安東石油
Antonoil

安 東 油 田 服 務 集 團
Anton Oilfield Services Group

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

1. Revenue reached RMB763.3 million, an increase of 54.7% when compared with 2007.

2. Operating profit reached RMB141.8 million, an increase of 6.3% when compared with 2007. If excluding the impact of non-operating factors (Note 1), operating profit was RMB199.4 million, an increase of 49.5% when compared with 2007.

3. Profit attributable to equity holders of the Company was RMB68.5 million, a decrease of 39.4% when compared with 2007. If excluding the impact of non-operating factors (Note 2), profit attributable to equity holders of the Company reached RMB179.6 million, an increase of 58.9% when compared with 2007.

4. Earnings per share was RMB3 cents.

5. Proposed dividend was RMB0.02723 per share.

Note:

1. Non-operating factors here include RMB18.1 million of investment loss, RMB35.4 million of amortization of options granted before and after IPO, and RMB4.1 million of amortization of intangible assets resulted from acquisitions.

2. Non-operating factors here include RMB68.6 million of foreign exchange loss and investment loss, RMB35.4 million of amortisation of options granted before and after IPO, RMB4.1 million of amortisation of intangible assets resulted from acquisitions, and RMB3 million of tax imposed on dividends proposed.

RESULTS

The board of directors (the 'Board') of Anton Oilfield Services Group (the 'Company') is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the 'Group') for the year ended 31 December 2008 with comparative figures in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

		Year ended 31 December	
		2008	2007
	Note	**RMB'000**	RMB'000
Revenue	4	**763,266**	493,434
Other (losses)/gains, net		**(14,551)**	888
Operating costs			
Material costs		**(343,977)**	(240,736)
Staff costs		**(126,143)**	(49,875)
Operating lease expenses		**(24,059)**	(9,734)
Depreciation and amortisation		**(25,722)**	(10,622)
Others		**(87,064)**	(49,984)
		(606,965)	(360,951)
Operating profit	5	**141,750**	133,371
Interest income		**18,015**	4,553
Finance expenses		**(55,698)**	(11,099)
Finance costs, net	6	**(37,683)**	(6,546)
Share of profit of a jointly controlled entity		**1,351**	489
Profit before income tax		**105,418**	127,314
Income tax expense	7	**(33,273)**	(14,157)
Profit for the year		**72,145**	113,157
Attributable to:			
Equity holders of the Company		**68,463**	113,000
Minority interest		**3,682**	157
		72,145	113,157
Dividends	11	**57,000**	–
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
basic and diluted	8	**0.03**	0.07

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

		As at 31 December	
		2008	2007
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**248,444**	147,346
Land use rights		**26,072**	15,101
Intangible assets		**291,186**	99,072
Investment in a jointly controlled entity		**51,629**	34,109
Deferred income tax assets		**532**	2,852
		617,863	298,480
Current assets			
Inventories		**202,591**	121,088
Trade and notes receivables	9	**453,225**	319,001
Prepayments and other receivables		**194,757**	43,142
Financial assets at fair value through profit or loss		**33,859**	—
Restricted bank deposits		**—**	82,610
Term deposits with initial terms of over three months		**115,109**	—
Cash and cash equivalents		**307,918**	976,654
		1,307,459	1,542,495
Total assets		**1,925,322**	1,840,975

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**197,411**	195,006
Share premium		**686,918**	647,511
Other reserves		**326,293**	297,639
Retained earnings			
- Proposed final dividend	11	**57,000**	—
- Others		**251,873**	244,503
Minority interest in equity		**31,119**	5,110
Total equity		**1,550,614**	1,389,769
LIABILITIES			
Non-current liabilities			
Other long-term payable		**—**	37,500
Deferred income tax liabilities		**5,407**	5,045
		5,407	42,545
Current liabilities			
Short-term borrowings		**7,000**	163,500
Trade and notes payables	10	**123,545**	60,217
Accruals and other payables		**215,934**	170,171
Current income tax liabilities		**22,822**	14,773
		369,301	408,661
Total liabilities		**374,708**	451,206
Total equity and liabilities		**1,925,322**	1,840,975
Net current assets		**938,158**	1,133,834
Total assets less current liabilities		**1,556,021**	1,432,314

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	**Year ended 31 December** **2008** **RMB'000**	2007 RMB'000
Cash flows from operating activities			
Net cash inflows from operations	12	**37,425**	31,845
Interest paid		**(4,497)**	(7,294)
Interest received		**16,904**	4,553
Income tax paid		**(26,808)**	(4,474)
Net cash generated from operating activities		**23,024**	24,630
Cash flows from investing activities			
Purchases of property, plant and equipment		**(85,239)**	(79,040)
Proceeds from disposal of property, plant and equipment		**808**	7,116
Purchase of land use rights		**–**	(1,848)
Purchase of intangible assets		**(7,417)**	(2,670)
Acquisition of subsidiaries, net of cash acquired		**(215,031)**	(10,773)
Increase in investment in a jointly controlled entity		**(16,380)**	(33,620)
Decrease in restricted bank deposits		**82,610**	3,286
Increase in term deposits with initial terms of over three months		**(115,109)**	–
Increase in entrusted loans and structured deposits		**(121,000)**	–
Proceeds from entrusted loans and structured deposits		**670**	–
Purchase of financial assets at fair value through profit or loss		**(51,943)**	–
Net cash used in investing activities		**(528,031)**	(117,549)
Cash flows from financing activities			
Proceeds from short-term borrowings		**57,000**	163,500
Repayments of short-term borrowings		**(213,500)**	(121,266)
Repayments of long-term borrowings		**–**	(1,500)
Capital injections		**–**	115,742
Issue of new shares		**45,218**	922,658
Share issue expenses		**(1,813)**	(52,596)
Net cash (used)/generated from financing activities		**(113,095)**	1,026,538
Net (decrease)/increase in cash and cash equivalents		**(618,102)**	933,619
Cash and cash equivalents, at beginning of the year		**976,654**	46,137
Exchange loss on cash and cash equivalents		**(50,634)**	(3,102)
Cash and cash equivalents at end of the year		**307,918**	976,654

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. BASIS OF PREPARATION

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 Mr. 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 Company acquired the entire equity interests in Anton Oiffield Services (Group) Limited ('Anton Oil') from Anton Oilfield Services Holdings Company ('Anton Holdings'), a company controlled by its Controlling Shareholder in August 2006 (the 'Reorganisation'). Thereafter, the Company became the holding company of the subsidiaries comprised the Group.

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 (the 'Main Board') on 14 December 2007.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Amendments and interpretations effective in 2008

- The International Accounting Standard ('IAS') 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- International Financial Reporting Interpretation Committee ('IFRIC') - Int 11, 'IFRS 2 – Group and treasury share transactions, 'provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

3. SEGMENT INFORMATION

(a) Primary reporting format - business segment

The Group conducts its business within one business segment - the business of selling oilfield equipment and providing related services. As the products and services provided by the Group are subject to similar business risks, no segment information has been prepared by the Group for the year end 31 December 2007 and 2008.

(b) Secondary reporting format - geographical segment

The Group's business operates in three main geographical areas, even though they are managed on a worldwide basis. The areas of operation are principally oilfield services and sales of equipment.

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Revenue		
The People's Republic of China ('PRC')	**712,623**	477,932
Kazakhstan	**35,739**	643
Venezuela	**2,426**	11,715
Other countries	**12,478**	3,144
	763,266	493,434

Revenue is allocated based on the countries in which the customers are located.

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Total assets		
PRC	**1,787,961**	912,782
Cayman Islands	**72,343**	776,100
Hong Kong Special Administration Region ('Hong Kong')	**4,651**	109,569
Other countries	**8,738**	8,415
	1,873,693	1,806,866
Jointly controlled entity	**51,629**	34,109
	1,925,322	1,840,975

Total assets are allocated based on where the assets are located.

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Capital expenditure		
PRC	**335,655**	226,093
Other countries	**61**	19
	335,716	226,112

Capital expenditure are allocated based on where the assets are located.

4. REVENUE

Analysis of revenue by category

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Sales of goods	**502,688**	380,286
Sales of services	**260,578**	113,148
	763,266	493,434

5. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Losses/(gains) on disposal of property, plant and equipment	**135**	(262)
Addition for impairment of receivables	**1,938**	—
Reversal for impairment of receivables	**(5,168)**	(666)
Written off trade receivables	**(828)**	—
Sales tax and surcharges	**7,321**	3,162
Depreciation	**21,067**	9,926
Amortisation of intangible assets and land use rights	**4,655**	696
Auditors' remuneration	**3,700**	2,900

6. FINANCE COSTS, NET

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Interest income	**18,015**	4,553
Interest expenses on bank borrowing	**(4,497)**	(8,104)
Exchange loss, net	**(50,538)**	(2,867)
Bank surcharges and others	**(663)**	(128)
	(37,683)	(6,546)

7. INCOME TAX EXPENSE

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

PRC enterprise income tax ('EIT') is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable EIT rate for the subsidiaries of the Group was 25% in 2008 (for the year ended 31 December 2007: 33%), 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.

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 recognition of deferred tax assets and liabilities has taken into consideration the impact of the new CIT Law.

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Current income tax		
- PRC profit tax	30,772	14,103
- Other	(181)	880
Deferred income tax		
- Deferred tax relating to the origination and reversal of temporary differences	3,923	(826)
- Deferred tax resulting from a decrease in PRC tax rate	(1,241)	—
	33,273	14,157

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**68,463**	113,000
Weighted average number of ordinary shares in issue (thousands of shares) (Note)	**2,092,488**	1,572,894
Basic earnings per share (expressed inRMB per share)	**0.03**	0.07

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 year ended 31 December 2007.

(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 2008, the only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January 2008 to 31 December 2008) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**68,463**	113,000
Weighted average number of ordinary shares in issue (thousands of shares)	**2,092,488**	1,572,894
Adjustments for assumed conversion of share options (thousands of shares)	**13,760**	9,064
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,106,248**	1,581,958
Diluted earnings per share (expressed in RMB per share)	**0.03**	0.07

9. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade receivables, net (Note (a))	**443,343**	317,541
Notes receivables (Note (b))	**9,882**	1,460
	453,225	319,001

Notes:

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

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
1 - 6 months	**323,065**	300,941
6 months - 1 year	**85,995**	10,265
1 - 2 years	**31,594**	12,535
2 - 3 years	**5,427**	554
Over 3 years	**962**	203
Trade receivables, gross	**447,043**	324,498
Less: Impairment of receivables	**(3,700)**	(6,957)
Trade receivables, net	**443,343**	317,541

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.

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

10. TRADE AND NOTES PAYABLES

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade payables	**89,856**	60,217
Trade payables to a related party	**4,542**	—
Notes payables	**29,147**	—
	123,545	60,217

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

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
less than 1 year	**115,563**	58,562
1-2 years	**6,593**	1,133
2-3 years	**868**	390
Over 3 years	**521**	132
	123,545	60,217

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

11. DIVIDENDS

On 24 March 2009, the directors recommended the payment of a final dividend of RMB0.02723 per ordinary share, totaling RMB57,000,000. Such dividend is subject to the approval by the shareholders at the next Annual General Meeting. These financial statements do not reflect this dividend payable.

12. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit for the year	**72,145**	113,157
Adjustments for:		
Property, plant and equipment		
- depreciation charge	**21,067**	9,926
- net loss / (gain) on disposals	**135**	(262)
Amortisation of land use rights and intangible assets	**4,655**	696
Reversal of impairment of receivables	**(4,058)**	(666)
Charge of share option scheme	**35,403**	10,756
Fair value loss on financial assets at fair value through profit or loss	**18,084**	—
Investment gains from entrusted loans and structured deposits	**(3,490)**	—
Share of profit of a jointly controlled entity	**(1,351)**	(489)
Net foreign exchange loss	**50,538**	2,867
Interest income	**(18,015)**	(4,553)
Interest expenses on bank borrowings	**4,497**	8,104
Income tax expense	**33,273**	14,157
Changes in working capital		
Inventories	**(67,464)**	(56,012)
Trade and notes receivables	**(121,580)**	(59,042)
Prepayments and other receivables	**(22,742)**	4,475
Trade and notes payables	**46,287**	(2,853)
Accruals and other payables	**(9,959)**	(8,416)
Net cash inflows from operations	**37,425**	31,845

13. BUSINESS COMBINATION

(a) Acquisition of Jilin Dongxin Oil Engineering Technology Co., Ltd ('Jilin Dongxin') in 2008

On 13 March 2008, the Group acquired 100% interest in Jilin Dongxin from independent third parties. The consideration was RMB36,711,000.

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

	RMB'000
Purchase consideration	
Cash paid	27,414
Credited to other payables	9,297
	36,711
Fair value of net assets acquired	(10,386)
Goodwill	26,325

	Acquiree's carrying amount RMB'000 (Unaudited)	**Fair Value RMB'000**
Property, plant and equipment	**481**	400
Inventories	**445**	607
Trade and notes receivables	**8,584**	8,584
Prepayments and other receivables	**5,103**	5,103
Cash and bank balances	**1,166**	1,166
Trade payables	**(177)**	(177)
Accruals and other payables	**(5,297)**	(5,297)
Net assets attribute to the equity holders of the acquirees	**10,305**	10,386
Net assets acquired (100%)		10,386
Purchase consideration settled in cash		27,414
Cash and cash equivalents in subsidiary acquired		(1,166)
Cash outflow on acquisition		26,248

The acquired business contributed revenue of RMB30,602,000 and net profit of RMB7,467,000 to the Group for the period from 13 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the acquired business would have contributed unaudited revenue and unaudited profit for the year of RMB30,602,000 and RMB4,767,000 to the Group, prior to intra-group elimination with the Group, respectively.

(b) Acquisition of Shandong Precede Petroleum Technology Co., Ltd ('Shandong Precede') in 2008

On 16 September 2008, the Group acquired 70% interest in Shandong Precede from independent third parties with a cash consideration of RMB160,000,000. Shandong Precede was incorporated on 2 September 2008.

	RMB'000
Purchase consideration	
Cash paid	109,350
Credited to other payables	50,650
	160,000
Fair value of net assets acquired	(27,514)
Goodwill	132,486

	Acquiree's carrying amount RMB'000 (Unaudited)	**Fair Value RMB'000**
Property, plant and equipment	**17,161**	17,161
Land use right	**11,512**	11,512
Inventories	**13,432**	13,432
Prepayments and other receivables	**2,283**	2,283
Cash and bank balances	**3,000**	3,000
Accruals and other payables	**(8,082)**	(8,082)
Net assets attribute to the equity holders of the acquirees	**39,306**	39,306
Net assets acquired (70%)		27,514
Purchase consideration settled in cash		109,350
Cash and cash equivalents in subsidiary acquired		(3,000)
Cash outflow on acquisition		106,350

The acquired business contributed revenue of RMB24,101,000 and net profit of RMB9,253,000 to the Group for the period from 16 September 2008 to 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY DEVELOPMENT

The outbreak of the international financial crisis in 2008 as well as the roller-coaster oil prices during the same year have strongly affected China's economy. In November 2008, to counter the slowdown of the GDP growth in China caused by the global recession, the Chinese Government announced some major adjustments to the fiscal and monetary policies in China; more proactive fiscal and lossen monetary policies were implemented to lessen the impact of external economic crisis has on China's economy. To ensure steady and healthy growth in China's economy, the Chinese Government will inject RMB4 trillion in sectors such as energy, transportation, social security and infrastructure to boost domestic demands. We are fully confident that the economic growth in China will not be affected by the recent crisis in the long run, nor its huge demand for energy in the future. As such, although the market for oilfield services in China has been affected to a certain extent, demand from oilfield customers in the oilfield services industry has not changed dramatically and such customers still have great demand for technology services.

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.

In 2008, the Company continued to maintain its momentum of rapid growth as in the recent years. Operating income amounted to approximately RMB763.3 million, representing an increase of 54.7% as compared with RMB493.4 million in 2007. Operating profit of the Company was approximately RMB141.8 million, representing an increase of 6.3% as compared with approximately RMB133.4 million in 2007. Net profit after tax for the year attributable to equity holders of the Company reached approximately RMB68.5 million, representing a decrease of 39.4% as compared with 2007. The decrease was mainly due to the following main reasons: 1) exchange and investment loss. Prior to remittance of exchanged proceeds from the Initial Public Offering of shares ('the IPO') exercise of the Company at the end of 2007, RMB appreciated significantly, causing an exchange loss of approximately RMB50.5 million. A large part of the said amount has been translated into RMB, hence greatly mitigating the exchange risks. In 2008, the Company bought a financial instrument from a bank. As at 31 December 2008, the above product's market value decreased, leading to an investment loss of approximately RMB18.1 million. 2) amortisation of share options. Amortisation of share options granted before IPO and after listing of the Company amounted to RMB35.4 million in 2008.

In 2008, the operating capital of the Company improved significantly. Receivables turnover days (exclude quality guarantee deposits and other deposits) were 172 days, representing a decrease of 10 days compared with 182 days in 2007.

Meanwhile, the Group conducted a reclassification of its business structure and product catalogue in 2008 according to its long-term business development plans. Businesses of the Group were classified into four main divisions: drilling technology, well completion technology, down-hole operation technology, oilfield tube and field support services. The Group will discuss and analyse its 2008 business based on the original business divisions and the new divisions respectively so that investors can have a better understanding of the business structure of the Company. The Group has also reclassified its 2007 operating results based on the new business divisions.

	Classification by original business divisions	**Classification by new business divisions**	**Newly added items in 2008**	
Drilling services	integrated drilling technology oilfield tube services	integrated drilling technology cementing technology	directional technology services	drilling technology division
Well services	well completion and sand control cementing technology integrated fracturing and acidization technology down-hole chemical materials	integrated well completion technology screen sand control technology production equipment and tools	gravel packing and sand control services	well completion technology division
Production services	production equipment and tools	integrated fracturing and acidization technology down-hole chemical materials well washing technology services	coiled tubing operation technology tubular helium testing technology	down-hole operation technology division
Field services	drill pipe leasing drilling tool repair coating well washing technology services ground construction	oilfield tube services drill pipe leasing drilling tool repair coating ground construction		oilfield tube and field support services division

CLASSIFICATION BY ORIGINAL BUSINESS DIVISIONS

WELL SERVICES

As a development focus of the Group, the well services division continued to experience rapid growth in 2008. The revenue of this division reached RMB311.4 million, an increase of 49.4% when compared with RMB208.4 million in 2007.

Well services include well completion and sand control services and down-hole operation services. For well completion and sand control services, the Group acquired Shandong Precede Petroleum Technology Company Limited ('Shandong Precede') in September 2008. Through this acquisition and the previous equally successful integration with Hinen-Hitech, the Group has established the widest variety of screen and ancillary tools for screen well completion; it now possesses the largest technologically-advanced gravel-packing well completion tools, the relevant know-how and the necessary supportive technology. During the year, the Group's self-developed water control well completion technology has proved successful in the trial use in the Jidong oilfield; well completion tools such as high temperature thermal production packers has begun to be used in the Liaohe oilfield and received favourably commented from customers. All these would contribute to the income of the Group in 2009.

In 2008, selective well completion services for which the Group began to prepare relevant resources in 2007 became a new growth driver. The Group provided well completion services for 64 wells. In 2008, sales of the Group's sand screens was 115,612 meters, compared to 49,245 meters in 2007. With further increase in product types of the Group's well completion technology services, the Group has developed its leading 'one-stop' service capacity of well completion in China.

For down-hole operation services, following the successful consolidation of Jilin Dongxin Oil Engineering Technology Co., Ltd ('Jilin Dongxin') in 2008, the Group's down-hole operation services capability has been further enhanced. During the year, the Group performed 586 acidization, fracturing and chemical EOR (enhanced oil recovery) operations. Of such operations, the Group targeted the horizontal wells located in rugged terrain in the oil and gas fields of the Sichuan region and successfully carried out graded fracturing operations which had a higher demand for technological expertise and presented greater difficulties. At the same time, the Group also completed 15 cementing jobs as well as providing down-hole tools, drilling fluid, killing fluid and micro glass bubble products and services. During the year, the Group also purchased coil tubing trucks to reserve resources for the provision of coil tube related services such as coil tube acidization operations, multi-layer fracturing operations, etc. in 2009.

DRILLING SERVICES

Total revenue from the drilling services division amounted to RMB262.2 million, representing an increase of RMB104.6 million or 66.4% from RMB157.6 million in 2007.

Drilling services include integrated drilling technology services and oilfield tube services. In 2008, the drilling services division introduced drilling technology integration and drilling project management services, especially focused on providing drilling solutions for directional and horizontal wells with complex geological conditions. During the year, the Group successfully launched the aforesaid services to the oil and gas fields in northeastern regions. The services the Group provided for this region cover underbalanced drilling technology, pressure control technology and air drilling technology, which have effectively increased the drilling speed of machines, shortened drilling cycles and reduced drilling costs. Meanwhile, the Group has also initiated the LWD services targeting at high temperature gas wells. During the year, the Group carried out the first stage of its investment in directional well team and equipment, which prepared resources and laid a good foundation for the further development of drilling technology services in 2009. The new drilling technology service unit achieved RMB30.4 million in revenue, which represented an important step toward the Group's goal of becoming an 'one-stop' oilfield services provider.

Oilfield tube services depend on the various service fields of the Group to sell drilling pipes and provide customers with services such as testing, repair services and advanced coating technology. Meanwhile, the Group has the largest professional testing and welding services team in China. For the year ended 31 December 2008, the Group has tested over 217,287 tools of various types.

Sales volume of main products:

	Unit	**2008**	2007
Drill pipe	tonne	**2,490**	1,040
Heavy-weight drill pipe/collar	piece	**1,822**	1,978
Well-casing	tonne	**1,607**	1,600

PRODUCTION SERVICES

Production services refer to providing oilfield customers with the down-hole completion tools and related equipment that they need during the oil production process. The production services division experienced a steady development in 2008. Revenue amounted to RMB65.0 million, representing an increase of RMB15.6 million or 31.6% compared to RMB49.4 million in 2007. With well-established brand and our own patented technologies, the division manufactures and sells anti-attrition and anti-corrosion polished rods, couplings and down-hole pumps. In 2008, the water power surging automatic device developed using the Group's patented intellectual property rights were widely used in the Daqing oilfield, the Shengli oilfield, the Jidong oilfield and the Jilin Oilfield.

Sales volume of main products:

	Unit	**2008**	2007
Polished rod	piece	**6,010**	9,228
Coupling	piece	**95,532**	95,568
Pump	unit	**369**	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, drilling tool repair, coating, well washing technology services and ground construction. In 2008, the Group introduced tubular helium testing in the Tarim Basin oilfield and the Sichuan oilfield, which were well received by local customers. The application of tubular helium testing is in its primary stage in China and the Group is leading in the application of this cutting edge technology in China. In 2008, field services revenue grew steadily to RMB124.7 million, representing an increase of RMB46.7 million or 59.9%, compared to approximately RMB78.0 million in 2007.

CLASSIFICATION BY NEW BUSINESS DIVISIONS

Drilling technology division

Products and services for the drilling technology division mainly include integrated drilling technology, directional technology services as well as cementing technology services. Of these, directional technology services for which the Group newly started resources preparation in 2008. The difference between the original drilling services division and new drilling technology division is that the oilfield tube services under the former is now classified into oilfield tube and field support services division under the new business structure.

In 2008, income from the drilling technology segment was RMB70.3 million, representing an increase of RMB37.2 million or 112.4% as compared with RMB33.1 million in 2007.

Well completion technology division

Products and services for the well completion technology division mainly include well completion technology integration, screen sand control technology, gravel-packing sand-proof technology, and production equipment and tools. Production services under the original business division are now included in the well completion technology division.

In 2008, income from the well completion technology division was RMB240.8 million, representing an increase of RMB88.2 million or 57.8% as compared with RMB152.6 million in 2007.

Down-hole operation technology division

Products and services for the down-hole operation technology division mainly include fracturing and acidization technology integration, coiled tubing operation technology, tubular helium testing technology, well washing technology and down-hole chemical materials etc. Of these, coiled tubing operation technology and tubular helium testing technology are projects for which the Group newly started the resources preparation in 2008.

In 2008, income from the down-hole operation technology division was RMB111.6 million, representing an increase of RMB39.5 million or 54.8% as compared with RMB72.1 million in 2007.

Oilfield tube and field support services division

Products and services for the oilfield tube and field support services division include field support services and oilfield tube services that depend on the service fields.

In 2008, income from the oilfield tube and field support services division was RMB340.6 million, representing an increase of RMB105.0 million or 44.6% as compared with RMB235.6 million in 2007.

MARKETING

In 2008, to develop the domestic market, the Group focused on further strengthening its strategic relationship with key oilfield customers and introducing new products and services to the market. The Group successfully introduced the integrated drilling technology services to the oil and gas fields such as those in Daqing and Sichuan. The Group's well completion technology has overcame intense competition and generated profits in the oilfields of Dagang and Shengli, while the application of the Group's down-hole technology has been further consolidated and refined in the Sichuan area. The Group's domestic market share has been further increased. In respect of marketing to key customers, the Group provided rotary steering service to the South-West oilfield under Sinopec and significantly shortened the drilling cycle. At the same time, following its acquisition of Shandong Precede, the Group successfully entered the market of the Nanyang oilfield and Shengli oilfield under Sinopec with its advanced gravel-packing well completion technology. In the future, the Group will put greater effort in expanding the above business areas and their contribution to our income will be seen gradually.

In terms of international market expansion, the Group established Anton Oilfield Services International Company Limited in August 2008, with its overseas markets covering, among others, Central Asia, Middle East and South America. In 2008, the Group's sales to overseas market reached RMB50.6 million, primarily from providing well completion and well cementing tools and services, providing testing and welding services as well as selling sand screens.

Revenue by region:

	2008	2007
North China	**18.6%**	28.0%
Northwest China	**32.8%**	28.7%
Northeast China	**18.7%**	16.7%
Southwest China	**20.3%**	22.7%
Overseas	**6.6%**	—
Others	**3.0%**	3.9%

RESEARCH AND DEVELOPMENT

As a leading oilfield services provider in China, the Group has always been emphasising on research and development ('R&D') of proprietary products and technologies. By consolidating R&D resources through Anton Research and Design Institute, the Group established the technology development strategy of 'taking oil and gas well completion as the core to form one-stop service capabilities' and the operation strategy of 'solution design and technical integration as core business driving supporting service capabilities'.

In 2008, the Group obtained approval for 65 patents and the total number of patents registered by the Group reached 95. Meanwhile, the Group has 131 patent applications pending for approval. The Group has also conducted several product technology R&D projects, such as deep well sidetracking technology under the drilling technology area, water control and sand control technology and high-temperature proof packer under the well completion technology area, and horizontal well sand-picking under the down-hole operation technology area, etc. Most of the said technologies have been successfully marketed as products and begun to make profit.

On 18 December 2008, the Group's subsidiaries Anton Oilfield Services (Group) Limited ('Anton Oil'), Beijing Tongsheng Well Engineering Technology Limited ('Tongsheng Well') and Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ('Hinen-Hitech') passed the review by the relevant government departments regarding the ascertainment as Hi-tech Enterprises. After the expiry of public notification period, these subsidiaries have enjoyed a 15% preferential income tax rate.

HUMAN RESOURCES

Human resources has always been one of the key factors in supporting our long-term growth. As of 31 December 2008, the Group has a total of 1,158 employees, of which there were 72 sales staff, 418 technical staff, 497 on-site service staff, and 171 functional management staff. Going forward, the Group will continue its effort to attract high-quality professionals in every area of business, especially personnel with sophisticated technological skills in order to assist the rapid and stable growth of the Group in the future.

The determination of the remuneration of employees of the Group is based on the individual performance, nature and responsibilities and the performance of the Group. The Group periodically reviews and assesses its human resource requirements and the prevailing market trend and makes appropriate adjustment.

OUTLOOK

Looking to 2009, the management of the Group believes that although the complicated domestic and foreign economic environments will affect the oil industry, there will not be any significant change to the production volume of oil and gas companies in China. Their up-stream investments in exploration and production will be maintained appropriately at the same level as that in 2008, and their demand for technology services will not reduce either.

As a technology service company, the relative competitive advantage of the Group under the new trend will be more visible. Firstly, the Group positions itself as a light-asset company with relatively low burden; secondly, opposite to the small market share of the Group, the extensive oil and gas field technology market provide the Group with ample room for development; thirdly, the Group has established a national operation and marketing network, which enables it to better understand the needs of its customers and provide them with low-cost solutions. The Group will make good use of these advantages to further increase its market share in China and pave the way for its further expansion into the international market.

Looking forward, the Group will continue to emphasise its position as a core 'one-stop' service provider for well completion while striving for its solid development and become a leading one-stop provider of oil and gas field services in China through continuous recruitment of talents, independent R&D, technical cooperation as well as mergers and acquisitions.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2008 amounted to RMB763.3 million, representing an increase of RMB269.9 million or 54.7% compared to 2007. The substantial increase in our revenue was mainly attributable to the rapid growth of revenue from well completion technology division and drilling technology division.

Costs of Materials

The costs of materials increased from approximately RMB240.7 million to RMB344.0 million, representing an increase of 42.9%. The increase was mainly due to the change of overall revenue mix and the increase of material costs of the drilling services.

Staff Costs

Staff costs amounted to approximately RMB126.1 million, representing an increase of RMB76.2 million or 152.7% from RMB49.9 million in 2007. 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 RMB35.4 million amortisation of share options awarded before and after the IPO also led to increase in staff costs.

Operating Lease Expense

Operating lease expense was approximately RMB24.1 million, representing an increase of RMB14.4 million from 2007. The increase was due to the increase of leased equipment used in well services.

Depreciation and Amortisation

Depreciation and amortisation amounted to approximately RMB25.7 million, representing an increase of RMB15.1 million or 142.5% from RMB10.6 million in 2007. 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 amortisation and depreciation of intangible assets and fixed assets resulted from the acquisition of Hinen-Hitech, Jilin Dongxin and Shandong Precede.

Other Operating Costs

Other operating costs arrived at RMB87.1 million, representing an increase of RMB37.1 million or 74.2% compared to RMB50.0 million in 2007. 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 2008 arrived at approximately RMB141.8 million, representing an increase of approximately RMB8.4 million or 6.3% compared to RMB133.4 million in 2007. The operating profit margin was 18.6% in 2008, representing a decrease of 8.4% points from 27.0% in 2007. The fall in operating profit margin was mainly due to (1) the rise in material costs for drilling services; (2) the increase of staff costs, of which, amortisation of share options granted before and after the IPO amounted to RMB35.4 million; and (3) a financial instrument from a bank the Group bought in 2008 decreased in the market value, leading to an investment loss of RMB18.1 million. If impacts of non-operating factors (2) and (3) are excluded, the operating profit margin in 2008 would be 25.6%.

Net Finance Costs

Net finance costs were approximately RMB37.7 million, increased by approximately RMB31.2 million compared to RMB6.5 million in 2007. The sharp increase was mainly due to a RMB50.5 million foreign exchange loss recognised during the year. The RMB appreciated sharply during the first few months of 2008, while the Group was holding the funds raised through its IPO completed in December 2007 in US dollars and HK dollars. The IPO proceeds have been mostly converted into RMB as of the end of June 2008.

Income Tax Expense

Income tax expense amounted to RMB33.3 million, representing an increase of approximately RMB19.1 million from 2007, mainly because of (1) total pre-tax profits of the Group's subsidiaries in the PRC increased during the year; (2) preferential tax treatments for certain subsidiaries in the PRC are being phased out during the year; and (3) staff costs relating to share options and foreign currency losses incurred by the Group's overseas companies could not be used to offset profit generated in the PRC.

Profit for the Year

As a result of the foregoing, the Group's profit for 2008 was approximately RMB72.1 million, representing a decrease of approximately RMB41.1 million or 36.3% over the same period of 2007.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company amounted to approximately RMB68.5 million, representing a decrease of RMB44.5 million or 39.4% over the same period of 2007.

Trade Receivables

As of 31 December 2008, the Group's net trade receivables were approximately RMB443.3 million, representing an increase of RMB125.8 million compared to the end of 2007, mainly because of an increase in turnover. The average trade receivables turnover days (exclude quality guarantee deposits and other deposits) were 172 days, a decrease of 10 days when compared with 2008.

The Group set up a special committee with Chief Executive Officer 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. In 2008, the Group collected RMB734.5 million, representing an increase of RMB323.9 million or 78.9% from 2007.

Inventory

As of 31 December 2008, the Group's inventory was approximately RMB202.6 million, representing an increase of RMB81.5 million compared to the end of 2007, mainly because that in 2008, the growth of well completion technology division and drilling technology division required many relevant tools. Due to the long delivery cycle of above tools, the group made a large quantity of purchases to prepare for the business development in 2009,which leads to the substantial increase of inventory.

FINAL DIVIDENDS

At a meeting held on 24 March 2009, the Board recommended a final dividend to be paid out of the share premium account of the Company in respect of the year ended 31 December 2008 of RMB0.02723 per share, totaling RMB57.0 million (2007: Nil). This dividend is subject to the approval of shareholders at the Annual General Meeting to be held on 26 May 2009, and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 11 June, 2009 to shareholders whose names appear on the register of members of the Company on 26 May 2009.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 21 May 2009 to Tuesday, 26 May 2009, both days inclusive, during which period no share transfers can be registered. In order to be entitled to the payment of dividend, if any and eligible for attending and voting at the above meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 20 May 2009.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the 'Code') under Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Company Limited (the 'Stock Exchange') (the 'Listing Rules') during the year ended 31 December 2008, except for the following deviation:

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer 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 was responsible for our operational management since our 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the 'Audit Committee') comprising all three existing Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2008.

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

Hong Kong, 24 March 2009

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