ANTON 安東

安 東 油 田 服 務 集 團

Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

The Best
Independent Chinese Oilfield Services Partner,
The Best
Chinese Partner Worldwide

ANNUAL REPORT **2014**

CONTENTS

ABOUT ANTONOIL

Anton Oilfield Services Group ("Antonoil" or the "Company" and, together with its subsidiaries, the "Group") is a leading independent integrated oilfield services provider. The Group provides products and services for the entire process of oil and gas development and production, including reservoir management, drilling technology, well completion, down-hole operations, oil production as well as tubular service. With its comprehensive product lines and integrated service capacity, the Group is empowered to help oil companies solve the challenges they encounter in oil and gas fields such as increasing production, improving drilling efficiency, lowering costs and optimizing waste management. Its fast growth benefits from the accelerating development of natural gas in China and the Group's increased presence in the overseas markets. The Group's strategic objective is to become a leading global oilfield services provider with a solid foothold in China.

The Group is headquartered in Beijing and has established an international network across the global markets. In China, the markets cover the Tarim area, Erdos area, Southwest area and other areas of China, whereas, the overseas markets include Iraq and other Middle East market, Central Asia and Africa market and the Americas market. Antonoil is the best independent Chinese oilfield services partner, the best Chinese partner worldwide.

BUSINESS

The business of the Group is classified into two major segments, namely oil and gas field development technical services and tubular services. Oil and gas field development technical services refer to the solutions provided to and implemented for oil companies to help them complete oil and gas field development and enhance production and reduce costs against various technical problems in the wellbore during the drilling, completion and production stages of field development; and tubular services refer to the services and products provided to the customers in respect of the use of oil tubular goods (drilling tools, tubing and casing), including technical services such as testing, repair, coating and leasing, and production and sale of tubular goods.

The profit centers of the Group are based on the business clusters and the Group reports its results based on four clusters including drilling technology cluster, well completion cluster, down-hole operation cluster and tubular services cluster. The services and products of drilling technology cluster, well completion cluster and down-hole operation cluster belong to oil and gas field development technical services. Each business cluster is detailed as follows:

DRILLING TECHNOLOGY CLUSTER

Drilling technology cluster provides engineering technical services and products during the drilling stage to solve problems encountered in directional drilling, drilling assessment, drilling acceleration, enhanced reservoir contact and integrated drilling. The Group is a leading drilling technical service provider in China and its services include directional drilling, drilling fluids, integrated drilling and rig services.

Directional drilling

It is operated by the engineers who make the drilling tool set drilling wellbores along the pre-set path to enhance the oil and gas recovery rate by reaching the best position in the reserves. The Group is a leading directional drilling service provider in China and its services include directional drilling technology, sidetracking drilling technology and steerable drilling technology which can complete directional wells (which deviate from a certain angle relative to vertical wells) and horizontal wells (which are the sections vertical or almost vertical to the vertical well sections in the boreholes) in various complicated environments such as HTHP and thin payzones and measure the position and direction of the drilling tool set on a real time basis through the attached measure tool to adjust the drilling process and track the borehole path leading to the pre-set target. It also collects the information of interval lithology through the attached measuring tool to identify the strata, and oil, gas or water and interface, judge strata change, estimate the path on the payzone and reduce the drilling cycle. The sidetracking drilling technology of the Group is an effective means to enhancing production and recovery rate, especially for the producing wells with decreasing yield and abandoned wells to resume production. The steerable drilling technology of the Group is a directional drilling technology which can enhance reservoir contact and yield per well. It includes rotary steerable drilling technology and geological steerable drilling technology and can optimise wellbore path, protect oil and gas reserve, enhance reservoir contact and drilling efficiency and reduce operational risks and the drilling costs. It is particularly effective for complicated reserve, thin payzones, long horizontal wells and highly deviated wells.

Drilling fluid

It is circulation medium used in oil and gas wellbores during the drilling process. Drilling fluid is also called mud, whose basic functions include: carry and suspend debris, stabilize borehole wall and balance the formation pressure, cool and lubricate drilling bits and tools, transfer hydrodynamic force, protect reservoir and environment etc. Drilling fluid includes conventional water-based drilling fluid and high-end oil-based drilling fluid. The Group signed strategic cooperation agreement with Magcobar, a world-renowned drilling fluid services company to provide oil-based drilling fluid services to customers. The Group has a team of senior drilling fluid technical experts, oil-based mud station, R&D center and the mud materials plant with first class equipment, providing customers with integrated services including drilling fluid on-site services, drilling fluid technology R&D, technical research and design, and sales services.

Integrated drilling

It is the single well general contracting and block general contracting service for oil companies. The Group has accumulated its technologies for several years and it is equipped with the strength to provide integrated drilling services to oil companies. Its services include project management, project general contracting, project supervision and single drilling technical services. During provision of integrated services, the Group will be responsible for providing oil companies with a series of services and products as necessary for oil and gas field devopment. The Group made a further move with the integrated service strategy as it formed a joint venture company with Schlumberger, known as Tongzhou IPM (TIPM), to provide integrated project management (IPM) services to China's onshore oil and gas fields. The service model has the benefit of achieving production increase and cost savings through end-to-end management of oil and gas exploration and development, from project design, resource allocation to project implementation, and integrating individual services into the entire process. It targets to apply in large-scale integrated projects such as multiple well integrated projects, block integrated projects, as well as ultra complex wells, shale gas wells, sub-contract blocks, etc.

Land drilling services

Completion of well drilling services with rig operation, includes completion of well drilling services with rigs directly held by the Group and completion of well drilling services by managing the rigs owned by our partners.

Oilfield waste management

It provides waste and pollutants management service throughout the entire oil and gas exploration and development process, such as oil-based mud drill cutting treatment and fracturing flowback fluid treatment

WELL COMPLETION CLUSTER

Well completion is the technique which connects wellbores and reserves after drilling, thus completing the preparation works as necessary for wellbore completion and oil production. Whether a well can achieve maximum oil and gas production in an economical way to a large extent depends on the well completion technique used for that well. A successful well completion can optimise oil production efficiency, protect the reservoir and extend the life of the oil and gas production capacity. The Group is a leading well completion technical service and tool provider in China, which provides technical services and products to solve various technical problems experienced by oil companies during well completion stage. It designs well completion solutions and techniques comprised of various well completion tools for different formations and reservoirs, thus completing the preparation works as necessary for wellbore completion and oil production. Its services include well completion integration, screen well completion, gravel packing completion and oil production tools.

Well completion integration

This business includes technical services for reservoir completion and well completion tools to solve various technical problems during open hole well completion and casing well completion. The Group is a leading well cementing and completion technical service and tool provider in China and its services and products include integrated well completion solution design and service, well cementing and completion pipe string and ancillary tool technology, well cementing and completion tools such as liner hangers/staged hydraulic cement injection machines/sliding sleeves/float collars/float shoes, and swellable packers/thermostable anti-corrosion packers/external casing packers.

Screen well completion

It is a sand prevention technique used for wellbores in unconsolidated formations against aggregates in reservoirs during well completion with a view to minimising the effect of piling aggregates, that is, reduction or suspension in production, and enhancing oil and gas well production and extending the life of production. The Group is a leading screen well completion service and tool provider in China and is equipped with the most comprehensive series of screen well completion technologies and tools able to be used in vertical wells and horizontal wells. The screen well completion tools of the Group include composite screens, punched slotted screens, sand screens, pack screens, wire wrapped screens, slotted screens and innovative water control screens.

Gravel packing well completion

Gravel packing is also a sand prevention and production enhancement technique used, during well completion, in unconsolidated formations, the reserves seriously affected by aggregates, and thick but water-resistant reserves, especially effective for sand control and heavy oil production enhancement. The Group is a leading gravel packing well completion service and tool provider in China and owns leading gravel packing well completion technologies and tools able to be used in cased and open holes. The gravel packing well completion services offered by the Group includes fracturing packing well completion service and tool, and cyclic packing well completion service and tool.

Oil production tools

The Group provides oil companies with anti-corrosion and wear-resistant oil production tools such as couplings, sucker rods, pressure-regulating water injection pumps and regular pumps. Compared with the traditional oil production tools, the oil production equipment used by the Group are more adaptable to complicated well conditions and more durable.

DOWN-HOLE OPERATION CLUSTER

Down-hole operation cluster provides oil companies with engineering technical services and products during the well completion and oil production stages. It develops oil and gas fields and optimises production through down-hole operation. The Group is a leading down-hole operation technical service provider in China and its down-hole operation cluster includes production enhancement operation, coiled tubing operation, pressure pumping, tubular helium testing and oil production technologies.

Stimulation operation

It includes acidizing and fracturing stimulation technologies and various featured stimulation technologies, which are mainly used for the development of low pressure or low permeability reservoirs to enhance their production and recovery rate, especially applicable to the development of tight gas and shale gas. The Group is a leading acidizing and fracturing technical service provider in China and can complete highly challenging operations. Its services include horizontal well multistage fracturing, HTHP well fracturing, vertical well multistage fracturing, horizontal well plugging removal, and gas propulsion perforation. The stimulation technologies of the Group have been successfully used in conventional natural gas and tight gas development. With its established and well-recognized brand, the Group's technologies are also promoted for shale gas development.

Coiled tubing operation

Coiled tubing refers to jointless piping spooled on a reel to be used for oil and gas well interventions when stretched. Coiled tubing operation is a special operation which continuously inserts small-sized coiled tubing into the wells in order to carry out various operations for well development. Compared with the traditional operation, coiled tubing operation can be used in drilling, completion and oil production with many benefits. For example, it is time saving, flexible in pumping, accurate to position fluids and does fewer damage to the formation and safe in operation. The Group is a pioneer in coiled tubing operation technologies in China and its services include coiled tubing sandblast, gas lift, dripping, acidizing, hydro jet, dewatering gas production, plug milling, casing fracturing and other featured coiled tubing applications.

Pressure pumping

It harnesses the hydraulic horsepower (HHP) of the pressure pumping equipment and other related operational capabilities to help clients implement pressure pumping design and solutions of varying scales, with the benefit of expanding the permeability of oil and gas reservoirs and improving production capacity. Pressure pumping has become the necessary measure to developing unconventional oil and gas reservoirs.

Tubular helium testing

It is a technology which uses the mixed gas of helium and nitrogen to test tubing threaded connector against helium leak in the natural gas wells, thus solving the problem of helium connector leak. It is important to guarantee production safety of high pressure wells, sulfur-rich wells and key natural gas wells. The Group is a leading tubular helium testing technology provider in China and also sets the industrial standard. It is promoting the tubular helium testing technology to the surface facilities of natural gas fields and underground gas storage facilities from conventional natural gas wells.

Oil production technology

It provides oil companies with engineering technical services and products during oil production stage. The oil production technical services of the Group include EOR, water plugging, well flushing and gas lift services. It helps oil companies solve the technical problems during oil production and enhance production and recovery rate through various operations. The services have been extended to operations and management services, including wellhead management, oil and gas gathering & transport management, central processing facility management.

TUBULAR SERVICE CLUSTER

It provides services and products in respect of tubulars including drilling tools, tubing and casing for oil companies and drilling companies. It includes technical services such as tubular testing, repair, coating and leasing, and production and sale of tubular goods.

Tubular technical services

It includes multistage testing and whiting for drilling tools, drilling tool wear-resistant belt welding, repair of drilling tools, casing and tubing, coatings for drilling pipes and tubings, and leasing of drilling tools. The Group is a leading tubular technical service provider in China and has extensive and leading tubular testing service capability and comprehensive tubular repair service capability.

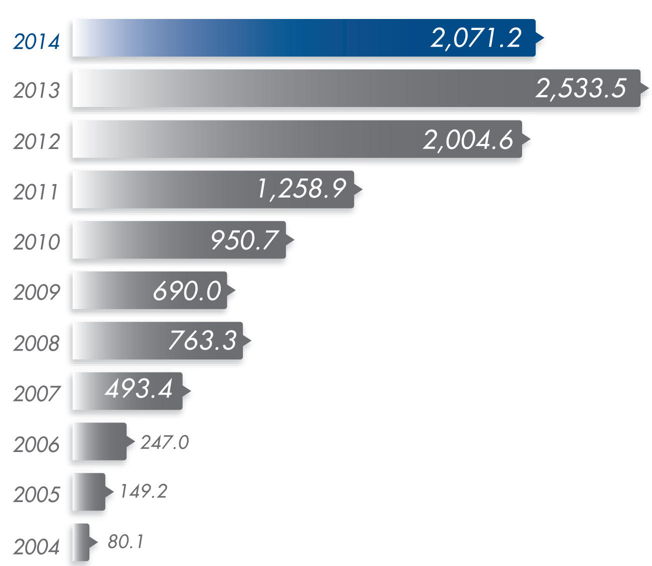
The Group invested in Northern Heavy Anton Machiney Manufacturing Co., Ltd, which provides the production and sale of heavy-weight drilling pipes, drilling collars, ordinary drilling pipes and processing and sale of tubing and casing.

FINANCIAL SUMMARY

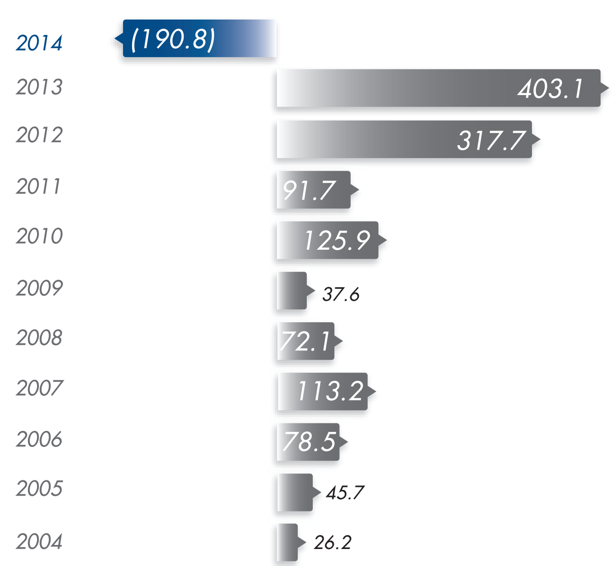
CONDENSED CONSOLIDATED INCOME STATEMENTS

RMB ('000)	For the year ended 31 December 2010	2011	2012	2013	**2014**
Revenue	950,715	1,258,909	2,004,583	2,533,536	**2,071,205**
Other (losses)/gains, net	575	2,155	10,646	19,950	**(1,839)**
Operating costs	(805,874)	(1,086,209)	(1,617,250)	(1,981,130)	**(2,031,392)**
Operating profit	145,416	174,855	397,979	572,356	**37,974**
Finance costs, net	(2,697)	(16,094)	(30,610)	(72,678)	**(178,464)**
(Loss)/Profit before income tax	142,295	112,517	367,369	489,977	**(159,550)**
(Loss)/Profit for the year	125,926	91,668	317,705	403,138	**(190,805)**
Attributable to: Equity holders of the Company	116,655	77,344	302,579	382,568	**(198,213)**
Non-controlling interests	9,271	14,324	15,126	20,570	**7,408**
Dividends	39,400	35,700	97,600	119,953	**—**
(Loss)/*earnings per share for profit attributable to the equity holders of the Company during the year* (expressed in RMB per share)					
Basic	0.0557	0.0369	0.1430	0.1779	**(0.0902)**
Diluted	0.0557	0.0365	0.1402	0.1733	**(0.0902)**

REVENUE *(RMB million)*



PROFIT FOR THE YEAR *(RMB million)*

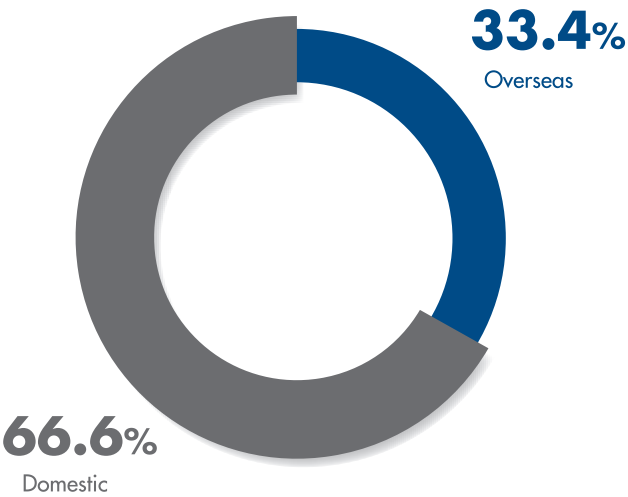


CONDENSED CONSOLIDATED BALANCE SHEETS

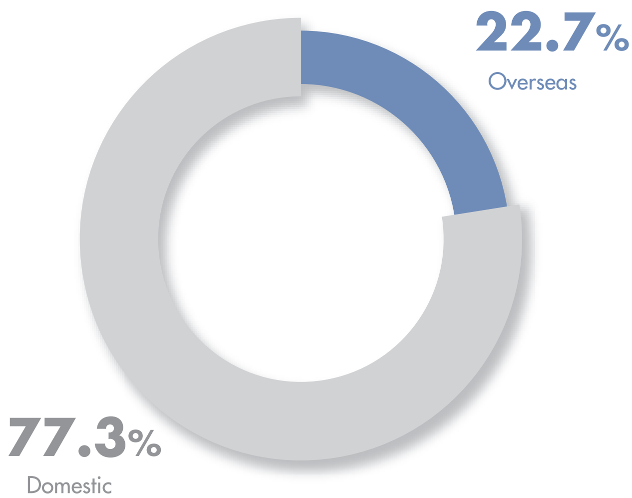
RMB ('000)	As at 31 December				
	2010	2011	2012	2013	**2014**
Assets					
Non-current assets	844,067	956,922	1,378,551	2,100,954	**2,934,952**
Current assets	1,346,847	1,540,698	2,214,283	3,866,898	**3,556,215**
Total Assets	2,190,914	2,497,620	3,592,834	5,967,852	**6,491,167**
Total Equity	1,650,561	1,740,097	2,080,954	2,375,297	**2,148,756**
Liabilities					
Non-current liabilities	2,150	15,804	303,286	1,984,305	**1,700,487**
Current liabilities	538,203	741,719	1,208,594	1,608,250	**2,641,924**
Total liabilities	540,353	757,523	1,511,880	3,592,555	**4,342,411**
Total equity and liabilities	2,190,914	2,497,620	3,592,834	5,967,852	**6,491,167**
Net current assets	808,644	798,979	1,005,689	2,258,648	**914,291**
Total assets less current liabilities	1,652,711	1,755,901	2,384,240	4,359,602	**3,849,243**

FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY REGION

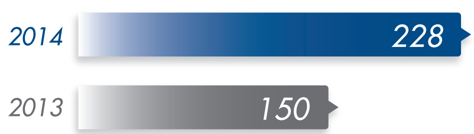


2014



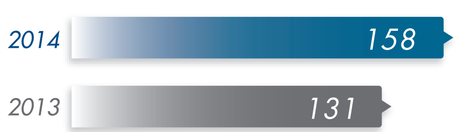
2013

ACCOUNTS RECEIVABLES TURNOVER DAYS

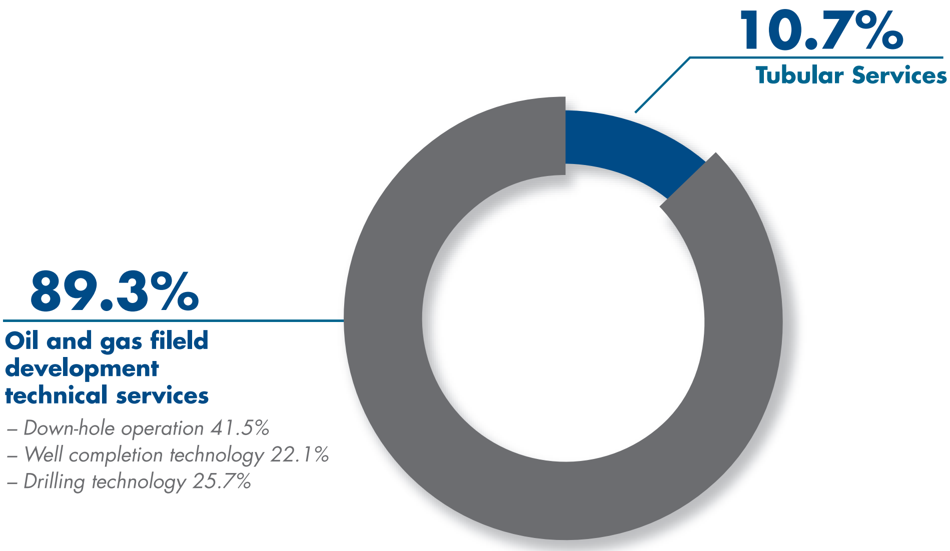


ACCOUNTS PAYABLES TURNOVER DAYS

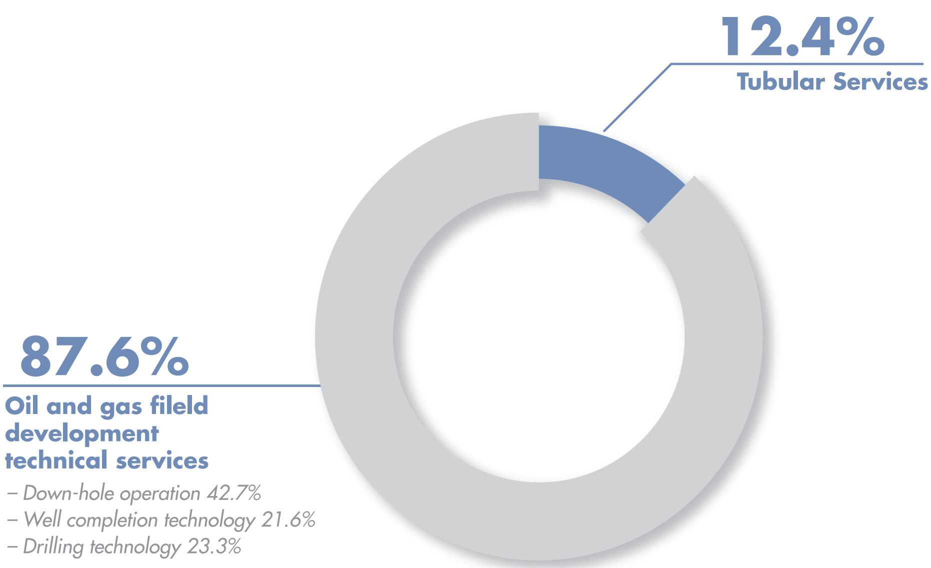
INVENTORY TURNOVER DAYS



REVENUE BREAKDOWN BY BUSINESS CLUSTERS



2014



2013

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2014, due to the combined impact of both continued readjustment of the domestic oil and gas industry and slumping global oil prices, the market situation became very rough. Many orders and projects were delayed, causing our domestic revenue to fall significantly. Regardless, we made big headway in winning orders for our production business, and secured orders for drilling service and pressure pumping equipment. On the whole, the order book for 2015 looks promising.

In 2014, we established a product line portfolio covering the entire process of oil and gas development, as well as a comprehensive market network. Meanwhile, we continued to develop workover service and oilfield waste management service and steadily rolled out the integrated service model that combines our reservoir expertise and engineering.

REVIEW

Domestically, customer spending dropped, competition intensified, and market protectionism of SOEs picked up, resulting in a large drop of the Group's results. Overseas, despite plummeting oil prices and slowing investment, we became more competitive on localized and proprietary products. Our service coverage further expanded. At the same time, we gradually moved beyond the "follow-up" strategy to pursue cooperation with NOC and IOC customers. We captured the growth opportunities in hotspot markets such as Iraq. As a result, our overseas business grew steadily.

We reacted swiftly to the tough market environment. In 2014, we made a breakthrough on production business, and its order backlog has surged. This paved the way for a significant pickup in production business for 2015. Also thanks to thorough preparations, we established the oilfield waste management service, which has grown robustly since.

In 2014, we continued to advance steadily towards developing a full range of product lines covering the entire process of oil and gas development. We added 25,000 HHP pressure pumping equipment and 2 coiled tubing engineering teams. We largely completed the premium directional drilling rotary steerable service capacity, and the completion tool base to prepare ourselves for switching completely to proprietary well completion tools. Our large-scale equipment investment was initially concluded, through which we have amassed a sizable service capacity.

On the other hand, we implemented more rigorous cost control measures, especially on the costs of raw materials and technical service, labor costs, and day-to-day operating costs. Specific to labor costs, we have intensified performance evaluation to strictly eliminate underperforming employees, control total labor costs and promote internal redeployment. On account receivables, we created a taskforce and introduced new measures including setting incentives to prevent the further prolongation of account receivable turnover days. We were able to generate positive cash flow in the first 2 months of 2015.

OUTLOOK

Looking into 2015, our order book is filled up to a relatively high level, which provides a safeguard for our key growth points, and enables us to fare better through the cold winter. The new contracts acquired in 2014 for production business are already being implemented, which will likely bring in generous and stable revenue streams throughout 2015. Land drilling service and fracturing service are backed by order backlog, but their revenue remains unclear due to uncertainties around project implementation. We will invest more in oilfield waste management service and expect this new product line to grow strongly. We will also commit more resources to integrated services, which is expected to win significantly more orders so as to lay a solid foundation for their growth beyond 2015. Overall, the market remains challenging and uncertain in 2015, but with the support of several stable growth pivots, we are confident to generate no less revenue in 2015 than in 2014. Furthermore, we will implement rigorous cost control to reverse losses.

The domestic market is still full of challenges, but gradual opening-up in the market creates more public tendering opportunities. Natural gas and unconventional oil and gas development also present bigger opportunities for us. In overseas markets, challenges will arise as oil companies slash their capital expenditure budget. The Americas market is likely to be worst hit. Growth remains benign in Iraq, where recovery cost is low and capital expenditure is less affected. To secure sufficient fiscal revenue, oil production in Iraq will increase rather than decrease, but it is not without downward pricing pressure and project delay risks.

Leveraging its portfolio of product lines covering the entire process of oil and gas field development, as well as its extensive presence in markets where Chinese companies enjoy comparative advantages, the Group will accentuate on the relative strengths of its cost, technology, brand and integrated service model and continue to serve customers' needs for optimization, stimulation, cost efficiency as well as safety and waste management. In particular, with oil prices being depressed and overseas customers paring down costs and having a growing appetite for cost efficiency, we are in a better position to win larger opportunities.

In terms of strategic resources alignment, we will cap our total debt and explore new debt refinancing options of lower cost leveraging our favorable asset size. We will intensify efforts to collect account receivables and optimize their mix. While making greater efforts to streamline and rightsize our workforce, we will continue to bring in leading talents in the industry, and strictly control capital expenditure.

In 2015, we still face a harsh environment and challenges, but we responded quickly by intensifying cost control. At the same time, we will prioritize natural gas market and Iraqi market by relying on the strengths of our previously developed comprehensive product lines and extensive market coverage. We have the confidence to weather the cold winter and embrace a new wave of explosive growth when the industry recovers.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my heartfelt thanks to our customers, employees, partners and shareholders. It is owing to your enduring trust and support that we were able to find resilience and amass strengths in a cold winter of the industry. In 2015, we are fully prepared to embrace the upcoming challenges and opportunities.

Chairman
LUO Lin

25 March, 2015

CORPORATE MILESTONES

4

APRIL

Pressure pumping service won bids in the first full-on open tender in Erdos basin, entering the local market directly for the first time

7

JULY

Held the first large investor day reverse roadshow event in Hong Kong, further strengthening communication with the capital market

6

JUNE

Reservoir production management service officially commenced operation;
Ceramic proppant product line achieved smooth operation;
Oilfield waste management business, which targets clients' environment protection needs, officially commenced operation in Xinjiang area

10

OCTOBER

Newly-established workover service product line successfully entered new market in Northwest China

11

NOVEMBER

Debuted in the most-influencing petroleum exhibition in the Middle East, Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC), receiving over 400 companies and clients in three days

8

AUGUST

Land drilling service won project in south Iraq, entering the overseas market for the first time;
Officially commenced intensified cost control measures in respect of raw material, labor, daily operations and financial cost after confirming specific targets

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. LUO Lin
Mr. WU Di
Mr. PI Zhifeng

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

QHSE ("QUALITY, HEALTH, SAFETY AND ENVIRONMENT") COMMITTEE
Mr. LUO Lin

AUTHORIZED REPRESENTATIVES
Mr. LUO Lin
Dr. NGAI Wai Fung

COMPANY SECRETARY
Dr. NGAI Wai Fung (FCIS, FCS (PE), CPA, FCCA)

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Beijing, China 100102

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

as to Hong Kong and U.S. law:

Sidley Austin

as to PRC law:

RRDS LAW OFFICES

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

Bank of China
China Merchants Bank
Bank of Beijing
Deutsch Bank

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

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

Adjustment continued in the domestic oil and gas industry throughout 2014 while global oil prices plunged in the second half. The oil and gas industry globally was under serious pressure.

Domestic market remained challenging while oil companies expanded market-based reforms

In 2014, China's energy demand growth was moderated. According to the Ministry of Land and Resources, the apparent consumption of natural gas increased by 8.7% year on year, showing a slower growth momentum as compared with 2013. As a result of the combined impact from the adjustment of the domestic oil and gas industry and the continued tumble of global oil prices, some domestic projects were postponed. Customers cut their capital expenditure and market protectionism picked up. Competition in oilfield services became increasingly intense and market conditions remained tough. Yet, while market protection increased in some markets, others opened up themselves completely for tendering. In the meantime, regular services did not experience a landslide. Rather, customer demand for the deployment of new technology to service matured oilfields and conventional oil and gas resources actually increased. In addition, the operating expenditure of customers remained stable. In a 2014 meeting of the Central Leading Group on Financial and Economic Affairs, President Xi Jinping identified the four pillars of national energy reform, namely consumption revolution, supply revolution, energy technology revolution and energy system revolution and emphasized the need for strengthening all-round international cooperation in order to achieve energy security in open conditions. China's Energy Development Strategy Action Plan for 2014-2020 explicitly called for the the deepening of energy system reform to further maintain national energy security, and accelerate opening-up of incremental resources in the upstream targeting upstream E&P.

International oil prices dipped further while hotspots of growth kept their momentum

Overseas, international oil prices plummeted. The spot price of North Sea Brent fell from a mid-year high of over USD110 per barrel to approximately USD55 per barrel by year-end. As a consequence, oil companies postponed their projects and cut their capex plan to brace for a cold winter. Yet in some regional market hotspots, the demand for oilfield technical services remained strong. Notwithstanding the political incident, Iraq still saw a steady increase in its oil and gas production. Statistics from the Iraqi oil ministry suggest crude production rose from approximately 3.1 million barrels per day at the end of 2013 to approximately 3.9 million barrels per day at the end of 2014, thereby generating continued brisk demand for oilfield technical services.

Business Performance

In light of the changing market conditions, the Group continued to target domestic needs for natural gas development, seized the opportunities of market opening in some areas, participated fully in domestic tenders and promoted its products and services with offerings that cover the entire oil and gas production process as well as a comprehensive market coverage. With an emphasis on keeping market share, the Group continued to deliver products and services around the four major customer needs of stimulation, optimization, cost efficiency as well as safety and environmental protection to help prepare itself for recovery from adversity. Overseas, the Group maintained and developed businesses with existing customers. At the same time, it was already gradually moving beyond the "follow-up" strategy by pursuing meaningful cooperation with NOCs and IOCs and obtaining more new orders to gain new growth drivers for the Group.

For the year ended 31 December 2014, the Group recorded a total revenue of RMB2,071.2 million, a decline of RMB462.3 million, or 18.2%, from RMB2,533.5 million in the same period of 2013. This was mainly due to increased resources committed by the Group to the development of new business to address the market adjustment, and the corresponding increase in financing costs, labor costs and other fixed costs.

For the year ended 31 December 2014, the Group booked an operating profit of RMB38.0 million, a decrease of RMB534.4 million, or 93.4%, from RMB572.4 million for the same period in 2013. Net loss reached RMB190.8 million, from a profit of RMB403.1 million for the same period in 2013. Loss attributable to equity holders of the Company was RMB198.2 million, as compared to a profit of RMB382.6 million for the same period in 2013. The margin of net profit attributable to equity holders of the Company was -9.6%, a decrease of 24.7 percentage points, from 15.1% in the same period of 2013. The lower numbers are due to the adjustment in the domestic market and a decrease in international oil price in the second half of the year which has led to the difficult condition in the domestic and international oil and gas industry, the delay or cancellation of certain projects, the more competitive oilfield services industry and the resulting increased downward pricing pressure.

In the year ended 31 December 2014, revenue from the domestic market dropped 29.6% from the same period of 2013, while revenue from the overseas market rose 20.3% year on year. In 2014, due to adjustments in the industry, reduced customer investment and project slowdown, domestic regions such as Northwest China, North China and Southwest China all suffered tremendously. Competition became fierce and the Group was squeezed both on price and profit margin. Regardless, in Northwest China, the Group actively explored new markets. Furthermore, it entered the local markets by focusing on workover service as part of customers' operating expenditure. In the Erdos Basin in North China, the Group seized the opportunities of market opening-up, fully participated in bidding and developed new customers. In the Sichuan Basin in Southwest China, the Group gradually rolled out its latest offering of oilfield waste management service to cater to customers' environmental protection needs.

In overseas markets, the Group moved beyond the "follow-up" strategy and actively acquired NOC and IOC customers. In Iraq, the Group averted the impact of local geopolitical tension. It captured the huge demand from increasing production in Iraq, gained steady business with existing customers, received a flurry of new orders and was awarded overseas land drilling service order for the first time. At the same time, the Group actively developed new customers locally and made meaningful progress on its productive cooperation with NOCs and IOCs. In the Americas, the Group further penetrated Canada with its signature sand and water control product service and expanded its footprint in South America.

In 2014, the Group completed its equipment investment preliminarily. A product portfolio covering the whole process of oil and gas field development took initial shape. Equipment services fully normalized. The 2015 order book for drilling rigs, workover rigs and pressure pumping equipment was already adequately filled. Manufacturing capability for proprietary well completion tools was mostly complete and operating on scale, bringing a stable income stream for the Group. While focusing on expanding and strengthening existing product lines and making them more competitive, the Group continued to develop light-asset product lines and encouraged the adoption of the integrated services model. As a result, it had stocked up multiple new product lines, which would likely contribute to the Group's revenue growth successively in the future. Recognizing customers' cuts in capital expenditure, the Group accelerated the development of production service and has gained some scale. By targeting customers' operating expenditure, this service would help generate a stable, long-term income stream for the Group, improve its income structure and increase revenue visibility. In 2014, the Group won a workover service contract in a new market in Northwest China. Other product lines followed into this new market as a result of the win. This marked major progress on the Group's production business. At the same time, in response to China's call for better waste management in oil and gas development, the Group quickened the pace of developing its newly started oilfield waste management service. In 2014, the Group officially started offering that service in Northwest and Southwest China. For the above-mentioned production service and oilfield waste management service, the Group already secured additional capacities, technologies and orders so as to pave the way for leap-frog growth in 2015. On reservoir capabilities, the Group gained new strengths for reservoir geological study, analysis and technical service, which would enable the Group to provide integrated services for marginal fields and to promote integrated production management by combining reservoir capabilities with engineering know-how.

In 2014, the Group reined in capital expenditure in strict accordance with its business development status and cash flow generation and continued to optimize and rightsize human resources. On equipment spending, the Group largely completed its regular service capacity building, followed the investment cap based on business and cash flow conditions, and continued to develop light-asset product lines with preference for production service and oilfield waste management service. On human resources, the Group strictly enforced the performance review system, optimized and rightsized human resources across all businesses and promoted internal redeployment of staff in order to make more productive use of its human resources and to boost overall effectiveness.

In 2014, the Group was slightly less efficient on working capital management due to the market downturn and operational strategy realignment on the part of its customers. The Group took positive steps to prevent the further deterioration of capital turnover days. Furthermore, by working with financial institutions within the system of its customers, the Group restructured its accounts receivable. As at 31 December 2014, the Group has completed accounts receivable financing of approximately RMB320 million. As at 31 December 2014, the Group had approximately RMB840.1 million cash on hand. Its average accounts receivable turnover days were 228 days, an increase of 78 days as compared with last year. The average inventory turnover days were 158 days, an increase of 27 days as compared with last year. Average accounts payable turnover days was 153 days, a decrease of 4 days as compared with last year.

Geographical Market Analysis

In the 12 months ended 31 December 2014, revenue from domestic market amounted to RMB1,378.6 million, representing a decrease of RMB579.0 million, or 29.6%, from RMB1,957.6 million in 2013, and accounting for 66.6% of the Group's total revenue. Revenue from overseas market reached RMB692.6 million, an increase of RMB116.7 million, or 20.3% from RMB575.9 million in 2013, and accounting for 33.4% of the Group's total revenue.

Revenue Breakdown of Domestic and Overseas Markets

	2014 (RMB' million)	2013 (RMB' million)	Change (%)	**Revenue from the respective market as a percentage of revenue** **2014**	2013
Domestic	**1,378.6**	1,957.6	-29.6%	**66.6%**	77.3%
Overseas	**692.6**	575.9	20.3%	**33.4%**	22.7%
Total	**2,071.2**	2,533.5	-18.2%	**100.0%**	100.0%

Revenue Analysis of Domestic Market

	2014 (RMB million)	2013 (RMB million)	Change (%)	**Revenue from the respective market as a percentage of domestic revenue** **2014**	2013
Northwest China	**597.7**	798.3	-25.1%	**43.4%**	40.8%
North China	**552.8**	765.7	-27.8%	**40.1%**	39.1%
Southwest China	**89.4**	242.9	-63.2%	**6.5%**	12.4%
Others*	**138.7**	150.7	-8.0%	**10.0%**	7.7%
Total	**1,378.6**	1,957.6	-29.6%	**100.0%**	100.0%

* Including Northeast China and other domestic markets

Revenue Analysis of Overseas Market

	2014 (RMB million)	2013 (RMB million)	Change (%)	Revenue from the respective market as a percentage of overseas revenue 2014	2013
Middle East	**498.5**	416.7	19.6%	**72.0%**	72.4%
Central Asia	**84.3**	76.4	10.3%	**12.2%**	13.3%
Americas	**90.0**	73.2	23.0%	**12.9%**	12.6%
Africa	**19.8**	9.6	106.3%	**2.9%**	1.7%
Total	**692.6**	575.9	20.3%	**100.0%**	100.0%

Domestic Market

In 2014, the Group faced challenges from the readjustment in the domestic O&G industry. International oil prices fell off a cliff in the second half. The combined effect was declining investment from domestic customers, more intense competition in the oilfield service industry and greater downward pressure on service price. Meanwhile, market protectionism of SOEs picked up in some markets, affecting the order book of independent oilfield service providers. On the other hand, market fully opened up in some other areas, presenting more opportunities for leading independent oilfield services firms. In 2014, the Group was affected in both domestic market revenue and profitability and under greater pressure to collect payments. Facing the tough market conditions, the Group held onto demand from domestic natural gas development and seized the opportunities of market opening up in some areas. With a complete range of product lines and extensive market network, it promoted products and services with a priority on maintaining market share. It was fully involved in bidding and delivered products and services around the four customer needs of stimulation, optimization, cost efficiency as well as safety and environmental protection. In 2014, the combined revenue from Northwest China, North China and Southwest China, where the three oil basins are located respectively, amounted to RMB1,239.9 million, representing a decline of 31.4% as compared with RMB1,806.9 million in 2013.

Major Business Developments in the Domestic Market

- As a result of the precipitating oil prices and industry readjustment in 2014, increasing of production stalled and customers scaled back capital expenditure in the Tarim Basin in Northwest China. This led to insufficient local utilization of oilfield service equipment such as rigs and in turn dragged down the Group's revenue from this market in 2014. Despite the difficulties, the Group actively explored new markets in the region and promoted the integrated services model and new technologies and products to tackle market challenges. As the Group was quick at grasping opportunities from the market-based reform of SOEs, its production service entered a new market in Northwest China in 2014, catering to the operating expenditure of customers. The order involving the management of 16 units of workover equipment supplied by the customer would commence fulfillment in 2015 and led the Group's other product lines into the new market. The Group also gained entry qualifications to the Tarim market for four units of self-owned workover equipment and would commence operation in 2015. To meet the environmental needs of local oilfields, the Group also launched its newly developed oilfield waste management service into the local market for the first time with the activation of a project of fracturing flowback fluid recycling and treatment.

- In 2014, the market in the Erdos Basin in North China became more transparent and witnessed the first across-the-board public tender by customers. The Group was able to gain direct access for the first time. However, projects stalled due to more stringent and complex land expropriation procedures. Commencing of operations delayed on awarded projects. At the same time, open-hole multistage fracturing market saw competition rise, customer spending fall and price dive, which led to a significant decline of the Group's business in the market. Regardless, the Group seized opportunities of the market opening-up and won an annual contract for land drilling service and pressure pumping equipment, forming stable and localized service capibilities. At the same time, the Group actively developed new customers and used the opportunity of market opening-up to sign contracts directly with local oil companies.

- Investment in conventional oil and gas development activities in the Sichuan Basin in Southwest China dropped significantly. Notwithstanding a moderate pickup in shale gas investment, it was difficult for independent oilfield services companies to gain access because of the domestic market remaining grim leading to regular services for early-stage shale gas development being mainly provided by SOE service companies. Therefore, the Group saw a marked decline in its conventional oil and gas services. Few progress was made on general contracting projects for rig or pressure pumping service for shale gas projects where services were offered only separately. Shale gas service received limited revenue. As a result, the Group suffered declining revenue and profit in the southwest market. Regardless, the Group gained entry qualification to the Fuling area for pressure pumping equipment and provided a variety of targeted premium services such as coiled tubing bridge plug milling and coiled tubing through-tube wireline logging around the need for shale gas development. With one run, it was able to perform 18 to 20 bridge plug milling jobs. This paved the way for general contracting service contracts for large-scale shale gas development in the future. Meanwhile, the Group gradually rolled out its newly conceived oilfield waste management service in the area to provide services including oil-based mud drill cutting treatment service.

- In other markets, the Group developed non-NOC customers in the Bohai Bay Rim area and won general contracting project for drilling. At the same time, it made a breakthrough on tight oil and shale gas development in other areas. By leveraging the opportunity to provide reservoir production management general contracting service and entering the non-conventional oil and gas market with the reservoir production management model, the Group provided general contracting projects for the tight oil project in the Subei Basin and the shale gas project in Hubei province. This laid a good foundation for the Group to fully flesh out its reservoir production management service model.

Overseas Market

In 2014, despite falling oil prices and slowing investment, the Group became more competitive on localized and proprietary products and services. In the overseas markets covered by the Group, development remained benign and services further penetrated. The Group continued to expand service coverage on the overseas projects of Chinese investors to meet the urgent need for production increasing in the Middle East, Central Asia and South America. At the same time, it already moved beyond the "follow-up" strategy in some existing markets. By drawing upon the brand reputation gained through high-quality services on overseas projects over the years, the Group continued to engage local NOC and IOC customers. As such, the Group's overseas business defied the downturn in 2014 and turned positive growth. In the 12 months ended 31 December 2014, the Group generated RMB498.5 million in revenue from the Middle East, up 19.6% from RMB416.7 million in 2013, making the Middle East again its biggest overseas market. The Americas contributed RMB90.0 million in revenue, an increase of 23.0% as compared with RMB73.2 million in 2013.

Major Business Developments in the Overseas Market

- A temporary political incident occurred in northern Iraq due to political tension in the first half of 2014, but given that the Group's business largely concentrated in the south of the country, it was not affected by the situation. O&G production in Iraq increased from approximately 3.1 million barrels per day at the end of 2013 to approximately 3.9 million barrels per day at the end of 2014. The continued production gains called for a big appetite for oilfield technical services. The Group further cemented its cooperation with existing customers. Two rigs were shipped to the overseas market for the first time and due to start work in Iraq in the first half of 2015. Its production service product line renewed a Central Processing Facility (CPF) project and won the bid for another CPF project and a CPF power plant operation contract. The tubular cluster added one casing and tubing inspection and repair workshop project. In addition, the Group moved beyond the "follow-up" strategy by engaging local NOC and IOC customers in the central and southern parts of Iraq. It also made meaningful progress on cooperation with IOCs. On coiled tubing acidizing service, the Group made a breakthrough with a new IOC customer and was able to continue offering the service without disruption.

- The Americas kept its moment of robust growth. In North America, through its signature sand and water control service, the Group further expanded its footprint in Canada. In Colombia, South America, the Group won a 3-year directional drilling technical service contract. In Ecuador, the Group made an entry into the market and generated revenue on sand and water control service.

Business Cluster Analysis

In the 12 months ended 31 December 2014, the Group's drilling technology cluster posted RMB532.9 million in revenue, a decrease of 9.6% as compared with 2013. The well completion cluster recorded revenue of RMB456.6 million, a year-on-year decline of 16.7%. The down-hole operation cluster saw revenue drop 20.5% from RMB1,081.5 million in 2013 to RMB859.8 million. The tubular services cluster recorded RMB221.9 million in revenue, a decrease of 29.5% from 2013. In terms of the share in the Group's revenue, the down-hole operation cluster was the top contributor with a share of 41.5%, down 1.2 percentage points compared with last year. In the second place was the drilling technology cluster, accounting for 25.7% of the Group's revenue, up 2.4 percentage points as compared with 2013. The well completion cluster contributed 22.1% of Group revenue in 2014, up 0.5 percentage points as compared with 2013. The tubular services cluster accounted for 10.7% of the Group's revenue, down 1.7 percentage points from last year.

Owing to market changes, the Group saw revenue shrink across all clusters in varying degrees. Given a tough market environment, the Group shifted the focus of product development onto expanding and strengthening existing service offers, having completed most of its equipment investment. At the same time, it continued to grow asset-light product lines and improve product line competitiveness and offered products and services around the four key customer needs of stimulation, optimization, cost efficiency as well as safety and environmental protection. Recognizing customers' capital spending cuts, the Group accelerated the deployment of its production service to target customers' operating expenditure. This enabled the Group to generate long-term and stable income sources, improve income structure and increase revenue visibility. At the same time, in response to China's higher environmental requirements in oil and gas projects, the Group directed more resources to its recently developed oilfield waste management service. In 2014, the Group secured capacities, technologies and orders for the abovementioned production business and oilfield waste management services, which paved the way for a possible leap in 2015. As of now, the Group is already well-equipped for undertaking medium and large integrated projects. Coupled with the development of light-asset product lines, an asset-light and integrated service model will further materialize.

Revenue Breakdown by Cluster

	2014 (million RMB)	2013 (million RMB)	Change (%)	As a percentage of total revenue 2014	2013
Down-hole operation cluster	**859.8**	1,081.5	-20.5%	**41.5%**	42.7%
Drilling technology cluster	**532.9**	589.4	-9.6%	**25.7%**	23.3%
Well completion cluster	**456.6**	547.9	-16.7%	**22.1%**	21.6%
Tubular services cluster	**221.9**	314.7	-29.5%	**10.7%**	12.4%
Total	**2,071.2**	2,533.5	-18.2%	**100.0%**	100.0%

Down-hole Operation Cluster

In the 12 months ended 31 December 2014, the down-hole operation cluster posted RMB859.8 million in revenue, a decline of 20.5% from RMB1,081.5 million in 2013. The revenue decline in this cluster was due to market readjustments domestically and changes to customers' business plans. In particular, stimulation service suffered a slide in revenue due to dampened customer investment and price compression from more fierce competition. Equipment service turned in more revenue, but equipment utilization missed expectation due to project delays and other factors. On the other hand, thanks to the capture of opportunities from market-based reforms implemented by oil companies, the Group made significant headway on production service linked to customers' operating expenditure.

The down-hole operation cluster comprises the down-hole module and oil production module businesses, more specifically:

Down-hole Module

1) Stimulation. In 2014, this product line recorded RMB132.2 million in revenue, down 67.5% from RMB406.9 million in 2013.

2) Pressure pumping service. In 2014, this product line recorded RMB148.4 million in revenue, up 94.8% from RMB76.2 million in 2013.

3) Coiled tubing service. In 2014, this product line recorded RMB349.2 million in revenue, down 3.4% from RMB361.4 million in 2013.

4) Oilfield chemicals. This product line offers the research and development ("R&D"), production, marketing and technical service related to oilfield chemicals for acidizing, fracturing, oil production (inflow control and profile control). It is equipped for the R&D and performance testing of a full range of chemicals for down-hole operation. This business line, launched in 2014, recorded RMB19.1 million in revenue in 2014.

5) Proppant. This product line offers a critical material used to hold reservoir fractures open in a fracturing process. The high-end ceramic proppant produced independently by the Group has higher strength and lower intensity, which helps keep the integrity of the oil and gas production channel after a fracturing operation, thus stimulating production. This product line officially commenced production in June 2014 and recorded RMB1.1 million in revenue in 2014.

6) Helium testing service. In 2014, this product line recorded RMB66.1 million in revenue, down 45.1% from RMB120.4 million in 2013.

Oil Production Module

1) Production operation service. In 2014, this product line recorded RMB124.6 million in revenue, up 6.9% from RMB116.6 million in 2013.

2) Workover service. This product line, launched in the first half of 2014, offers conventional and major workover for oil and gas wells, sidetrack, fishing, oil testing and well completion integrated operation and routine maintenance operation services. In 2014, this product line recorded RMB19.1 million in revenue.

EBITDA for the down-hole operation cluster decreased by 44.7% from RMB587.9 million in 2013 to RMB325.0 million in 2014. The EBITDA margin of the cluster was 37.8% in 2014, a drop of 16.6 percentage points from 54.4% in 2013. The drop of EBITDA margin was mainly due to precipitating revenue and lower profit margin from the increased competition of the multistage fracturing business with high margin.

Major Development in the Down-hole Operation Cluster

- Stimulation business saw its workload shrink substantially in 2014 due to customers' realignment of business plan and intensified competition, most notably in the Erdos region. Meanwhile, price also fell. The result was significantly lower revenue in 2014 compared with 2013. However, the Group made its service more competitive by deploying proprietary tools. So far, the Group has almost completed the shift to proprietary open-hole multistage fracturing tools and started deploying them in major markets across China. On top of that, the Group also developed design capabilities on integrated stimulation solutions.

- Pressure pumping service mainly targeted the Erdos region. In 2014, customers in the region started public tenders, which invited further competition and exerted downward pressure on price. At the same time, customers delayed operation schedules and project starts. In Southwest China, the Group successfully introduced the integrated service model on pressure pumping, but progress of market opening-up on shale gas market fell short of expectation. In the Sichuan Basin, pressure pumping equipment was under-utilized. As the Group finalized capacity building for pressure pumping, it added 25,000 HHP of additional pressure pumping. As at 31 December 2014, its entire 100,200 HHP capacity had been fully operational. In the Erdos region, it secured a solid year-round order. Service capacity building was close to expectation, bringing much higher topline growth in 2014 as compared with 2013.

- Coiled tubing business welcomed the arrival of 2 sets of coiled tubing equipment in 2014. As at 31 December 2014, the Group owned 9 units of coiled tubing equipment. In the Erdos region, this product line received fewer orders and faced tougher competition. Utilization fell and both unit price and workload took a hit. This led to significantly lower revenue in the local market. Domestically, the Group responded to customers' needs for natural gas development by introducing new technologies and processes to address enhancement and stimulation needs. In overseas markets, the Group solidly advanced services such as coiled tubing acidizing and gas lift in Iraq to continuously gain new orders from existing and new markets. As a result, the product line prospered in Iraq and business picked up steadily.

- Oilfield chemicals product line and pressure pumping service generated positive synergies. The development of oilfield chemicals would help the Group improve its comprehensive value chain for fracturing. On 11 January 2015, the Group announced the acquisition of KMS Oilfield Technology Limited and its affiliated companies. KMS, which has technological and R&D strengths on the application of oilfield chemicals in reservoir reengineering, oilfield sand control and reservoir protection, will become part of this product line to boost its competency in terms of product range and R&D and to form synergies with the Group's other product lines within the down-hole cluster.

- The ceramic proppant production line ran continuously and reliably. The production line built by the Group for ceramic proppant, a critical material used in fracturing, officially commenced production in June 2014 and has since enjoyed a smooth run. This made the Group the first Chinese ceramic supplier capable of meeting world-leading KPIs including strength and density. It enabled the Group to further integrate along the value chain of fracturing. Due to issues related to entry qualification and market situation, sales under this product line was relatively sluggish.

- Production operation service continued its business development efforts abroad. Building on its existing business, it received a new CPF project in 2014 on which production already commenced. The revenue generated exceeded that of last year. In addition, a CPF power plant operation contract was won. The Group sees strong upside for this product line going forward.

- Workover service officially went online in 2014. Although only one workover rig was in operation for only one quarter in 2014, the product line managed to penetrate new markets in Northwest China by seizing the opportunities of market-based reform of oil companies where the Group would start managing 16 workover rigs supplied by the customer in 2015. At the same time, four of the Group's self-owned workover rigs also gained entry qualification to the Tarim region. This paved the way for this product line to become one of the major growth drivers for the Group in 2015. This product line helps the Group target clients' operating expenditure, strengthen its service capacity in the production stage of oilfield development, generate a stable, long-term revenue stream and improve the revenue structure of the Group, hence increasing its resilience against risks.

Drilling Technology Cluster

In the 12 months ended 31 December 2014, the drilling technology cluster posted RMB532.9 million in revenue, a decline of 9.6% from RMB589.4 million in 2013. The declining revenue of this cluster was mainly due to a significant drop in revenue on drilling fluid as the challenging market environment led to higher competition and the under-utilization of rigs and other equipment. On the other hand, customers placed more emphasis on cost reduction and efficiency gains and further pursued cooperation on reservoir production management and general contracting of integrated services.

The drilling technology cluster comprises the integrated module and drilling module, more specifically:

Integration module:

1) Reservoir production management. In 2014, this product line recorded RMB61.1 million in revenue.

2) Integrated project management service. Under this product line, the Group provides integrated project management (IPM) service through "Tongzhou Integrated Oilfield Technology Co., Ltd." ("Tongzhou IPM"), a joint venture with Schlumberger. Under current market conditions, as customers became more cost conscious and efficiency-driven, there is buoyant demand for affordable integrated services.

Drilling module:

1) Integrated drilling service. In 2014, this product line booked RMB131.1 million in revenue, an increase of 4.7% from RMB125.2 million in 2013.

2) Directional drilling. In 2014, this product line booked RMB193.6 million in revenue, a decrease of 20.3% from RMB242.9 million in 2013.

3) Drilling fluid service. In 2014, this product line recorded RMB70.6 million in revenue, a decline of 62.5% from RMB188.4 million in 2013.

4) Land drilling service. In 2014, this product line booked RMB74.9 million in revenue, an increase of 127.7% from RMB32.9 million in 2013.

5) Oilfield waste management service. This product line provides waste and pollutants management service throughout oil and gas exploration and development such as oil-based drilling fluid and drill cutting treatment and fracture flowback fluid treatment. It was launched in the first half of 2014 and recorded RMB1.6 million in revenue in 2014.

EBITDA of the drilling technology cluster decreased 37.4% from RMB136.5 million in 2013 to RMB85.4 million in 2014. EBITDA margin for 2014 was 16.0%, down 7.2 percentage points from 23.2% in 2013, mainly caused by lower profit margin from intensified competition of integrated drilling service.

Major Development in the Drilling Technology Cluster

- Reservoir production management service completed general contracting projects of unconventional oil and gas development such as shale gas and tight oil projects in other regions across China. It drove growth for and created strong synergies with the Group's other product lines including land drilling service. Meanwhile, the Group set up specialist teams for reservoir evaluation, economic assessment and development plan design and amassed the capabilities for integrated reservoir production management service. This laid a solid foundation for the full-fledged development of the reservoir production management service model in the future.

- Integrated drilling service mainly focuses on providing integrated turnkey solutions for customers in the drilling stage. In 2014, gross margin of this product line dropped but the Group engaged customers in Northwest China for integrated multilateral well project and non-NOC customers in the Bohai Rim. Meanwhile, as the industry shifted and oil companies became more efficiency-driven, the Group saw a significant pickup in demand for cost-officient drilling optimization services.

- Directional drilling service saw compressions of its billing rate and profit margin due to rising competition in major domestic markets. Losses occurred on a few projects. On the other hand, this business line continued to grow rapidly in overseas markets. In terms of service capacity, in the fourth quarter of 2014, the Group moved away from the model of leasing tools from third parties for service and instead ordered three sets of rotary steerable system, which would likely deliver a strong boost to the Group's ability to offer premium directional drilling services and to profit. At the same time, the Group's Tianjin repair facility for directional drilling tools was in operation, which could equip the Group with in-house capabilities for equipment repair and assembly and significantly reduce the costs of production and operation.

- Land drilling service had a lower-than-expected equipment utilization rate for the first half due to project delays in the Erdos region, but in the second half, all 7 rigs owned by the Group were deployed and received stable orders. In the meantime, the Group gradually garnered international recognition for its land drilling service, winning the bid for two rigs in Iraq in July 2014, the first overseas order for the Group's land drilling service. This will help the Group increase profitability and drive the expansion of its other overseas business activities. The above-mentioned 2 rigs already arrived in Iraq in early 2015 to perform jobs pending instructions from the customer. At the same time, the Group's own rigs won a bid in the Erdos region and were on standby for operation pending customer instructions.

- Drilling fluid service saw a significant drop in revenue on oil-based mud due to a challenging external environment and reduced investment in the Tarim region. At the same time, the Group made progress on water-based mud service, winning multiple well jobs.

- Oilfield waste management service, officially launched in the first half of 2014, targets the state's increasingly stringent environmental requirements on oil and gas development. This business line was developed primarily for providing waste management service throughout oil and gas exploration and development such as oil-based drilling fluid and drill cutting treatment and fracture flowback fluid treatment. It already commenced engineering operation in Northwest China and Southwest China in 2014 and moved in full swing into the shale gas segment in Fuling, Weiyuan and Changning.

Well Completion Cluster

In the 12 months ended 31 December 2014, the well completion cluster recorded RMB456.6 million in revenue, down 16.7% compared with RMB547.9 million in 2013. In 2014, due to declining investment from old oilfields and customers' switch from the original gravel packing technology, gravel packing service took a blow. However, through its competitive proprietary well completion tools and sand and water control products and services, the Group secured growth on well completion integration service.

The well completion cluster comprises the following businesses:

1) Well completion integration. This business includes integrated well completion service, well completion tools, sand and water control products and technical services, and wellhead and artificial lift-related products and technical services. In 2014, this business line recorded RMB380.1 million in revenue, up 0.5% from RMB378.1 million in 2013.

2) Gravel packing service. This business line operates through Shandong Precede, a majority-owned subsidiary acquired by the Group in 2008, which offers gravel packing well completion products and services. In 2014, this business line recorded RMB76.5 million in revenue, a decrease of 54.9% from RMB169.8 million in 2013.

EBITDA of the well completion cluster decreased by 29.6% from RMB197.7 million in 2013 to RMB139.1 million in 2014. EBITDA margin for 2014 was 30.5%, down by 5.6 percentage points from 36.1% in 2013, which was mainly attributable to lower margin from Precede, the majority-owned subsidiary of the Group, due to customers' switch from original completion technology.

Major Development in the Well Completion Cluster

- In 2014, the Group derived less revenue from well completion integration service due to investment contraction in the Tarim market. In terms of reservoir evaluation capabilities, the Group brought in specialists on reservoir profiling and dynamic evaluation and deployed professional reservoir evaluation software for additional support. With a robust set of reservoir geological evaluation and analytical capabilities, the Group advised multiple domestic markets on well completion operations and gained encouraging results.

- In 2014, the well completion tools product line received fewer jobs and faced tougher competition on price due to a challenging domestic market environment and declining customer spending. As a result, its profit was compressed. Against this backdrop, the Group completed its well completion tools base in Tianjin, thus enabling full in-house production of proprietary well completion tools. The Group expects a cost reduction of 15% to 20% will materialize after switching from procurement to self-production of proprietary tools. With technological sophistication and a cost advantage, the Group already enjoys a competitive edge on its well completion tools. Overseas, as customers changed well completion technologies in Iraq, order book shrank marginally. In North America, in partnership with international oilfield service firms, the Group continued to make inroads into the Canadian market with its sand and water control solution. In South America, the Group gradually launched its well cementing and well completion tools business on the back of its sand and water control business. Overseas, this product line achieved overall growth.

- Sand and water control business stumbled in the domestic market as market protectionism worsened in a downtown amid investment declines and cost constraints, but in overseas markets, it made a breakthrough in the Americas thanks to a perfect fit for heavy oil recovery needs. In Colombia, the Group diversified its offering from sand screen products to tailored sand control field engineering service for customers. This brought growth to this product line and helped check the decline on the well completion cluster in a challenging market environment.

- Gravel packing revenue fell significantly as compared with 2013 as a result of declining investment by old oilfields and changes in well completion technologies.

Tubular Services Cluster

In the 12 months ended 31 December 2014, the tubular services cluster posted RMB221.9 million in revenue, a decrease of 29.5% from RMB314.7 million in 2013. The lower revenue number was the result of dampened customer investment, intensified market competition and project delays. At the same time, recognizing customers' rising safety consciousness, the Group focused on inspection and evaluation service and further cemented this product line for large-scale development through mergers and acquisitions.

EBITDA of the tubular services cluster decreased by 33.7% from RMB149.5 million in 2013 to RMB99.1 million in 2014. EBITDA margin for 2014 reached 44.7%, down 2.8 percentage points from 47.5% in 2013.

Major Development in the Tubular Services Cluster

- Revenue on inspection and evaluation service declined due to sluggish customer spending and dampened demand for drilling tools inspection. In 2014, through investing in Sichuan Chengliang Inspection Services Co., Ltd, the Group acquired multiple qualifications on inspection and calibration. The investment laid a solid foundation for the large-scale development of the product line and for the Group to become a leading independent third-party inspection service provider. In addition, the Group also launched in-service pipeline evaluation service in Northwest China.

- Drilling tools leasing business comprises drilling tools leasing, repair, anti-corrosion treatment and product sales. Declining investment in the Tarim and Erdos regions dented the demand for and eroded the revenue on drilling tools leasing, repair and anti-corrosion treatment. In 2014, the Group focused on drilling tool integration service and mud rotor rental service and started offering integrated drilling tool leasing solutions to customers.

- Oil tubing and casing and anti-corrosion technology business saw both orders and revenue on oil tubing and casing repair and anti-corrosion treatment service decline as customers cut investment. At the same time, the Group developed accessory processing service.

Alignment of Strategic Resources

In 2014, the Group proactively deployed and aligned strategic resources for investment, R&D and human resources. The market situation remains challenging while the Group has reached its preliminary target in building regular services capacity, and a portfolio of product lines and technical services covering the entire process of oil and gas field development has been completed. Against this backdrop, the Group reined in capital expenditure in strict alignment with its business conditions and cash flow situation. Its focus shifted from creating new product lines to cementing and growing existing product lines. In the meantime, it continued to develop light-asset product lines while focusing on technological innovation and continued optimization and streamlining of its human resources. In 2014, the Group made RMB567.6 million in capital expenditure, a decrease of 34.3% compared with RMB864.5 million in 2013.

Alignment of Investment

In 2014, the Group has moderated its pace of equipment investment from big strides to steady steps. It continued to execute the investment plans from 2013 for regular services capacity such as drilling rigs and pressure pumping equipment, and managed to control its total capital expenditure. On the other hand, it commenced structural adjustments to its incremental capital expenditure by favoring production service, which targeted customers' operating costs, and oilfield waste management service. The Group also strengthened the development of reservoir technical service capabilities and increased service capabilities on light-asset product lines such as inspection service and oilfield chemicals through investment and acquisition.

Major Investment in Equipment and Facility

- On pressure pumping, the Group invested in 25,000 HHP additional pressure pumping capacity in 2014. As at 31 December 2014, it was equipped with a pressure pumping service capacity of 100,200 HHP. Meanwhile, the production line built by the Group for ceramic proppant, a critical material used in fracturing, officially commenced production in June 2014 and passed a smooth trial run. Its technical specifications continued to improve to cater to the needs of shale gas projects. This means the Group had further integrated along the value chain of fracturing and formed integrated pressure pumping service capabilities together with the Group's fracturing technology, process, tools and equipment. On coiled tubing, the Group added 2 coiled tubing operation teams in 2014. As at 31 December 2014, the Group had 9 coiled tubing operation teams active on the ground. On land drilling service, the Group received 3 new drilling rigs in 2014. As at the date of this Announcement, the Group owned 7 rigs, 2 of which were awarded a land drilling project in Iraq in the second half of 2014. On directional drilling, the Group purchased 3 sets of rotary steerable system in the fourth quarter of 2014, which would likely boost the Group's capacity for premium services under the directional drilling product line.

- In terms of building proprietary manufacturing capacity and facilities, as at the date of this Announcement, the manufacturing workshop of the well completion tools base in the Tianjin Binhai New Area was mostly completion, with the final completion expected sometime in 2015. This would fully prepare the Group for its proprietary well completion tools.

Major Investment in Merger and Acquisition

- In March 2014, the Group made a RMB2.9 million investment in Sichuan Chengliang Inspection Services Co., Ltd, thereby gaining access to multiple qualifications on inspection and calibration. The investment laid a solid foundation for the Group to develop light-asset inspection and evaluation services at a large scale to cater to customers' security needs and to become an independent third-party inspection service provider in China.

- In January 2015, the Group announced the acquisition of Beijing KMS Oilfield Chemicals and Technology Limited and its affiliated companies for RMB101 million. KMS, which has technological and R&D strengths on the application of oilfield chemicals in reservoir reformation, oilfield sand control and reservoir protection, will become part of this product line to boost its competency in terms of product portfolios and R&D, and to form synergies with the Group's other product lines within the down-hole cluster.

Alignment of R&D Resource

In 2014, the Group prioritized its R&D efforts on the development of proprietary well completion tools, especially for the more cost-sensitive markets. This could enable the Group to lower costs and boost efficiency for its customers. In 2014, the Group invested RMB126.8 million in R&D, a rise of 44.9% compared with RMB87.5 million in 2013 due to increased R&D efforts of the Group.

Key R&D Projects

- Horizontal well multi-stage fracturing with cement infusion
- Rotary liner hanger
- Coiled tubing and casing interior multi-stage reengineering
- New cement paste system for well cementing

Alignment of Human Resources

Human resources is crucial to building a world-leading oilfield technical service company. The Group has always prioritized talent cultivation as part of its strategic resource alignment program. In 2014, against challenging market conditions, on one hand, the Group strictly enforced the performance review system and optimized and streamlined human resources across all businesses and promoted internal redeployment of staff in order to make more productive use of its human resources and to boost overall efficiency. On the other hand, the Group continued to introduce experienced industry leaders and improve its talent management and nurturing program to provide robust strategic talent reserves for the Group.

Major Development on Human Resources

- Enforced a staff size cap and optimized and rightsized human resources across all businesses. In response to the challenging market situation, the Group strengthened performance review and elimination of disqualified employees.
- Commenced structural adjustment to human resources and accelerated internal redeployment. In 2014, in light of the development under each product line, the Group completed altogether over 400 person times of internal transfer. Employees of departments with lighter workload were reassigned to emerging product lines secured by order backlogs and in need of tremendous manpower such as production service and oilfield waste management service, making more productive use of the Group's manpower.
- In terms of campus recruitment, the Group articulated the three programs of "leap forward program", "world-class talent reserve program" and "best career program" and continued to bring in the brightest university graduates. The Group also improved its internal talent nurturing program by honing its training system, creating skill matrices for each position, defining training objectives and developing courses for professional skills enhancement.
- In 2014, the Group granted a total of 24,212,000 ordinary share options to more than 280 best performing employees and core staff members, 21,700,000 shares of which were exercisable at HKD5.200 per share and 2,512,000 shares of which were exercisable at HKD3.120 per share.

Major Development on Cost Discipline

Recognizing the tough market environment, the Group developed cost discipline objectives in 2014. As at 31 December 2014, the Group made cost reductions primarily in the following areas:

- Cost of raw materials and technical services. The cost reduction was achieved by promoting proprietary tools and accessories, making standardized processes and strengthening procurement management.
- Cost of human resources. Please refer to "Major Development on Human Resources".
- Cost of day-to-day operation. The cost reduction was achieved by promoting tendering and settlement audit and increasing the efficiency of logistic support items.
- Financial costs. The cost reduction was achieved mainly by improving offshore capital management, creating new financing channels, promoting the collection of account receivables and replenishing cash on balance sheet.

Outlook

Looking into 2015, the market will remain formidable due to industry readjustment and deflated oil prices. It is not expected to recover any time soon. There is growing uncertainty, rising competition and excess capacity in oilfield service. All this will continue to impact on the Group's revenue, profit and payment collection. The Group also expects, as environmental requirements tighten for domestic oil and gas development, more project delays may unfold in some parts of the domestic market due to land expropriation challenges related to environmental concerns. On the overseas front, falling international oil prices have forced multinational oil companies to pare down their capital spending budgets for 2015. This will deliver a particularly painful blow to resources development where the cost of recovery is relatively higher. Therefore, the situation still looks difficult. The Group is likely to feel the impact on its overseas business including the Americas. E&P of lower-cost resources in the Middle East will take a mild hit, but in markets such as Iraq, the Group still expects to come under greater cost pressure from its customers.

However, despite declining customer spending at home in the short run, operating costs remain stable. Oil production service which targets operating cost is likely to fare reasonably well. To maintain production levels, after slashing capital expenditure, customer demand for oilfield technical services is expected to rebound. Furthermore, as the domestic market for oilfield technical services further opens up and as oil companies pursue more advanced internal reforms, the domestic market for oilfield services will gradually recover. With the advantages associated with its established brand and integrated services model, the

Group has a better chance of winning orders. In the meantime, as customers search for lower costs and higher efficiency, the opportunities on unconventional oil and gas resources such as tight gas, tight oil and shale gas will start to flourish, generating more market possibilities for the Group given its attractive integrated services model. In the long run, oilfield services will open up gradually as the country moves forward on energy reform. Domestic demand for natural gas will increase further. The positive trend of growing domestic demand for oilfield technical services remains unchanged. The Group will leverage its advantages on product lines and comprehensive market coverage, focus on key regions, fully participate in project competition and maintain its market share.

Overseas markets such as Iraq still present good prospects thanks to relatively low costs. Iraq is investing more to increase production against falling oil prices. Notwithstanding the destabilizing factors, the continued efforts to boost production will in turn generate undiminished demand for oilfield technical services. NOCs and IOCs in the Americas are actively reaching out to the Group for partnership when price comes under pressure. This shows the competitive offering and comparative cost advantage of the Group. In overseas markets, the Group will leverage its broad market network, capture the opportunities in hotspot regions, engage oil companies looking to cut costs and increase efficiency and stabilize its foothold in other markets.

On products, oil companies now attach greater importance to maximizing returns in the current market climate. The Group is now in the process of optimizing and reconfiguring its product lines around such customer needs as stimulation, optimization, cost efficiency as well as safety and environment protection. It is expanding and strengthening existing product lines and concentrating resources to promote new technologies and processes that maximize output and cut costs. It is also improving its own capabilities for reservoir geological study and promoting its advantages of product lines covering the entire process of oil and gas production and its integrated service model. In the meantime, as the country introduces more stringent safety and environmental protection requirements, oil companies have a growing appetite for oilfield waste management and safety inspection services. Recognizing such rising safety and environmental protection requirements of its customers, the Group will continue to promote oilfield waste management service in major markets. In addition, facing declining investment from customers, the Group is accelerating the development of oil production service which targets customers' operating expenditure. This will likely generate more stable, long-term income for the Group and improve its income structure.

On human resources, the Group will intensify efforts to optimize and rightsizing its workforce. After dismissing some employees in 2014 for failing the performance review, the Group plans to enforce more rigorous performance review and optimize and streamline its workforce in 2015. In addition, the Group is transferring employees in departments with relatively lower workload to product lines with full order backlogs and an imperative need for manpower such as oilfield waste management service and oil production service, so as to make more productive use of its human resources and control overall labor costs. At the same time, the Group will continue to nurture talent from within and build a team of professional managers with good ethics.

On capital management, the Group will exercise strict cash flow control by matching payment of accounts payable with collection of accounts receivable, and strictly control capital expenditure in line with its expected cash flow and business situation. On financial costs, on the one hand, the Group will rigorously watch and manage KPIs such as leverage ratio. It is also actively looking for new ways of financing to lower costs. On the other hand, by establishing special workgroups and unfolding specific incentive measures, the Group intensifies payment collection to provide sufficient short-term funds. On short term debt, in May 2015, one batch of medium-term notes worth RMB 300 million will mature. The Group has reached an initial intent with a bank regarding the refinancing of such MTNs and has clearly defined together a project implementation plan and timetable. In January and February 2015, the Group has achieved positive cash flow. The Group has taken effective measures to promote accounts receivable collection. During the period between 1 January 2015 to 28 February 2015, the Group has collected approximately RMB401 million (unaudited) of accounts receivable in total, thus improving AR turnover days and relieving the working capital pressure on the Group.

On technological research, the Group will prioritize the development of proprietary well completion tools to build advantages on technology and brand. On QHSE management, the Group will focus on risk management, comprehensively raise quality control level, build the QHSE brand and increase the brand competitiveness of the Group.

In 2015, the oil and gas industry will continue to operate amid market adjustments. The environment remains daunting, but the ability of the Group to make swift changes by fully strengthening project operation, technology deployment and quality control, will likely boost the Group's business performance. As oil companies show increasing demand for cost control and efficiency gains, independent oilfield service companies are more likely to receive greater development opportunities. In the long run, domestic energy reform is leading to further opening up and empowering oilfield technical service providers to realize healthy and stable growth.

FINANCIAL REVIEW

In order to provide investors with a more direct analysis of the Group's cost structure, the Group has since 2012 adopted an accounting format consistent with its internal management, which classifies costs and expenses by function instead of classification by nature as in previous disclosures. The new format helps investors to better analyze direct cost of sales and major expenses.

Revenue

The Group's revenue in 2014 amounted to RMB2,071.2 million, representing a decrease of RMB462.3 million or 18.2% as compared to RMB2,533.5 million in 2013. The decrease in the Group's revenue was mainly attributable to the adjustment in the domestic market and decrease in international oil price since the second half of 2014 which has led to the difficult condition for the domestic and international oil and gas industry, the delay or cancellation of certain projects, the competitive oilfield services industry and the resulting increased downward pricing pressure.

Costs of Sales

The costs of sales in 2014 increased to RMB1,425.8 million, representing an increase of 1.0%, from RMB1,411.0 million in 2013. The increase was mainly attributable to higher raw material cost as well as the rising of fixed costs, including depreciation and labor costs.

Other Gains

Other gains in 2014 decreased to RMB-1.8 million from RMB20.0 million in 2013. The decrease was mainly attributable to an absence of substantial disposal of subsidiaries and less subsidy revenue granted by the PRC government in 2014.

Selling Expenses

Selling expenses in 2014 amounted to RMB190.9 million, representing an increase of RMB17.8 million or 10.3% as compared to RMB173.1 million in 2013. This was mainly attributable to higher cost for maintaining market share in the harsh market environment.

Administrative Expenses

Administrative expenses in 2014 amounted to RMB361.2 million, representing an increase of RMB61.4 million or 20.5% as compared to RMB299.8 million in 2013. This was mainly attributable to higher labor costs in administrative departments. The Group will continue to enforce rightsizing and adjustment of human resources.

R&D Expenses

R&D expenses in 2014 amounted to RMB37.6 million, representing a decrease of RMB26.8 million or 41.6% as compared to RMB64.4 million in 2013. This was mainly attributable to higher R&D success rate.

Sales Tax and Surcharges

The sales tax and surcharge in 2014 amounted to RMB16.0 million, representing a decrease of RMB16.8 million or 51.2% as compared to RMB32.8 million in 2013. The decrease was mainly due to the reform of national tax system whereby taxes borne by certain businesses were changed from sales tax last year to value-added tax, which were not included in sales tax and surcharges.

Operating Profit

As a result of the foregoing, the operating profit of the Group in 2014 amounted to RMB38.0 million, representing a decrease of RMB534.4 million or 93.4% as compared to RMB572.4 million in 2013. The operating profit margin for 2014 was 1.8%, representing a decrease of 20.8 percentage points from 22.6% in 2013.

Finance Costs (Net)

Net finance costs in 2014 was RMB178.5 million, an increase of approximately RMB105.8 million or 145.5% as compared to 2013. The increase was mainly due to the USD senior note issued at the end of 2013 by the Group.

Share of Loss of a Joint Venture

The share of loss of a joint venture in 2014 amounted to RMB19.1 million, mainly because of losses recorded in the joint venture "Tongzhou IPM".

Income Tax Expense

Income tax expense in 2014 amounted to RMB31.3 million, representing a decrease of RMB55.5 million or 63.9% from 2013, mainly due to prominent tax planning in entities of the Group which recorded net profit in the second half of 2014 leading to no further income tax expense, and the deferred income tax of entities which recorded net loss in the second half deducting income tax expense occurred in the first half.

Profit for the Year

As a result of the foregoing, the Group's loss for 2014 was RMB190.8 million, representing a decrease of RMB593.9 million, or 147.3%, from 2013.

Profit Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company in 2014 amounted to RMB198.2 million, as compared to a profit a RMB382.6 million in 2013.

Trade and Notes Receivables

As at 31 December 2014, the Group's net trade and notes receivables were RMB1,558.2 million, representing an increase of RMB255.9 million as compared to 31 December of 2013. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in 2014 were 228 days, representing an increase of 78 days as compared to 2013. This was mainly attributable to difficult market conditions and customers adjusting their operating strategy.

Inventory

As at 31 December 2014, the Group's inventory was RMB709.7 million, representing an increase of RMB169.0 million as compared to 31 December 2013, mainly due to delays of certain projects of the Group.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the Group's cash and bank deposits amounted to approximately RMB840.1 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of RMB962.5 million as compared to 31 December 2013.

As at 31 December 2014, the Group's outstanding short-term bank loans amounted to RMB693.9 million. Credit facilities granted to the Group by domestic banks in China amounted to RMB1,070.0 million, of which approximately RMB446.3 million were not used. Credit facilities granted to the Group by foreign banks in China amounted to RMB80.0 million remains unused. The aggregate principal amount of Medium-term Notes of the Group registered at the National Association of Financial Market Institutional Investors totals RMB500.0 million.

As at 31 December 2014, the gearing ratio of the Group was 66.9%, representing an increase of 6.7 percentage points from the gearing ratio of 60.2% as at 31 December 2013. This was mainly due to an increase in working capital loans.

The equity attributable to equity holders of the Company decreased from RMB2,282.7 million as at 31 December 2013 to RMB2,053.9 million as at 31 December 2014.

EXCHANGE RISK

The Group mainly conducts its business in RMB. Some imported and exported goods require to be settled in foreign currencies. The Group believes that the exchange risk involved in the settlement amounts being denominated in foreign currencies is insignificant. The exchange risk of the Group mainly arises from its foreign currency deposits and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position.

CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 31 December 2014, net cash outflow from operating activities of the Group amounted to RMB619.9 million, representing an decrease of RMB998.4 million compared to 2013. This was mainly because of the difficult market conditions leading to lower profit margin for the Group, and the adjustment of operating strategy of oil company customers which led to longer payment terms.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2014 was RMB567.6 million, of which, investments in fixed assets were RMB457.8 million, investments in intangible assets (including land use rights) were RMB99.9 million, the payment for the equity investments was RMB9.9 million. The Group's net capital expenditure was RMB575.6 million, which included an 8.0 million term deposit with initial terms of over three months.

The Group has budgeted approximately RMB400.0 million for capital expenditure in 2015, which will be used in fulfilling equipment procurement contracts signed in 2014.

CONTRACTUAL LIABILITY

The Group's contractual commitments mainly consist of payment obligations under the Group's operating lease arrangements and capital commitments. The Group leases offices and certain equipment and machinery through operating leases. As at 31 December 2014, the Group's operating lease commitments amounted to approximately RMB56.8 million. As at the balance sheet date (31 December 2014), the Group had capital commitments of approximately RMB187.3 million, which was not provided for in the balance sheet.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2014, the Group did not have any off-balance sheet arrangement.

DIRECTORS' REPORT

The Board 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 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group provides oil and gas field development technical services, and tubular services covering the entire life cycle of oil and gas field development, including drilling, completion and production stages.

RESULTS OF OPERATIONS

The financial results of the Group for 2014 are set out on pages 69 to 140 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Group is set out on pages 8 to 9 in the section headed "Financial Summary" of this Annual Report.

FINAL DIVIDEND

At the Board meeting held on 25 March 2015, the Board did not recommend a payment of a final dividend for the year ended 31 December 2014 (2013: RMB0.0547 per share, totaling RMB120.0 million).

SUBSIDIARIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Group accounted for approximately 16.22% and 42.83% respectively of the Group's revenues for the year ended 31 December 2014.

For the year ended 31 December 2014, the total amount of purchases made by the Group from its five largest suppliers amounted to RMB404.0 million, and accounted for 28.05% of the total purchases for the year. The amount of purchases from the largest supplier amounted to RMB188.3 million, and accounted for 13.08% of the total purchases for the year. One of the five largest suppliers of the Group is an affiliate of Schlumberger NV, a substantial shareholder of the Company. Save as disclosed above, 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 Group for the year ended 31 December 2014 totaled RMB899.5 million. Details of movements are shown under Note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 16 to the financial statements.

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 REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2014, the Company repurchased a total 4,184,000 shares (2013: 4,452,000 shares) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$6,834,419 (before expenses) (2013: approximately HK$22,225,080). All the repurchased shares were subsequently cancelled by the Company during the year. Particulars of the repurchases were as follows:

Month of the repurchases		Number of ordinary shares repurchased	Purchase price per share *Highest* HK$	*Lowest* HK$	Aggregate consideration paid (before expenses) HK$
March 2014		202,000	5.0000	4.8600	997,981
November 2014		3,982,000	1.5000	1.4000	5,836,438
	Total:	4,184,000			6,834,419

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2014 are set out in Note 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the aggregate amount of reserves which is available for distribution to the equity shareholders of the Company was RMB966.8 million.

BOND AND SENIOR NOTES

Details of the bonds and senior notes are set out in Note 18 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Luo Lin	(appointed on 3 August 2007)
Mr. Wu Di	(appointed on 22 March 2010)
Mr. Liu Enlong	(resigned on 25 March 2015)
Mr. Pi Zhifeng	(appointed on 25 March 2015)

Non-executive Director

Mr. Jean Francois Poupeau	(resigned on 16 January 2015)

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 headed "Profiles of Directors and Senior Management" of this Annual Report.

In accordance with Article 130 of the Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Wu Di, an Executive Director shall retire and being eligible, will offer himself for re-election at the forthcoming annual general meeting (the "AGM") of the Company.

In accordance with the letters of appointment for all the Independent Non-executive Directors, namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, the Independent Non-executive Directors shall retire and being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 114 of the Articles of Association, Mr. Pi Zhifeng, the Executive Director, being eligible, will offer himself for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Mr. Luo Lin, being the Executive Director, has entered into a service contract with the Company for a term of three years commencing from 4 June 2013, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wu Di, being the Executive Director, has entered into a service contract with the Company for a term of three years commencing from 2 April 2013, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Pi Zhifeng, being the Executive Director, has not entered into any director service agreement with the Company. No designated length of service has been agreed between him and the Company but he will hold office until the next annual general meeting of the Company and will be subject to retirement by rotation and re-election in accordance with the Articles of Association. His remuneration as the Executive Director has not been fixed but if fixed, will be determined by the remuneration committee under the Board with reference to his duties and contribution, the Company's performance and remuneration policy and prevailing market condition.

The letter of appointment of each of Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, being the Independent Non-executive Directors, has been renewed by the Company for a term of one year commencing from 9 January 2015, which may be terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, no Director for re-election at the AGM 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 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

Mr. Jean Francois Poupeau, the former Non-executive Director, resigned effective 16 January 2015, is an Executive Vice President of Schlumberger Limited, the world's leading oilfield services company, which is engaged in similar businesses as the Group.

Save as disclosed above, none of the Directors and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") had an interest in any business which competes or may compete with the business in which the Group is engaged during the year.

Pro Development Holdings Corp. is beneficially controlled by Mr. Luo Lin, the Executive Director, who is the controlling shareholder of the Company.

The controlling shareholder and the Executive Directors have provided the Company with annual confirmations in respect of the compliance with non-competition undertaking given by them.

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

REMUNERATION OF DIRECTORS

In compliance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee (the "Remuneration Committee") to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Director's remuneration structure may include a director's fee, a fixed salary, share options and performance bonus. The Directors' remuneration is determined by the Board with reference to the Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 28 to the 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 considers that all the Independent Non-executive Directors, namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai to be independent.

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

As at 31 December 2014, 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 Part XV 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:

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

Name of Director	Note	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Luo Lin	1	Founder of a discretionary trust and beneficial owner	685,230,150	30.98%
Wang Mingcai		Beneficial owner	550,000	0.02%

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 676,842,150 shares. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust. Mr. Luo Lin also holds 8,388,000 shares of the capacity of a beneficial owner.

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

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

Save as disclosed above, at no time during the year ended 31 December 2014, the Directors and chief executive (including their spouses and children under the age of 18 years) had or was deemed to have any interests or short position, in the shares, underlying shares or debentures 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 2014, the Company had been notified of the substantial shareholders and other persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name of substantial shareholder	Note	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Credit Suisse Trust Limited	1	Trustee	676,842,150	30.60%
Seletar Limited	1	Trustee	676,842,150	30.60%
Serangoon Limited	1	Trustee	676,842,150	30.60%
Avalon Assets Limited	1	Trustee	676,842,150	30.60%
Pro Development Holdings Corp.	1	Beneficial owner	676,842,150	30.60%
Schlumberger NV	2	Interest of controlled corporation	423,361,944	19.14%

Notes:

1. The 676,842,150 shares referred to the same batch of shares.

2. Schlumberger Far East, Inc. directly holds 423,361,944 shares of the Company. Schlumberger Far East, Inc. is a wholly-owned subsidiary of Schlumberger Holding Limited. Schlumberger Holding Limited is a wholly-owned subsidiary of Schlumberger Oilfield Holding Limited. Schlumberger Oilfield Holding Limited is a wholly-owned subsidiary of Schlumberger NV.

Save as disclosed above, as at 31 December 2014, so far was known to the Directors, no other persons (other than the Directors or the chief executive of the Company) 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 register 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 and amended its terms on 27 May 2010 (the "Share Option Scheme"). The Share Option Scheme shall be valid and effective for a period of 10 years from 17 November 2007, 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 10% of the shares in issue as at the date of approval of the Scheme limit (i.e. 27 May 2010), being 209,305,400 shares.

As at the date of this Annual Report, the total number of shares available for issue which includes share options available to be granted and outstanding options under the Share Option Scheme was 111,203,482 shares, representing 5.02% of the issued share capital of the Company.

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 5 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.

As at 31 December 2014, the Directors individually and other employees of the Company in aggregate had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2014	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2014
Directors										
Zhang Yongyi	19 January 2012	19 January 2013 to 18 January 2015	1.072	2,9	250,000	–	–	–	–	250,000
	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	500,000	–	–	–	–	500,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19	–	244,000	–	–	–	244,000
				Subtotal:	750,000	244,000	–	–	–	994,000
Zhu Xiaoping	20 May 2011	20 May 2012 to 19 May 2014	1.450	2,8	250,000	–	250,000	–	–	0
	19 January 2012	19 January 2013 to 18 January 2015	1.072	2,9	250,000	–	250,000	–	–	0
	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	500,000	–	–	–	–	500,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19		244,000	–	–	–	244,000
				Subtotal:	1,000,000	244,000	500,000	–	–	744,000
Wang Mingcai	20 May 2011	20 May 2012 to 19 May 2014	1.450	2,8	500,000	–	500,000	–	–	0
	19 January 2012	19 January 2013 to 18 January 2015	1.072	2,9	250,000	–	–	–	–	250,000
	10 January 2013	10 January 2014 to 9 January 2016	3.878	2,14	500,000	–	250,000	–	–	250,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	5,19	–	244,000	–	–	–	244,000
				Subtotal:	1,250,000	244,000	750,000	–	–	744,000
Luo Lin	9 April 2010	9 April 2011 to 8 April 2014	0.750	1,6	80,000	–	80,000	–	–	0
	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	2,000,000	–	1,333,332	–	–	666,668
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	100,000	–	33,333	–	–	66,667
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	1,900,000	–	633,333	–	–	1,266,667
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	130,000	–	43,333	–	–	86,667
	21 June 2013	21 June 2014 to 20 June 2019	5.742	4,15	796,000	–	–	–	–	796,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	–	80,000	–	–	–	80,000
				Subtotal:	5,006,000	80,000	2,123,331	–	–	2,962,669

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2014	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2014
Wu Di	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	734,000	–	734,000	–	–	0
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	600,000	–	300,000	–	–	300,000
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	100,000	–	32,000	–	–	68,000
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	600,000	–	200,000	–	–	400,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	–	434,000	–	–	–	434,000
				Subtotal:	2,034,000	434,000	1,266,000	–	–	1,202,000
Liu Enlong	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	368,000	–	–	–	–	368,000
	19 January 2012	19 January 2013 to 18 June 2016	1.072	1,9	600,000	–	200,000	–	–	400,000
	18 June 2012	18 June 2013 to 17 June 2016	1.160	1,11	68,000	–	34,000	–	–	34,000
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	800,000	–	266,000	–	–	534,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	–	434,000	–	–	–	434,000
				Subtotal:	1,836,000	434,000	500,000	–	–	1,770,000

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Notes	Number of share options as at 1 January 2014	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2014
Employees in aggregate	9 April 2010	9 April 2011 to 8 April 2014	0.750	1,6	2,480,668	–	2,212,000	–	268,668	0
	23 November 2010	23 November 2011 to 22 November 2014	0.760	3,7	8,852,000	–	8,852,000	–	–	0
	20 May 2011	20 May 2012 to 19 May 2015	1.450	1,8	15,265,330	–	11,360,668	–	300,000	3,604,662
	19 January 2012	19 January 2013 to 18 January 2016	1.072	1,9	28,126,772	–	11,160,656	–	468,670	16,497,446
	16 April 2012	16 April 2013 to 15 April 2016	1.240	3,10	5,700,000	–	3,180,000	–	–	2,520,000
	18 June 2012	18 June 2013 to 17 June 2016	1.160	3,11	4,636,000	–	3,386,000	–	1,250,000	0
	22 November 2012	22 November 2013 to 21 November 2016	2.610	3,12	6,328,000	–	2,328,000	–	–	4,000,000
	22 November 2012	22 November 2013 to 21 November 2016	2.610	1,12	481,632	–	86,000	–	–	395,632
	28 December 2012	28 December 2013 to 27 December 2016	3.820	1,13	128,800	–	14,000	–	32,000	82,800
	10 January 2013	10 January 2014 to 9 January 2017	3.878	1,14	30,636,800	–	5,713,370	–	1,157,766	23,765,664
	21 June 2013	21 June 2014 to 20 June 2019	5.742	4,15	500,000	–	–	–	–	500,000
	28 June 2013	28 June 2014 to 27 June 2019	5.600	4,16	298,000	–	–	–	–	298,000
	16 August 2013	16 August 2014 to 15 August 2019	5.570	4,17	70,000	–	–	–	16,000	54,000
	20 November 2013	20 November 2014 to 19 November 2019	4.960	4,18	246,000	–	–	–	–	246,000
	12 May 2014	12 May 2015 to 11 May 2020	5.200	4,19	–	20,020,000	–	–	–	20,020,000
	18 September 2014	18 September 2015 to 17 September 2020	3.120	4,20	–	2,512,000	–	–	–	2,512,000
				Subtotal:	103,750,002	22,532,000	48,292,694	–	3,493,104	74,496,204
				Total:	115,626,002	24,212,000	53,432,025	–	3,493,104	82,912,873

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of forty-eight months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.

2. The option period for the share options granted above commences on the date of grant and ends on the last day of thirty-six months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of first and second anniversaries of the date of grant.

3. The grantee may not exercise the options to subscribe for shares until after twelve months from the date of grant. If the grantee has worked for less than twelve months, all options of the grantee will lapse automatically and will no longer be exercisable. If the grantee has worked for thirty-six months or above, the grantee can exercise all options. If the grantee has worked for twelve months or above but less than thirty-six months, the number of effective options the grantee actually obtains is "the number of options granted X the number of working quarters of the grantee/12 (only the number of full quarters is counted)". The remaining options will lapse automatically. All options are entitled to be exercised before the forth anniversaries of the date of grant.

4. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.

5. The option period for the share options granted above commences on the date and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of first and second anniversaries of the date of grant.

6. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.75*.

7. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.76*.

8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.44*.

9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.08*.

10. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.28*.

11. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.16*.

12. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$2.60*.

13. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.70*.

14. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.54*.

15. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.73*.

16. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.47*.

17. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.63*.

18. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$4.99*.

19. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$5.10*.

20. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$3.08*.

* Source from Bloomberg

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirement of the Listing Rules during the year and to the date of this Annual Report.

TAXATION

For the year ended 31 December 2014, 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.

DONATION

For the year ended 31 December 2014, the Company contributed a total of RMB0.69 million as charitable and other donations. In the future, the Company will continue to fulfill its commitment to be an enterprise with sound social responsibilities.

RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2014 are set out in Note 35 to the Financial Statements of this Annual Report.

On 24 April 2013, the Company entered into a master mutual supply and purchase agreement (the "Master Agreement") with Schlumberger NV ("Schlumberger"), pursuant to which the Group agreed to supply products and services to Schlumberger and Schlumberger agreed to supply and procure its affiliates to supply to the Group products and services for a period of three financial years until 31 December 2015. Please refer to the announcement of the Company dated 24 April 2013 and the circular of the Company dated 16 May 2013 for further details.

Schlumberger is a substantial shareholder of the Company interested in approximately 19.14% of the issued share capital of the Company as at 31 December 2014. Accordingly, Schlumberger is a connected person of the Company for the purpose of the Listing Rules and the entering into of the Master Agreement between the Company and Schlumberger constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Further, as the aggregate annual amount of the transactions under the Master Agreement exceeds 5% of the applicable ratios, the Master Agreement is subject to the reporting, announcement and Independent Shareholders' (as defined in the Announcement) approval requirements under Rule 14A.35 of the Listing Rules.

The Master Agreement was approved by the Independent Shareholders at an extraordinary general meeting of the Company held on 3 June 2013.

The transaction amounts pursuant to the Master Agreement during the financial year of 2014 were as follows:

	RMB'000	*US'000*
Supply of Products and Services by the Group to Schlumberger or Affiliates	47,009	7,682
Supply of Products and Services by Schlumberger or Affiliates to the Group	185,783	30,362

* The translation of Renminbi amounts into US dollar amounts has been made at rate of RMB6.1190 to US$1.00. The exchange rates are in the release of Bank of China on 31 December 2014.

The Independent Non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, the Company's auditors, were engaged to report on the Company's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company in accordance with Rule 14A.55 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

POST BALANCE SHEET EVENTS

Final Dividend

At a meeting held on 25 March 2015, the Board did not recommend a final dividend for the year ended 31 December 2014 (2013: RMB0.0547 per share, totaling RMB120.0 million).

CHANGE OF DIRECTORS

Resignation of Directors

On 16 January 2015, Mr. Jean Francois Poupeau has resigned as the Non-executive Director.

On 25 March 2015, Mr. Liu Enlong has been resigned as the Executive Director.

Appointment of Director

On 25 March 2015, Mr. Pi Zhifeng has been appointed as the Executive Director.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

There was no significant change in the Company's constitutional documents during the year ended 31 December 2014.

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 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 financial statements of the Group for the year ended 31 December 2014.

AUDITORS

The Company has appointed PricewaterhouseCoopers as the auditors of the Company for the year ended 31 December 2014. PricewaterhouseCoopers 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 ending 31 December 2015 will be proposed at the AGM.

By order of the Board

Luo Lin
Chairman

25 March 2015

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LUO Lin (羅林), aged 48, is the Chairman and Chief Executive Officer and the founder of the Group and is responsible for the overall business of the Group. Prior to establishing the Group, Mr. Luo worked at the Tarim Basin and was the Deputy General Manager of a subsidiary of the Southwest Petroleum Bureau (西南石油局) responsible for marketing from 1992 to 1999. Mr. Luo has 22 years of experience in the petroleum industry. He has an Executive Master of Business Administration (EMBA) degree from Tsinghua University and a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院). Mr. Luo is also a certified lawyer and a chartered accountant in the PRC.

WU Di (吳迪), aged 48, is an Executive Director of the Company. Mr. Wu joined the Group in 2010, and is now an Executive Vice President in charge of the business in Erdos Basin. Prior to joining the Group, Mr. Wu was employed by China National Petroleum Corporation (CNPC) between 1990 and 2010 and was appointed as the Chief Geologist of the Development Business Department of Tarim Oilfield Company (塔里木油田分公司) and the Director of its Development Department. He has more than 24 years of experience in the petroleum industry. Mr. Wu has a master's degree in oil and gas field development engineering from China University of Petroleum, Beijing and a bachelor's degree in oil reservoir engineering from Southwest Petroleum Institute (西南石油學院), and is also a senior engineer with professorship.

PI Zhifeng (皮至峰), aged 37, is the Executive Director and President of the Company, in charge of the overall business of the Group. Mr. Pi joined the Group in 2004, and was responsible for the management of strategies, business establishment and capital market. Prior to joining the Group, Mr. Pi was responsible for investment in China Chengxin Financial Consultancy Co., Ltd (中誠信財務顧問有限公司). Mr. Pi has a Master of Business Administration degree from the University of Chicago Booth School of Business in the U.S.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yongyi (張永一), aged 79, is an Independent Non-executive Director of the Company. Mr. Zhang has extensive experience in the petroleum industry. Mr. Zhang was appointed as the Deputy General Manager of CNPC in 1992. Prior to this, he had taught in the Southwest Petroleum Institute (西南石油學院) for more than 32 years. Mr. Zhang was appointed as 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 and appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998.

ZHU Xiaoping (朱小平), aged 66, is the Independent Non-executive Director. Mr. Zhu has extensive experience in corporate finance and is currently an Accounting Professor of the Renmin University of China (中國人民大學). He served as the Director of the China Accounting Society(中國會計學會理事) and Director of the China Audit Society (中國審計學會理事). Mr. Zhu is also a Director of Linzhou Heavy Machinery Group Co., Ltd. (林州重機集團股份有限公司) list on the Shenzhen Stock Exchange and China Resources Double-crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司) listed on the Shanghai Stock Exchange.

WANG Mingcai (王明才), aged 70, is the Independent Non-executive Director. Mr. Wang has extensive experience in the petroleum industry, and was 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).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), and Executive Director of Kunlun Energy Company Limited (昆侖能源有限公司), formerly named CNPC (Hong Kong) Limited (中國(香港)石油有限公司) (Stock Code: 0135), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

FAN Yonghong (范永洪), aged 44, is an Executive Vice President and Chief Technology Officer of the Company, and is responsible for product development, technology management and capital market, and in charge of strategic development, supply chain and integrated module. Mr. Fan joined the Group in 2004, and was responsible for the setup of the well service business and the management of business clusters of the Group. Prior to joining the Group, Mr. Fan was employed by PetroChina Tarim Oilfield Company (中石油塔里木油田分公司) between 1991 and 2004 and once served as the deputy section chief. He has 19 years of experience in the petroleum industry. Mr. Fan has an Executive Master of Business Administration (EMBA) degree from China Europe International Business School (CEIBS) and graduated from China University of Petroleum, majoring in petroleum engineering.

SHEN Haihong (沈海洪), aged 46, is an Executive Vice President of the Company, and is in charge of operation, quality control and QHSE management. Mr. Shen joined the Group in 2007, and was in charge of the tubular service cluster as well as operational management and operational support of the Group. Prior to joining the Group, Mr. Shen was employed by CNPC between 1991 and 2006 and was appointed as the deputy general manager of Toha Oilfield Drilling Company (吐哈石油鑽井公司), and as the deputy director of the Enterprises Department of Toha Directorate (吐哈指揮部企管處). He has more than 25 years of experience in the petroleum industry. Mr. Shen has a Master of Business Administration degree from Tsinghua University and a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院), and is also a senior engineer in well bore engineering.

LI Kang (李康), aged 50, is an Executive Vice President of the Company, and is in charge of the Group's human resources management, organizational development and talent management. Mr. Li joined the Group in 2012. Prior to joining the Group, Mr. Li was the human resources director of Asia-Pacific region at Motorola. He has 22 years of experience in human resources management. Mr. Li has a doctoral degree in management science from Tianjin University (天津大學).

GUAN Minjuan (關敏娟), aged 46, is an Executive Vice President of the Company, and is responsible for the Group's financial accounting, financial management and asset and capital management, and in charge of budget management, as well as supporting capital market. Ms. Guan joined the Group in 2014. Prior to joining the Group, Ms. Guan engaged in financial work in Petrochina Kunlun Gas Co.,Ltd. (中石油昆侖燃气有限公司). Ms. Guan has a Master of Business Administration (MBA) degree from National School of Development at Peking University(北京大学国家发展研究院).

LI Jingqun (李靜群), aged 51, is an Executive Vice President of the Company, and is responsible for knowledge management and standardization, and support quality control and field operations work. Mr. Li joined the Group in 2012. Prior to joining the Group, Mr. Li was Deputy Chief Engineer of CNPC Changqing Drilling and Exploration Company (中石油長慶鑽探). He has 28 years of experience in the petroleum industry. Mr. Li has a master's degree majoring in coal, oil and gas geology and exploration from Jianghan Petroleum Institute (江漢石油學院).

LI Pandeng (李攀登), aged 38, is an Executive Vice President of the Company, and is responsible for the drilling module, and supporting the management of drilling tools and services company. Mr. Li joined the Group in 2001, and was responsible for operation management, strategy management and tubular services. Prior to joining the Group, Mr. Li worked for PKU Management Consultants Ltd. (北大縱橫管理咨询公司). Mr. Li has a Master of Business Administration (MBA) degree from Tsinghua University.

LI Bingnan (李冰南), aged 46, is an Executive Vice President of the Company, and is in charge of the well completion cluster, Shandong Precede and PBL of the Group, as well as supporting internal audit, law, marketing and key accounts work. Mr. Li joined the Group in 2002, and was responsible for the business development of the Group in the early stage, marketing in the northwest market, management of the tubular service cluster, and human resources management of the Group. Prior to joining the Group, Mr. Li was employed by Jianghan Petroleum Bureau (江漢石油管理局) between 1991 and 2002, and was appointed as a manager for the environmental protection equipment plant of the Jianghan Petroleum Bureau in 2000. He has more than 24 years of experience in the petroleum industry. Mr. Li has an Executive Master of Business Administration (EMBA) degree from China Europe International Business School (CEIBS) and has a bachelor's degree in well bore engineering from Jianghan Petroleum Institute (江漢石油學院).

GONG Caixi (龔才喜), aged 53, is an Executive Vice President of the Company, and is in charge of the down-hole cluster, as well as supporting marketing and key accounts work. Mr. Gong joined the Group in 2014. Prior to joining the Group, Mr. Gong worked for North China branch of Sinopec. Mr. Gong has a bachelor's degree in Petroleum Geological Survey from Jianghan Petroleum Institute (江漢石油學院).

CHEN Wei (陳偉), aged 50, is an Executive Vice President of the Company, and is in charge of the business in other domestic markets, as well as supporting marketing and key accounts. Mr. Chen joined the Group in 2000, and was responsible for the management of the down-hole operation cluster, business development of the Group in the early stage and marketing in the southwest area and the domestic market. Prior to joining the Group, Mr. Chen was employed by CNPC between 1982 and 2000 responsible the for the general management of Chuan Zhong Oil and Gas Company (川中油氣公司). He has more than 31 years of experience in the petroleum industry. Mr. Chen has a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院).

MA Jian (馬健), aged 47, is an Executive Vice President of the Company, and is in charge of the Middle East market, as well as supporting overseas integrations projects, EPC projects, overseas drilling business as well as marketing and key accounts work. Mr. Ma joined the Group in 2002, and was responsible for business development of the Group in the early stage, marketing in the domestic market and various management operations. Prior to joining the Group, Mr. Ma worked at Halliburton China from 2000 to 2002 as a Well Bore Projects Manager. 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), and has 24 years of experience in the petroleum industry. Mr. Ma has a doctoral degree from China University of Petroleum and is a guest professor at Yangtze University (長江大學). Mr. Ma has a master's degree in business administration from Huazhong University of Science and Technology (華中科技大學) and a bachelor's degree in well bore engineering from Jianghan Petroleum Institute (江漢石油學院).

LIU Enlong (劉恩龍), aged 53, is an Executive Vice President of the Company, and is responsible for the Americas market, as well as supporting marketing and key accounts work, and supporting the CTO on technology cooperation work. Mr. Liu joined the Group in 2010. Prior to joining the Group, Mr. Liu was employed by Canadian Energy Technology Company in 2005 responsible for technical services, employed by CNPC between 1982 and 2001, and was appointed as the Deputy Manager and Chief Engineer of Tarim Oilfield No.4 Exploration Corporation (塔里木油田第四勘探公司) in 1997. He has more than 33 years of experience in the petroleum industry. Mr. Liu has a bachelor's degree in well bore engineering from Jianghan Petroleum Institute (江漢石油學院) and is also a senior engineer in well bore engineering.

COMPANY SECRETARY

Dr. NGAI Wai Fung (魏偉峰), aged 53, is the Company Secretary of the Company. Dr. Ngai currently is the director and chief executive officer of SW Corporate Services Group Limited. He is the president of the Hong Kong Institute of Chartered Secretaries. Dr. Ngai has over 23 years' experience and knowledge in senior management and professional matters in listed companies, including IPO, Merger and Acquisition, corporate financing, internal control, governance and company secretary etc. Dr. Ngai is a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He also is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Ngai obtained a Doctorate in Finance from the Shanghai University of Finance and Economics, a Master's degree in Corporate Finance from the Hong Kong Polytechnic University, a Master's degree in Business Administration (MBA) from Andrews University of the United States and a Bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom.

CORPORATE GOVERNANCE REPORT

Since the listing of its shares on the Stock Exchange on 14 December 2007, the Company is committed to maintaining high standard of corporate governance and has adopted the code provisions (the "Code Provision(s)") under Appendix 14 to the Listing Rules as its own code. The Company has been in compliance with all the applicable Code Provisions (other than those deviating from the Code Provision A.2.1).

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

CORPORATE GOVERNANCE STRUCTURE

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

- formulating long term strategies of the Group and supervising their execution, its subsidiaries and associated companies;
- approval of operational plan and financial budget;
- approval of the relevant annual and interim results;
- reviewing and monitoring the risk management and internal control of the Group; and
- ensuring good corporate governance and compliance.

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

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

BOARD OF DIRECTORS

Board Composition

The constitution of Board adheres strictly to the principle of ensuring balance, fairness and diversity in the backgrounds of our Board members, and the Board strives to recruit the most suitable candidates to lead the Group towards a rapid and healthy growth. As at the date of this Annual Report, the Board currently comprises three Executive Directors namely, Mr. Luo Lin, Mr. Wu Di and Mr. Pi Zhifeng, and three Independent Non-executive Directors namely, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai. The Chairman of the Board is Mr. Luo Lin. The background of these Directors brings different expertise and experiences to the Board. The biographical details of all the Directors are set out under the section headed "Profiles of Directors and Senior Management" of this Annual Report.

To the best knowledge of the Company, there is no relationship (including financial, business, family or other material relationship) among members of the Board.

Board Diversity

The Board recognised the benefits of diversity in the Board in enhancing the Board's effectiveness. In this regard, the Board has adopted a Board Diversity Policy (the "Board Diversity Policy") in August 2013 which sets out the approach to achieve diversity on the Board. The Nomination Committee will give consideration to a number of factors as set out in the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service. The Board is considered well balanced and of a diverse mix appropriate for the needs of the Company. The Company will also take into account its own business model and specific needs from time to time to determine the optimal composition of the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the year and up to the date of this Annual Report, the Company has not separated the Chairman's and Chief Executive Officer's duties and Mr. Luo Lin served as both Chairman and Chief Executive Officer. Mr. Luo was the main founder of the Group, he has been responsible for the operational management since the Group's establishment, and was instrumental to leading the development of the Group. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board is of the view that continuing to have Mr. Luo to serve as Chief Executive Officer of the Company will safeguard the continuity of the Group's operational management and can protect shareholders' interest.

Independence of Independent Non-Executive Directors

The Company has received annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Consequently, the Board 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.

During the year, the Company has complied with the requirements of Rule 3.10 of the Listing Rules and has at least three Independent Non-executive Directors, including one Independent Non-executive Director, Mr. Zhu Xiaoping, with appropriate professional qualifications or accounting or related financial management expertise. Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-executive Directors in compliance with Rule 3.10A of the Listing Rules.

All the Independent Non-executive Directors have served the Board since 17 November 2007.

Appointment And Re-Election of The Directors

The term of the appointment for the Executive Directors is three years and for the Independent Non-executive Directors is one year. According to the Company's Articles of Association, at every annual general meeting of the Company, one-third of the current Directors shall retire from office by rotation (or if the number of the Directors is not three or a multiple of three, then the nearest but not less than one-third) provided that each Director (including those appointed for a specific term but not including those appointed to fill a casual vacancy or as an addition to the existing Board in accordance with Articles 114 and 115) must retire by rotation at least once every three years. The retiring Directors can be re-elected and continue to participate in the relevant meeting in the capacity as Director.

The newly appointed Directors will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

The Company has arranged appropriate insurance cover to indemnify the Directors and officers of the Group for their potential liabilities incurred by them in discharging their duties.

Corporate Governance Functions

The Board has adopted the written terms of reference on corporate governance functions in March 2012 so as to perform corporate governance functions effectively. The relevant authority and duties are clearly set out in its terms of reference which are summarized as follows:

(a) To develop and review the Company's corporate governance policies and implementation on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and implementation on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) To review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report.

The following is a summary of the work performed by the Board on corporate governance functions during 2014:

(a) Reviewed the Company's corporate governance policy and the implementation thereof;

(b) Reviewed and monitored the code of conduct and compliance manual applicable to the Directors and employees;

(c) Reviewed the Company's compliance with the Code Provisions; and

(d) Reviewed the Board composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all the Directors have fully complied with the required standards stipulated in the Model Code during the year.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2014, the Directors confirmed that they have complied with the Code Provision A.6.5 on Directors' training. During the year, all the Directors have participated in continuous professional development by attending seminars and/or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	Topics on training covered (Notes)	Hours spent
Mr. Luo Lin	C, L, R	7
Mr. Liu Enlong (resigned on 25 March 2015)	C, L, R	7
Mr. Wu Di	C, L, R	7
Mr. Jean Francois Poupeau (resigned on 16 January 2015)	C, L, R	7
Mr. Zhang Yongyi	C, L, R	7
Mr. Zhu Xiaoping	C, L, R	7
Mr. Wang Mingcai	C, L, R	7

Notes:

C: Corporate governance

L: Listing Rules updates

R: Other relevant regulatory updates

BOARD/BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The Company has set up the Audit Committee, Remuneration Committee and Nomination Committee on 17 November 2007 and set up QHSE (Quality, Health, Safety, Environment) committee on 21 January 2013. During the reporting year, the Company had convened six Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and one QHSE committee meeting. Also, the Company had convened an Annual General Meeting during the reporting year.

Attendances of meetings by the Directors during the year were set out in the table below:

	Meeting attendance/number of meetings					
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	QHSE Committee Meeting	Annual General Meeting
Executive Directors						
Mr. Luo Lin (Chairman of the Board and Chief Executive Officer)	6/6	N/A	1/1	1/1	1/1	1/1
Mr. Wu Di	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Liu Enlong (resigned on 25 March 2015)	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Jean Francois Poupeau (resigned on 16 January 2015)	6/6	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Zhang Yongyi	6/6	2/2	N/A	1/1	N/A	1/1
Mr. Zhu Xiaoping	6/6	2/2	1/1	N/A	N/A	1/1
Mr. Wang Mingcai	6/6	2/2	1/1	1/1	N/A	1/1

In addition to the Board Meetings for results announcement, which are held twice per year, the Company also holds Board Meetings every quarter (the "Quarterly Meetings") to better exercise the strategic and monitoring roles of the Board. Senior management is invited to attend to enhance Board and management communications. The Quarterly Meetings mainly focus on key issues in four areas, i.e. strategic work, operation status, financial operation and budgeting, and capital market. Each quarter, a summary report is made on these four areas in the previous quarter and discussions are conducted on the plans in these areas for the next quarter. During the year, the dates of holding the Quarterly Meetings were set out as follows:

	1st Quarterly Meeting	**2nd Quarterly Meeting**	**3rd Quarterly Meeting**	**4th Quarterly Meeting**
Date	9 January 2014	21 April 2014	20 July 2014	27 October 2014

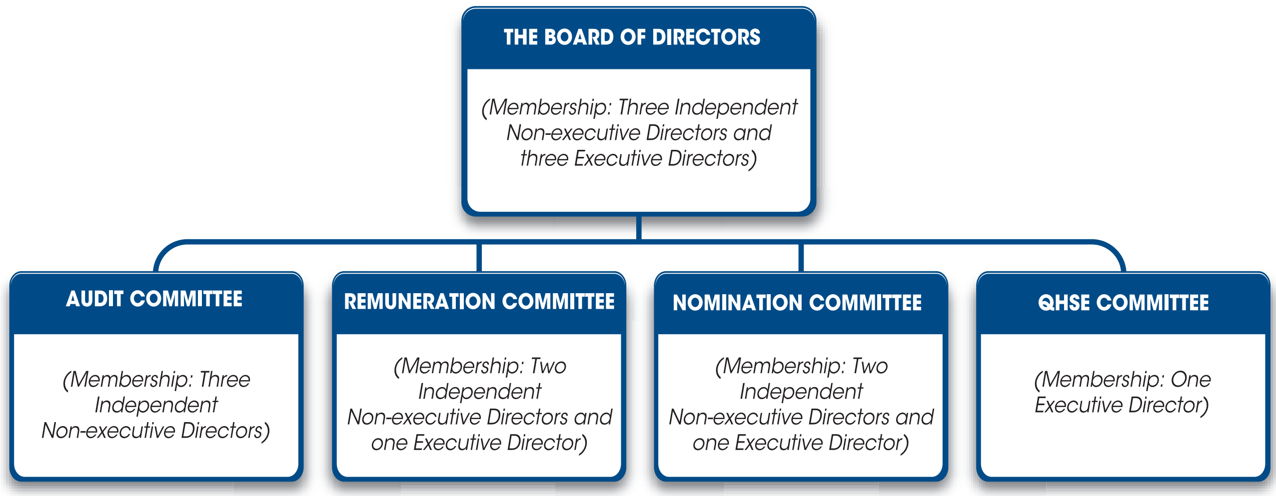
MONTHLY MANAGEMENT REPORT

During the inter-sessional period, each Executive Director receives a copy of the financial report and the management report each month, and holds business meetings with the management to obtain information of monthly operating conditions, monitor business progress, and mentor the management with effective planning.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (all chaired by Independent Non-executive Director) with defined terms of reference (available on the Company's website) since the listing of the Company, which are on no less exacting terms than those set out in the Corporate Governance Code.

In addition, the Board has also established QHSE (Quality, Health, Safety, Environment) Committee on 21 January 2013.



Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. To further reinforce independence and effectiveness, all the Audit Committee members are the Independent Non-executive Directors, and the Nomination and Remuneration Committees have been structured with a majority of the Independent Non-executive Directors as members since their establishment in November 2007.

Audit Committee

The Company has set up the Audit Committee since 17 November 2007 which took effect upon listing of the Company.

There are three members in the Audit Committee, all of them are the 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. Mr. Zhu Xiaoping has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 (2) of the Listing Rules. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Audit Committee are as follows:

(a) To monitor the relationship between the Company and the external auditors, make proposals to the Board on the appointment, renewal and dismissal of the external auditors of the Group as well as the relevant remuneration and terms of appointment;

(b) To review the Company's financial information; and

(c) To oversee of the Company's financial reporting system and internal control procedures.

The Audit Committee held two meetings during 2014 and the following major matters were reviewed and discussed in the meetings:

(a) Reviewed the Group's annual results of 2013 and the interim results of 2014 and made recommendations to the Board for approval;

(b) Made recommendation on the re-appointment of the auditor; and

(c) Reviewed the financial reporting system and the internal control system.

Remuneration Committee

The Company has set up the Remuneration Committee since 17 November 2007 which took effect upon listing of the Company. 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. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Remuneration Committee are as follows:

(a) To review and recommend the terms of remuneration, benefits, bonus and other allowances of the Directors and senior management;

(b) To submit proposals to the Board on the remuneration policy and structure of all the Directors and senior management; and

(c) To approve and monitor the execution of the Company's Share Option Scheme.

The Board has authority to approve the recommendations made by the Remuneration Committee.

The Remuneration Committee held one meeting during 2014 and the following major matters were reviewed and discussed in the meeting:

(a) The general compensation philosophy and a comprehensive compensation structure of the Company; and

(b) The formulation of a set of comprehensive compensation strategy which will be optimized from time to time along with the business development of the Group, with emphasis on staff value, balanced working environment and competitiveness.

Nomination Committee

The Company has set up the Nomination Committee since 17 November 2007 which took effect upon listing of the Company. 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. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Nomination Committee are as follows:

(a) To review the structure, number and composition and diversity of the Board and make recommendation to the Board on the policy and procedures for the nomination of Directors;

(b) To identify individuals suitably qualified to become Board members and may select individuals nominated for directorship, and consider individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(c) To make recommendations to the Board on the appointment or re-appointment of Directors, succession planning for Directors, in particular the chairman and the chief executive;

(d) To review the independence of the Independent Non-executive Directors and submit proposals to the Board; and

(e) To review the Board Diversity Policy in particular the measurable objectives contained therein to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee held one meeting during 2014 and the following major matters were reviewed and discussed in the meeting:

(a) Reviewed the structure, number and composition and diversity of the Board; and

(b) Established and continuously improved the structure of the board.

QHSE (Quality, Health, Safety, Environment) Committee

The Company set up the QHSE Committee on 21 January 2013. The QHSE Committee is composed of one Executive, Mr. Luo Lin. The QHSE Committee is tasked with the responsibilities of providing guidance and advice on the quality, health, safety and environment (QHSE) strategies of the Group. QHSE represents an important standard for oilfield services industry. The Company strives to introduce international standards to enhance its service level at home and abroad. The QHSE Committee meets at least once every year.

The major roles and functions of the QHSE Committee are as follows:

(a) To assist the Board to review the current status of the Group's QHSE performance;

(b) To assist the Board with oversight of the Group's QHSE management, reporting processes and systems;

(c) To assist the Board to formulate the Group's QHSE plans and supervise its effective implementation; and

(d) To make recommendations to the Board in respect of matters affecting the Group's QHSE standards.

The QHSE Committee held one meeting during the year to reviewing and discuss the Company's work on QHSE and planning the forthcoming work.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to Code B.1.5 of the Code Provisions, the remuneration of the members of the senior management by band for the year ended 31 December 2014 was set out below:

Remuneration band	**Number of individuals**
RMB1,000,001 to RMB1,500,000	6
RMB1,500,001 to RMB2,100,000	5

ACCOUNTABILITY AND AUDIT

The Directors understand that they must assume the responsibility of preparing the financial accounts of each year. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis.

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 67 and 68 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 the 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 Group had reviewed its internal control system. Based on the review, the Board was satisfied with the effectiveness of the current internal control system of the Group, including the adequency of resources, staff qualifications and experience, training programmes and budget of the Group's activity and financial reporting function.

AUDITOR'S REMUNERATION

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

	2014 **RMB '000**	2013 RMB '000
Audit services	**3,800**	3,800
Non-audit services	**—**	550
Total:	**3,800**	4,350

COMPANY SECRETARY

The Company Secretary is Dr. Ngai Wai Fung ("Dr. Ngai"), who has been appointed by the Board. Dr. Ngai is the director and chief executive officer of a corporate service provider, SW Corporate Services Group Limited. The primary corporate contact person at the Company is Mr. Pi Zhi Feng, the Executive Director.

Dr. Ngai has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company encourages shareholders to attend shareholders' meetings. Directors, chairman of each of Audit Committee, Remuneration Committee, Nomination Committee (or a delegated member of the Committee), chairman of the independent board committee (if any) and management will attend the annual general meeting of the Company to answer queries about the Group's business.

In 2014, the Company had convened one annual general meeting (the "2014 AGM"). The 2014 AGM provided an ideal chance for communication between the Board and the shareholders. The Chairmen of the Board, Audit Committee, Remuneration Committee and Nomination Committee and the Company's external auditor were all present at the AGM held on 29 May 2014, to answer shareholders' inquiries.

THE PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM")

Pursuant to the Article 79 of the Articles of Association of the Company, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee (s)) holding at the date of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company shall deposit the written requisition at the principal office of the Company in Hong Kong, which is presently situated at unit 2109, Cosco Tower, 183 Queen's Road Central, Hong Kong, specifying the objects of the meeting and signed by the requisitionist(s) (the "Requisitionist(s)").

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months form the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist (s) as a result of the failure of the Board shall be reimbursed to them by the Company.

THE PROCEDURES AND CONTACT DETAILS FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

The annual general meeting and other general meetings provide an important opportunity for shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer shareholders' questions.

Shareholders attending at the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2014.

THE PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY DIRECTED

Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong. The contact details for the Share Registrar are:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2865 0990
Website: www.computershare.com

To contact the Company in relation to your query about the Company, the contact details are as follows:

Tel: (86 10) 5739 7584
(852) 2907 7108
Email: ir@antonoil.com

DISCLAIMERS

The information contained in the section headed "Shareholders' Rights" in this Annual Report is for reference only and does not represent and shall not be regarded as legal or professional advice to the shareholders. Shareholders should seek their own independent legal advice as to their rights as shareholders of the Company. The Company disclaims any and all liabilities and losses that may be incurred by the shareholders for using or relying on any information contained in the section headed "Shareholders' Rights" in this Annual Report.

FINANCIAL CALENDAR 2015

Announcement of 2014 Results

25 March 2015

Last Day to Register for Attending 2015 Annual General Meeting

20 May 2015

2015 Annual General Meeting

26 May 2015

EMPLOYEE RELATIONS

TEAM

Facing a grim industry outlook, the Group enforced more rigorous performance review in 2014, eliminated some disqualified personnel and continued to streamline and optimize the workforce. Meanwhile, it redirected manpower from departments with lighter workload to new product lines to make more productive use of the workforce. Through these measures, the Group exercised control over the overall human resources and reduced labor costs.

SYSTEM

In 2014, the Group further reconfigured and optimized its organizational structure by creating a 3D management matrix to organically combine product lines, regional companies and system-wide control. It largely completed the upgrade of the human resources management information system according to its HR digitization plan to boost the effectiveness and productivity of HR management across the Group.

In December 2014, the Group was named by 51job.com for the third consecutive year as one of the "Best Human Resources Management Companies in China" and received an award in the "Best Organizational Development Strategy" category.

TALENT RECRUITMENT AND IDENTIFICATION

In 2014, the Group continued to implement the "Talent First" strategy to attract top-notch talent and experienced professionals from state-owned enterprises and Fortune 500 companies and to deploy them primarily in new product lines such as workover service and oilfield waste management service. At the same time, in order to support the Group's overseas expansion and localization process, local recruitment efforts were intensified in hotspot markets such as Iraq.

TRAINING

The Group continued to improve its talent development system. By relying on its bases in Suining and Xinjiang, the Group established the Anton Academy. At the same time, it continued to nurture internal trainers and improve the training, evaluation and incentive schemes for internal trainers. A professional skills training system targeting the needs of field engineers already took an initial shape and provided vital support for the succession planning of Group talent.

EMPLOYEE RELATIONS

In 2014, to better instill the Anton values, the Group organized a learning program entitled "Development of Basic Employee Qualities and Cultural Alignment". Under the program, learning sessions and online tests were administered, which resulted in significantly higher appreciation for corporate values among the employees and stronger alignment with the Group culture.

The Group remains committed to the health and wellbeing of its employees as well as a happy and cheerful workforce. In 2014, the Group organized a series of activities under the banner of "Get Anton Moving" to advocate healthy lifestyles. Such activities including long-distance run, hiking, badminton and football helped reenergize the employees and build stronger cohesiveness. They also boosted morale and a sense of belonging.

INVESTOR RELATIONS

The Group strives to maintain open and efficient communications with the capital market and keep the market abreast of its strategic development and operational update, aiming to achieve a fair reflection of our value by the market.

- After doing a careful research, the Group made an adjustment to the voluntary disclosure of the quarterly operating data in early 2014, aiming to help investors get a more accurate and timely understanding of the Group's model of business development.
- In July 2014, the Group held a large investor day event in Hong Kong for the first time, which helped in-depth communication between the market and the management responsible for different product lines, receiving widespread praise by investors and analysts.
- Bernstein Research, Citibank and Deutsche Bank were newly added to the analyst coverage.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

Independent Auditor's Report
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 69 to 140, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows 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, 25 March 2015

BALANCE SHEETS

As at 31 December 2014
(Amounts expressed in thousands of RMB)

		As at 31 December			
		Group		Company	
	Note	**2014**	2013	**2014**	2013
ASSETS					
Non-current assets					
Property, plant and equipment	6	**2,293,382**	1,601,686	**—**	—
Land use rights	7	**61,049**	22,021	**—**	—
Intangible assets	8	**392,389**	375,440	**—**	—
Investment in subsidiaries	9	**—**	—	**4,800,323**	3,572,510
Investment in joint ventures	10	**5,042**	16,776	**—**	—
Prepayments and other receivables	14	**37,194**	—	**500,000**	—
Other non-current assets	11	**88,555**	60,002	**—**	—
Deferred income tax assets	23	**57,341**	25,029	**—**	—
		2,934,952	2,100,954	**5,300,323**	3,572,510
Current assets					
Inventories	12	**709,707**	540,707	**—**	—
Trade and notes receivables	13	**1,588,170**	1,332,294	**4,667**	—
Prepayments and other receivables	14	**418,267**	191,328	**9,787**	383,664
Restricted bank deposits	15	**72,310**	32,414	**14**	—
Term deposits with initial terms of over three months	15	**8,010**	—	**—**	—
Cash and cash equivalents	15	**759,751**	1,770,155	**137,455**	1,308,283
		3,556,215	3,866,898	**151,923**	1,691,947
Total assets		**6,491,167**	5,967,852	**5,452,246**	5,264,457
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	**206,879**	202,983	**206,879**	202,983
Reserves					
– Proposed final dividend	31	**—**	119,953	**—**	119,953
– Others	17	**1,847,012**	1,959,739	**3,084,245**	3,160,294
		2,053,891	2,282,675	**3,291,124**	3,483,230
Non-controlling interests		**94,865**	92,622	**—**	—
Total equity		**2,148,756**	2,375,297	**3,291,124**	3,483,230

As at 31 December 2014
(Amounts expressed in thousands of RMB)

		As at 31 December			
		Group		Company	
	Note	**2014**	2013	**2014**	2013
LIABILITIES					
Non-current liabilities					
Long-term bonds	18	**1,696,519**	1,982,596	**1,497,786**	1,486,035
Deferred income tax liabilities	23	**3,968**	1,709	**—**	—
		1,700,487	1,984,305	**1,497,786**	1,486,035
Current liabilities					
Short-term borrowings	20	**693,912**	395,875	**—**	—
Current portion of long-term bonds	18	**299,583**	—	**—**	—
Current portion of other long-term payable	19	**—**	3,414	**—**	—
Trade and notes payables	21	**694,753**	703,878	**3,540**	—
Accruals and other payables	22	**907,787**	449,118	**659,796**	295,192
Current income tax liabilities		**45,889**	55,965	**—**	—
		2,641,924	1,608,250	**663,336**	295,192
Total liabilities		**4,342,411**	3,592,555	**2,161,122**	1,781,227
Total equity and liabilities		**6,491,167**	5,967,852	**5,452,246**	5,264,457
Net current assets/(liabilities)		**914,291**	2,258,648	**(511,413)**	1,396,755
Total assets less current liabilities		**3,849,243**	4,359,602	**4,788,910**	4,969,265

The notes on page 75 to 140 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

LUO Lin	**WU Di**
Executive Director	*Executive Director*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB, except per share data)

	Note	Year ended 31 December 2014	2013
Revenue	24	**2,071,205**	2,533,536
Cost of sales	25	**(1,425,762)**	(1,410,992)
Gross profit		**645,443**	1,122,544
Other gains, net	26	**(1,839)**	19,950
Selling expenses	25	**(190,857)**	(173,068)
Administrative expenses	25	**(361,217)**	(299,833)
Research and development expenses	25	**(37,592)**	(64,397)
Sales tax and surcharges	25	**(15,964)**	(32,840)
Operating profit		**37,974**	572,356
Interest income	27	**14,234**	1,348
Finance expenses	27	**(192,698)**	(74,026)
Finance costs, net		**(178,464)**	(72,678)
Share of loss of joint ventures	10	**(19,060)**	(9,701)
(Loss)/profit before income tax		**(159,550)**	489,977
Income tax expense	29	**(31,255)**	(86,839)
(Loss)/profit for the year		**(190,805)**	403,138
(Loss)/profit attributable to:			
Equity holders of the Company		**(198,213)**	382,568
Non-controlling interests		**7,408**	20,570
		(190,805)	403,138
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company for the year (expressed in RMB per share)			
– Basic	30	**(0.0902)**	0.1779
– Diluted	30	**(0.0902)**	0.1733
Dividends	31	**—**	119,953

The notes on page 75 to 140 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year Ended 31 December 2014
(Amounts expressed in thousands of RMB)

	Year ended 31 December 2014	2013
(Loss)/profit for the year	**(190,805)**	403,138
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**202**	(14,469)
Other comprehensive income/(loss) for the year, net of tax	**202**	(14,469)
Total comprehensive (loss)/income for the year	**(190,603)**	388,669
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	**(198,011)**	368,099
– Non-controlling interests	**7,408**	20,570
	(190,603)	388,669

The notes on page 75 to 140 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB)

		Attributable to the equity holders of the Company								
	Note	Share capital	Share premium	Capital reserve	Statutory reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total equity
Balance at 1 January 2013		200,836	572,850	349,331	56,111	804,112	(11,379)	1,971,861	109,093	2,080,954
Comprehensive income										
Profit for the year		—	—	—	—	382,568	—	382,568	20,570	403,138
Other comprehensive income										
Currency translation differences		—	—	—	—	—	(14,469)	(14,469)	—	(14,469)
Total comprehensive income		—	—	—	—	382,568	(14,469)	368,099	20,570	388,669
Share option scheme	16(b)	—	—	31,238	—	—	—	31,238	—	31,238
Share option exercised	16(b)	2,363	37,472	(10,484)	—	—	—	29,351	—	29,351
Transfer to statutory reserves	17(a)	—	—	—	21,645	(21,645)	—	—	—	—
Repurchase and cancellation of shares	16(a)	(216)	(17,469)	—	—	—	—	(17,685)	—	(17,685)
Disposal of subsidiaries		—	—	—	—	—	—	—	(23,916)	(23,916)
Dividends	31	—	(98,314)	—	—	—	—	(98,314)	(12,500)	(110,814)
Others		—	—	(1,875)	—	—	—	(1,875)	(625)	(2,500)
Total transactions with owners, recognised directly in equity		2,147	(78,311)	18,879	21,645	(21,645)	—	(57,285)	(37,041)	(94,326)
Balance at 31 December 2013		202,983	494,539	368,210	77,756	1,165,035	(25,848)	2,282,675	92,622	2,375,297
Balance at 1 January 2014		202,983	494,539	368,210	77,756	1,165,035	(25,848)	2,282,675	92,622	2,375,297
Comprehensive income										
(loss)/profit for the year		—	—	—	—	(198,213)	—	(198,213)	7,408	(190,805)
Other comprehensive income										
Currency translation differences		—	—	—	—	—	202	202	—	202
Total comprehensive income		—	—	—	—	(198,213)	202	(198,011)	7,408	(190,603)
Share option scheme	16(b)	—	—	32,291	—	—	—	32,291	—	32,291
Share option exercised	16(b)	4,227	81,947	(21,342)	—	—	—	64,832	—	64,832
Repurchase and cancellation of shares	16(a)	(331)	(5,097)	—	—	—	—	(5,428)	—	(5,428)
Capital injection		—	—	—	—	—	—	—	6,590	6,590
Dividends	31	—	(122,468)	—	—	—	—	(122,468)	(11,755)	(134,223)
Total transactions with owners, recognised directly in equity		3,896	(45,618)	10,949	—	—	—	(30,773)	(5,165)	(35,938)
Balance at 31 December 2014		**206,879**	**448,921**	**379,159**	**77,756**	**966,822**	**(25,646)**	**2,053,891**	**94,865**	**2,148,756**

The notes on page 75 to 140 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2014	2013
Cash flows from operating activities			
Net cash (outflows)/inflows from operations	32	**(390,567)**	490,093
Interest paid		**(172,168)**	(42,031)
Interest received		**14,234**	1,348
Income tax paid		**(71,384)**	(70,875)
Net cash (used in)/generated from operating activities		**(619,885)**	378,535
Cash flows from investing activities			
Purchase of property, plant and equipment		**(461,970)**	(816,680)
Proceeds from disposal of property, plant and equipment		**4,244**	4,095
Purchase of land use rights		**(10,748)**	—
Purchase of intangible assets		**(89,165)**	(23,069)
Proceeds from acquisition of subsidiaries		**(2,670)**	—
Investment of a joint venture	10	**(7,326)**	(22,477)
Payment of considerations of prior year acquisition		**—**	(6,360)
Disposal of a subsidiary, net	34	**—**	55,761
Increase of term deposits		**(8,010)**	—
Net cash used in investing activities		**(575,645)**	(808,730)
Cash flows from financing activities			
Proceeds from issuance of long-term bonds	18	**—**	1,682,953
Proceeds from short-term borrowings		**891,500**	511,379
Repayments of short-term borrowings		**(632,026)**	(387,241)
Repayments of sale and leaseback liability		**(5,558)**	(11,100)
Capital injection from non-controlling interests		**6,590**	—
Proceeds from share options exercised	16(b)	**65,445**	29,351
Dividends distribution		**(127,468)**	(112,814)
Repurchase of own shares	16(a)	**(5,428)**	(17,685)
Net cash generated from financing activities		**193,055**	1,694,843
Net (decrease)/increase in cash and cash equivalents		**(1,002,475)**	1,264,648
Cash and cash equivalents, at beginning of the year		**1,770,155**	523,378
Exchange loss on cash and cash equivalents		**(7,929)**	(17,871)
Cash and cash equivalents at end of the year		**759,751**	1,770,155

The notes on page 75 to 140 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

Anton Oilfield Services Group (the 'Company') was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

The directors regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands as the ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2015.

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.

2.1 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 4.

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

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.
- Amendment to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IFRIC 21, 'Levies' , sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet effective for the financial year beginning 1 January 2014 and relevant to the Group

- Amendment to IFRS 11 on accounting of for acquisitions of interests in joint operation. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations. Specifically, an investor will need to:
  - measure identifiable assets and liabilities at fair value;
  - expense acquisition-related costs;
  - recognise deferred tax; and
  - recognise the residual as goodwill.

All other principles of business combination accounting apply unless they conflict with IFRS 11.

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

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet effective for the financial year beginning 1 January 2014 and relevant to the Group *(Continued)*

The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

The amendment is effective for annual periods beginning on or after 1 January 2016.

- Amendment to IAS 27 on the equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016.

- IFRS 15, "Revenue from contracts with customers". IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract (3) determine the transaction price (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.

  IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

  IFRS 15 is effective for annual periods beginning on or after 1 July 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are not other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, vice presidents and directors who make strategic decisions.

2.5 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 the Group's 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 or valuation where items are re-measured. 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 consolidated income statement.

(c) Group companies

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 consolidated 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 rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

2.5 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over joint ventures that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. This includes the costs of construction, machinery and other expenditures necessary for the purpose of preparing the construction-in-progress for its intended use and those borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. 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 to the income statement during the financial period in which they are incurred.

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

2.6 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method except for drill pipes are depreciated using unit-of-production 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 (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains, net', in the consolidated income statement.

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and leasehold land located in the PRC, which are classified as operating lease, and are expensed in the consolidated income statement on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the consolidated income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

2.8 Intangible assets *(Continued)*

(b) Computer software

Computer software 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 of 5 years.

(c) Patents

Patents are initially recorded at actual cost incurred to acquire and amortised on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years. Development costs that are directly attributable to the design, development and application of patents are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the patents so that it will be available for use;
- Management intends to complete the patents and use or sell it;
- There is an ability to use or sell the patents;
- It can be demonstrated how the patents will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patents are available; and
- The expenditure attributable to the patents during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patent include material costs, patent development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation 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.

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose 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 end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'term deposits with initial terms of over three months', 'restricted bank deposits', 'trade and notes receivables', part of 'prepayments and other receivables' and 'cash and cash equivalents' in the balance sheets.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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

2.10 Financial assets *(Continued)*

2.10.4 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 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). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, 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, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 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.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 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 consolidated 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 end of the reporting period.

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

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current 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 Company's subsidiaries, joint ventures and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2.18 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 publicly administered pension and/or other social insurance plan on mandatory bases. The Group 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 incurred.

(b) Share-based compensation

The Group operates a number of equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted at the grant date:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. 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 the sales of goods is recognised when the title to the goods, such as drilling tools, tubing and casing, has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by assessment on the basis of actual services provided.

(c) Rental income

Rental 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.

2.20 Interest income

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

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

2.22 Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as sale and leasebacks. Sale and leasebacks are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under sale and leasebacks is depreciated over the shorter of the useful life of the asset and the lease term.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis or unit-of-production basis.

2.23 Sale and lease back transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package, the accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

2.24 Government grants

Grants from the government are recognised at fair value 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.

2.25 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(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 purchases from and sales to overseas. During the year ended 31 December 2014, the Group developed its businesses overseas with most of the transactions denominated and settled in US dollar. Foreign exchange risk also arise from certain bank deposits and borrowings denominated in US dollar. The Group is exposed to foreign currency exchange risk primarily with respect to US dollar.

As at 31 December 2014, if RMB had strengthened/weakened by 3% against the US dollar with all other variables held constant, loss before income tax would have been RMB41,229,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, trade receivables and accruals, other payables and long-term bonds.

As at 31 December 2013, if RMB had strengthened/weakened by 3% against the US dollar with all other variables held constant, profit before income tax would have been 16,949,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, trade receivables and accruals, other payables and long-term bonds.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term bonds and short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Long-term bonds obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2014, if interest rates on floating interest borrowings at that date had been higher/lower 100 basic points, (loss)/profit before income tax for the year would have been RMB4,356,000 (2013: RMB2,840,000) lower/higher.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group has policies in place to ensure that sales of products and services 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.

A considerable portion of sales were made to the several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 5). Most of the Group's cash and cash equivalents were placed with state-owned banks in the PRC and Hong Kong, the corresponding credit risk is relatively low.

(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

As at 31 December 2014	**Within 1 year**	**1-2 years**	**Over 2 years**
Short-term borrowings	**729,063**	**—**	**—**
Trade and notes payables	**694,753**	**—**	**—**
Accruals and other payables	**767,710**	**—**	**—**
Current portion of long-term bonds	**319,770**	**—**	**—**
Long-term bonds	**129,331**	**329,331**	**1,816,578**
	2,640,627	**329,331**	**1,816,578**

Group

As at 31 December 2013	Within 1 year	1-2 years	Over 2 years
Short-term borrowings	431,951	—	—
Trade and notes payables	703,878	—	—
Accruals and other payables	355,345	—	—
Current portion of long-term bonds	3,526	—	—
Long-term bonds	55,895	356,108	1,800,029
	1,550,595	356,108	1,800,029

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Company

As at 31 December 2014	**Within 1 year**	**1-2 years**	**Over 2 years**
Short-term borrowings	**17,603**	**—**	**—**
Trade and notes payables	**694,753**	**—**	**—**
Accruals and other payables	**656,784**	**—**	**—**
Current portion of long-term payables	**—**	**—**	**—**
Long-term bonds	**114,731**	**114,731**	**1,816,578**
	1,483,871	**114,731**	**1,816,578**

Company

As at 31 December 2013	Within 1 year	1-2 years	Over 2 years
Short-term borrowings	17,539	—	—
Trade and notes payables	—	—	—
Accruals and other payables	289,486	—	—
Current portion of long-term payables	—	—	—
Long-term bonds	114,317	114,317	1,924,334
	421,342	114,317	1,924,334

3.2 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.

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, bonds and trade and notes payables, as shown in the consolidated balance sheet. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus total borrowings.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

The gearing ratios 31 December 2014 and 2013 are as follows:

	As at 31 December	
	2014	2013
Total borrowings	**3,384,767**	3,082,349
Total equity	**2,148,756**	2,375,297
Total capital	**5,533,523**	5,457,646
Gearing ratio	**61%**	56%

The increase in gearing ratio in 2014 was mainly due to the increase in short-term loans for operating needs.

3.3 Fair value estimation

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

The carrying amounts less provision for impairment of trade and notes receivables, other receivables, cash and cash equivalents, restricted cash and term deposits and financial liabilities including trade and notes payables, other payables and short-term borrowings are assumed to approximately their fair values, The carrying amounts of long-term bonds approximated their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are 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.

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8). Based on management's assessment results, there was no impairment of goodwill as at 31 December 2014 and 2013 and no reasonable change to the assumptions would lead to an impairment.

(b) Useful lives of patents

The Group's management decided the estimated useful lives of patents and respective amortisation. The expected economic useful lives of patents can be significantly different following technology innovation and development. When the expected economic useful lives differ from the original estimates, management will adjust the useful lives accordingly. It is possible that the estimates made based on existing experience are different to the actual outcomes within the next financial period and could cause an adjustment to the amortisation and carrying amount of patents.

(c) Impairment of trade receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade 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 judgment 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.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred income tax assets, the Group has assessed the likelihood that the deferred income tax assets could be recovered. Major deferred income tax assets relate to deductible tax losses and provision for impairment of receivables and inventories not yet deductible for tax purposes. As of December 31,2014, the Group has recorded deferred income tax assets amounting to approximately RMB57 million on these temporary differences (2013: approximately RMB25 million).Deferred income tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

The Group believes it has recorded adequate current tax provision and deferred income taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred income taxation may be necessary which would impact the Group's results or financial position.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION

The chief executive officer, executive vice presidents and directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the chief operating decision makers for the purposes of allocating resources and assessing performance.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision makers make decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the chief operating decision makers.

The chief operating decision makers assess performance of four reportable segments: drilling technology, well completion, down-hole operation and tubular services.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers evaluate the performance of the operating segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance expenses (net) and share of loss of joint ventures ('EBITDA'). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarters of the Group.

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
For the year ended 31 December 2014					
Revenue (Note)	**532,936**	**456,565**	**859,756**	**221,948**	**2,071,205**
EBITDA	**85,368**	**139,109**	**325,043**	**99,095**	**648,615**
Depreciation and amortisation	**(41,311)**	**(14,561)**	**(114,014)**	**(38,089)**	**(207,975)**
Interest income	**8**	**17**	**27**	**173**	**225**
Finance expenses, net	**(3,528)**	**(2,888)**	**(56)**	**(2,196)**	**(8,668)**
Share of loss of joint ventures	**(19,060)**	**—**	**—**	**—**	**(19,060)**
Income tax expense	**11,399**	**(1,291)**	**(30,282)**	**(11,081)**	**(31,255)**
For the year ended 31 December 2013					
Revenue (Note)	589,442	547,855	1,081,565	314,674	2,533,536
EBITDA	136,452	197,742	587,918	149,521	1,071,633
Depreciation and amortisation	(24,686)	(10,941)	(63,261)	(23,678)	(122,566)
Interest income	3	249	35	227	514
Finance expenses, net	(219)	(2,302)	(1,923)	—	(4,444)
Share of loss of joint ventures	3,551	—	—	—	3,551
Income tax expense	(6,567)	(12,569)	(48,019)	(19,684)	(86,839)

Note: Sales between segments are carried out at terms mutually agreed between relevant Group entities. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
As at 31 December 2014					
Total assets	**944,159**	**1,021,897**	**1,946,867**	**631,641**	**4,544,564**
Total assets include:					
Investments in joint ventures	**1,042**	**—**	**—**	**4,000**	**5,042**
Capital expenditures	**468,967**	**71,310**	**352,800**	**219,243**	**1,112,320**
As at 31 December 2013					
Total assets	641,864	1,151,504	1,609,498	510,064	3,912,930
Total assets include:					
Investments in joint ventures	12,776	—	—	4,000	16,776
Capital expenditures	142,794	112,165	375,661	163,825	794,445

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

A reconciliation of total EBITDA to total (loss)/profit before income tax is provided as follows:

	Year ended 31 December	
	2014	2013
EBITDA for reportable segments	**648,615**	1,071,633
Corporate overheads	**(572,687)**	(458,711)
Depreciation	**(172,653)**	(107,609)
Amortisation	**(35,322)**	(14,957)
Interest income	**225**	514
Finance expenses, net	**(8,668)**	(4,444)
Share of loss of joint ventures	**(19,060)**	3,551
Profit before income tax	**(159,550)**	489,977

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

	As at 31 December	
	2014	2013
Assets for reportable segments	**4,544,564**	3,912,930
Corporate assets for general management	**1,946,603**	2,054,922
Total Assets	**6,491,167**	5,967,852

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION *(Continued)*

The Group choose to allocate revenue on the basis of the location in which the sale originated.

Geographical Information

	Revenue		Non-current Assets	
	2014	2013	**2014**	2013
PRC	**1,378,599**	1,957,689	**2,616,340**	1,852,808
Iraq	**492,506**	416,480	**235,675**	205,214
Other countries	**200,100**	159,367	**82,937**	42,932
Total	**2,071,205**	2,533,536	**2,934,952**	2,100,954

Client Information

Revenues of approximately RMB544,439,000 (2013: RMB892,472,000) are derived from two external customers, which contributed 16.22% and 10.07% to the total revenue respectively. These revenues are mainly attributable to Drilling technology, Down-hole operation, and Well completion segments.

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction-in-progress	Total
As at 1 January 2013						
Cost	181,801	720,617	59,085	34,740	175,491	1,171,734
Accumulated depreciation	(30,613)	(136,841)	(31,458)	(17,766)	—	(216,678)
Net book value	151,188	583,776	27,627	16,974	175,491	955,056
Year ended 31 December 2013						
Opening net book value	151,188	583,776	27,627	16,974	175,491	955,056
Additions	26,716	232,220	8,609	14,790	570,866	853,201
Transfer in/(out)	3,195	378,257	5,633	592	(387,677)	—
Depreciation charge	(10,273)	(105,257)	(7,506)	(6,884)	—	(129,920)
Disposals	(28)	(6,210)	(266)	(32)	—	(6,536)
Disposals of a subsidiary	(12,961)	(5,966)	(3,011)	(541)	(47,636)	(70,115)
Closing net book value	157,837	1,076,820	31,086	24,899	311,044	1,601,686
As at 31 December 2013						
Cost	196,865	1,291,327	62,577	48,222	311,044	1,910,035
Accumulated depreciation	(39,028)	(214,507)	(31,491)	(23,323)	—	(308,349)
Net book value	157,837	1,076,820	31,086	24,899	311,044	1,601,686
Year ended 31 December 2014						
Opening net book value	**157,837**	**1,076,820**	**31,086**	**24,899**	**311,044**	**1,601,686**
Additions	**11,913**	**169,946**	**9,759**	**21,984**	**570,802**	**784,404**
Acquisition of subsidiaries (Note 35)	**—**	**134**	**—**	**—**	**114,954**	**115,088**
Transfer in/(out)	**63,156**	**409,454**	**295**	**49**	**(472,954)**	**—**
Depreciation charge	**(3,962)**	**(171,616)**	**(9,086)**	**(10,550)**	**—**	**(195,214)**
Disposals	**—**	**(10,562)**	**(1,242)**	**(342)**	**(436)**	**(12,582)**
Closing net book value	**228,944**	**1,474,176**	**30,812**	**36,040**	**523,410**	**2,293,382**
As at 31 December 2014						
Cost	**270,445**	**1,837,610**	**67,634**	**69,741**	**523,410**	**2,768,840**
Accumulated depreciation	**(41,501)**	**(363,434)**	**(36,822)**	**(33,701)**	**—**	**(475,458)**
Net book value	**228,944**	**1,474,176**	**30,812**	**36,040**	**523,410**	**2,293,382**

During the year ended 31 December 2014, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB172,969,000 (2013: RMB103,613,000), selling, general and administrative expenses with an amount of RMB12,956,000 (2013: RMB18,259,000), and cost of inventories which remained unsold as at year end with an amount of RMB9,289,000 (2013: RMB8,048,000) respectively.

Bank facilities are secured on buildings and plant, machinery and equipment for the value of RMB 33,966,000 (2013: RMB 35,854,000) (Note 20).

During the year, the Group has capitalised borrowing costs amounting to RMB4,517,000 (2013: RMB Nil) (Note 27) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 6.64% (2013: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

7. LAND USE RIGHTS – GROUP

As at 1 January 2013	
Cost	31,531
Accumulated amortisation	(2,774)
Net book value	28,757
Year ended 31 December 2013	
Opening net book value	28,757
Additions	—
Disposal of a subsidiary	(6,002)
Amortisation charge	(734)
Closing net book value	22,021
As at 31 December 2013	
Cost	25,529
Accumulated amortisation	(3,508)
Net book value	22,021
Year ended 31 December 2014	
Opening net book value	**22,021**
Additions	**10,749**
Acquisition of subsidiaries (Note 35)	**30,574**
Amortisation charge	**(2,295)**
Closing net book value	**61,049**
As at 31 December 2014	
Cost	**66,852**
Accumulated amortisation	**(5,803)**
Net book value	**61,049**

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are held on leases within 10 to 50 years.

As at 31 December 2014, land use rights with net book value of RMB11,718,000 were pledged as counter-guarantee for short-term borrowing (Note 20) (31 December 2013: land use rights with net book value of RMB12,370,000 were pledged as counter-guarantee for short-term and long-term borrowings).

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INTANGIBLE ASSETS – GROUP

	Patents	Goodwill	Computer software	Total
As at 1 January 2013				
Cost	138,250	269,461	8,484	416,195
Accumulated amortisation and impairment	(42,585)	—	(2,425)	(45,010)
Net book value	95,665	269,461	6,059	371,185
Year ended 31 December 2013				
Opening net book value	95,665	269,461	6,059	371,185
Additions	17,579	—	7,854	25,433
Disposal of subsidiaries	—	(3,764)	(155)	(3,919)
Amortisation charge	(15,483)	—	(1,776)	(17,259)
Closing net book value	97,761	265,697	11,982	375,440
As at 31 December 2013				
Cost	155,829	265,697	16,183	437,709
Accumulated amortisation and impairment	(58,068)	—	(4,201)	(62,269)
Net book value	97,761	265,697	11,982	375,440
Year ended 31 December 2014				
Opening net book value	**97,761**	**265,697**	**11,982**	**375,440**
Additions	**27,428**	**—**	**25,435**	**52,863**
Acquistion of subsidiaries (Note 35)	**—**	**2,632**	**5**	**2,637**
Amortisation charge	**(20,995)**	**—**	**(17,556)**	**(38,551)**
Closing net book value	**104,194**	**268,329**	**19,866**	**392,389**
As at 31 December 2014				
Cost	**183,257**	**268,329**	**41,623**	**493,209**
Accumulated amortisation and impairment	**(79,063)**	**—**	**(21,757)**	**(100,820)**
Net book value	**104,194**	**268,329**	**19,866**	**392,389**

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INTANGIBLE ASSETS – GROUP *(Continued)*

An operating segment-level summary of the goodwill allocation is presented below.

As at 31 December 2014	**Down-hole operation**	**Well completion**	**Tubular servies**	**Total**
Jilin Dongxin Oil Engineering Technology Co., Ltd. (吉林省東新石油工程技術有限公司，`Jilin Dongxin')	**26,325**	**—**	**—**	**26,325**
Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司，`Shandong Precede')	**—**	**132,486**	**—**	**132,486**
Screen business	**—**	**106,886**	**—**	**106,886**
四川誠量檢測服務有限公司 (Note 34)	**—**	**—**	**2,632**	**2,632**
	26,325	**239,372**	**2,632**	**268,329**

As at 31 December 2013	Down-hole operation	Well completion	Total
Jilin Dongxin'	26,325	—	26,325
Shandong Precede	—	132,486	132,486
Screen business	—	106,886	106,886
	26,325	239,372	265,697

Goodwill is allocated to the cash-generating units of the Group identified according to their operations.

The recoverable amount of an operating segment 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 five-year period. The Company expects cash flow beyond the five-year period will be similar to that if the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using zero growth rates.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INTANGIBLE ASSETS – GROUP *(Continued)*

The key assumptions used for value-in-use calculations in 2014 are as follows:

As at 31 December 2014	**Jilin Dongxin**	**Shandong Precede**	**Screen business**	**Sichuan Chengliang**
Gross margin	**30.00%**	**26.00%**	**16.00%**	**20.00%**
Discount rate	**12.00%**	**12.00%**	**12.00%**	**12.00%**

As at 31 December 2013	Jilin Dongxin	Shandong Precede	Screen business
Gross margin	35.00%	50.00%	20.00%
Discount rate	13.00%	13.00%	13.00%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

Based on the assessments, no goodwill was impaired as at 31 December 2014.

9. INTERESTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2014	2013
Unlisted shares, at cost	**3,192,571**	2,862,439
Share option granted to employees of subsidiaries	**24,212**	23,855
	3,216,783	2,886,294
Amounts due from subsidiaries*	**1,583,540**	686,216
	4,800,323	3,572,510

* The amounts due from subsidiaries are unsecured, interest free and with no fixed maturity dates. It is the directors' intention to convert these amounts due from subsidiaries into investment at cost in due course. Therefore the directors considered these as quasi-equity contributions which are stated at cost.

(a) Material non-controlling interests

The total non-controlling interest for the period is RMB92,957,000 (2013: RMB92,622,000), of which RMB6,457,000 (2013: nil) is attributed to Wabolt. The non-controlling interests in respect of Anton Tong'ao, Shandong Precede and Anton Bolin are not material.

Summarised financial information on subsidiaries with material non-controlling interests:

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised balance sheet

	Wabolt	
	2014	2013
Current		
Assets	**15,305**	8,727
Liabilities	**(10,847)**	(10,811)
Total current net assets	**4,458**	(2,084)
Non-current		
Assets	**10,764**	10,728
Liabilities	**—**	—
Total non-current net assets	**10,764**	10,728
Net assets	**15,222**	8,644

Summarised income statement

	Wabolt	
	2014	2013
Revenue	**—**	—
Profit before income tax	**(12)**	(274)
Income tax expense/income	**—**	—
Post-tax profit from continuing operations	**(12)**	(274)
Post-tax profit from discontinued operations	**—**	—
Other comprehensive income	**—**	—
Total comprehensive income	**(12)**	(274)
Total comprehensive income allocated to Non- Controlling Interests	**(5)**	—
Dividends paid to Non-Controlling Interests	**—**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised cash flows

	Wabolt **2014**	2013
Cash flows from operating activities		
Cash generated from operations	**354**	11,335
Interest paid	**(361)**	(16,768)
Income tax paid	**—**	—
Net cash generated from operating activities	**(7)**	(5,433)
Net cash used in investing activities	**—**	—
Net cash used in financing activities	**6,590**	—
Net increase in cash and cash equivalents	**6,583**	(5,433)
Cash, cash equivalents and bank overdrafts at beginning of year	**86**	5,675
Exchange (losses)/gains on cash and cash equivalents	**(34)**	(156)
Cash and cash equivalents at end of year	**6,635**	86

The information above is the amount before inter-company eliminations.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

(b) The following is a list of principal subsidiaries the Company directly or indirectly holds equity interests as at 31 December 2014:

Company name	Place and date of incorporation	Registered capital	Equity interest held by the Group	Principal activities
Directly held:				
Anton Oilfield Services Company Limited (「安東油田服務有限公司」)	Hong Kong, 17 August 2014	HK$100	100%	Investment holding
Anton Oilfield Services International Company Limited ('Anton International')	Hong Kong , 17 July 2008	HK$10,000	100%	Oilfield services and sales of equipment
RockWell Energy Services Ltd. ('Rockwell')	British Virgin Islands, 15 April 2010	US$50,000	100%	Oilfield technology consulting services
Indirectly held:				
Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, 'Hinen-Hitech')	Beijing, the PRC, 18 September 2000	RMB10,000,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment
Jilin Dongxin	Jilin Province, the PRC, 1 September 2001	RMB5,500,000	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	RMB51,000,000	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	RMB11,000,000	100%	Oilfield services
Anton Tong'ao Technological Products Co., Limited (安東通奧科技產業股份有限公司, 'Anton Tong'ao')	Xinjiang Uygur Autonomous Region, the PRC, 15 December 2005	RMB90,000,000	90%	Manufacturing of rod casing
Shandong Precede	Shandong Province, the PRC, 2 September 2008	RMB12,000,000	75%	Oilfield services and sales of equipment

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

(b) The following is a list of principal subsidiaries the company directly or indirectly holds equity interests as at 31 December 2014: *(Continued)*

Company name	Place and date of incorporation	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
四川誠量檢測服務有限公司 ('Sichuan Chengliang')	Chengdu, the PRC , 23 January 2009	RMB1,000,000	100%	Oilfield services
Anton International Kazakhstan Ltd. ('Anton HSK')	Kazakhstan, 31 March 2009	US$1,000	100%	Oilfield services
Anton International FZE Ltd. ('Anton Dubai')	The United Arab Emirates, 12 April 2009	US$7,300,000	100%	Oilfield services
Sichuan Anton Oil Gas Engineering And Technology Services Ltd. (四川安東油氣工程技術服務有限公司, 'Sichuan Anton')	Sichuan Province, the PRC, 14 July 2009	RMB50,000,000	100%	Oilfield services and sales of production equipment
Anton Oilfiled Services Oversea Kish LLC. ('Anton Iran')	Kish Island, Iran, 1 February 2010	—	99%	Oilfield services
Tianjin Antonoil Machinery Manufacture Co., Ltd. (天津安東石油機械製造有限公司, 'Tianjin Machine')	Tianjin, the PRC, 27 January 2011	RMB50,000,000	100%	Oilfield services, sales of production equipment and consulting service
Anton Oilfield Services DMCC. ('DMCC')	The United Arab Emirates, 28 March 2011	US$545,140	100%	Oilfield services
Tianjin Anton Investment & Management Co., Ltd. (天津安東投資管理有限公司, 'Tianjin Investment'))	Tianjin, the PRC, 23 May 2011	RMB10,000,000	100%	Corporation Management Consultation, Enterprise Image Design, Merchandise Information Advisory

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

(b) The following is a list of principal subsidiaries the company directly or indirectly holds equity interests as at 31 December 2014: *(Continued)*

Company name	Place and date of incorporation	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Sichuan Tongsheng Drilling Technology Ltd. (四川通盛鑽探工程有限公司, 'Sichuan Tongsheng')	Sichuan Province, the PRC, 13 February 2012	RMB5,000,000	100%	Construction and service of drilling,sales of drilling product
Xinjiang Anton Oilfield Services Limited (新疆安東石油技術服務有限責任公司, 'Xinjiang Anton')	Xinjiang Uygur Autonomous Region, the PRC, 24 February 2012	RMB30,000,000	100%	Oilfield services
Anton New Material (Suining)Limited (安東新材料(遂寧)有限公司, 'Suining Material')	Sichuan Province, the PRC, 6 June 2012	RMB10,000,000	100%	Oilfield services and sales of product
Wabolt Petroleum Limited ('Wabolt')	Hong Kong, 6 September 2012	RMB8,190,000	55%	Oilfield services
Anton Bolin Oil Technology (Beijing) Company Limited (安東柏林石油科技(北京)有限公司, 'Anton Bolin')	Beijing, the PRC, 24 January 2013	RMB18,440,000	82%	Oilfield services and sales of production equipment
United Engineering and Construction Company Limited (聯合工程建設有限公司, 'UECC')	Hong Kong, 2 July 2014	US$50,000,000	100%	Engineering procurement
鄯善縣安東石油技術服務有限責任公司	Xinjiang, the PRC , 18 November 2014	RMB30,000,000	100%	Oilfield services

(Amounts expressed in thousands of RMB unless otherwise stated)

10. INVESTMENT IN JOINT VENTURES

	2014	2013
As at 1 January	**16,776**	4,000
Addition	**7,326**	22,477
Share of loss	**(19,060)**	(9,701)
As at 31 December	**5,042**	16,776

Company name	**Place and date of incorporation**	**Registered capital**	**Equity interest held by the Group**	**Principal activities**
北重安東機械製造有限公司 ('Northern Heavy')	Inner Mongolia, the PRC, 30 October 2007	RMB100,000,000	50%	Manufacturing and sales of drill collars and heavy-weight drill pipes
同舟一體化油田技術有限公司 ('TIPM')	Sichuan Province, the PRC, 24 December 2012	US$12,000,000	40%	Oilfield technology consulting service and sales of production equipment

Both the joint ventures are unlisted limited liability companies established in the PRC.

The following amounts represent 100% of the assets and liabilities, and sales and results of the joint ventures.

	As at 31 December	
	2014	2013
Assets:		
Non-current assets	**104,637**	113,790
Current assets	**254,043**	189,922
	358,680	303,712
Liabilities:		
Non-current liabilities	**—**	—
Current liabilities	**326,506**	185,200
	326,506	185,200
Net assets	**32,174**	118,512
Revenue	**152,449**	174,151
Loss after income tax	**(12,719)**	(18,233)
Joint ventures' commitments	**—**	3,450

There are no contingent liabilities relating to the Group's interest in the joint ventures.

(Amounts expressed in thousands of RMB unless otherwise stated)

11. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2014	2013
Long-term lease prepayment (a)	**88,555**	60,002

(a) Long-term lease prepayment represents prepayment for lease of logistics base, which will be amortised in 8 years.

12. INVENTORIES – GROUP

	As at 31 December	
	2014	2013
Raw materials	**195,928**	202,154
Work-in-progress	**194,717**	133,705
Finished goods	**325,003**	210,309
Spare parts and others	**6,236**	6,716
	721,884	552,884
Less: provision for obsolescence	**(12,177)**	(12,177)
	709,707	540,707

Movements of provision for inventory obsolescence during the year are analysed as follows:

	2014	2013
As at 1 January	**12,177**	22,170
Addition	**208**	—
Write-off	**(208)**	(9,993)
As at 31 December	**12,177**	12,177

(Amounts expressed in thousands of RMB unless otherwise stated)

13. TRADE AND NOTES RECEIVABLES – GROUP

	As at 31 December	
	2014	2013
Trade receivables, net (a)		
– from related parties (Note 35(c))	**43,364**	4,832
– others	**1,411,602**	1,302,044
Notes receivable (d)	**133,204**	25,418
	1,588,170	1,332,294

Note:

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

	As at 31 December 2014		
	Gross amount	**Impairment**	**Net value**
1 - 6 months (i)	**1,046,838**	**—**	**1,046,838**
6 months - 1 year (i)	**175,383**	**—**	**175,383**
1 - 2 years (ii)	**219,231**	**(847)**	**218,384**
2 - 3 years (ii)	**21,583**	**(7,222)**	**14,361**
Over 3 years (ii)	**13,922**	**(13,922)**	**—**
	1,476,957	**(21,991)**	**1,454,966**

	As at 31 December 2013		
	Gross amount	Impairment	Net value
1 - 6 months (i)	1,179,863	—	1,179,863
6 months - 1 year (i)	75,508	(3,141)	72,367
1 - 2 years (ii)	65,584	(10,938)	54,646
2 - 3 years (ii)	7,800	(7,800)	—
Over 3 years (ii)	13,985	(13,985)	—
	1,342,740	(35,864)	1,306,876

(i) As at 31 December 2014, trade receivables with amount of RMB1,222,221,000 (31 December 2013: RMB1,252,230,000) aged within one year, which were neither past due nor impaired according to the Group's credit policy.

(ii) The Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2014, trade receivables amounting to RMB232,745,000 (31 December 2013: RMB 54,646,000) were past due but not impaired. For the past-due trade receivables without impairment, management considered such long ageing items were receivable from customers with good cooperation and no default history, therefore the risk of impairment was low.

(b) Most of the trade receivables are with credit terms of one year, except for retention money which would be collected one year after the completion of the sales. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. As at 31 December 2014, trade receivables with amount of RMB 346,640,000 (2013: RMB nil) are secured for short-term borrowings amounted to RMB 320,000,000 (2013: RMB nil) (Note 20).

(Amounts expressed in thousands of RMB unless otherwise stated)

13. TRADE AND NOTES RECEIVABLES – GROUP *(Continued)*

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

	2014	2013
As at 1 January	**35,864**	16,685
Additions	**—**	31,920
Reversal	**(2,540)**	—
Write-off	**(11,333)**	(12,741)
As at 31 December	**21,991**	35,864

(d) Notes receivables were all bank acceptance with maturity dates within six months.

(e) Trade and notes receivables were denominated in the following currencies:

	As at 31 December	
	2014	2013
RMB	**1,192,448**	1,094,850
US$	**395,722**	237,444
	1,588,170	1,332,294

14. PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	As at 31 December			
	Group		**Company**	
	2014	2013	**2014**	2013
Current				
Advances to suppliers	**64,865**	48,147	**—**	—
Other receivables	**168,910**	143,181	**9,787**	—
Amounts due from subsidiaries (a)	**—**	—	**—**	383,664
Amounts due from related parties (Note 35(c))	**409**	—	**—**	—
Value-added tax recoverable	**184,083**	—	**—**	—
	418,267	191,328	**9,787**	383,664
Non-current				
Value-added tax recoverable	**37,194**	—	**—**	—
Amounts due from a subsidiary	**—**	—	**500,000**	—
	37,194	—	**500,000**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

14. PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY *(Continued)*

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

	As at 31 December			
	Group		Company	
	2014	2013	**2014**	2013
1 - 6 months	**187,436**	90,887	**9,787**	286,901
6 months - 1year	**181,253**	19,464	**—**	—
1 - 2 years	**24,734**	62,742	**500,000**	—
2 - 3 years	**11,989**	12,039	**—**	—
Over 3 years	**14,714**	8,301	**—**	96,763
Prepayments and other receivables, gross	**420,126**	193,433	**509,787**	383,664
Less: Allowance for impairment(b)	**(1,859)**	(2,105)	**—**	—
Prepayments and other receivables, net	**418,267**	191,328	**509,787**	383,664

(a) Amounts due from subsidiaries are unsecured, interest free and payable on demand.

(b) Movements of allowance for impairment are as follows:

	2014	2013
As at 1 January	**2,105**	2,105
Additions	**—**	—
Write-off	**(246)**	—
As at 31 December	**1,859**	2,105

(Amounts expressed in thousands of RMB unless otherwise stated)

15. CASH AND BANK – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2014	2013	**2014**	2013
Restricted bank deposits (a)	**72,310**	32,414	**14**	—
Term deposits with initial terms of over three months (b)	**8,010**	—	**—**	—
Cash and cash equivalents				
– Cash on hand	**1,141**	1,140	**—**	—
– Deposits in bank	**758,610**	1,769,015	**137,455**	1,308,283
	840,071	1,802,569	**137,469**	1,308,283

(a) As at 31 December 2014, bank deposits amounting to RMB72,310,000 were held as securities for letter of guarantee and for issuance of notes payable (31 December 2013: RMB32,414,000).

(b) As at 31 December 2014, term deposits with initial terms of over three months were bank deposits bearing interest rate at 3.08% per annum, with a maturity of 180 days.

(c) Cash and bank were denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2014	2013	**2014**	2013
RMB	**548,200**	298,770	**20,316**	—
US$	**248,408**	1,442,338	**113,835**	1,272,594
HK$	**15,638**	35,932	**3,318**	35,689
Others	**27,825**	25,529	**—**	—
	840,071	1,802,569	**137,469**	1,308,283

(Amounts expressed in thousands of RMB unless otherwise stated)

16. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Authorised Number of shares	HK$'000
As at 31 December 2013 and 2014	**3,500,000,000**	**350,000**

	Number of shares issued and fully paid of HK$0.1 each (thousands)	Share capital HK$'000	Share capital RMB'000
As at 1 January 2013	2,134,914	213,491	200,836
Addition (b)	31,925	3,193	2,363
Repurchase and cancellation (Note)	(4,452)	(445)	(216)
As at 31 December 2013	2,162,387	216,239	202,983
Addition (b)	53,432	5,343	4,227
Repurchase and cancellation (Note)	(4,184)	(418)	(331)
As at 31 December 2014	**2,211,635**	**221,164**	**206,879**

Note: During the year ended 31 December 2014, the Company acquired 4,184,000 (2013: 4,452,000) of its own shares through purchase on the Hong Kong Stock Exchange, which were then all cancelled. The total amount paid to acquire these shares was RMB5,428,000 (2013: RMB17,685,000) and has been deducted from share capital and share premium.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Share options

In 2014, options to subscribe for 24,212,000 shares at the exercise price ranging from HK$3.12 to HK$5.20 (2013: 35,640,000 shares at the exercise price ranging from HK$3.878 to HK$5.742) have been conditionally granted to certain key employees and three independent non-executive director. 732,000 shares granted to Independent Non-Executive Director have a 2-year vesting period, 50% exercisable per year and other 23,480,000 shares have a 3-year vesting period, 33.33% exercisable per year. The options are exercisable from the first anniversary of the service commencement date and have an option period of 6 years.

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

	Average exercise price in HK$ per share	**Number of share options (thousands)**
As at 1 January 2013		116,583
Granted (on 10 Jan 2013)	3.878	33,730
Granted (on 21 Jun 2013)		1,296
Granted (on 28 Jun 2013)	5.600	298
Granted (on 16 Aug 2013)	5.570	70
Granted (on 20 Nov 2013)	4.960	246
Exercised		(31,925)
Forfeited		(4,672)
As at 31 December 2013		115,626
Granted (on 12 May 2014)	5.200	1,680
Granted (on 12 May 2014)	5.200	20,020
Granted (on 18 Sep 2014)	3.120	2,512
Exercised		(53,432)
Forfeited		(3,493)
As at 31 December 2014		**82,913**

16. 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 dates and exercise prices:

Expiry date	Exercise price HK$ per share	Number of share options (thousands) As at 31 December 2014
19 May 2014	1.450	4,639
18 January 2015	1.072	17,764
9 January 2016	3.878	26,036
15 April 2016	1.240	2,520
17 June 2016	1.160	1,369
21 November 2016	2.610	4,396
27 December 2016	3.820	83
21 June 2019	5.742	1,296
27 June 2019	5.600	298
15 August 2019	5.570	54
19 November 2019	4.960	246
11 May 2020	5.200	1,680
11 May 2020	5.200	20,020
17 September 2020	3.120	2,512
		82,913

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Share options *(Continued)*

The exercise price of the granted options is equal to the highest of (i) the closing price of the shares of the Company in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the par value of the shares. Options are conditional on the employee completing one to three years' service (the vesting period) and have a contractual option term of six years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As of 31 December 2014, out of the 82,913,000 options (31 December 2013: 115,626,000 options), 31,370,000 options (31 December 2013: 34,373,000 options) were exercisable. Options exercised in 2014 resulted in 53,432,000 shares (2013: 31,925,000 shares) being issued at a weighted average price of HK$1.66 each (2013: HK$1.14 each). The related weighted average share price at the time of exercise was HK$5.93 (2013: HK$5.28) per share.

The fair value of the options granted during the year ended 31 December 2014 is determined using the Binomial Option Pricing Model. The major assumptions used in the pricing model for options granted in 2014 were the exercise price shown above, and the other parameters are shown below:

Parameters	**Option granted in 2014**	Option granted in 2013
Share price as of the valuation date (HK$)	**3.12 - 5.20**	3.38 - 5.72
Expected dividend yield	**1.30% - 1.60%**	1.00%
Forfeiture rate	**0.91% - 1.00%**	0.00% - 2.00%
Maturity years	**6.0**	2.0 - 6.0
Risk free rate	**1.46% - 1.65%**	0.30% - 1.58%
Annualised volatility	**52.03% - 52.90%**	49.30% - 58.75%

The weighted average fair value of options granted during the year determined using the Binomial valuation model was HK$2.25 per option (2013: HK$1.20 per option). The volatility measured at the standard deviation of continuously compounded share returns is derived from historical volatility of the share price over the last 6 years.

The total expense recognised in the consolidated income statement for the year ended 31 December 2014 for share options amounted to RMB32,291,000 (2013: RMB31,238,000), with a corresponding amount credited in capital reserve (Note 17).

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RESERVES

	Group					
	Share premium	**Capital reserve**	**Statutory reserve**	**Retained earnings**	**Exchange differences**	**Total**
As at 1 January 2013	572,850	349,331	56,111	804,112	(11,379)	1,771,025
Profit for the year	—	—	—	382,568	—	382,568
Exchange differences	—	—	—	—	(14,469)	(14,469)
Share option scheme (Note16(b))	—	31,238	—	—	—	31,238
Share option exercised (Note16(b))	37,472	(10,484)	—	—	—	26,988
Transfer to statutory reserves (a)	—	—	21,645	(21,645)	—	—
Repurchase and cancellation of shares (Note 16(a))	(17,469)	—	—	—	—	(17,469)
Dividends (Note 31)	(98,314)	—	—	—	—	(98,314)
Others	—	(1,875)	—	—	—	(1,875)
As at 31 December 2013	494,539	368,210	77,756	1,165,035	(25,848)	2,079,692
Loss for the year	—	—	—	(198,213)	(198,213)	
Exchange differences	—	—	—	—	202	202
Share option scheme (Note16(b))	—	32,291	—	—	—	32,291
Share option exercised (Note16(b))	81,947	(21,342)	—	—	—	60,605
Repurchase and cancellation of shares (Note 16(a))	(5,097)	—	—	—	—	(5,097)
Dividends (Note 31)	(122,468)	—	—	—	—	(122,468)
As at 31 December 2014	**448,921**	**379,159**	**77,756**	**966,822**	**(25,646)**	**1,847,012**

(a) 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 the 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 increase capital after approval. However, except for offsetting prior years' losses, the statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For the year ended 31 December 2013, 10% of statutory net profit of each entity registered in the PRC was appropriated to this reserve. This reserve is non-distributable.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RESERVES *(Continued)*

	Company			
	Share premium	Capital reserve	Accumulated losses	Total
As at 1 January 2013	572,850	2,947,276	(97,543)	3,422,583
Loss for the year	—	—	(84,869)	(84,869)
Share option scheme (Note 16(b))	—	31,328	—	31,328
Share option exercised (Note 16(b))	37,472	(10,484)	—	26,988
Repurchase and cancellation of shares	(17,469)	—	—	(17,469)
Dividends (Note 31)	(98,314)	—	—	(98,314)
As at 31 December 2013	494,539	2,968,120	(182,412)	3,280,247
Loss for the year	—	—	(161,333)	(161,333)
Share option scheme (Note 16(b))	—	32,291	—	32,291
Share option exercised (Note 16(b))	81,947	(21,342)	—	60,605
Repurchase and cancellation of shares	(5,097)	—	—	(5,097)
Dividends (Note 31)	(122,468)	—	—	(122,468)
As at 31 December 2014	**448,921**	**2,979,069**	**(343,745)**	**3,084,245**

18. LONG-TERM BONDS

Issue date	Par value	Coupon rate	As at 31 December 2014	As at 31 December 2013	Effective interest rate
25 May 2012 (a)	300,000	6.59%	299,583	298,553	6.74%
7 August 2013 (b)	200,000	7.30%	198,733	198,008	7.74%
31 October 2013 (c)	1,529,750	7.50%	1,497,786	1,486,035	8.31%
Subtotal	2,029,750		1,996,102	1,982,596	
Less: Current portion	—		(299,583)	—	
	2,029,750		1,696,519	1,982,596	

Note:

(a) Anton Oil, a subsidiary of the Company, issued RMB300 million 6.59% medium-term notes at par value on 26 May 2012. The bonds mature in 3 years from the issue date at their nominal value. The net proceeds received by the Group approximated RMB299 million. Interest is payable on an annually basis. As at 31 December 2014, interest payable amount to approximately RMB12 million (31 December 2013: 12 million).

(b) Anton Oil, a subsidiary of the Company, issued RMB200 million 7.30% medium-term notes at par value on 7 August 2013. The bonds mature in 3 years from the issue date at their nominal value. The net proceeds received by the Group approximated RMB197 million. Interest is payable on an annually basis. As at 31 December 2014, interest payable amounted to approximately RMB5.8 million (31 December 2013: 5.8 million).

(c) The Company issued US$ 250 million 7.50% senior notes at par value on 31 October 2013. The bonds mature in 5 years from the issue date at their nominal value. The net proceeds received approximated RMB1,485 million. Interest is payable on a semi-annually basis. As at 31 Dec 2014, interest payable amounted to approximately RMB17.3 million (31 December 2013: 17.7 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

19. OTHER LONG-TERM PAYABLES

	As at 31 December **2014**	2013
Gross sale and leaseback liability		
– No later than 1 year	**—**	3,526
– Later than 1 year and no later than 3 years	**—**	—
Present value of sale and leaseback liability	**—**	3,526
Future finance charges on sale and leaseback	**—**	(112)
Present value of sale and leaseback liability	**—**	3,414

As at 31 December 2014, other long-term payables represent sale and leaseback liabilities.

20. BORROWINGS

	As at 31 December 2014		As at 31 December 2013	
	Amount	**Interest rate**	Amount	Interest rate
Short-term borrowings				
– Unsecured bank borrowings				
– RMB denominated	**364,620**	**5.83%-7.2%**	307,380	6%-7.2%
– US$ denominated	**9,292**	**Libor+1.4%-Libor+3.5%**	38,495	Libor+2%-Libor+4%
– Secured bank borrowings				
– RMB denominated (a)	**320,000**	**6%**	50,000	6%
	693,912		395,875	

(a) As at 31 December 2014, borrowings of RMB320,000,000 were secured by trade receivables of the Group (Note 13) amounting to RMB346,640,000.

(b) As at 31 December 2014, the undrawn bank borrowing facilities of the Group approximated RMB526 million (31 December 2013: RMB434 million) with maturing date from 7 January 2015 to 21 December 2015. Including RMB80,000,000 granted by Beijing Zhongguancun Scitech Guaranty Co., Ltd., a third party, with the Group's buildings of net book value amounting to RMB33,966,000 (2013: RMB35,854,000) (Notes 6) and land use rights with net book value of RMB11,718,000 (2013: RMB12,370,000) (Note 7) pledged as counter-guarantee.

21. TRADE AND NOTES PAYABLES – GROUP

	As at 31 December **2014**	2013
Trade payables	**592,294**	537,736
Trade payables to related parties (Note 35(c))	**38,445**	40,688
Notes payables	**64,014**	125,454
	694,753	703,878

(Amounts expressed in thousands of RMB unless otherwise stated)

21. TRADE AND NOTES PAYABLES – GROUP *(Continued)*

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

	As at 31 December	
	2014	2013
Less than 1 year	**574,972**	675,590
1 - 2 years	**107,630**	20,588
2 - 3 years	**4,500**	4,079
Over 3 years	**7,651**	3,621
	694,753	703,878

Trade and notes payable were denominated in the following currencies:

	As at 31 December	
	2014	2013
RMB	**631,277**	692,176
US$	**63,476**	11,702
	694,753	703,878

22. ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2014	2013	**2014**	2013
Advance from customers	**6,715**	10,936	**4**	—
Payroll and welfare payable	**42,948**	48,741	**31**	31
Taxes other than income taxes payable (a)	**77,259**	16,754	**—**	—
Amounts due to subsidiaries (b)	**—**	—	**634,662**	289,784
Payables to equipment venders	**651,983**	284,641	**—**	—
Dividend payable	**11,753**	5,000	**—**	—
Interest payable	**35,151**	36,076	**17,603**	—
Rental payable	**12,986**	1,221	**—**	—
Others	**68,992**	45,749	**7,496**	5,377
	907,787	449,118	**659,796**	295,192

(a) Taxes other than income taxes payable mainly comprise accruals for business tax, value-added tax and individual income tax.

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

(Amounts expressed in thousands of RMB unless otherwise stated)

23. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	As at 31 December	
	2014	2013
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**51,967**	7,981
– Deferred tax asset to be recovered within 12 months	**5,374**	17,048
	57,341	25,029
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**3,957**	1,709
– Deferred tax liabilities to be settled within 12 months	**11**	—
	3,968	1,709

Deferred tax assets:

	Tax losses	**Impairment provision of receivables and inventories**	**Total**
As at 1 January 2013	14,448	5,105	19,553
Credited to the consolidated income statement	3,051	2,425	5,476
As at 31 December 2013	17,499	7,530	25,029
Credited to the consolidated income statement	34,073	(1,761)	32,312
As at 31 December 2014	**51,572**	**5,769**	**57,341**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2014, the Group did not recognise deferred income tax assets of RMB21,578,000 (31 December 2013: RMB2,278,000) in respect of accumulated losses amounting to RMB97,901,000 (31 December 2013: RMB9,132,000) that can be carried forward against taxable income as the Group is going to close the relevant subsidiaries or the losses cannot be covered in 5 years.

(Amounts expressed in thousands of RMB unless otherwise stated)

23. DEFERRED INCOME TAX – GROUP *(Continued)*

Deferred tax liabilities:

	Acquisition of subsidiaries	Withholding tax from investment income	Capitalised borrowing costs	Total
As at 31 December 2012	58	921	—	979
Credited to the consolidated income statement	(10)	740	—	730
As at 31 December 2013	48	1,661	—	1,709
Credited to the consolidated income statement	(10)	1,592	677	2,259
As at 31 December 2014	**38**	**3,253**	**677**	**3,968**

As at 31 December 2014, deferred income tax liabilities of RMB1,592,000 (31 December 2013: RMB46,893,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries. Deferred income tax liability is not recognised 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.

24. REVENUE

Revenue by category is analysed as following:

	Year ended 31 December	
	2014	2013
Sales of goods	**251,313**	258,548
Sales of services	**1,819,892**	2,274,988
	2,071,205	2,533,536

(Amounts expressed in thousands of RMB unless otherwise stated)

25. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2014	2013
Materials and services purchased	**1,019,866**	966,696
Staff costs		
– Salaries and other staff expenses	**405,896**	342,523
– Share-based compensation	**32,291**	31,238
Depreciation	**185,925**	121,872
Amortisation	**35,846**	15,629
Sales tax and surcharges	**15,964**	32,840
Auditor's remuneration		
– PricewaterhouseCoopers	**3,800**	3,800
– Other auditors		
Other operating expenses	**331,214**	465,987
– (reduction)/addition in impairment of receivables	**(4,918)**	31,920
– addition in impairment of inventories	**208**	—
Total operating cost	**2,031,392**	1,981,130

26. OTHER GAINS, NET

	Year ended 31 December	
	2014	2013
Government grants and subsidies	**5,702**	11,991
Gains on disposal of subsidiaries	**—**	13,251
Donation	**(689)**	(2,626)
Loss on disposal of property, plant and equipment	**(8,340)**	(2,441)
Others	**1,488**	(225)
	(1,839)	19,950

(Amounts expressed in thousands of RMB unless otherwise stated)

27. FINANCE COSTS, NET

	Year ended 31 December	
	2014	2013
Interest expenses		
– on bank borrowings	**(27,333)**	(18,102)
– on bonds	**(157,416)**	(46,271)
– on sale and leaseback liability	**—**	(1,606)
Exchange loss, net	**(7,515)**	(3,402)
Others	**(4,951)**	(4,645)
Finance costs	**(197,215)**	(74,026)
Less: amounts capitalized on qualifying assets	**(4,517)**	—
Total finance costs	**(192,698)**	(74,026)
Interest income	**14,234**	1,348
	(178,464)	(72,678)

28. STAFF COSTS

	Year ended 31 December	
	2014	2013
Wages, salaries and allowances	**324,713**	291,781
Housing subsidies (a)	**18,758**	10,680
Contributions to pension plans (b)	**29,101**	18,844
Share option costs		
– equity settled share-based payment (Note 16(b))	**32,291**	31,238
Welfare and other expenses	**33,324**	21,218
	438,187	373,761

(a) Housing subsidies mainly include the Group's contributions to government-sponsored housing funds, at rates ranging from 5% to 12% of the employees' salaries for the Group's Chinese employees in the PRC.

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

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.

(Amounts expressed in thousands of RMB unless otherwise stated)

28. STAFF COSTS *(Continued)*

(c) Emoluments of directors

The remuneration of every director and the chief executive are set out below:

	For the year ended 31 December 2014				
Name	**Fees**	**Basic Salaries and Allowances**	**Bonus**	**Retirement benefits and others**	**Total**
Luo Lin (also the chief executive)	**—**	**1,890**	**—**	**41**	**1,931**
Liu Enlong	**—**	**2,206**	**480**	**41**	**2,727**
Wu Di	**—**	**1,481**	**324**	**41**	**1,846**
Zhang Yongyi*	**432**	**—**	**—**	**—**	**432**
Zhu Xiaoping*	**432**	**—**	**—**	**—**	**432**
Wang Mingcai*	**432**	**—**	**—**	**—**	**432**
Jean Francois Poupeau	**70**	**—**	**—**	**—**	**70**
	1,366	**5,577**	**804**	**123**	**7,870**

	For the year ended 31 December 2013				
Name	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
Luo Lin (also the chief executive)	—	1,832	—	48	1,880
Liu Enlong	—	1,229	—	65	1,294
Wu Di	—	1,098	—	65	1,163
Jean Francois Poupeau	—	418	—	—	418
Wang Mingcai*	403	—	—	—	403
Zhu Xiaoping*	403	—	—	—	403
Zhang Yongyi*	403	—	—	—	403
	1,209	4,577	—	178	5,964

* 10,632,000 share options on aggregate were granted to three independent non-executive directors in February 2008, April 2009, May 2011, January 2012 January 2013 and May 2014, with total expense recognised in the consolidated income statement for the year ended 31 December 2014 amounted to RMB1,117,000 (2013: RMB1,055,000) which are not included in this summary.

(Amounts expressed in thousands of RMB unless otherwise stated)

28. STAFF COSTS *(Continued)*

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: one) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the other two (2013: four) individuals during the year are as follows:

	Year ended 31 December	
	2014	2013
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,228**	6,437
Contributions to pension schemes	**81**	123
	4,309	6,560

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emoluments bands		
RMB nil – RMB1,000,000	**—**	—
RMB1,000,000 – RMB1,500,000	**—**	2
More than RMB1,500,000	**2**	2
	2	4

(e) During the years ended 31 December 2014 and 2013, 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

29. INCOME TAX EXPENSE

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

PRC enterprise income tax ('EIT') is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the subsidiaries of the Group was 25% in 2014 (2013: 25%), based on the relevant PRC tax laws and regulations, except for certain subsidiaries which are taxed at preferential tax rates as detailed below. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

The applicable EIT tax rates of the Group companies which are taxed at preferential tax rates in mainland PRC during the years ended 31 December 2014 and 2013 are detailed as follows:

	Year ended 31 December	
	2014	2013
Anton Oil (i)	**15%**	15%
Hinen-Hitech (i)	**15%**	15%
Xinjiang Anton (ii)	**15%**	15%
Anton Tong'ao (ii)	**15%**	15%
Xinjiang Tong'ao (iii)	**15%**	15%
Shandong Precede (iv)	**15%**	15%
Sichuan Anton (v)	**15%**	15%
Anton Software (vi)	**—**	—

Overseas EIT is provided on the basis of local tax laws and regulations. The applicable EIT statutory tax rates of the group principal companies which are taxed at out of mainland PRC during the years ended 31 December 2014 and 2013 are detailed as follows:

	Year ended 31 December	
	2014	2013
The Company	**—**	—
Anton HSK	**20%**	20%
Anton Dubai (vii)	**—**	—
Anton Sudan	**35%**	35%
Anton Houston	**15%**	15%
DMCC (vii)	**—**	—
Anton C.A.	**33%**	33%
Tong'ao International (vii)	**—**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

29. INCOME TAX EXPENSE *(Continued)*

(i) Being high technology enterprises certified by Beijing Municipal Science And Technology Commission and local finance and taxation administration, Anton Oil, Hinen-Hitech and Tongsheng Well have been granted a preferential rate of 15% respectively which is required to be filed and approved by Beijing Local Taxation Bureau annually.

(ii) Pursuant to Ba Kai Guo Shui Deduction Bei Zi [2015] No.1 issued by the State Administration of Taxation, Bazhou Technical Economic Development Area, Korla, Xinjiang Uygur Autonomous Region, Anton Tong'ao has been granted a preferential rate of 15% during 2014 to 2017 as a high technology enterprise.

(iii) Pursuant to Lun Guo Shui Jian Tong Deduction Bei Zi [2012] No.28 issued by the State Administration of Taxation, Luntai County office, Xinjiang Tong'ao has been granted a preferential rate of 15% until 2020 as an enterprise set up in the western area of the PRC.

(iv) Being a high technology enterprise certified by Shandong Science And Technology Department and local finance and taxation administration, Shandong Precede has been granted a preferential rate of 15%, which is required to be filed and approved by Shandong Local Taxation Bureau annually.

(v) Pursuant to Chuan Guo Shui Fa [2012] No.28 issued by the State Administration of Taxation Chuan Shan District office, Sichuan Anton, as an enterprise set up in the western area of the PRC, has been granted a preferential rate of 15% during 2011 to 2020.

(vi) Pursuant to Caishui [2008] No.1, Anton software qualifies for a tax holiday of 2-year exemption, starting from 2013 followed by a 50% reduction during 2015 to 2017.

(vii) Anton Dubai, DMCC and Tong'ao International are registered in UAE, where the foreign entities of oilfield services are exempt from income tax.

	Year ended 31 December	
	2014	2013
Current income tax		
– PRC income tax	**24,721**	61,665
– Others	**36,587**	29,920
Deferred income tax (Note 23)		
– Deferred tax relating to the origination and reversal of temporary differences	**(30,053)**	(4,746)
	31,255	86,839

(Amounts expressed in thousands of RMB unless otherwise stated)

29. INCOME TAX EXPENSE *(Continued)*

(vii) *(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	
	2014	2013
(Loss)/profit before income tax	**(159,550)**	489,977
Tax calculated at applicable tax rates	**3,063**	132,701
Preferential tax rates and tax exemption on the income of certain subsidiaries	**991**	(51,163)
Income not subject to taxation	**(4,313)**	—
Expenses not deductible for taxation purposes	**4,434**	5,921
Additional deduction of research and development expense	**(2,227)**	(3,063)
Tax losses for which no deferred income tax asset was recognised	**27,474**	2,278
Utilisation of previously unrecognised tax losses	**—**	(237)
Withholding tax from overseas income	**1,592**	413
Others	**241**	(11)
Income tax expense	**31,255**	86,839

30. 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	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**(198,213)**	382,568
Weighted average number of ordinary shares in issue (thousands of shares)	**2,198,369**	2,150,873
Basic earnings per share (expressed in RMB per share)	**(0.0902)**	0.1779

(Amounts expressed in thousands of RMB unless otherwise stated)

30. 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 that would decrease profit per share or increase loss per share.

As at 31 December 2013, 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 2013 to 31 December 2013) 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 2013
Profit attributable to equity holders of the Company (RMB'000)	382,568
Weighted average number of ordinary shares in issue (thousands of shares)	2,150,873
Adjustments for assumed conversion of share options (thousands of shares)	57,038
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	2,207,911
Diluted earnings per share (expressed in RMB per share)	0.1733

As for the year ended 31 December 2014, the Company is bearing loss, the option is anti-dilutive at this level. The diluted earnings per share is calculated in the same way with basic earnings per share.

31. DIVIDENDS

On 29 May 2014, upon approval by the annual general meeting of the shareholders, the Company declared 2013 final dividend of RMB 0.0547 per ordinary share, totaling RMB122,468,000 and paid by cash at June 2014.

At a meeting held on 25 March 2015, the Board did not recommend a final dividend for the year ended 31 December 2014.

(Amounts expressed in thousands of RMB unless otherwise stated)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31 December	
	2014	2013
(Loss)/profit for the year	**(190,805)**	403,138
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 25)	**185,925**	121,872
– net loss on disposals (Note 26)	**8,340**	2,441
Amortisation of land use rights and intangible assets (Note 25)	**35,846**	15,629
(Reduction)/addition of impairment of receivables (Note 25)	**(4,918)**	31,920
Addition of impairment of inventories (Note 25)	**208**	—
Charge of share option scheme (Note 16(b))	**32,291**	31,238
Gain on disposal of subsidiaries (Note 26)	**—**	(13,251)
Share of loss of joint ventures	**19,060**	9,701
Net foreign exchange loss (Note 27)	**7,515**	3,402
Interest income (Note 27)	**(14,234)**	(1,348)
Interest expenses on bank borrowings and bonds (Note 27)	**180,232**	64,373
Interest expenses on sale and leaseback liability (Note 27)	**—**	1,606
Income tax expense	**31,255**	86,839
Changes in other non-current assets	**(14,553)**	(60,002)
Changes in working capital:		
Inventories	**(121,467)**	(100,933)
Trade and notes receivables	**(250,958)**	(472,214)
Prepayments and other receivables and value-added tax recoverable	**(252,603)**	(46,529)
Trade and notes payables	**(10,886)**	375,628
Accruals and other payables	**9,081**	53,368
Restricted bank deposits	**(39,896)**	(16,785)
Net cash inflows from operations	**(390,567)**	490,093

(Amounts expressed in thousands of RMB unless otherwise stated)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

b) Significant non-cash transactions

The principal non-cash transactions for the year ended 31 December 2014 were short-term bank loans borrowed via trade finance agreement whereby the bank made payments to the Group's suppliers directly, which involved no cash receipts or payments by the Group. The aggregate amount of such short-term bank loans borrowed during the year ended 31 December 2014 approximated RMB39 million (2013: RMB80 million).

33. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2014	2013
Contracted but not provided for		
– Property, plant and equipment	**187,251**	231,208

(b) Operating lease commitments – where the Group is the lessee

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	
	2014	2013
No later than 1 year	**9,001**	9,546
1 to 5 years	**26,839**	27,268
Over 5 years	**20,974**	27,713
	56,814	64,527

(Amounts expressed in thousands of RMB unless otherwise stated)

34. BUSINESS COMBINATION

(a) Acquisition of Sichuan Chengliang Testing Services Co., Ltd. (四川誠量檢測服務有限公司, "Sichuan Chengliang")

On 25 March 2014, the Group acquired 100% equity interests in Sichuan Chengliang from an independent third party, for a cash consideration of RMB 2,885,000.

The following table summarises the consideration paid for this acquisition and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration	
– Cash paid	2,885
Recognised amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value	
Property, plant and equipment	135
Receivables	147
Payables	(29)
Total identifiable net assets	253
Goodwill	2,632
	2,885
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	(2,885)
– cash and banks in subsidiary acquired	—
Cash outflow on acquisition	(2,885)

The acquired business contributed revenues of approximately RMB5,000 and net loss of approximately RMB1,178,000 to the Group for the period from 25 March 2014 to 31 December 2014.

Had Sichuan Chengliang been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of RMB2,071,205,000 and loss attribute to equity holders of the Company of RMB201,527,000.

(Amounts expressed in thousands of RMB unless otherwise stated)

34. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of Tianjin Investment

On 31 January 2014, the Group acquired 100% equity interests in Tianjin Investment from an independent third party, for a consideration of RMB10,000,000 settled by offsetting receivable balances due from the seller.

The following table summarises the consideration paid for this acquisition and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration	10,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value	
Cash and banks	215
Property, plant and equipment	114,953
Land use right	30,574
Intangible assets	5
Receivables	18,193
Payables	(153,940)
Total identifiable net assets	10,000
Inflow of cash to acquire business, net of cash acquired	
– cash consideration	—
– cash and banks in subsidiary acquired	215
Cash inflow on acquisition	215

The acquired business did not contribute any revenues or profit to the Group for the period from 31 January 2014 to 31 December 2014 as it is still under construction stage.

35. 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 of the Group are also considered as related parties.

(a) The following companies are related parties of the Group during the year ended 31 December 2014 and 2013:

Names of related parties	Nature of relationship
北重安東機械製造有限公司 ('Northern Heavy')	Joint venture invested by Anton Oil
同舟一體化油田技術有限公司 ('TIPM')	Joint venture invested by Anton Oil
China Nanhai Magcobar Mud Corp. Ltd. ('Nanhai Magcobar')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Oilfield China ('SLB China')	Controlled by the same ultimate parent company of SLB NV
Smith Drilling Equipment (Changzhou) Ltd. ('Smith Drilling')	Controlled by the same ultimate parent company of SLB NV
Dowell Schlumberger (Western) S.A. ('Dowell SLB')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Technologies (Beijing) Ltd. ('SLB Beijing')	Controlled by the same ultimate parent company of SLB NV
Schlumberger Reservoir Products FZE ('SLB FZE')	Controlled by the same ultimate parent company of SLB NV
SCP Oilfield Company ('SCP')	Controlled by the same ultimate parent company of SLB NV

(Amounts expressed in thousands of RMB unless otherwise stated)

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

	Year ended 31 December	
	2014	2013
Purchases of goods or services		
Northern Heavy	**13,277**	14,900
TIPM	**91**	701
Nanhai Magcobar	**44,205**	65,666
SLB China	**83,264**	101,788
SLB Beijing	**216**	12,797
Smith Drilling	**9,975**	5,034
Dowell SLB	**212**	17,281
SLB FZE	**47,820**	—
	199,060	218,167
Sales of goods		
SLB China	**6,396**	6,652
Northern Heavy	**402**	1,155
SLB Beijing	**187**	—
TIPM	**37,200**	—
SCP	**3,226**	—
	47,411	7,807

Goods are sold and purchased based on the price lists in force and terms that would be available to third parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December Group	
	2014	2013
Trade and notes receivables (Note 13)		
SLB China	**5,057**	4,832
SLB Beijing	**187**	—
TIPM	**37,200**	—
SCP	**920**	—
	43,364	4,832
Trade and notes payable (Note 21)		
Northern Heavy	**2,492**	11,929
TIPM	**96**	701
Nanhai Magcobar	**16,556**	19,474
SLB China	**15,140**	6,893
SLB Beijing	**216**	—
Smith Drilling	**3,733**	1,691
Dowell SLB	**212**	—
	38,445	40,688
Accruals and other payables (Note 22)		
SLB FZE	**15,523**	—
Northern Heavy	**3,748**	—
	19,271	—

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

(d) Key management compensation

	Year ended 31 December	
	2014	2013
Salaries and other short-term employee benefits	**17,120**	8,533
Pension scheme	**450**	208
Share-based payments	**8,014**	6,328
	25,584	15,069

36. SUBSEQUENT EVENTS

(a) On 25 March 2015, the directors of the Company proposed not to distribute dividend for the year ended 31 December 2014. This proposal is subject to the approval of shareholders at the annual general meeting.

(b) On 11 January 2015, the Group has completed the acquisitions of 55% equity interest of Beijing KMS Oilfield Chemicals and Technology Ltd. (北京科麥仕油田化學技術有限公司). The cash considerations of this acquisitions amounted to RMB101 million. As of the date of this report, management is in the process of reviewing financial information of acquire and performing assessments of purchase price allocation of identifiable assets and liabilities acquired as of the effective acquisition date.