equivalent, an increase of 7.7% from the previous year. In the mean time, driven both by tight global supply and geopolitical instabilities, crude oil price continued to rise and broke US$110 per barrel mark in early 2008.

Management Discussion and Analysis



BUSINESS REVIEW

The Group is one of the leading privately owned oilfield services providers in China. Our four business divisions – well services, drilling services, production services and field services, provide products and services covering the entire life cycle of oil and gas field development, including drilling, well completion and production. The following chart illustrates the main products and services of group corresponding to oil and gas exploration and production process:



In 2007, the Group maintained its strong growth momentum seen in recent years. Revenue reached RMB493.4 million, representing an increase of 99.8% compared to RMB247.0 million of 2006. Net profit after tax attributable to equity holders of the Company for the year amounted to RMB113.0 million, increased by 47.4% from 2006.

WELL SERVICES

The Group accelerated the development of well services business in the second half of 2006, and successively launched a series of technical services targeted at the high end market such as well completion and sand control, downhole tools and cementing. The division achieved a breakthrough in 2007, with turnover jumping 1084.4% to RMB208.4 million from RMB17.6 million in 2006. The division's contribution to the Group's total turnover also increased to 42.2% in 2007 from 7.1% in 2006.

In 2006, the Group launched its patented sand control screen product, which was since well received in many markets, such as Jidong, Karamay, Shengli, Huabei and Jilin oilfields. In November 2007, the Group completed the acquisition of the entire equity interest in Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ("Hinen-Hitech") and Beijing Huarme Petroleum Technology Co., Ltd. ("Huarme"). The acquisition solidified our leading position in China's sand control market. Sand screen sales for the year reached 49,245 meters, an increase of 142.6 times over 2006. At the end of 2007, our production capacity of sand control screen pipe was approximately 200,000 meters per year.

The Group introduced fracturing and acidization at the end of 2006, targeting the high end markets where complex geographical conditions demand more sophisticated technologies. Such services won high regards from clients in markets such as Sichuan and Jidong oilfields. A total of 46 fracturing and acidization operations were completed during the year.

The Group started to provide cementing services in 2007 and completed operations for two wells in Sichuan. Meanwhile, other new services such as downhole tools, drilling fluid and micro glass bubble were also well received by our customers and their contributions to the Group's total turnover are steadily rising.

DRILLING SERVICES

The Group's drilling services division provides various drilling equipment and tools, such as drill pipes, heavy-weight drill pipes, drill collars, well casing and tubing, as well as related services such as testing and welding. In 2007, revenue from drilling services amounted to approximately RMB157.6 million, representing an increase of RMB42.1 million or 36.4% compared to approximately RMB115.5 million in 2006.

In October 2007, the Group set up a joint venture, Northern Heavy Anton Machinery Manufacturing Co., Ltd. with Inner Mongolia Northern Heavy Industry Group Co., Ltd., which helps strengthen our control on production capacity of drill collars and heavy-weight drill pipes, and ensure sufficient supply. At the end of 2007, the joint venture had a production capacity of approximately 6000 drill collars and heavy-weight drill pipes. The Group's well casing plant in Xinjiang commenced production in October 2006, leading to a substantial increase in revenue from casing in 2007.

Management Discussion and Analysis

The Group has the largest professional testing and welding services team in China and further fortified its market position in 2007 and expanded service areas to regions including Liaohe and Jidong oilfields. We tested over 300,000 different equipments during the year.

Sales volume of main products – drilling services:

	Unit	2006	**2007**
Drill pipe	tonne	1,168	**1,040**
Heavy-weight drill pipe	piece	0	**1,978**
Well casing	tonne	502	**1,600**

PRODUCTION SERVICES

The Group manufactures and sells production equipment such as polished rods, couplings and downhole pumps, which feature higher anti-corrosion, anti-attrition performances, thanks to our patented special materials and coating technology. These products have longer life span when applied in highly corrosive and attritional wells, thus help our clients achieving costs savings. During the year, our production services division designed 4 new models of downhole pumps upon clients' request, and successfully developed pressure-adjusting water pump. The new products are well received by our customers during preliminary trial uses. In 2007, revenue from production services amounted to approximately RMB49.4 million, representing an increase of RMB2.7 million or 5.8% compared to approximately RMB46.7 million in 2006.

Sales volume of key products – production services:

	Unit	2006	**2007**
Polished rod	piece	3,697	**9,228**
Coupling	piece	139,480	**95,568**
Pump	unit	460	**511**

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 exploration and production process of oil or gas field. Our primary services include drill pipe leasing, coating, mechanical maintenance and ground construction. During the reporting period, field services revenue grew steadily to RMB78.0 million, representing an increase of RMB10.9 million or 16.3%, compared to approximately RMB67.1 million in 2006. We established the second service base in Shaanxi during the year. Our long term goal is to set up service bases in more oilfields, expand services coverage to drive the growth of this business.

MARKETING

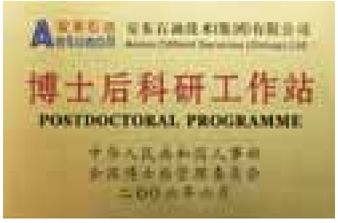
The Group has a nationwide sales network covering the major oilfields as well as promising exploration areas throughout the Northwest, Southwest, Northeast and Northern China. We have a high-quality sales team, with rich market experience and in-depth professional knowledge. During the reporting period, the Group has further strengthened the sales team. Total number of sales personnel increased from 63 to 90, of which 39 possess master degree or doctoral degree or specialization certificate in the petroleum industry.

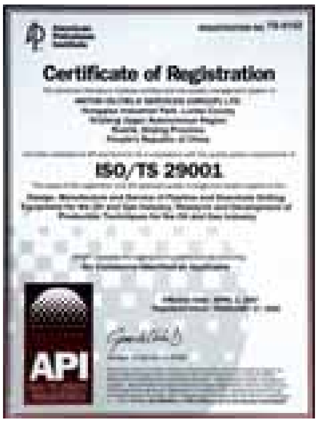
As we continue to introduce new high-tech services, direct communication between our technical experts of all business departments and our clients at the oilfields is becoming increasingly important. During the reporting period, our technical professionals organized and participated in nearly 300 special technical seminars, during which they were able to obtain in-depth understanding of clients' needs and the technical difficulties of the relevant projects, hence to further improve our solutions. Meanwhile, they also gave comprehensive and detailed presentation of our technical strengths, which helped enhance mutual trust between clients and us as well as strengthen our brand.

The Group also established our first overseas subsidiary in Canada during the reporting period, which was the first step towards the development of overseas market. After consolidating the export sales team of Hinen-Hitech, our International Business Department was further strengthened. In 2007, we achieved our first export sales with an amount of RMB9.3 million. On 8 February 2008, the Company's wholly owned subsidiary Hinen-Hitech set up a company named Nitor-Anton Solutions, S.A. with Nitor Metal in Venezuela. Hinen-Hitech invested VEB1,708,000, and held 25% equity interest in the joint venture.

RESEARCH AND DEVELOPMENT

As an oilfield service company focusing on the high end market, the Group focuses on research and development of proprietary products and technologies. The Group set up Anton Research Institute in April 2007 to consolidate current research and development capabilities. At the end of 2007, the Group had over 100 research and development personnel, including 45 with master degree or higher academic credentials. The Group has the only post-doctoral work station among privately owned oilfield services companies in China.





During the year ended 31 December 2007, we obtained approval for 19 patents, resulting in the total number of patents registered by the Group reached 51. Meanwhile, we had 57 patent applications still pending for approval. The Group's professional staff published 23 papers in various industry journals, covering subjects ranging from drilling, oil production, oil reserve and natural gas field development, which demonstrated our technical strengths.

Thanks to our continued efforts to attract more senior technical professionals and investments in R&D, the Group introduced a series of new products and services in 2007, including cementing services, well completion services, heavy-weight drill pipes, anti-corrosion sucker rods and small and medium-diameter well casing. As the Group's product line was broadened, our capability of providing "one-stop" services to our clients was further enhanced.

HUMAN RESOURCES

Human resources is one of the key resources supporting our long term growth. At the end of 2007, the total number of the Group's employees is 763. During the year, the Group intensified its recruitment efforts, and hired 204 new staff, of which 49% has college degree or higher academic qualifications.

INTERNATIONAL COOPERATION

While actively fostering our research and development, we established cooperation relationships with several international oilfield service companies. The scope of products and services covered by these cooperations continue to increase. Through cooperations with global oilfield service companies, the Group can leverage on the advanced products and technologies worldwide to provide the best solutions to our clients and at the same time stimulate fast improvement of our own technological capability.

OUTLOOK

We believe that China economy will continue to grow at a relatively high speed in 2008, which will drive further energy demand. Increasing oil and gas output will remain one of the key challenges faced by the Chinese oil companies in the foreseeable future. We believe that investment in oil and gas exploration and production in China will maintain its strong growth trend of recent years and macro industry environment is favorable for the Group's development.

We will continue to explore and seize opportunities that may present in the rapidly expanding oilfield service industry in China, and will constantly launch new services and products, and expand our service coverage to increase our market share. Through strengthening our R&D efforts and further cooperations with international oilfield service companies, we will continuously improve our technical standard, so as to provide first-class services to our customers. Meanwhile, we will also actively seek opportunities for acquisitions to provide an additional engine to drive and sustain the rapid growth of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2007 amounted to RMB493.4 million, representing an increase of RMB246.4 million or 99.8% compared to 2006. The substantial increase in our revenue was mainly attributable to the rapid growth of revenue from well services and drilling services.

Costs of materials

The costs of materials increased from approximately RMB99.3 million to RMB240.7 million, representing an increase of 142.6%. The increase was mainly due to the change of overall revenue mix and the increase of material costs surpassed the increase of sales of the drilling services business.

Staff costs

Staff costs amounted to approximately RMB49.9 million, representing an increase of RMB34.4 million or 221.5% from RMB15.5 million in 2006. This was mainly due to the increase in the total number of the Company's staff. Meanwhile, the increase in the proportion of senior technical professionals and managerial staff and amortization of share options awarded during the year also led to increase in staff costs.

Operating lease expense

Operating lease expense was approximately RMB9.7 million, representing an increase of RMB2.3 million from 2006. The increase was due to growth of drill pipe leasing services.

Depreciation and amortization

Depreciation and amortization amounted to approximately RMB10.6 million, representing an increase of RMB5.1 million or 93.7% from RMB5.5 million in 2006. The increase was mainly attributable to additional machinery and equipments that were added in the casing plant and Huairou manufacturing plant, as well as the increase in amortization of intangible assets resulted from the acquisition of Hinen-Hitech.

Other operating costs

Other operating costs arrived at RMB50.0 million, representing an increase of RMB13.5 million or 37.1% compared to RMB 36.5 million in 2006.The increase was mainly attributable to the overall expansion of the Group's businesses.

Operating profit

As a result of the foregoing, the operating profit in 2007 arrived at approximately RMB133.4 million, representing an increase of approximately RMB48.6 million or 57.2% compared to RMB84.8 million in 2006. The operating profit margin was 27.0% in 2007, representing a decrease of 7.4 percentage points from 34.4% in 2006. The fall in operating profit margin was mainly due to (1) a change of the Group's revenue mix; (2) the rise in material costs for drilling services; and (3) the increase of staff costs.

Finance costs, net

Net finance costs were approximately RMB6.5 million, increased by approximately RMB5.1 million compared to RMB1.4 million in 2006, mainly because of the increase in interest expenses on short term loans of the Group and foreign exchange loss resulting from the appreciation of the RMB.

Income tax expense

Income tax expense amounted to RMB14.2 million, representing an increase of approximately RMB9.3 million from 2006, mainly because of the increase in the Group's taxable profit in 2007 and the impact from the increase of income tax expenses at Xinjiang Tong'ao, of which the income tax holiday has ended in 2007.

Profit for the year

As a result of the foregoing, the Group's profit for 2007 was approximately RMB113.2 million, representing an increase of approximately RMB34.7 million or 44.2% over 2006.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders of the Company amounted to approximately RMB113.0 million, representing an increase of RMB36.3 million or 47.4% over 2006.

Trade receivables

As of 31 December 2007, the Group's net trade receivables were approximately RMB317.5 million, representing an increase of RMB142.7 million compared to the end of 2006, mainly because of an increase in turnover. The average trade receivables turnover days was 182 days, comparing with 187 days in 2006.

The Group set up a special committee with the Chief Executive Office as chairman in the second half of 2007, with emphasis on improving our working capital management, especially the collection of account receivables. We set specific receivables collection target for each sales region, which is a key performance benchmark for the regional managers. These measures achieved initial success in 2007, and arrested the rising trend of average turnover days of account receivable in recent years. In 2007, the Group collected RMB410.6 million, representing an increase of RMB239.7 million or 140.3 % from 2006.

REMUNERATION POLICY

The determination of the remuneration of employees of the Group is based on the individual performance, the nature and responsibilities each assumed and the performance of the Group. The Group will periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustment.

GEARING RATIO

We monitor capital on the basis of gearing ratio. 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. As at 31 December 2007, the gearing ratio of the Group was 14%, representing an decrease of 23% compared to the gearing ratio of 37% in 2006, this was mainly due to the increase in cash from Initial Public Offering ("IPO") proceeds.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2007, the Group's cash and cash equivalents amounted to approximately RMB976.7 million, representing an increase of RMB930.6 million compared to the end of 2006, mainly because the Group was listed on The Stock Exchange of Hong Kong Limited in December 2007, issued 520,000,000 shares and raised net proceeds of RMB842.4 million.

The Group's outstanding short term bank loans at the end of 2007 amounted to approximately RMB163.5 million. A domestic bank granted the Group a credit facility of RMB50.0 million, of which RMB20.0 million undrawn.

The equity attributable to the Company's equity holders increased from RMB302.9 million at the end of 2006 to RMB1,384.7 million at the end of 2007. The increase was mainly due to the after tax profit during the year ended 31 December 2007 and the IPO.

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 these collection and payments is insignificant. The exchange risk of the Group mainly comes from its foreign currency deposits in US$. The fluctuation in RMB exchange rate against US$ may have a negative impact on the Group's operating results and financial position. As of the end of 2007, the Group had foreign currency deposits equivalent to RMB979.3 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 2007, the Group did not use any derivatives to hedge against the risk of foreign exchange fluctuations.

CASHFLOW FROM OPERATING ACTIVITIES

Cash inflow from operating activities in 2007 was approximately RMB24.6 million, compared with a net outflow of RMB95.4 million in 2006, mainly because the Group strengthened working capital management, especially the collection of trade receivables.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2007 was approximately RMB141.2 million.

During the year ended 31 December 2007, the Group acquired Hinen-Hitech and Huarme for a total consideration of RMB150 million, of which RMB24.0 million has been paid in 2007. The Group also contributed RMB33.6 million to set up a joint venture with Inner Mongolia Northern Heavy Industry Group Co., Ltd. on 30 October 2007. The Group also invested RMB27.6 million for the construction of the production base in Huairou, Beijing, and RMB12.2 million for construction of the production base of Anton Tong'ao.

In 2008, the budgeted capital expenditure is approximately RMB400 million, mainly used for equipment procurement, service base construction and upgrade, and payment for the recently announced acquisitions.

GUARANTEE

In order to obtain a bank loan from a bank which we did not have a sufficiently long-term relationship with, the Group has arranged for a guarantee from Beijing Zhongguancun Guarantee Company Limited (北京中關村科技擔保有限公司) ("Beijing Zhongguancun"), a third party guarantee company, on the loan. Established on 16 December 1999 with a registered capital of RMB423 million, Beijing Zhongguancun is a government-funded credit/guarantee company, the scope of business of which includes the provision of company debt guarantees, notes guarantees and financing guarantees. It is also one of the largest professional guarantee companies in China.

As of 31 December 2007, the Group had RMB20 million of unused credit line from a bank. The total credit line we obtained from the bank for 2007 was RMB50 million and was guaranteed by Beijing Zhongguancun for which we provided counter guarantee with part of our trade receivables, land use rights and certain property, plant and equipment of Anton Oilfield Services (Group) Limited ("Anton Oil").

For the year ended 31 December 2007, the other guaranteed bank borrowings amounting to RMB0.5 million were guaranteed by Beijing Zhongguancun, Counter-guarantees were provided by certain property, plant and equipment of Xiguan Antong and Wang Shihong, the minority Shareholder of Xiguan Antong.

For the year ended 31 December 2007, pledged bank borrowings of the Group amounting to RMB13 million were secured by certain property, plant and equipment of the Group, and pledged bank borrowings amounting to RMB70 million were secured by restricted bank deposits of the Group.

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 amounting to RMB27.3 million as of 31 December 2007.

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 amounted to RMB21.1 million, which include RMB16.4 million capital commitment related to the joint venture with Northern Heavy.

CONTINGENT LIABILITIES

As of 31 December 2007, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As of 31 December 2007, the Group did not have any off-balance sheet arrangements.

Directors' Report

The board of directors (the "Board" or the "Directors") of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group provides high-end oilfield services and products in the areas of well services, drilling services, production services and field services covering the entire life cycle of oil and gas field development.

RESULTS OF OPERATION

The financial results of the Company for 2007 are set out in the section "Financial Statements" of this Annual Report.

FOUR YEAR FINANCIAL SUMMARY

The four year financial summary of the Company is set out in the section "Financial Summary" of this Annual Report.

DIVIDENDS

At a meeting held on 28 March 2008, the Board did not recommend the payment of any dividend in respect of the year ended 31 December 2007.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 9 to the consolidated financial statements of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Company accounted for approximately 37.3% and 63.8% respectively of the Company's revenues for the year ended 31 December 2007.

For the year ended 31 December 2007, the total amount of purchases made by the Company from its five largest suppliers amounted to RMB134.9 million, and accounted for 34.8% of the total purchases for the year. The amount of purchases from the largest supplier amounted to RMB37.6 million, and accounted for 9.7% of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Company for the year ended 31 December 2007 totaled RMB92.7 million. Details of movements are shown under Note 6 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of the movements during the year in share capital of the Company are set out in Note 15 to the consolidated financial statements of this Annual Report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive right under the Articles of Association of the Company and the Cayman Islands laws, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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

For the year ended 31 December 2007, none of the Company and any of its subsidiaries has purchased, sold or repurchased any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2007 are set out in Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the aggregate amount of reserves which is available for distribution to the equity shareholders of the Company was RMB244.5 million.

DIRECTORS

The Board of the Company during the year and up to the date of this Annual Report are:

Executive Directors

Mr. Luo Lin	(appointed on 3 August 2007)
Mr. Ma Jian	(appointed on 3 August 2007)
Mr. Pan Weiguo	(appointed on 3 August 2007)

Independent Non-executive Directors

Mr. Zhang Yongyi	(appointed on 17 November 2007)
Mr. Zhu Xiaoping	(appointed on 17 November 2007)
Mr. Wang Mingcai	(appointed on 17 November 2007)

The biographical details of the Directors and senior management are set out under the section " Profiles of Directors and Senior Management" of this Annual Report.

In accordance with Article 114 of the Articles of Association, Mr. Luo Lin, Mr. Ma Jian, Mr. Pan Weiguo, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Luo Lin, Mr. Ma Jian and Mr. Pan Weiguo, being the Executive Directors, has entered into a service contract with the Company for a term of three years commencing from 14 December 2007, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Each of Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, being the Independent Non-executive Directors, has been appointed by the Company for a term of one year commencing from 14 December 2007, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Save as disclosed above, no Director for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

DIRECTORS' INTEREST IN MATERIAL CONTRACTS

There was no contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any director of the Company had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Pro Development Holdings Corp., which is beneficially controlled by Mr. Luo Lin, the Executive Director, and Mr. Luo Lin are the controlling shareholders of the Company.

Each of the controlling shareholders and the Executive Directors has provided an annual confirmation in respect of the compliance with non-competition undertaking given by him.

The Independent Non-executive Directors have also reviewed the compliance by the controlling shareholders and the Executive Directors with the Non-competition Undertaking. The Independent Non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the controlling shareholders and the Executive Directors of the Non-competition Undertaking given by him.

REMUNERATION OF THE DIRECTORS

In compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 25 to the consolidated financial statements of this Annual Report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and the Company considers that Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai to be independent.

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

As at 31 December 2007, 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 pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules (the "Model Code") were as follows:

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	33.34%
Ma Jian	2	Founder of a discretionary trust	87,850,550	4.25%
Pan Weiguo	3	Beneficiary of a trust	248,608,560	12.03%

Note:

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 Mr. Pan Weiguo is a beneficiary of the Anton Harmony Trust, which is indirectly interested in the entire issued share capital of Forever Mark Group Limited, which in turn is interested in 248,608,560 shares of the Company.

Save as disclosed above, at no time during the year ended 31 December 2007, the Directors and chief executive (including their spouses and children under 18 years of age) had any interests 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.

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

As at 31 December 2007, 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:

Name	Note	**Capacity**	**Number of ordinary shares** (Note 1)	**Approximate percentage of shareholding** (Note 1)
Credit Suisse Trust Limited	2, 3, 4	Trustee	937,754,710 (L)	45.37% (L)
Seletar Limited	2, 3, 4	Trustee	937,754,710 (L)	45.37% (L)
Serangoon Limited	2, 3, 4	Trustee	937,754,710 (L)	45.37% (L)
Avalon Assets Limited	2	Trustee	689,146,150 (L)	33.34% (L)
Pro Development Holdings Corp.	2	Beneficial owner	689,146,150 (L)	33.34% (L)
Elyon Limited	3	Trustee	248,608,560 (L)	12.03% (L)
Forever Mark Group Limited	3	Beneficial owner	248,608,560 (L)	12.03% (L)
Chengwei Anton Holdings Inc.	5	Beneficial owner	146,644,740 (L)	7.09% (L)
Chengwei Ventures Evergreen Fund, LP	5	Interest of controlled corporation	146,644,740 (L)	7.09% (L)
Chengwei Ventures Evergreen Management, LLC	5	Interest of controlled corporation	146,644,740 (L)	7.09% (L)
EXL Holdings, LLC	5	Interest of controlled corporation	146,644,740 (L)	7.09% (L)
Li Eric Xun	5	Interest of controlled corporation	146,644,740 (L)	7.09% (L)
Li Zhu Yi Jing	5, 6	Interest of spouse	146,644,740 (L)	7.09% (L)
China Harvest Fund, L.P.	7	Interest of controlled corporation	375,000,000 (L)	18.14% (L)
China Renaissance Capital Investment, L.P.	7	Interest of controlled corporation	375,000,000 (L)	18.14% (L)
China Renaissance Capital Investment GP	7	Interest of controlled corporation	375,000,000 (L)	18.14% (L)
Erdos Holding Company Limited	7	Beneficial owner	375,000,000 (L)	18.14% (L)
Credit Suisse Group	8	Interest of controlled corporation	127,462,000 (L)	6.17% (L)
			78,000,000 (S)	3.77% (S)

Note:

1 The letter "L" denotes the long position in such shares while the letter "S" denotes the short positions in such shares.

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

3 The 248,608,560 shares referred to the same batch of shares.

4 The 937,754,710 shares, which is the sum of two batches of 689,146,150 shares and 248,608,560 shares as mentioned in notes 2 and 3 above, referred to the same batch of shares.

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

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

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

8 The shares were held directly/indirectly through several controlled corporations; however, according to the Company's register, three of which, namely Credit Suisse, Credit Suisse (International) Holding AG and Credit Suisse (Hong Kong) Limited reported interests are 7.56%, 7.55% and 7.55% respectively.

Save as disclosed above, as at 31 December 2007, so far was known to the Directors, no other persons (other than the Directors or chief executives) had an 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.

SHARE OPTION SCHEME

The Company conditionally adopted its share option scheme on 17 November 2007 (the "Share Option Scheme") and shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the Board. The purpose of the Share Option Scheme is to grant option to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or agents.

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 5% of the shares in issue immediately following completion of the Global Offering (but taking no account of any shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option), being 103,362,500 shares. The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue as at the date of grant unless approved by the shareholders in general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board provided that it shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (ii) the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

For the year ended 31 December 2007, no option was granted by the Company under the Share Option Scheme.

PRE-IPO SHARE OPTION SCHEME

The Company adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 October 2007. The purpose and principal terms of the Pre-IPO Share Option Scheme are similar to those of Share Option Scheme, save as:

(i) The exercise price per share is HK$1.04, representing a discount of 44.68% to final offer price per share upon listing of the Company;

(ii) no options will be offered or granted upon the commencement of dealings in the shares on the Stock Exchange; and

(iii) the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 86,025,000 shares, representing 4.16% of the total number of issued shares immediately following the commencement of dealings in the shares on the Stock Exchange.

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

Grantee and position	Total number of options granted on 2, 9 and 16 October 2007	Exercise/cancelled/ lapsed during the year	Number of outstanding options as at 31 December 2007
Pei Bo Lin *(Technical Specialist)*	49,995,000	–	49,995,000
Li Shu Sheng *(Technical Specialist)*	25,005,000	–	25,005,000
He Jun *(Chief Financial Officer)*	10,815,000	–	10,815,000
Liu Yu *(Qualified Accountant)*	210,000	–	210,000

The option period for the share options granted to Mr. Pei Bo Lin and Mr. Li Shu Sheung commences on the date of grant and ends on the last date of the twenty-five months counting from the said date. They are vested with, and entitled to exercise up to, 50% of their share options during the option period commencing from each of the first and second anniversaries of the date of grant. The option period for the share options granted to Mr. He Jun commences on the date of grant and ends on the last date of the eight years counting from the said date. He 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. The option period for the share options granted to Ms. Liu Yu commences on the date of grant and ends on the last date of the five years counting from the said date. She 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the Listing Rules to the date of this Annual Report.

DONATIONS

The Company contributed a total of RMB0.8 million as charitable and other donations for the year ended 31 December 2007.

TAXATION

For the year ended 31 December 2007, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are Urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

USE OF PROCEEDS

The Company issued 520,000,000 new shares through public issue and placement in December 2007 at a price of HK$1.88 per share. The total net proceeds amounted to about RMB842.4 million. As of 28 March 2008, the proceeds were in short-term deposits. The Group has obtained the Chinese government's approval for remitting the proceeds into mainland China.

POST BALANCE SHEET EVENTS

(a) On 9 January 2008, the over-allotment option related to the Company's IPO was partially exercised, resulting issuance of 25,804,000 additional shares at HK$1.88 per share.

(b) On 3 February 2008, the Company granted 12,350,000 share options in total under the Share Options Scheme to certain employees and three Independent Non-executive Directors namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai. The options granted represent 0.6% of the total number of shares in issue immediately prior to such granting. The exercise price is HK$1.634. The option period for the share options granted commences on the date of grant and ends on the last day of forty-eight months counting 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 the first, second and third anniversaries of the date of grant.

(c) On 7 March 2008, Anton Oil Services (Group) Limited ("Anton Oil") (a wholly owned subsidiary of the Company) signed an agreement with Jilin Dongxin Oil Engineering Technology Co., Ltd. ("Jilin Dongxin"), to acquire the entire equity of Jilin Dongxin for a total consideration of RMB36,500,000. The Directors consider the acquisition a good strategic fit and can help further enhance the service capability and market position of the Group.

CONNECTED TRANSACTIONS

The related party transactions during the reporting period are set out in Note 32 to the consolidated Financial Statements of this Annual Report. These transactions were conducted in the ordinary and usual course of the business of the Group. No such connected transactions continued after the listing of the Company.

The balance at the year end represents certain fees relating to the Initial Public Offering that were paid on behalf of the Group by Anton Oilfield Services Holdings Limited Company ("Anton Holdings") before 14 December 2007. As at the date of this Annual Report, such balance has been fully settled.

AUDIT COMMITTEE

The final results have been reviewed by the audit committee of the Board which consists of three Independent Non-executive Directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed auditing, internal control and financial reporting matters including the review of 2007 annual results with the management.

AUDITORS

The Company has appointed PricewaterhouseCoopers ("PwC") as the auditor of the Company for the year ended 31 December 2007. PWC has conducted the audit of the financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS"). A resolution for their re-appointment as auditors of the Company for the year ended 31 December 2008 will be proposed at the forthcoming annual general meeting.

By the order of the Board

Luo Lin
Chairman

Hong Kong, 28 March 2008

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Luo Lin (羅林), aged 41, is our chairman and chief executive officer and one of our founders. Mr. Luo graduated with a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院) in 1992. He has accumulated 16 years of industry experience, including his work at the Tarim Basin Oil Field and as the deputy general manager of a subsidiary of the Southwest Petroleum Bureau (西南石油局) responsible for sales and marketing, prior to establishing Anton Oil in 2002. Mr. Luo is also qualified as a lawyer and as a chartered accountant in the PRC.

Ma Jian (馬健), aged 40, is an executive Director of the Company and one of our founders. He graduated with a bachelor's degree in well bore drilling engineering from Jianghan Petroleum University (江漢石油學院) in 1991. He also holds a master's degree in business administration from the Huazhong University of Science and Technology (華中科技大學). He is completing a doctoral degree at the China University of Petroleum and is a guest professor at Yangtze University (長江大學). From 1991 to 1999, he worked as a petroleum engineer at the Drilling Company in Jianghan Oilfield (江漢油田鑽井工程處). He worked at Halliburton China from 2000 to 2002 as a well bore projects manager. He has served as a director since 2003, and is also responsible for sales and marketing in our Company. He has 17 years of experience in the petroleum industry.

Pan Weiguo (潘衛國), aged 45, is an executive Director of our Company. He graduated with a bachelor's degree in well bore drilling from Daqing Petroleum Institute (大慶石油學院) in 1984 and a master's degree in 1990. He worked as deputy chief engineer and chief engineer at China Petroleum North Petroleum Control Board Well Bore Drilling Research Institute (中石油華北石油管理局鑽井工藝研究院) from 1990 to 1996, and worked as the deputy head and head of the same from 1996 to 2006. He has 18 years of experience in the petroleum drilling industry. He is responsible for research and development and well services of our Company. He joined our Company in 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Yongyi (張永一), aged 71, is an independent non-executive Director. Mr. Zhang has a wide range of experience in the petroleum industry. He had taught in the Southwest Petroleum Institute (西南石油學院) for more than 30 years. He was appointed as the deputy general manager of CNPC in 1992. He was appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998 and Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000.

Zhu Xiaoping (朱小平), aged 59, is an independent non-executive Director. Mr. Zhu has extensive experience in corporate finance. Mr. Zhu is currently an Accounting Professor of the Renmin University of China (中國人民大學). He has served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Auditing Society (中國審計學會理事). Mr. Zhu is also a director of Beijing Wandong Medical Company Limited (北京萬東醫療設備股份有限公司), Heilongjiang Agriculture Company Limited (黑龍江北大荒農業股份有限公司) and Tibet Rhodiola Pharmaceutical Holding Company Limited (西藏諾迪康藥業股份有限公司), all of which are listed on the Shanghai Stock Exchange. Mr. Zhu is also an independent non-executive director of Sanmenxia Tian Yuan Aluminum Company Limited (Stock Code: 8253), a company listed on the Growth Enterprise Market of the Stock Exchange.

Profiles of Directors and Senior Management

Wang Mingcai (王明才), aged 63, is our independent non-executive Director. Mr. Wang has previously worked as the Vice Chief Engineer of Exploring and Development Bureau of China National Petroleum Company (中國石油天然氣總公司). He also held positions such as Vice General Manager of China National Oil & Gas Exploration and Development Corporation (中國石油天然氣堪探開發公司), President of CNPC Venezuela Corporation (中油國際委內瑞拉公司), Chairman of CNPC (Hong Kong) Limited. Presently, Mr. Wang is the general manager and chairman of the board of directors of Sino-U.S. Oil Development Corporation (中美石油開發公司), and an executive director of CNPC (Hong Kong) Limited (Stock Code: 00135), a company that has been listed on the Main Board of the Stock Exchange, since 2001.

SENIOR MANAGEMENT

Li Bingnan (李冰南), aged 39, is our executive vice president. Mr. Li graduated with a bachelor's degree in well bore engineering from Jianghan Petroleum University (江漢石油學院) in 1991. Between 1991 and 2002, Mr. Li was employed by Jianghan Oil Bureau and in 2000, he was appointed as a manager for the environmental protection plant of the Jianghan Oil Bureau. He has more than 17 years of experience in the oil and gas industry. Mr. Li is responsible for oilfield services in our Company. Mr. Li joined our Company in 2002.

Shen Haihong (沈海洪), aged 39, is an executive vice president. Mr. Shen graduated from the Southwestern Petroleum Institute with a bachelor degree in well exploration engineering and obtained his MBA degree from the Qinghua University. Mr. Shen has over 17 years experience in oil exploration work, having worked as the deputy general manager of the Toha Oil Well Drilling Company (吐哈石油鑽井公司), and as the deputy director of the Enterprises Department of the Toha Directorate (吐哈指揮部企管處). Mr. Shen joined us in January 2007 and is responsible for our operation management.

Tang Shenghe (湯勝河), aged 38, is an executive vice president. Mr. Tang graduated from the Anhui University (安徽大學) with a bachelor degree in economics and obtained a master's degree in law from the Capital Economic and Trade University (首都經濟貿易大學). Mr. Tang has close to 11 years of experience in accounting and finance and is responsible for finance and investment management. Mr. Tang worked as a director of the Ministry of Agriculture Zhonglong Certified Public Accountants (農業部中龍會計師事務), and was a senior manager of Ernst & Young. He was also the chief accountant and deputy general manager of Beijing Caike Pharmaceutical (北京賽科藥業) and a deputy general manager of Beijing Pharmaceutical Group (北京醫藥集團) before joining us in January 2007.

He Jun (何軍), aged 39, is our chief financial officer. Mr. He graduated with masters degree in business administration from the University of Massachusetts in 1997. Mr. He has 11 years of experience in the finance and investment industry. He was Vice President at Citigroup Global Markets Asia before joining us in 2007. Prior to then, he worked as an equity research analyst at other international brokerage and asset management companies. He graduated from Beijing Broadcasting Institute (currently known as Communications University of China) with a bachelor's degree in 1992.

COMPANY SECRETARY

Ngai Wai Fung (魏偉峰), aged 46, is the Company Secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairmen of its China Affairs Committee and Membership Committee. He is also fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong institute of Certified Public Accountants, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University, the United States of America and the Law degree from the University of Wolverhampton, the United Kingdom. He is also a PHD (thesis stage) in Finance at Shanghai University of Finance and Economics.

QUALIFIED ACCOUNTANT

Liu Yu (劉瑜), aged 29, served as our qualified accountant pursuant to Rule 3.24 of the Hong Kong Listing Rules. Ms. Liu is employed by us on a full-time basis and is a member of our senior management. Ms. Liu is a professional accountant, a member of the American Institute of Certified Public Accountants, an associate of the National Institute of Accountants and an associate of the Institute of Financial Accountants. Prior to joining us, Ms. Liu worked as the qualified accountant of China Shenhua Energy Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: (1088)). Ms. Liu graduated from Renmin University of China (中國人民大學) with a bachelor's degree in finance and holds a master's degree in management and professional accounting from the University of Toronto.

Corporate Governance Report

Since the listing of its shares on 14 December 2007 on the Stock Exchange, the Company has been implementing the principles of "Code on Corporate Governance Practices" ("the Code") under Appendix 14 of the Listing Rules, and has been in compliance with all the applicable provisions of the Code (other than those deviating from Article A.2.1 of the provisions of the Code).

Under the structure of the existing Board of Directors, there are 3 Executive Directors and 3 Independent Non-executive Directors to ensure the independent and objective running of the Board of Directors, and the relevant board committees play an important role in the Company's decision-making, monitoring and advisory work.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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.

CORPORATE GOVERNANCE STRUCTURE

As the core of corporate governance for the Company, the Board of Directors has distinct duties from those of the management. The Board of Directors is responsible for providing guidelines to and effective supervision of the management, while the management is in charge of executing established strategies and directions. Generally speaking, the Board of Directors is responsible for:

- Formulating long term strategies of and supervising their execution of the Group, its subsidiaries and associated companies
- Approval of operational plan and financial budget
- Approval of the relevant final and interim results
- Review and monitor the risk management and internal control of the Group
- Ensuring good corporate governance and compliance

The Board of Directors authorized the management to execute established strategies and directions, the management is in charge of daily operation and reports to the Board of Directors. Accordingly, the Board of Directors has set out clear written guidelines, in particular it clearly determined the scope of authority of the management, and those items requiring the Board of Directors' approval.

BOARD OF DIRECTORS

At present, the Board of Directors comprise 3 Executive Directors, Mr. Luo Lin, Mr. Ma Jian, Mr. Pan Weiguo and 3 Independent Non-executive Directors, Mr. Zhang Yongyi, Mr. Zhu Xiaoping, Mr. Wang Mingcai. The Chairman of the Company is Mr. Luo Lin.

Half of the members of the Board of Directors are Independent Non-executive Directors, the Company has received confirmation letters from all the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, consequently, the Board of Directors is of the opinion that all the current Independent Non-executive Directors comply with the relevant guidelines set out in Rule 3.13 of the Listing Rules, thus the Company regards all the Independent Non-executive Directors as independent parties.

The term of the Company's Executive Directors is three years, the term of the Non-executive Directors is one year. According to the Company's Articles, one-third of the current directors shall resign by rotation (if the number of directors is not a multiple of three, then the nearest but not less than one-third) in each annual general meeting of shareholders. However, each Director must resign once at least every three years. The resigning Directors can be re-elected and continue to participate in the relevant meeting in the capacity as Director.

The Company was established on 3 August 2007. Since its establishment, the Company had convened two Board of Directors' meetings. The Company will convene at least four regular meetings every year. The Company set up the Audit Committee, Remuneration Committee and Nomination Committee on 17 November 2007. As of 31 December 2007, these committees have not convened any meetings.

	Meeting attendance/number of meetings			
Director	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**
Executive Director				
Mr. Luo Lin (Chairman of the Board of Directors and Chief Executive Officer)	2/2	N/A	0/0	0/0
Mr. Ma Jian	2/2	N/A	N/A	N/A
Mr. Pan Weiguo	2/2	N/A	N/A	N/A
Independent non-executive director				
Mr. Zhang Yongyi	1/1(Note 1)	0/0	N/A	0/0
Mr. Zhu Xiaoping	1/1(Note 1)	0/0	0/0	N/A
Mr. Wang Mingcai	1/1(Note 1)	0/0	0/0	0/0

Note 1:

Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, all of them were appointed as Independent non-executive Directors on 17 November 2007. One Board meeting was held during the period from 17 November 2007 to 31 December 2007.

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 Chairman and Chief Executive Officer during the reporting period. 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, the Board of Directors is of the view that continuing to have Mr. Luo Lin to serve as Chief Executive Officer of the Company will safeguard the continuity of our operational management and can protect shareholders' interest.

To the best knowledge of the Company, neither members of the Board of Directors and the Chairman has any financial, business or family relationship with the Chief Executive Officer. They can all exercise independent judgment freely.

ACCOUNTABILITY AND AUDIT

The Directors understand that they must assume the responsibility of preparing the financial accounts of each year.

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained in page 37 of the Independent Auditor's Report.

The Group has set up the Internal Audit Department, the Legal Department and the Quality Control Department in charge of our internal control and risk management duties. The Executive Directors of the Company receive internal financial report and management report every month for monitoring the operational progress of each business department and making reasonable planning.

During the year, the Company appointed RSM Nelson Wheeler Consulting ("RSM") to review the internal control system of the Company and to propose improvement measures. Based on the RSM's review, the Board was satisfied with the effectiveness of the current internal control system of the Company.

COMPLIANCE ADVISOR

The Group has appointed Guotai Junan Capital Limited as the Group's Compliance Advisor after listing, to provide guidance and recommendations regarding compliance with the Listing Rules and other relevant laws, regulations and best practices.

AUDIT COMMITTEE

The Company set up the Audit Committee on 17 November 2007 which took effect upon listing of the Company. The major duties of the Audit Committee are to monitor the relationship between the Company and the external auditors, make proposals to the Board of Directors on the appointment, renewal and dismissal of the external auditors of the Group as well as the relevant remuneration and terms of appointment etc; review the Group's financial statements; supervise the financial reporting system and internal control management; review the scope, degree and effectiveness of the internal audit functions of the Group. The authority and duties of this Committee are clearly set out in its terms of reference. There are three members in the Audit Committee, all are the Group's Independent Non-executive Directors, namely Mr. Zhu Xiaoping, Mr. Zhang Yongyi and Mr. Wang Mingcai. Mr. Zhu Xiaoping is the Chairman of the Audit Committee.

During the year, the Audit Committee has not convened any meetings.

An analysis of the remuneration for audit and non-audit services, including audit services relating to the IPO provided by the auditor appointed by the Group during the year is as follows:

	RMB (in thousand)
Audit services	9,600
Non-audit services	–

The Audit Committee recommended to the Board of Directors to renew the appointment of PricewaterhouseCoopers as the Company's auditors subject to shareholders' approval in the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company set up the Remuneration Committee on 17 November 2007 which took effect upon listing of the Company. The major duties of the Remuneration Committee are to review and determine the terms of remuneration, benefits, bonus and other allowances of the directors and senior management, and submit proposals to the Board of Directors on the remuneration policy and structure of all the directors and senior management officers of the Company. In addition, the Remuneration Committee will approve and monitor the execution of the Company's share option scheme. The authority and duties of this Committee are clearly set out in its terms of reference, which specifies that it must be composed of at least three members, the majority of which must be Independent Non-executive Directors.

The Remuneration Committee comprises two Independent Non-executive Directors, Mr. Wang Mingcai and Mr. Zhu Xiaoping, and one Executive Director, Mr. Luo Lin. Mr. Wang Mingcai is the Chairman of the Remuneration Committee. During the year, the Remuneration Committee has not convened any meetings.

NOMINATION COMMITTEE

The Company set up the Nomination Committee on 17 November 2007 which took effect upon listing of the Company. The major duties of the Nomination Committee are to review the structure, number and composition of the Board of Directors; to submit proposals to the Board of Directors on the appointment of Chief Executive Officer; review the independence of the Independent Non-executive Directors and submit proposals to the Board of Directors. The authority and duties of this Committee are clearly set out in its terms of reference. The Nomination Committee is composed of two Independent Non-executive Directors, Mr. Zhang Yongyi and Mr. Wang Mingcai, and one Executive Director, Mr. Luo Lin. Mr. Zhang Yongyi is the Chairman of the Nomination Committee.

During the year, the Nomination Committee has not convened any meetings.

INVESTOR RELATIONSHIP AND SHAREHOLDERS' EQUITY

Since its listing, the Group actively fosters communication with investors and professionals in the investment sector through conference calls and briefings in respond to the enquiries of professionals in the investment sector (including institutional investors, analysts and the media).

The Board of Directors will provide clear and comprehensive information on the Group's results through the publication of annual reports. Apart from receiving circulars, notices and financial reports by mail, shareholders can also visit our website (www.antonoil.com) for more information.

The Company encourages shareholders to attend shareholders' meetings, for instance by providing at least 21 days' notice for the annual general meeting. The Directors and management will attend the annual general meeting to answer queries about the Group's business. All shareholders have statutory authority to demand for convening an extraordinary general meeting and submit an agenda for consideration by shareholders. For convening such meeting, shareholders have to send a letter to the Company's principal place of business in Hong Kong, and make a request to the Company Secretary to convene a shareholders' meeting with the proposed agenda.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

To the shareholders of Anton Oilfield Services Group
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Anton Oilfield Services Group ("the Company") and its subsidiaries (together, the "Group") set out on pages 39 to 96, which comprise the consolidated and company balance sheets as of 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, and of the Group's financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2008

Balance Sheets

		As at 31 December		
		Group		Company
		2007	2006	**2007**
	Note	**RMB'000**	RMB'000	**RMB'000**
ASSETS				
Non-current assets				
Property, plant and equipment	6	**147,346**	71,393	**–**
Land use rights	7	**15,101**	13,262	**–**
Intangible assets	8	**99,072**	–	**–**
Investment in subsidiaries	9	**–**	–	**2,862,439**
Investment in a jointly controlled entity	10	**34,109**	–	**–**
Deferred income tax assets	20	**2,852**	–	**–**
		298,480	84,655	**2,862,439**
Current assets				
Inventories	11	**121,088**	50,115	**–**
Trade and notes receivables	12	**319,001**	197,799	**–**
Prepayments and other receivables	13	**43,142**	41,390	**96,531**
Restricted bank deposits	14	**82,610**	85,896	**–**
Cash and cash equivalents	14	**976,654**	46,137	**776,100**
		1,542,495	421,337	**872,631**
Total assets		**1,840,975**	505,992	**3,735,070**
EQUITY				
Share capital	15	**195,006**	145,954	**195,006**
Reserves	16	**1,189,653**	156,925	**3,509,490**
Minority interest in equity		**5,110**	2,874	**–**
Total equity		**1,389,769**	305,753	**3,704,496**

Balance Sheets

		As at 31 December		
		Group		Company
		2007	2006	**2007**
	Note	**RMB'000**	RMB'000	**RMB'000**
LIABILITIES				
Non-current liabilities				
Other long-term payable	31	**37,500**	–	**–**
Deferred income tax liabilities	20	**5,045**	–	**–**
		42,545	–	**–**
Current liabilities				
Short-term borrowings	17	**163,500**	121,266	**–**
Trade payables	18	**60,217**	26,929	**–**
Accruals and other payables	19	**170,171**	47,780	**30,574**
Current income tax liabilities		**14,773**	4,264	**–**
		408,661	200,239	**30,574**
Total liabilities		**451,206**	200,239	**30,574**
Total equity and liabilities		**1,840,975**	505,992	**3,735,070**
Net current assets		**1,133,834**	221,098	**842,057**
Total assets less current liabilities		**1,432,314**	305,753	**3,704,496**

Luo Lin
Executive Director

Ma Jian
Executive Director

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statement

For the Year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Revenue	21	**493,434**	246,951
Other income, net	23	**888**	1,987
Operating costs			
Material costs		**(240,736)**	(99,252)
Staff costs	25	**(49,875)**	(15,512)
Operating lease expenses		**(9,734)**	(7,398)
Depreciation and amortisation		**(10,622)**	(5,483)
Others		**(49,984)**	(36,459)
		(360,951)	(164,104)
Operating profit	22	**133,371**	84,834
Interest income		**4,553**	396
Finance expenses		**(11,099)**	(1,780)
Finance costs, net	24	**(6,546)**	(1,384)
Share of profit of a jointly controlled entity		**489**	–
Profit before income tax		**127,314**	83,450
Income tax expense	26	**(14,157)**	(4,953)
Profit for the year		**113,157**	78,497
Attributable to:			
Equity holders of the Company		**113,000**	76,651
Minority interest		**157**	1,846
		113,157	78,497
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic and diluted	27	**0.07**	0.05
Proposed dividend	28	**–**	–

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2007

		Equity attributable to the Company's equity holders								
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Exchange differences RMB'000	Total RMB'000	Minority interest RMB'000	Total Equity RMB'000
At 31 December 2005		–	–	4,074	12,280	78,930	–	95,284	2,618	97,902
Profit for the year		–	–	–	–	76,651	–	76,651	1,846	78,497
Distributions to the equity holders		–	–	(8,589)	–	–	–	(8,589)	–	(8,589)
Capital injection	16(a)	–	–	165,391	–	–	–	165,391	–	165,391
Disposal of equity interest to minority shareholders	16(a)	–	–	(939)	–	–	–	(939)	939	–
Acquisition of minority interests		–	–	(9,419)	–	–	–	(9,419)	(2,529)	(11,948)
Dividends relating to 2005	28	–	–	–	–	(15,500)	–	(15,500)	–	(15,500)
Transfer to statutory reserves		–	–	–	4,653	(4,653)	–	–	–	–
As of 31 December 2006		–	–	150,518	16,933	135,428	-	302,879	2,874	305,753
Profit for the year		–	–	–	–	113,000	–	113,000	157	113,157
Capital injection	16(a)	–	–	115,742	–	–	–	115,742	–	115,742
Incorporation of the Company	15(a)(i)	–	–	–	–	–	–	–	–	–
Shares issued for Reorganisation	15(a)(iii)	97	–	–	–	–	–	97	–	97
Issue of new shares	15(a)(iv)	49,052	873,606	–	–	–	–	922,658	–	922,658
Share issue expenses	16(a)	–	(80,238)	–	–	–	–	(80,238)	–	(80,238)
Capitalisation issue	15(a)(v)	145,857	(145,857)	–	–	–	–	–	–	–
Share option scheme	15(b)	–	–	10,756	–	–	–	10,756	–	10,756
Acquisition of subsidiaries	31	–	–	–	–	–	–	–	2,079	2,079
Transfer to statutory reserves	16(b)	–	–	–	3,925	(3,925)	–	–	–	–
Exchange differences		–	–	–	–	–	(235)	(235)	–	(235)
As of 31 December 2007		195,006	647,511	277,016	20,858	244,503	(235)	1,384,659	5,110	1,389,769

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Net cash inflows/(outflows) from operations	29	**31,845**	(92,798)
Interest paid		**(7,294)**	(1,340)
Interest received		**4,553**	396
Income tax paid		**(4,474)**	(1,670)
Net cash generated from/(used in) operating activities		**24,630**	(95,412)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(79,040)**	(41,477)
Proceeds from disposal of property, plant and equipment		**7,116**	296
Purchase of land use rights		**(1,848)**	(6,706)
Purchase of intangible assets		**(2,670)**	–
Proceeds from disposal of an available-for-sale financial asset		**–**	2,000
Acquisition of subsidiaries, net of cash acquired	31	**(10,773)**	–
Increase in investment in a jointly controlled entity		**(33,620)**	–
Acquisition of minority interest		**–**	(2,250)
Decrease/(increase) in restricted bank deposits		**3,286**	(83,896)
Net cash used in investing activities		**(117,549)**	(132,033)
Cash flows from financing activities			
Proceeds from short-term borrowings		**163,500**	126,266
Repayments of short-term borrowings		**(121,266)**	(12,300)
Repayments of long-term borrowings		**(1,500)**	–
Capital injections	16(a)	**115,742**	165,391
Issue of new shares	15(a)	**922,658**	–
Share issue expenses	16(a)	**(52,596)**	–
Dividends paid		**–**	(15,500)
Net cash generated from financing activities		**1,026,538**	263,857
Net increase in cash and cash equivalents		**933,619**	36,412
Cash and cash equivalents, at beginning of the year		**46,137**	10,205
Exchange loss on cash and cash equivalents		**(3,102)**	(480)
Cash and cash equivalents at end of the year		**976,654**	46,137

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 manufacturing and trading of sucker rod, coupling hardware, oil well pump and other products and providing oil field technology services in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and the completion of the reorganisation as described below (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 Luo Lin (the "Controlling Shareholder") before the Reorganisation.

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out:

(i) In August 2006, Anton Oilfield Services Holdings Limited Company ("Anton Holdings"), a company controlled by the Controlling Shareholder, acquired the entire equity interests in Anton Oilfield Services (Group) Limited ("Anton Oil"), a company then controlled by the Controlling Shareholder, at a consideration of RMB75,630,000. Immediately before the acquisition, Anton Oil was the holding company of other subsidiaries then comprising the Group. Thereafter, Anton Holdings became the holding company of the subsidiaries then comprising the Group.

(ii) On 17 August 2007, Pure Energy Investments Limited, a wholly owned subsidiary of the Company was set up in Hong Kong.

(iii) Pursuant to a sale and purchase agreement entered into between the Company and Anton Holdings on 28 September 2007, the Company acquired the entire equity interests in Anton Oil from Anton Holdings, in consideration of which, the Company issued and allotted 999,999 shares to Anton Holdings and credit the one unpaid share in the Company held by Anton Holdings as fully paid (the "First Transfer"). Immediately after completion of the First Transfer, the Company transferred its 100% interest in Anton Oil to Pure Energy Investments Limited ("Pure Energy") in consideration of Pure Energy Investments Limited issued and allotted 99 shares to the Company (the "Second Transfer"). Upon completion of the First Transfer and the Second Transfer and the approval from the PRC government on 31 October 2007, Anton Oil was directly wholly owned by Pure Energy Investments Limited.

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

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

These financial statements have been approved for issue by the Board of Directors on 28 March 2008.

2. BASIS OF PREPARATION

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 consolidated financial statements of the Group for the year ended 31 December 2007 including comparative figures, have been prepared on the merger basis as if the Company had been the holding company of those companies comprising the Group throughout the periods presented, or since their respective dates of incorporation/establishment.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Standard, amendment to standard and interpretation are mandatory for financial year with annual period beginning on or after 1 January 2007

- IFRS 7, Financial Instruments: Disclosures and a complementary amendment to International Accounting Standard ("IAS") 1, Presentation of Financial statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces IAS 30, Disclosures in the Financial statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under IFRS. The amendment to IAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, management considered there was no significant impact from adopting IFRS 7 and the amendment to IAS 1 on the financial statements of the Group.

- International Financial Reporting Interpretation Committee Interpretation ("IFRIC Interpretation") 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognised in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. Management considered there was no significant impact from adopting IFRIC Interpretation 10 on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Group

Certain new standards, interpretations and amendments to existing standards have been published, that are relevant to the operations of the Group, but not yet effective and have not been early adopted are as follows:

- IAS 1, Presentation of Financial Statements revised in September 2007 (applies to annual periods beginning on or after 1 January 2009). The revised IAS 1 supersedes the previous IAS 1 (revised in 2003 and amended in 2005). It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The revised IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement, as defined in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", or when the entity reclassifies items in the financial statements. The revised IAS 1 also requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are the amounts reclassified to profit or loss in the current period that were previously recognised in other comprehensive income. The Group will apply the revised IAS 1 from 1 January 2009. Management does not expect any material impact from adopting IAS 1 on the financial statements of the Group.

- IAS 23, Borrowing costs revised in March 2007 (applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The amendment requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised in the cost of the asset; the option of immediately recognising those borrowing costs as an expense was removed. This amendment will not have an impact on the Group as the option to capitalise the borrowing costs is already applied.

- IAS 27, Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009). It replaces IAS 27 (revised in 2003) and establishes the amendments to the presentation, accounting treatment and disclosure requirement related to the consolidated financial statements. IAS 27 describes the "Minority Interest" as the "Non-controlling Interest" and requires the total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. Gain or loss is recognised in the income statement when an entity loses control of a subsidiary. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group has not early adopted IAS 27 and will apply IAS 27 in its financial statements from 1 January 2010. Management does not expect any material impact from adopting IAS 27 on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- IFRS 3 (Revised), Business Combination (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010.

- IFRS 8, Operating Segments (effective from annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, Segment Reporting, and specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34, Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management consider there will not be significant impact from adopting IFRS 8 on the financial statements of the Group since 1 January 2009.

- IFRIC Interpretation 11, IFRS 2, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007, retrospective adjustment is required, subject to the transitional provision of IFRS 2 which applies to all equity instruments granted after 7 November 2002 not yet vested on 1 January 2005.). IFRIC Interpretation 11 clarified that certain types of transaction are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. The Group will apply IFRIC Interpretation 11 from 1 January 2008

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

With the exception of business combinations involving entities under common control, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(c) Jointly controlled entities

Jointly controlled entities are those over which the Group has contractual arrangements to jointly share control with one or more parties, and whereby the Group together with the other ventures undertake an economic activity which is subject to joint control and none of the ventures has unilateral control over the economic activity. The Group's interest in jointly controlled entities is accounted for by equity method of accounting in the consolidated financial statements.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary format for reporting segment information is business segment, with secondary information reported geographically.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group company

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of items.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the costs of construction, plant and machinery and other direct costs. Construction in progress is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Estimated useful life
Buildings	5-50 years
Machinery and equipment	5-10 years
Motor vehicles	5-10 years
Furniture, fixtures and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating costs in the income statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Land use rights

Land use rights represent upfront prepayments made for the land use rights and leasehold land and are expensed in the income statements on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the income statements.

3.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

(c) Patents

Acquired patents are initially recorded at actual cost incurred to acquire and are amortised on a straight-line basis over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and notes receivables "and "prepayment and other receivables" in the balance sheet.

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "other operating cost". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating cost" in the income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.16 Employee benefits

(a) Pension and other social obligations

The Group has various defined contribution plans for pensions, housing fund and other social obligations in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Employee benefits *(Continued)*

(b) Pre-IPO Share Option Scheme

The Group implemented a share option scheme in 2007 ('Pre-IPO Share Option Scheme') to recognise the contribution of certain employees, executives or officers of the Group made or may have made to the growth of the Group. The share options under this scheme can be vested according to certain service conditions after the successful listing of the Company's shares.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined to be the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue associated with sales of goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectibility of the related receivables is reasonably assured. Sales of goods acquired for resale are recognised on a gross basis as the Group is acting as a principal, considering the Group acts on its own account when contracting with customers for the supply of goods in return for consideration and has exposure to all the significant benefits and risks associated with the selling price, inventory and end user credit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Revenue recognition *(Continued)*

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered.

(c) Lease income

Operating lease income is recognised over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contracts are only for one year which is finished by the balance sheet date.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.18 Borrowing costs

Borrowing costs comprise interest incurred on borrowings, amortisation of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses and included as finance costs in the period in which they are incurred.

3.19 Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Operating lease *(Continued)*

(ii) The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

3.20 Government grants

Grants from the government are recognised at their fair values where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to cost are deferred and recognised in the income statement over the period necessary to match them with the related costs that they are intended to compensate.

3.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including foreign currency risk and cash flow interest rate risk), credit risk, and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has limited purchases and sales from overseas. Foreign exchange risk also mainly arise from certain bank deposits denominated in United States dollar ("US$"), which came from the listing proceeds. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

During the year end 31 December 2006 and 2007, the Group has not used any financial instrument to hedge the foreign exchange risk.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

As at 31 December 2006, cash and cash equivalents denominated in foreign currencies were immaterial, there would not be a material impact on the financial statements of the Group from the change of exchange rates.

As at 31 December 2007, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit for the year and equity attributable to the equity holders would have been RMB27,864,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, trade receivables and accruals and other payables.

(ii) Cash flow interest rate risk

Other than cash and cash equivalents, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk mainly arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

(b) Credit risk

The Group has concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements. The carrying amounts of bank deposits, trade and notes receivables and other receivables except for prepayments included in the balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The table below shows the bank deposits balance at major banks as at 31 December 2007. Management does not expect any losses from non-performance by these banks.

Counterparty	Rating *	**31 December 2007 RMB'000**	31 December 2006 RMB'000
China Merchants Bank	BBpi	**562,454**	–
Hang Seng Bank	AA-	**120,098**	–
Shanghai Pudong Development Bank	BBpi	**119,456**	2,072
Industrial and Commercial Bank of China	BBB+	**109,093**	6,730
Shenzhen Development Bank	Bpi	**83,771**	86,830
Agricultural Bank of China	BBBpi	**26,986**	20,827
China Construction Bank	BBB+	**2,976**	7,142
Others		**33,958**	8,154
		1,058,792	131,755

* The source of current credit rating is from Standard & Poor as of 31 December 2007.

The Group's credit sales are only made to customers with appropriate credit history and the new customers who are entities owned or managed by the Group's several major customers who have no default history. Most of the credit period is 6 months.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Within 1 year RMB'000
As at 31 December 2007	
Short-term borrowings	166,579
Trade payables	60,217
Accruals and other payables	170,171
Current income tax liabilities	14,773
	411,740

	Within 1 year RMB'000
As at 31 December 2006	
Short-term borrowings	122,575
Trade payables	26,929
Accruals and other payables	47,780
Current income tax liabilities	4,264
	201,548

Company	Within 1 year RMB'000
As at 31 December 2007	
Accruals and other payables	30,574
	30,574

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings and trade payables, as shown in the consolidated balance sheet. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus total borrowings.

The gearing ratios as at 31 December 2006 and 2007 are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Total borrowings	**223,717**	148,195
Total equity	**1,384,659**	302,879
Total capital	**1,608,376**	404,937
Gearing ratio	**14%**	37%

The significant increase in total equity in 2007 was due to the net proceeds received from the Company's listing on the Main Board in December 2007.

4.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables, and financial liabilities including trade payables, and other payables and short-term borrowings, approximate their fair values due to their short maturities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and a based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.6(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

(b) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of trade and other receivables *(Continued)*

Despite the significant increase in the gross balance of trade receivables as of 31 December 2007, impairment provision of trade receivables increased only slightly because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history.

Ageing analysis of past-due trade receivables is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
1-6 months		–
6 months – 1 year	**7,519**	–
1-2 years	**9,148**	4,410
2-3 years	**554**	1,071
Over 3 years	**203**	–
	17,424	5,481

As at 31 December 2006 and 2007, the majority of pass-due trade receivables were not impaired as the management considered such long ageing items were receivable from the customers with good cooperation and no default history in the past, therefore the risk of impairment was remote.

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6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2006						
Cost	6,101	39,884	2,786	1,872	2,002	52,645
Accumulated depreciation	(892)	(1,309)	(822)	(1,001)	–	(4,024)
Net book value	5,209	38,575	1,964	871	2,002	48,621
Year ended 31 December 2006						
Opening net book value	5,209	38,575	1,964	871	2,002	48,621
Additions	7,083	4,968	5,036	861	10,704	28,652
Transfer in/(out)	-	2,195	-	-	(2,195)	–
Depreciation charge	(634)	(3,875)	(518)	(447)	-	(5,474)
Disposals	-	(83)	(323)	-	-	(406)
Closing net book value	11,658	41,780	6,159	1,285	10,511	71,393
At 31 December 2006						
Cost	13,184	46,930	7,353	2,733	10,511	80,711
Accumulated depreciation	(1,526)	(5,150)	(1,194)	(1,448)	-	(9,318)
Net book value	11,658	41,780	6,159	1,285	10,511	71,393
Year ended 31 December 2007						
Opening net book value	11,658	41,780	6,159	1,285	10,511	71,393
Additions	2,800	30,384	4,368	4,137	45,448	87,137
Acquisition of subsidiaries (Note 31)	132	3,578	114	1,734	38	5,596
Transfer in/(out)	17,098	4,125	–	–	(21,223)	–
Reclassification	3,522	(3,688)	151	15	–	–
Depreciation charge	(1,118)	(6,406)	(1,531)	(871)	–	(9,926)
Disposals	(6,116)	(544)	(194)	–	–	(6,854)
Closing net book value	27,976	69,229	9,067	6,300	34,774	147,346
At 31 December 2007						
Cost	30,115	82,263	11,061	8,805	34,774	167,018
Accumulated depreciation	(2,139)	(13,034)	(1,994)	(2,505)	-	(19,672)
Net book value	27,976	69,229	9,067	6,300	34,774	147,346

As at 31 December 2007, pledged bank borrowings were secured by property, plant and equipment at the net book value of approximately RMB33,215,000 (31 December 2006: Nil) (Note 17).

As at 31 December 2007, counter-guarantees were provided by certain property, plant and equipment of subsidiaries at the net book value of approximately RMB29,518,000 (31 December 2006: RBM6,276,000) (Note 17).

7. LAND USE RIGHTS

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are held on leases within 50 years. The movement is as follows:

	RMB'000
At 31 December 2005	
Cost	107
Accumulated amortisation	(22)
Net book value	85
Year ended 31 December 2006	
Opening net book value	85
Additions	13,186
Amortisation charge	(9)
Closing net book value	13,262
At 31 December 2006	
Cost	13,293
Accumulated amortisation	(31)
Net book value	13,262
Year ended 31 December 2007	
Opening net book value	13,262
Additions	1,848
Amortisation charge	(9)
Closing net book value	15,101
At 31 December 2007	
Cost	15,141
Accumulated amortisation	(40)
Net book value	15,101

As at 31 December 2007, land use rights amounting to RMB13,023,000 were designated for a counter-guarantee to a third party for its guarantee to the Group's bank borrowings (31 December 2006: nil) (Note 17).

8. INTANGIBLE ASSETS

	Patents	Good will	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007				
Opening net book value	–	–	–	–
Additions	–	–	2,670	2,670
Acquisition of subsidiaries (Note 31)	20,203	76,886	–	97,089
Amortisation charge	(685)	–	(2)	(687)
Closing net book value	19,518	76,886	2,668	99,072
At 31 December 2007				
Cost or valuation	20,203	76,886	2,670	99,759
Accumulated amortisation and impairment	(685)	–	(2)	(687)
Net book value	19,518	76,886	2,668	99,072

Goodwill is allocated to the cash-generating units of the Group identified according to their operations. All the carrying amount of goodwill is allocated to Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ("Hinen-Hitech") and Beijing Huarme Petroleum Technology Co., Ltd. ("Huarme") (Note 31).

The recoverable amount of goodwill of Hinen-Hitech and Huarme is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. The Company expects cash flows beyond the four-year period will be similar to that of the fourth year based on existing production capacity.

Key assumptions used for value-in-use calculations include the expected sales price, demands of Hinen-Hitech and Huarme's products and raw material cost. Management determined these key assumptions based on past performance and its expectations on market development. Pre-tax discount rate used for value-in-use calculations is 20%. The discount rates used are pre-tax and reflect specific risks relating to Hinen-Hitech and Huarme. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amounts of Hinen-Hitech and Huarme are based may or may not cause carrying amounts of Hinen-Hitech and Huarme to exceed their recoverable amounts.

Based on the assessments, no goodwill was impaired as at 31 December 2007.

9. INVESTMENT IN SUBSIDIARIES

	Company	
	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unlisted shares, at cost	**2,862,439**	–

9. INVESTMENT IN SUBSIDIARIES *(Continued)*

As at 31 December 2007, the Company directly or indirectly held equity interests in the following subsidiaries, all of which are unlisted and limited liability companies:

Company name	Country/Place of operation and date of incorporation	Paid-up capital	Equity interest held by the Group	Principal activities
Directly held:				
Anton Energy Services Corp.	Canada, 14 August 2007	–	100%	Sales and leasing of drilling equipments
Pure Energy Investments Limited ("Pure Energy")	Hong Kong, 17 August 2007	HK$100	100%	Investment holding
Indirectly held:				
Hinen-Hitech	Beijing, the PRC 18 September 2000	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment
Beijing Foyou Engineering Technology Limited (北京佛友工程技術有限責任公司, "Foyou Tech")	Beijing, the PRC 12 December 2000	RMB 5,100,000	100%	Oilfield services
Anton Oil	Beijing, the PRC 28 January 2002	US$ 33,000,000	100%	Oilfield services and sales of production equipment
Xinjiang Tong'ao Oilfield Services Limited (新疆通奧油田技術服務有限公司, "Xinjiang Tong'ao")	Xinjiang Uygur Autonomous region, the PRC 21 February 2002	RMB 51,000,000	100%	Oilfield services
Beijing Zhongji Hengtong Oilfield Technology Limited (北京中基恒通油井技術有限責任公司, "Zhongji Hengtong")	Beijing, the PRC 26 August 2002	RMB500,000	100%	Development of oilfield technology
Beijing Xiguan Antong Testing Technology Limited (北京西管安通檢測技術有限責任公司, "Xiguan Antong")	Beijing, the PRC 17 September2002	RMB 10,000,000	51%	Test and Measurement of pipelines

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9. INVESTMENT IN SUBSIDIARIES *(Continued)*

Company name	Country/Place of operation and date of incorporation	Paid-up capital	Equity interest held by the Group	Principal activities
Beijing Anton Fenglei Machinery Company Limited (北京安東風雷機械有限責任公司, "Anton Fenglei")	Beijing,the PRC 24 February 2004	RMB 1,100,000	100%	Oilfield services
Beijing Tongsheng Well Engineering and Technology Limited (北京通盛威爾工程技術有限公司, "Tongsheng Well")	Beijing, the PRC 24 December 2004	RMB 11,000,000	100%	Oilfield services
Anton Tong'ao Technological Products Limited (安東通奧科技產業有限公司, "Anton Tong'ao")	Xinjiang Uygur Autonomous Region, the PRC 15 December 2005	RMB 60,000,000	100%	Manufacturing of rod casing
Huarme	Beijing, the PRC 17 April 2006	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment
Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油科技發展有限公司, "Cangzhou Hinen-Hitech")	Cangzhou, Hebei Province, the PRC 22 June 2006	RMB3,500,000	66.67%	Manufacturing and sales of petroleum drilling and sand control equipment
Beijing Anton New Materials Technology Limited (北京安東新材料技術有限公司, "Anton New Materials")	Beijing, the PRC 29 September 2006	RMB 10,000,000	100%	Research and development of new materials and technology
Xinjiang Foyou Oil Engineering Construction Limited (新疆佛友石油工程建設有限責任公司, "Xinjiang Foyou")	Xinjiang, the PRC 22 December 2006	RMB 35,000,000	100%	Oilfield services

10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

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

	RMB'000
Balance at 1 January 2007	–
Addition	33,620
Share of profit	489
Balance at 31 December 2007	34,109

Company name	Date of establishment	Registered capital RMB'000	paid-up capital RMB'000	Attributable interest	Principal Activities
Northern Heavy Anton Machinery Manufacturing Co., Ltd.	30 October 2007	100,000	67,240	50%	Manufacturing and sales of drill collars and heay-weight drill pipes

The following amounts represent the assets and liabilities, and sales and results of the jointly controlled entity.

	31 December 2007
Assets:	
Non-current assets	**45,809**
Current assets	**44,348**
	90,157
Liabilities:	
Non-current liabilities	**–**
Current liabilities	**21,940**
	21,940
Net assets	**68,217**
Income	**1,049**
Expenses	**(71)**
Profit after income tax	**978**
Proportionate interests in joint venture's commitments	**8,761**

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the venture itself.

11. INVENTORIES

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Raw materials	**37,740**	8,822
Work-in-progress	**28,873**	2,913
Finished goods	**52,957**	36,812
Spare parts and others	**1,518**	1,568
	121,088	50,115

As at 31 December 2006 and 2007, all inventories were stated at cost.

12. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Trade receivables, net (a)	**317,541**	174,778
Notes receivables (b)	**1,460**	23,021
	319,001	197,799

Note:

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
1-6 months	**300,941**	164,962
6 months-1 year	**10,265**	3,656
1 – 2 years	**12,535**	6,283
2 – 3 years	**554**	1,296
Over 3 years	**203**	–
Trade receivables, gross	**324,498**	176,197
Less: Impairment of receivables	**(6,957)**	(1,419)
Trade receivables, net	**317,541**	174,778

As at 31 December 2007, trade receivables amounting to RMB188,079,000 (31 December 2006: RMB97,259,000) were designated for a counter-guarantee to a third party for its guarantee to the Group's bank borrowings (Note 17).

12. TRADE AND NOTES RECEIVABLES *(Continued)*

Note: *(Continued)*

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

(c) As of 31 December 2007, approximately RMB 316,633,000 (31 December 2006: approximately RMB197,799,000) and RMB2,368,000 (31 December 2006: nil) 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.

(f) Movement of impairment of trade receivables is as follows:

	RMB'000
At 1 January 2006	1,107
Additions	312
At 31 December 2006	1,419
Acquisition of subsidiaries	6,204
Additions	306
Reversed	(972)
At 31 December 2007	6,957

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Advances to suppliers	**30,263**	28,182	**–**
Amounts due from related parties (Note 32)	**–**	6,248	**–**
Other receivables	**12,879**	6,960	**–**
Amounts due from subsidiaries (Note (a))	**–**	–	**96,531**
	43,142	41,390	**96,531**

13. PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
1-6 months	**32,303**	36,513	**96,531**
6 months-1year	**7,060**	2,512	**–**
1-2 years	**3,189**	1,836	**–**
2-3 years	**275**	97	**–**
Over 3 years	**315**	432	**–**
	43,142	41,390	**96,531**

(a) Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment.

14. CASH AND BANK

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Restricted bank deposits (a)	**82,610**	85,896	**–**
Cash and cash equivalents			
– Cash on hand	**472**	278	**–**
– Deposits in bank	**976,182**	45,859	**776,100**
	1,059,264	132,033	**776,100**

(a) Restricted bank deposits are deposits held as securities for bank borrowings (Note 17) of the Group and are restricted for the purposes of the related banking facilities.

As at 31 December 2007, the effective interest rates on restricted bank deposits is 5.75% (31 December 2006: 5.95%) per annum; and these deposits have an average maturity of 99 days (31 December 2006: 147 days).

14. CASH AND BANK *(Continued)*

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
RMB	**79,920**	44,944	**–**
US$	**975,848**	87,089	**772,822**
HK$	**3,278**	–	**3,278**
Canada Dollar	**218**	–	**–**
	1,059,264	132,033	**776,100**

15. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Authorised	
	Number of shares	**HK$'000**
Upon incorporation of the Company on 3 August 2007 (Note(i))	1,000,000	100
Increase in authorised share capital (Note(ii))	3,499,000,000	349,900
As at 31 December 2007	3,500,000,000	350,000

	Issued and fully paid up		
	Number of shares	**HK$'000**	**RMB'000**
At the date of incorporation (Note(i))	1	–	–
Issue of shares arising from the Reorganisation (Note(iii))	999,999	100	97
Issue of shares for initial public offering (Note (iv))	520,000,000	52,000	49,052
Capitalisation issue (Note(v))	1,546,250,000	154,625	145,857
As at 31 December 2007	2,067,250,000	206,725	195,006

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

(a) Share capital *(Continued)*

Notes:

(i) The Company was incorporated on 3 August 2007 with an authorised capital of HK$100,000, divided into 1,000,000 shares of HK$0.10 each. One share was allotted and issued on the same date.

(ii) Pursuant to the resolutions in writing of the shareholder of the Company passed on 17 November 2007, the authorised share capital of the Company was increased from HK$100,000 to HK$350,000,000 by the creation of an additional 3,499,000,000 shares. As a result, the authorised share capital of the Company is HK$350,000,000 divided into 3,500,000,000 shares.

(iii) As a part of the Reorganisation, the Company acquired the entire equity interests in Anton Oil from Anton Holdings on 28 September 2007, in consideration the Company issued and allotted 999,999 shares to Anton Holdings and credited the one nil-paid share as fully paid.

(iv) 520,000,000 shares of the Company with par value of HK$0.1 per share were issued and fully paid upon completion of its initial public offering. The resulting share capital and share premium was approximately RMB49,052,000 and RMB873,606,000, respectively.

(v) The Company issued and capitalised HK$154,625,000, equivalent to approximately RMB145,857,000, standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,546,250,000 shares.

The share capital presented in the consolidated balance sheet as at 31 December 2006 represented the share capital of the Company, arising from the transactions as described in notes (i), (iii) and (v) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the Reorganisation as set out in Note 2.

(b) Share options

Options to subscribe for an aggregate of 86,025,000 shares at an exercise price of HK$1.04, have been conditionally granted to 4 eligible participants by the Company under the Pre-IPO Share Option Scheme. The options are exercisable from the first anniversary of the service commencement date and have an option period of 25 months to 8 years, subject to different vesting schedules indicated in individuals' services agreements.

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

	2007	
	Average exercise price in HK dollar per share	**Number of options of shares (thousands)**
3 August 2007 (date of incorporation of the Company)	–	–
Granted	**1.04**	**86,025**
At 31 December 2007	**1.04**	**86,025**

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

(b) Share options *(Continued)*

Share options outstanding (in thousands) at the end of the year have the following expiry date and exercise prices:

Expiry date	**Exercise price HK dollar per share**	**Number of share options (thousands) 2007**
2 November 2009	1.04	75,000
16 October 2012	1.04	210
9 October 2015	1.04	10,815
		86,025

The fair value of the options granted under the Pre-IPO Share Option Scheme determined using the Binomial Model was HK$1.90 per option. The significant inputs into the model were the exercise price shown above; annual risk free rate ranging from 4% to 4.3%; expected volatility of 35%, expected option lives ranging from 25 months to 8 years and expected dividend yield of zero. The total expense recognised in the income statement for the year ended 31 December 2007 for share options granted to the related employees amounted to approximately RMB10,756,000 (Note 25), with a corresponding amount credited in capital reserve.

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16. RESERVES

(a) Reserves

	Share premium	Capital reserve	Statutory reserve (Note (b))	Retained earnings	Exchange differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
At 31 December 2005	–	4,074	12,280	78,930	–	95,284
Profit for the year	–	–	–	76,651	–	76,651
Distributions to the equity holders (Note (a)(i))	–	(8,589)	–	–	–	(8,589)
Capital injection (Note (a)(ii))	–	165,391	–	–	–	165,391
Disposal of equity interest to minority shareholders (Note (a)(iii))	–	(939)	–	–	–	(939)
Acquisition of minority Interests	–	(9,419)	–	–	–	(9,419)
Dividends relating to 2005 (Note (a)(iv))	–	–	–	(15,500)	–	(15,500)
Transfer to statutory reserves	–	–	4,653	(4,653)	–	–
As of 31 December 2006	–	150,518	16,933	135,428	–	302,879
Profit for the year	–	–	–	113,000	–	113,000
Capital injection (Note (a)(v))	–	115,742	–	–	–	115,742
Share premium from issue of shares for initial public offering (Note 15 (a)(iv))	873,606	–	–	–	–	873,606
Share issue expenses	(80,238)	–	–	–	–	(80,238)
Capitalisation issue (Note15 (a) (v))	(145,857)	–	–	–	–	(145,857)
Share option scheme (Note 25)	–	10,756	–	–	–	10,756
Transfer to statutory reserves	–	–	3,925	(3,925)	–	–
Exchange differences	–	–	–	–	(235)	(235)
As of 31 December 2007	647,511	277,016	20,858	244,503	(235)	1,189,653

16. RESERVES *(Continued)*

(a) Reserves *(Continued)*

	Share premium RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Company				
At of 3 August 2007 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(11,119)	(11,119)
Share issue arising from Reorganisation (Note (vi))	–	2,862,342	–	2,862,342
Share premium from issue of shares for initial public offering (Note 15 (a)(iv))	873,606	–	–	873,606
Share issue expenses	(80,238)	–	–	(80,238)
Capitalisation issue	(145,857)	–	–	(145,857)
Share option scheme	–	10,756	–	10,756
As of 31 December 2007	647,511	2,873,098	(11,119)	3,509,490

(i) The distributions represent Anton Oil's acquisition of equity interests in Anton Fenglei, Tongsheng Well, Zhongji Hengtong and Xinjiang Tong'ao from Luo Lin and Anton Energy Services Limited (安東能源技術有限公司, "Anton Energy"), which were accounted for using the predecessor value method and are presented as deemed distributions to the Company's equity holders in the combined financial statements. Such distributions were settled by offsetting the receivables from Luo Lin and Anton Energy.

(ii) The capital injection represents the additional capital injections in Xiajiang Tong'ao, Anton Fenglei and Tongsheng Well made by Anton Energy and capital injections in Anton Oil by Anton Holdings, which were treated as deemed contributions by equity holders of the Company in the financial statements, which were all settled by cash.

(iii) Upon the incorporation of Xiguan Antong in 2002, its equity interest was held as to 45% by the Group and the Controlling Shareholder and 55% by two third parties. In March 2005, the Group acquired 45% of the equity interest in Xiguan Antong from an independent third party shareholder. Thereafter, Xiguan Antong became a subsidiary of the Group. In July 2005, the Group and the Controlling Shareholder disposed 39% of the equity interest in Xiguan Antong to a third party. In December 2005, after a share transfer between the two third party shareholders and additional capital injection made by the Group, the equity interest of Xiguan Antong was held as to 98% by the Group and 2% by a third party. In June 2006, the Group disposed 47% equity interest in Xiguan Antong to a third party shareholder.

(iv) A dividend in respect of 2005 amounting to RMB15,500,000 was approved at the Annual General Meeting on 7 January 2006 of Anton Oil to its then shareholders.

(v) The capital injection represents the additional capital injections in Anton Oil made by Anton Holdings, a company controlled by the Controlling Shareholder. The injection was settled by entirely cash.

(vi) This represents the excess of fair value of the business acquired to the nominal value of shares issued to Anton Holdings pursuant to the Reorganisation (Note 15 (a)(iii)).

16. RESERVES *(Continued)*

(b) Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For the year ended 31 December 2007, 10% of statutory net profit of each PRC entity was appropriated to this reserve. This reserve is non-distributable.

17. SHORT-TERM BORROWINGS

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Secured bank borrowings		
– Pledged (i)	**83,000**	70,000
– Guaranteed (ii)	**30,500**	20,000
	113,500	90,000
Unsecured bank borrowings	**50,000**	–
Unsecured borrowings from related parties	**–**	31,266
	163,500	121,266

At 31 December 2007, all short-term bank borrowings are denominated in RMB, with interest rates of 5.832% to 9.126% per annum (31 December 2006: 5.022% to 6.435%).

17. SHORT-TERM BORROWINGS *(Continued)*

(i) As at 31 December 2007, pledged bank borrowings amounting to RMB13,000,000 (31 December 2006: nil) were secured by certain property, plant and equipment of the Group (Note 6).

As at 31 December 2007, pledged bank borrowings amounting to RMB70,000,000 (31 December 2006: RMB70,000,000), were secured by restricted bank deposits of the Group (Note 14).

(ii) As at 31 December 2007, guaranteed bank borrowings amounting to RMB30,000,000 were guaranteed by Beijing Zhongguancun Technology Guarantee Company Limited (北京中關村科技擔保有限公司), an independent third party. Counter-guarantees were provided by certain property, plant and equipment (Note 6), land use right (Note 7) and trade receivables (Note 12) of the Group.

As at 31 December 2007, guaranteed bank borrowings amounting to RMB500,000 were guaranteed by Beijing Zhongguancun Technology Guarantee Company. Counter-guarantees were provided by certain property, plant and equipment (Note 6) of Xiguan Antong and Wang Shihong, the minority shareholder of Xiguan Antong.

As at 31 December 2006, guaranteed bank borrowings amounting to RMB20,000,000 are guaranteed by Beijing Zhongguancun Technology Guarantee Company Limited. Counter-guarantees were provided by the Group with trade receivables (Note 12) and Luo Lin's equity interest in Anton Energy and certain property, plant and equipment of Anton Oil (Note 6).

The fair value of short-term borrowings approximated their carrying value due to their short maturity period.

As at 31 December 2007, the undrawn bank borrowing facilities of the Group amounted to RMB20,000,000 (31 December 2006: RMB20,000,000).

18. TRADE PAYABLES

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
less than 1 year	**58,562**	25,920
1-2 years	**1,133**	700
2-3 years	**390**	124
Over 3 years	**132**	185
	60,217	26,929

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

19. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Customer deposits and receipts in advance	**1,680**	1,624	**–**
Amounts due to related parties (Note 32)	**31,764**	5,320	**15,598**
Accrued expenses	**10,685**	8,156	**–**
Payroll and welfare payable	**2,930**	3,073	**–**
Other taxes payable	**20,802**	8,628	**–**
Consideration for acquisition of subsidiaries (Note 31)	**88,500**	–	**–**
Amounts due to subsidiaries (Note (a))	**–**	–	**7,758**
Others	**13,810**	20,979	**7,218**
	170,171	47,780	**30,574**

(a) Amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment.

20. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

	As at 31 December 2007 RMB'000
Deferred tax assets:	
– Deferred tax asset to be recovered within 12 months	**2,852**
Deferred tax liabilities:	
– Deferred tax liabilities to be settled after more than 12 months	**4,003**
– Deferred tax liabilities to be settled within 12 months	**1,042**
	5,045

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Acquisition of subsidiaries RMB'000
At 31 December 2006	–
Acquisition of subsidiaries (Note 31)	5,149
Credited to the income statement	(104)
At 31 December 2007	5,045

Deferred tax assets:

	Tax losses RMB'000	**Impairment provision of trade receivables and inventories RMB'000**	**Total RMB'000**
At 31 December 2006	–	–	–
Acquisition of subsidiaries (Note 31)	–	(2,130)	(2,130)
Credited to the income statement	(646)	(76)	(722)
At 31 December 2007	(646)	(2,206)	(2,852)

20. DEFERRED INCOME TAX *(Continued)*

The deferred income tax charged to equity during the year is as follows:

	As at 31 December 2007 RMB'000
Fair value reserves in shareholders' equity:	
– buildings	**167**
– patents	**4,982**
	5,149

21. REVENUE AND SEGMENT INFORMATION

The Group conducts its business within one business segment-the business of selling oilfield equipment and providing related services in the PRC. 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 year end 31 December 2006 and 2007. The Group also operates within one geographical segment in the PRC. Accordingly, no geographical segment data is presented.

Analysis of revenue by category	**Year ended 31 December**	
	2007	2006
	RMB'000	RMB'000
Sales of goods	**380,286**	143,053
Sales of services	**113,148**	103,898
	493,434	246,951

22. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
(Gain)/loss on disposal of property, plant and equipment	**(262)**	110
(Reversal)/provision for impairment of receivables	**(666)**	312
Sales tax and surcharges	**3,162**	3,305
Depreciation	**9,926**	5,474
Amortisation of intangible assets and land use rights	**696**	9
Auditors' remuneration	**2,900**	2,911

23. OTHER INCOME, NET

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Government grants and subsidies	**423**	1,454
Others, net	**465**	533
	888	1,987

24. FINANCE COSTS, NET

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Interest income	**4,553**	396
Interest expenses on bank borrowing	**(8,104)**	(1,231)
Exchange loss, net	**(2,867)**	(480)
Bank surcharges and others	**(128)**	(69)
	(6,546)	(1,384)

25. STAFF COSTS

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Wages, salaries and allowances	**35,970**	12,617
Housing subsidies (a)	**849**	196
Contributions to pension plans (b)	**1,641**	560
Share options granted to employees	**10,756**	–
Welfare and other expenses	**659**	2,139
	49,875	15,512

25. STAFF COSTS *(Continued)*

Notes:

(a) Housing subsidies mainly include the Group's contributions to government-sponsored housing funds at 8% of the employees' salaries for the Group's employees of the PRC.

(b) This represents the Group's contributions to the defined contribution pension plans organised by the respective municipal and provincial governments of the PRC at 20% of the salaries for the Group's employees of the PRC, and depending on the applicable local regulations subject to a certain ceiling.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(c) Emoluments of Directors and five highest paid individuals

The remuneration of every director for the year ended 31 December 2007 is set out below:

	For the year ended 31 December 2007				
Directors	**Fees RMB'000**	**Basic Salaries and Allowances RMB'000**	**Bonus RMB'000**	**Retirement benefits and others RMB'000**	**Total RMB'000**
Luo Lin	**–**	**480**	**–**	**5**	**485**
Ma Jian	**–**	**371**	**–**	**9**	**380**
Pan Weiguo	**–**	**330**	**–**	**8**	**338**
Wang Mingcai	**13**	**–**	**–**	**–**	**13**
Zhu Xiaoping	**13**	**–**	**–**	**–**	**13**
Zhang Yongyi	**13**	**–**	**–**	**–**	**13**
	39	**1,181**	**–**	**22**	**1,242**

	For the year ended 31 December 2006				
Directors	Fees RMB'000	Basic Salaries and Allowances RMB'000	Bonus RMB'000	Retirement benefits and others RMB'000	Total RMB'000
Luo Lin	–	118	–	5	123
Ma Jian	–	122	–	9	131
Pan Weiguo	–	122	–	8	130
Wang Mingcai	–	–	–	–	–
Zhu Xiaoping	–	–	–	–	–
Zhang Yongyi	–	–	–	–	–
	–	362	–	22	384

25. STAFF COSTS *(Continued)*

Notes: *(Continued)*

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining two (2006: two) individuals during the year are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**719**	303
Contributions to pension schemes	**4**	7
	723	310

During the years ended 31 December 2006 and 2007, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000 (equivalent to RMB936,400).

(e) During the years ended 31 December 2006 and 2007, no directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

26. 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.

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 33% in 2007, based on the relevant PRC tax laws and regulations, except that 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.

Pursuant to Jing Guo Shui Fa [1994] No. 068 issued by the State Tax Bureau of Beijing City and approved by local tax authorities, Anton Oil, Foyou Tech, Xiguan Anton, Anton Fenglei and Tongsheng Well, Hinen-Hitech, being New and High Technology Enterprises and domiciled in New and High Technology Areas, have been granted a preferential rate of 15% and a tax holiday of 3-year exemption, starting from their first operating years, followed by a 50% reduction of the preferential rate from the fourth to the sixth year.

Pursuant to Ba Kai Guo Shui Ban [2008] No. 1 issued by the State Tax Bureau of Bazhou Technical Economic Development Area, Korla, Xinjiang Uygur Autonomous Region, as a newly set up enterprise in the western area of the PRC, Anton Tong'ao was exempt from EIT during 2006 to 2010.

Pursuant to "Certificate of Enterprise Income Tax Reduction and Exemption" (納税人減免資格認定申請審批表) issued by the State Tax Bureau of Nanpi County, Hebei Province, Cangzhou Hinen-Hitech has been granted a tax holiday of 3 years exemption, starting from 2006, its first operating year.

26. INCOME TAX EXPENSE *(Continued)*

The applicable EIT tax rates of the Group companies during years ended 31 December 2007 and 2006 are detailed as follows:

	Year ended 31 December	
	2007	2006
The Company	**0%**	N/A
Anton Oil	**7.5%**	7.5%
Foyou Tech	**15%**	7.5%
Xinjiang Tong'ao	**33%**	–
Zhongji Hengtong	**Note (a)**	Note (a)
Xiguan Antong	**7.5%**	7.5%
Anton Fenglei	**7.5%**	–
Tongsheng Well	**–**	–
Anton Tong'ao	**–**	–
Anton New Materials	**33%**	33%
Xinjiang Foyou	**33%**	33%
Hinen-Hitech	**15%**	7.5%
Cangzhou Hinen-Hitech	**–**	–
Huarme	**–**	–
Anton Energy Services Corp.	**32%**	N/A
Pure Energy	**17.5%**	N/A

Note (a): Pursuant to "Notice of Enterprise Income Tax Levied at an Approval Basis" (企業所得稅核定徵收通知書) issued by the State Tax Bureau of Beijing City Chaoyang District Branch, the EIT of Zhongji Hengtong is levied at 27% of the approved taxable income which is calculated as total revenue multiplied by 8%.

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Current income tax		
– PRC profit tax	**14,103**	4,953
– Canada taxation	**880**	–
Deferred income tax (Note 20)	**(826)**	–
	14,157	4,953

26. INCOME TAX EXPENSE *(Continued)*

The taxation of the Group's profit before tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**127,314**	83,450
Tax calculated at applicable tax rates	**41,075**	27,539
Preferential tax rates and tax exemption on the income of certain subsidiaries	**(32,877)**	(24,115)
Income not subject to taxation	**(328)**	(158)
Expenses not deductible for taxation purposes	**6,287**	1,687
Income tax expense	**14,157**	4,953

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. According to the new CIT Law, both domestic and foreign invested enterprise will be subject to a single income tax rate of 25%. The existing tax law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises and Provisional Regulations of the People's Republic of China on Enterprise Income Tax will be abolished simultaneously. The recognition of deferred tax assets and liabilities has taken into consideration the impact of the new CIT Law.

27. 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	
	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**113,000**	76,651
Weighted average number of ordinary shares in issue (thousands of shares) (Note)	**1,572,894**	1,547,250
Basic earnings per share (RMB per share)	**0.07**	0.05

Note: The weighted average number of shares 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 years ended 31 December 2006 and 2007.

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27. EARNINGS PER SHARE *(Continued)*

(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 of 31 December 2007, 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 under the Pre-IPO Share Option Scheme 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 the listing date to 31 December 2007) based on the monetary value of the subscription rights attached to outstanding share options.

	Year ended 31 December	
	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**113,000**	76,651
Weighted average number of ordinary shares in issue (thousands of shares)	**1,572,894**	1,547,250
Adjustments for assumed conversion of share options (thousands of shares)	**9,064**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**1,581,958**	1,547,250
Diluted earnings per share (RMB per share)	**0.07**	0.05

28. DIVIDENDS

The Directors of the Company proposed not to distribute dividend for the year ended 31 December 2007 (year ended 31 December 2006: nil).

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit for the year to net cash inflows/(outflows) generated from/(used in) operations:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit for the year	**113,157**	78,497
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 6)	**9,926**	5,474
– net (gain)/loss on disposals	**(262)**	110
Amortisation of land use rights and intangible assets (Note 7, 8)	**696**	9
(Reversal)/provision for impairment of receivables (Note 12)	**(666)**	312
Charge of share option scheme	**10,756**	–
Share of profit of a jointly controlled entity	**(489)**	–
Net foreign exchange loss (Note 24)	**2,867**	480
Interest income (Note 24)	**(4,553)**	(396)
Interest expenses on bank borrowing (Note 24)	**8,104**	1,231
Income tax expense (Note 26)	**14,157**	4,953
Changes in working capital:		
Inventories	**(56,012)**	(41,407)
Trade and notes receivables	**(59,042)**	(118,803)
Prepayments and other receivables	**4,475**	1,506
Trade payables	**(2,853)**	5,959
Accruals and other payables	**(8,416)**	(30,723)
Net cash inflows/(outflows) from operations	**31,845**	(92,798)

30. 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 31 December	
	2007	2006
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**4,722**	31,712
– Investment in a jointly controlled entity	**16,380**	–
	21,102	31,712

(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 31 December	
	2007	2006
	RMB'000	RMB'000
No later than 1 year	**6,820**	48
1 to 2 years	**5,236**	–
2 to 3 years	**5,189**	–
3 to 4 years	**5,467**	–
4 to 5 years	**3,940**	–
Over 5 years	**611**	–
	27,263	48

31. ACQUISITION OF SUBSIDIARIES

On 5 November 2007, the Group acquired 100% interest in Hinen-Hitech and Huarme from independent third parties via one Share Purchase Agreement. The consideration of this package deal is RMB150,000,000. The Group managed the two entities as one business.

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

	RMB'000
Purchase consideration	
– Cash paid	24,000
– Credited to other payables (Note 19)	88,500
– Credited to other long-term payables	37,500
	150,000
Fair value of net assets acquired	73,114
Goodwill	76,886

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

	Acquiree's carrying amount	Fair Value
	RMB'000	RMB'000
Property, plant and equipment (Note 6)	4,637	5,596
Intangible assets	–	20,203
Deferred tax assets	2,130	2,130
Inventories	14,961	14,961
Trade and notes receivables	61,494	61,494
Prepayments and other receivables	11,171	11,171
Cash and bank balances	13,227	13,227
Trade payables	(32,985)	(32,985)
Accruals and other payables	(13,955)	(13,955)
Long-term borrowings	(1,500)	(1,500)
Deferred tax liabilities	–	(5,149)
Minority Interests	(2,065)	(2,079)
Net assets attribute to the equity holders of the Acquirees	57,115	73,114
Net assets acquired (100%)		73,114
Purchase consideration settled in cash		24,000
Cash and cash equivalents in subsidiary acquired		13,227
Cash outflow on acquisition		10,773

The acquired business contributed revenue of RMB36,657,000 and net profit of RMB13,268,000 to the Group for the period from 5 November 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the acquired business' contribution to the Group's consolidated revenue would have been RMB123,879,000 and to the net consolidated profit attributable to equity holders of the Company would have been RMB32,864,000 for the year ended 31 December 2007.

32. 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 the Group during the years ended 31 December 2007 and 2006:

Names of related parties	**Nature of relationship**
Luo Lin	Controlling Shareholder
Li Man	Spouse of Luo Lin
Anton Energy	Controlled by the same ultimate controlling party
Anton Holdings	Controlled by the same ultimate controlling party
Yinchuan Tongsheng Well Engineering Technology Limited	Controlled by the same ultimate controlling party
Ma Jian	Key management
Pan Weiguo	Key management
He Zhigang	Key management

(b) Transactions with related parties

Save as disclosed elsewhere in this report, during the Relevant Periods, the following transactions were carried out with related parties:

	As at 31 December		
	Group		**Company**
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Purchases of goods			
Yinchuan Tongsheng Well Engineering Technology Limited	–	844	–
	–	844	–
Purchases of office building			
Luo Lin	–	2,046	–
Li Man	–	972	–
He Zhigang	–	2,068	–
	–	5,086	–

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Payments of the Group on behalf of related parties			
Anton Energy	**–**	807	**–**
Luo Lin	**550**	23	**–**
Li Man	**–**	254	**–**
Pan Weiguo	**6**	40	**–**
Ma Jian	**312**	332	**–**
He Zhigang	**2,493**	252	**–**
	3,361	1,708	**–**
Distributions to the related parties as deemed distributions to the Group			
Anton Energy	**–**	8,589	**–**
	–	8,589	**–**
Payments of the related parties on behalf of the Group			
Anton Energy	**–**	9,990	**–**
Luo Lin	**109**	270	**–**
Ma Jian	**109**	136	**–**
He Zhigang	**37**	54	**–**
Yinchuan Tongsheng Well Engineering Technology Limited	**1,154**	–	**–**
Anton Holdings	**31,764**	–	**15,598**
	33,173	10,450	**15,598**
Capital injections from the related parties as deemed contribution of the Group			
Anton Energy	**–**	75,630	**–**
Anton Holdings	**–**	89,761	**–**
	–	165,391	**–**

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related party

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Prepayments and other receivables			
Anton Energy	**–**	6,073	**–**
Yinchuan Tongsheng Well Engineering Technology Limited	**–**	42	**–**
Ma Jian	**–**	50	**–**
Pan Weiguo	**–**	30	**–**
He Zhigang	**–**	53	**–**
	–	6,248	**–**
Accruals and other payables			
Anton Energy	**–**	4	**–**
Anton Holdings	**31,764**	–	**15,598**
Luo Lin	**–**	2,255	**–**
Li Man	**–**	972	**–**
Ma Jian	**–**	21	**–**
He Zhigang	**–**	2,068	**–**
	31,764	5,320	**15,598**

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

(d) Key management compensation

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**3,777**	766
Pension scheme	**30**	21
Share-based payments	**1,630**	–
	5,437	787

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33. SUBSEQUENT EVENTS

(a) On 9 January 2008, over-allotment shares were issued by the Company at HK$1.88 per share. The net proceeds from the issue of the over-allotment shares were approximately HK$46.6 million.

(b) On 3 February 2008, the Company granted 12,350,000 share options in total under a share options scheme to certain employees and three Independent Non-executive Directors namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai. The options granted represent 0.6% of the total number of shares in issue immediately prior to such granting. The exercise price is HK$1.634. The option period for the share options granted commences on the date of grant and ends on the last day of forty-eight months counting from the grate date. The grantees are vested with, and entitled to exercise up to 33.33%, 66.67% and 100% of their share options during the option period commencing from each of the first, second and third anniversaries of the date of grant.

(c) On 7 March 2008, Anton Oil entered into an agreement to acquire 100% of the entity interest of Jilin Dongxin Oil Engineering Technology Co., Ltd. from third parties, at a cash consideration of RMB36,500,000. The acquisition was completed on 13 March 2008.

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