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安 東 油 田 服 務 集 團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

Revenue of the Group rose 59.2% from RMB1,258.9 million in 2011 to RMB2,004.6 million in 2012. Profit attributable to equity holders of the Company increased by 291.5% from RMB77.3 million in 2011 to RMB302.6 million in 2012.

The proposed final dividend is RMB0.0456 per share.

RESULTS

The board of directors (the "Board") of Anton Oilfield Services Group (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 (hereafter referred to as "the Year" or "the reporting period") with comparative figures for 2011, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands of RMB, except per share data)

	Note	Year ended 31 December 2012	2011 (Reclassified, Notes 2, 5)
Revenue	4	**2,004,583**	1,258,909
Cost of sales	5	**(1,103,307)**	(735,990)
Gross Profit		**901,276**	522,919
Other gains, net		**10,646**	2,155
Selling expenses	5	**(154,480)**	(104,103)
Administrative expenses	5	**(260,045)**	(164,814)
Research and development expenses	5	**(66,274)**	(53,297)
Sales tax and surcharges	5	**(33,144)**	(28,005)
Operating profit		**397,979**	174,855
Interest income		**1,932**	2,254
Finance expenses		**(32,542)**	(18,348)
Finance costs, net	6	**(30,610)**	(16,094)
Share of loss of a jointly controlled entity		**—**	(14,320)
Impairment loss of long-term investment in a jointly controlled entity		**—**	(31,924)
Profit before income tax		**367,369**	112,517
Income tax expense	7	**(49,664)**	(20,849)
Profit for the year		**317,705**	91,668
Profit attributable to:			
Equity holders of the Company		**302,579**	77,344
Non-controlling interests		**15,126**	14,324
		317,705	91,668
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- Basic	8	**0.1430**	0.0369
- Diluted	8	**0.1402**	0.0365
Dividends	11	**97,600**	35,700

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of RMB)

	Year ended 31 December	
	2012	2011
Profit for the year	**317,705**	91,668
Other comprehensive income/(loss), net of tax:		
Cash flow hedges	**—**	1,102
Currency translation differences	**(1,882)**	(6,813)
Other comprehensive loss, net of tax for the year	**(1,882)**	(5,711)
Total comprehensive income for the year	**315,823**	85,957
Attributable to:		
- Equity holders of the Company	**300,697**	71,633
- Non-controlling interests	**15,126**	14,324
Total comprehensive income for the year	**315,823**	85,957

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2012
(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment		**955,056**	538,576
Land use rights		**28,757**	31,281
Intangible assets		**371,185**	365,422
Investment in a jointly controlled entity		**4,000**	4,000
Deferred income tax assets		**19,553**	17,643
		1,378,551	956,922
Current assets			
Inventories		**487,040**	271,411
Trade and notes receivables	9	**948,305**	670,959
Prepayments and other receivables		**239,931**	120,794
Restricted bank deposits		**15,629**	10,380
Term deposits with initial terms of over three months		**—**	5,000
Cash and cash equivalents		**523,378**	462,154
		2,214,283	1,540,698
Total assets		**3,592,834**	2,497,620
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**200,836**	198,115
Reserves			
- Proposed final dividend	11	**97,600**	35,700
- Others		**1,673,425**	1,432,315
		1,971,861	1,666,130
Non-controlling interests		**109,093**	73,967
Total equity		**2,080,954**	1,740,097

CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS AT 31 DECEMBER 2012
(Amounts expressed in thousands of RMB)

	Note	As at 31 December **2012**	 2011
LIABILITIES			
Non-current liabilities			
Long-term bonds		**299,051**	—
Other long-term payables		**3,256**	14,847
Deferred income tax liabilities		**979**	957
		303,286	15,804
Current liabilities			
Short-term borrowings		**191,568**	315,000
Current portion of long-term borrowings		**20,000**	5,003
Current portion of other long-term payable		**11,604**	10,896
Trade and notes payables	10	**730,444**	257,791
Accruals and other payables		**217,670**	123,852
Current income tax liabilities		**37,308**	29,177
		1,208,594	741,719
Total liabilities		**1,511,880**	757,523
Total equity and liabilities		**3,592,834**	2,497,620
Net current assets		**1,005,689**	798,979
Total assets less current liabilities		**2,384,240**	1,755,901

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2012	2011
Cash flows from operating activities			
Net cash inflows from operations	12	**412,163**	260,543
Interest paid		**(15,422)**	(14,031)
Interest received		**1,932**	2,254
Income tax paid		**(49,110)**	(28,392)
Net cash generated from operating activities		**349,563**	220,374
Cash flows from investing activities			
Purchase of property, plant and equipment		**(232,179)**	(159,509)
Proceeds from disposal of property, plant and equipment		**2,227**	960
Purchase of land use rights		**(21,244)**	(8,000)
Purchase of intangible assets		**(22,195)**	(28,100)
Proceeds from acquisition of subsidiaries		**2,645**	—
Payment of considerations of prior year acquisition		**(7,600)**	(4,000)
Disposal of a subsidiary, net		**(13)**	—
Proceeds from disposal of term deposits with initial terms of over three months		**5,000**	1,000
Net cash used in investing activities		**(273,359)**	(197,649)
Cash flows from financing activities			
Proceeds from long-term bond		**299,128**	—
Proceeds from long-term borrowings		**—**	5,003
Proceeds from short-term borrowings		**329,000**	377,000
Proceeds from sale and leaseback		**—**	27,000
Repayments of short-term borrowings		**(580,293)**	(212,000)
Repayments of long-term borrowings		**(25,003)**	(34,822)
Repayments of sale and leaseback		**(11,100)**	(5,456)
Proceeds from share options exercised		**23,748**	4,931
Dividends distribution		**(46,694)**	(39,426)
Decrease of deposits pledged for borrowing		**—**	135,646
Net cash (used)/generated from financing activities		**(11,214)**	257,876
Net increase in cash and cash equivalents		**64,990**	280,601
Cash and cash equivalents, at beginning of the year		**462,154**	188,960
Exchange loss on cash and cash equivalents		**(3,766)**	(7,407)
Cash and cash equivalents at end of the year		**523,378**	462,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(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 overseas 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 15 March 2013.

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.

Change of presentation of the consolidated income statement

For the year ended 31 December 2012, the Company adopted an alternative presentation of the consolidated income statement, with operating expenses presented by function. The comparative figures for the year ended 31 December 2011 have been reclassified according to the change in presentation. A reconciliation of operating expenses by nature is disclosed in Note 5.

(a) *New and amended standards adopted by the Group*

Amended standards adopted by the Group:

- Amendments to IFRS 7, 'Financial instruments: disclosures'. The amendments were as a result of amendments on disclosure requirements of transfers of financial assets released in October 2010 (effective for financial year beginning 1 July 2011). The amendments clarified and strengthened the disclosure requirements of transfers of financial assets which help users of financial statements evaluating related risk exposures and the effect of those risks on

the financial position of the Group and its subsidiaries. The Group and its subsidiaries adopt and amendments from 1 January 2012. These amendments have no material impact on the consolidated financial statements of the Group.

(b) *New standards and interpretations not yet effective for the financial year beginning 1 January 2012 and relevant to the Group.*

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

- IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group in the initial application and does not anticipate that the adoption will result in any material impact on the Group's operating results or financial position.

3. SEGMENT INFORMATION

The chief executive officer, vice presidents and directors of the Company 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), share of loss from a jointly controlled entity and impairment loss of long-term investment in a jointly controlled entity ('EBITDA'). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarters of the Group.

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2012					
Revenue	856,543	458,161	432,956	256,923	2,004,583
EBITDA	470,843	145,833	107,911	105,448	830,035
Depreciation and amortisation	(33,929)	(17,945)	(10,496)	(26,425)	(88,795)
Interest income	49	355	53	690	1,147
Finance expenses	—	—	(905)	(96)	(1,001)
Income tax expense	(23,825)	(14,091)	(4,236)	(7,512)	(49,664)
For the year ended 31 December 2011					
Revenue	570,328	319,758	197,527	171,296	1,258,909
EBITDA	258,704	109,828	45,372	40,333	454,237
Depreciation and amortisation	(15,346)	(12,773)	(5,456)	(20,517)	(54,092)
Interest income	303	452	54	264	1,073
Finance expenses	(486)	(4)	(115)	(567)	(1,172)
Share of loss from a jointly controlled entity	—	—	—	(14,320)	(14,320)
Impairment loss of investment in a jointly controlled entity	—	—	—	(31,924)	(31,924)
Income tax expense	(14,618)	(9,703)	(1,085)	4,557	(20,849)

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012					
Total assets	989,095	954,503	697,904	359,738	3,001,240
Total assets include:					
Investments in a jointly controlled entity	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	253,792	28,205	132,039	37,175	451,211
As at 31 December 2011					
Total assets	577,089	882,670	198,773	334,836	1,993,368
Total assets include:					
Investments in a jointly controlled entity	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	158,407	9,777	29,451	25,329	222,964

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
EBITDA for reportable segments	**830,035**	454,237
Corporate overheads	**(374,017)**	(241,285)
Depreciation	**(69,234)**	(46,725)
Amortisation	**(19,561)**	(7,367)
Interest income	**1,147**	1,073
Finance expenses	**(1,001)**	(1,172)
Share of loss of a jointly controlled entity	**—**	(14,320)
Impairment loss of investment in a jointly controlled entity	**—**	(31,924)
Profit before income tax	**367,369**	112,517

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Assets for reportable segments	**3,001,240**	1,993,368
Corporate assets for general management	**591,594**	504,252
Total Assets	**3,592,834**	2,497,620

Geographical Information

	Revenue		Non-current Assets	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,555,987**	971,642	**1,215,104**	881,642
Iraq	**327,564**	171,963	**150,860**	71,926
Other countries	**121,032**	115,304	**12,587**	3,354
Total	**2,004,583**	1,258,909	**1,378,551**	956,922

Client Information

Sales made to individually significant customer of each operating segment (accounts for over 10% of the total revenue of each operating segment) are as following:

For the year ended 31 December 2012

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Client a	—	—	108,507	156,279	264,786
Client b	183,274	—	—	—	183,274
Client c	151,948	—	—	—	151,948
Client d	90,387	—	—	—	90,387
Client e	—	—	65,504	—	65,504
Client f	—	—	—	26,249	26,249
Total	425,609	—	174,011	182,528	782,148

Note: Client a and e are entities controlled by one major oilfield operator and client b and f are entities controlled by one major oilfield operator.

For the year ended 31 December 2011

	Down-hole operation	Well completion	Drilling technology	Tubular services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Client 1	130,358	—	—	—	130,358
Client 2	86,996	—	—	—	86,996
Client 3	—	—	—	71,009	71,009
Client 4	—	—	54,899	—	54,899
Client 5	—	—	29,366	—	29,366
Client 6	—	—	25,044	—	25,044
Total	217,354	—	109,309	71,009	397,672

Note: Client 2, 3, 4 and 6 are entities controlled by one major oilfield operator.

4. REVENUE

Revenue by category is analysed as following:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Sales of goods	**515,931**	367,078
Sales of services	**1,488,652**	891,831
	2,004,583	1,258,909

5. EXPENSE BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Materials and services	**865,468**	571,878
Staff costs		
- Salaries and other staff expenses	**248,130**	125,982
- Share-based compensation	**17,980**	9,870
Depreciation	**72,579**	48,783
Amortisation	**20,846**	10,213
Sales tax and surcharges	**33,144**	28,005
Other operating expenses	**359,103**	291,478
- Addition for impairment of receivables	**28,364**	10,734
- Addition for impairment of inventories	**12,900**	—
- Loss/(Gain) on disposal of property, plant and equipment	**1,211**	(236)
- Auditor's remuneration - audit service	**3,700**	3,400
Total operating cost	**1,617,250**	1,086,209

6. FINANCE COSTS, NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Interest income	**1,932**	2,254
Interest expenses on bank borrowings	**(27,473)**	(14,877)
Interest expenses on sale and leaseback liability	**(1,606)**	(851)
Exchange loss, net	**(1,884)**	(593)
Others	**(1,579)**	(2,027)
	(30,610)	(16,094)

7. INCOME TAX EXPENSE

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

PRC enterprise income tax ('EIT') is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the subsidiaries of the Group was 25% in 2012 (2011: 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.

Income tax expense comprised:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current income tax		
- PRC income tax	**32,693**	21,716
- Others	**18,859**	14,961
Deferred income tax		
- Deferred tax relating to the origination and reversal of temporary differences	**(1,888)**	(15,828)
	49,664	20,849

8. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	**302,579**	77,344
Weighted average number of ordinary shares in issue (thousands of shares)	**2,115,501**	2,098,430
Basic earnings per share (expressed in RMB per share)	**0.1430**	0.0369

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2012, 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 2012 to 31 December 2012) 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	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	**302,579**	77,344
Weighted average number of ordinary shares in issue (thousands of shares)	**2,115,501**	2,098,430
Adjustments for assumed conversion of share options (thousands of shares)	**42,404**	20,780
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,157,905**	2,119,210
Diluted earnings per share (expressed in RMB per share)	**0.1402**	0.0365

9. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables, net (a)	**919,430**	647,212
Notes receivable (d)	**28,875**	23,747
	948,305	670,959

Note:

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

	As at 31 December 2012		
	Gross amount	**Impairment**	**Net value**
	RMB'000	*RMB'000*	*RMB'000*
1 - 6 months (i)	735,256	—	735,256
6 months - 1 year (i)	137,975	(6,286)	131,689
1 - 2 years (ii)	47,000	(1,737)	45,263
2 - 3 years (ii)	8,679	(3,815)	4,864
Over 3 years (ii)	7,205	(4,847)	2,358
	936,115	(16,685)	919,430

	As at 31 December 2011		
	Gross amount	**Impairment**	**Net value**
	RMB'000	*RMB'000*	*RMB'000*
1 - 6 months (i)	418,914	—	418,914
6 months - 1 year (i)	166,584	(1,052)	165,532
1 - 2 years (ii)	61,697	(6,623)	55,074
2 - 3 years (ii)	11,786	(4,164)	7,622
Over 3 years (ii)	6,023	(5,953)	70
	665,004	(17,792)	647,212

(i) As at 31 December 2012, trade receivables amount of RMB866,945,000 (31 December 2011: RMB584,446,000) aged within one year. These trade receivables were neither past due nor impaired due 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 2012, trade receivables amounting to RMB52,485,000 (31 December 2011: RMB62,766,000) 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 mentioned above. As of 31 December 2012, trade receivables amounting to nil were pledged as security for short-term borrowing (31 December 2011: RMB211,964,000).

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

	2012	2011
	RMB'000	*RMB'000*
As at 1 January	**17,792**	10,674
Additions	**28,277**	12,294
Reversal	**—**	(1,454)
Dispose of subsidiaries	**—**	(750)
Written off	**(29,384)**	(2,972)
As at 31 December	**16,685**	17,792

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

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
RMB	**791,430**	585,138
US$	**156,261**	85,821
KZT	**614**	—
	948,305	670,959

10. TRADE AND NOTES PAYABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**643,134**	217,765
Trade payables to related parties	**50,354**	—
Notes payables	**36,956**	40,026
	730,444	257,791

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Less than 1 year	**692,188**	241,681
1 - 2 years	**24,930**	10,843
2 - 3 years	**8,983**	3,142
Over 3 years	**4,343**	2,125
	730,444	257,791

Trade and notes payable were denominated in the following currencies:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
RMB	**703,099**	226,876
US$	**23,074**	30,915
KZT	**4,271**	—
	730,444	257,791

11. DIVIDENDS

The dividends paid in 2011 and 2012 were RMB39,426,000 (RMB0.0188 per ordinary share) and RMB36,694,000 (RMB0.0170 per ordinary share), respectively, which were paid out of the share premium account of the Company. A dividend in respect of the year ended 31 December 2012 of RMB0.0456 per ordinary share, amounting to a total dividend of RMB97,600,000, is recommended by the directors on 15 March 2013, which is to be paid out of the share premium account of the Company (Dividend per ordinary share is calculated based on the number of issued shares as of 14 March 2013). Such dividend is subject to the approval by the shareholders at the next Annual General Meeting. These financial statements do not reflect this dividend payable.

12. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**317,705**	91,668
Adjustments for:		
Property, plant and equipment		
- depreciation charge (Note 5)	**72,579**	48,783
- net loss/(gain) on disposal (Note 5)	**1,211**	(236)
Amortisation of land use rights and intangible assets (Note 5)	**20,846**	10,213
Addition of impairment of receivables (Note 5)	**28,364**	10,734
Addition of impairment of investories (Note 5)	**12,900**	—
Charge of share option scheme	**17,980**	9,870
Loss on disposal of subsidiaries	**—**	3,066
Share of loss of a jointly controlled entity	**—**	14,320
Impairment loss of investment in a jointly controlled entity	**—**	31,924
Net foreign exchange loss (Note 6)	**1,884**	593
Interest income (Note 6)	**(1,932)**	(2,254)
Interest expenses on bank borrowings (Note 6)	**27,473**	14,877
Interest expenses on sale and leaseback liability (Note 6)	**1,606**	851
Income tax expense	**49,664**	20,849
Changes in working capital:		
Inventories	**(189,823)**	(7,106)
Trade and notes receivables	**(215,770)**	(11,101)
Prepayments and other receivables	**(19,885)**	(19,065)
Trade and notes payables	**290,808**	26,572
Accruals and other payables	**1,802**	17,658
Restricted bank deposits	**(5,249)**	(1,673)
Net cash inflows from operations	**412,163**	260,543

(b) Significant non-cash transactions

The principal non-cash transactions for the year ended 31 December 2012 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 2012 was approximately RMB102 million (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Environment

China's Natural Gas Market Witnesses Accelerated Growth

In 2012, China's economy showed signs of further stabilization towards a recovery, and amid the continuous increase in energy demand and growing concerns over environmental issues, developing natural gas has become a necessary approach to achieving China's energy security strategy. Against this backdrop, China issued a series of "12th Five-Year Plans" for various gas-related industries to encourage the use of natural gas in extended industries, prioritize natural gas in China's integrated energy strategy and strengthen the government supports for the development of natural gas in the full value chain covering exploration, production, transportation and consumption. The country's natural gas pricing reforms also witnessed due progress in some regions, providing a policy stimulus to sustain the accelerated growth in natural gas development going forward.

Faced with China's pressing target of increasing natural gas output, domestic oil and gas companies have further intensified exploration and development ("E&P") activities in the major domestic natural gas basins, driving the demand for regular and high-end oil and gas field services to a new height. It is worth mentioning that low-permeability reserves have grown increasingly critical in the future oil and gas development. According to the public data released by China National Petroleum Corporation ("CNPC") in April 2011, low-permeability oil and gas account for over 80% of the proven reserves added over recent years, meaning that the incremental production capacity relies mainly on fracking stimulation techniques. Consequently, there will be a tremendous demand for the development of low-permeability gas reserves, such as tight gas and shale gas, in the future. In addition, following decades of extraction, the future oil and gas exploration and development will be challenged by complex geological features and higher marginal costs, placing increasingly strict requirements on technical services. In the Tarim Basin in particular, the ultra-deep, ultra-high-temperature and ultra-high-pressure wells remain as a key issue faced by major oil and gas companies in the region in the course of achieving their urgent production targets. The challenging exploration and development conditions as such would inevitably lead to a sharp increase in the demand for high-end and integrated oil and gas field services.

China's second round of shale gas block auction held in 2012 was opened to all investment entities including privately-owned companies, re-affirming the government's drive and decisiveness in implementing systematic reforms and speeding up the development of key markets in the energy sector. Different from China's traditional national oil companies, the new participants in E&P activities lack their in-house service capacity, creating an earnest demand for integrated oilfield services. At the same time, overseas oil and gas field service providers are actively seeking partnership with domestic peers to complement their services capacities in China so as to meet the huge demand for regular and high-end services from their clients. Those new industry development trends provide unprecedented opportunities for domestic independent oilfield service providers with local experience and established service capacity.

Consistently committed to serving the domestic natural gas market, the Group initiated its integrated service strategy in 2010 and consequently built up its integrated service department. Following two years of preparation, it made intensified efforts in 2012 to push ahead with the integrated service strategy and scale up the service capacity targeting the regular market through increased investment into the regular-service equipment. The initiative was aimed at shifting towards the integrated-services model with regular services driven by technical services targeting the high-end markets from a sole focus on services for high-end markets, so as to provide a full range of solutions addressing stimulation and engineering challenges in natural gas development. As of now, the Group's technologies have been extensively applied in the exploration and development of conventional natural gas and low-permeability tight gas and along with the rapid development of the natural gas industry, the Group foresees vast room for extended growth.

Chinese Investors Keep Intensifying Investment Efforts in Overseas Oil and Gas Fields

The sustained growth in China's long-term energy demand has inspired Chinese investors to go abroad, resulting in diversified investment entities from China in overseas oil and gas resources with extended reach in both the service range and geographical locations. In 2012, Chinese investors became the major driving force behind the surge of M&A activities in the global oil and gas industry as they forged partnerships with the local national oil companies and international oil companies in regions including the Middle East, Central Asia, South America and North America to actively participate in the global oilfield E&P activities through either direct investment or acquisitions.

With the expanded scale of project investments made by Chinese companies globally, particularly in the Middle East, Central Asia and South America, there is a trend of accelerated growth in the demand for oilfield technical services. The Middle East region, in particular, faces a dire need of post-war recovery in oilfield production, and there are demands for not only investment capital, but also the supply of technology, equipment, materials and technical personnel required to facilitate rapid output recovery, making the Middle East the primary overseas investment destination for Chinese investors. And given the Chinese investors' particular needs, China's service providers remain as those clients' first choice for oilfield services as a result of their long-term mutual trust nurtured over years in the domestic projects and the relatively lower costs and shortened construction lead time than their international peers.

When the Group started to enter the overseas market in 2008, it formulated the "follow-up" strategy in the first phase of expansion, providing the Chinese investors with technology, materials, equipment and personnel resources aligned with their specific market demands. Pursuant to the strategy, the Group closely follows the investors and construct on-site service bases to provide them with timely, reliable and competitive technical services. This approach made the Group its clients' indispensible technical partner through the strategic cooperation that both established. In 2012, the Group further strengthened its position in the existing markets and expanded the service offerings while vigorously exploring new opportunities. The remarkable achievements confirmed the success of the Group's overseas strategy and laid a concrete foundation for its strategic growth in extended markets.

Business Performance

In 2012, the Group further accelerated the pace of growth. The Group's total revenue amounted to RMB2,004.6 million, representing an increase of RMB745.7 million, or 59.2%, from RMB1,258.9 million in 2011. The high growth was attributable to the Company's well-prepared planning and the robust market demand in the Year.

In 2012, the Group's operating profit reached RMB398.0 million, an increase of RMB223.1 million, or 127.6%, from RMB174.9 million in 2011. Net profit stood at RMB317.7 million, an increase of RMB226.0 million, or 246.5% from RMB91.7 million in 2011. Profit attributable to equity holders of the Company amounted to RMB302.6 million, an increase of RMB225.3 million, or 291.5%, from RMB77.3 million in 2011. Net profit margin rose to 15.8% from 7.3% in the previous year, representing a growth of 8.5 percentage points. This was because the proportion of cost of sales in total revenue was further reduced due to the Group's increased use of in-house products and services, and lower procurement costs attained from strategic suppliers through merchandizing in a larger volume from these suppliers.

In 2012, the Group's capital efficiency was fully enhanced. As at 31 December 2012, the number of average accounts receivable turnover days stood at 134, a significant decline of 44 days from that in the previous year; the number of average inventory turnover days reached 124, a drop of 7 days from that in 2011; and the average accounts payable turnover days was 149, an increase of 47 days from that in the previous year. The capital efficiency was further enhanced because the Group strengthened the management of settlement in the sales process, while the Group also incorporated the accounts receivables day target as a key performance indicator and it is aligned with a corresponding reward and penalty system to motivate the fulfillment of such target. In the meantime, the Group strengthened the inventory management with specific measures to manage overdue inventory. In the management of accounts payables, the Group established strategic suppliers to achieve better payment terms.

In 2012, market demands exceeded expectation. The Group promoted its growth through forging strategic partnership with its clients to ensure a substainable relationship. In China, as oil companies stepped up E&P activities in conventional and tight gas to commit more production capacity in natural gas, the Group seized the market opportunities and, targeting natural

gas development, established strategic partnerships with clients in the Erdos Basin, Tarim Basin, Sichuan Basin and Songliao Basin. Overseas, in view of the needs of the Chinese investors, the Group forged long-term partnership in the Al-Ahdab project and the Halfaya project in Iraq.

In the Year, the contribution from the core business — oil and gas field development technical services (including drilling technology, well completion and down hole operations clusters) — continued to post a significant growth, up by 60.1%, while the supplementary business — tubular services — also saw a strong growth, up by 50.0%. The original three signature services — multistage fracking, coiled tubing and directional drilling services — led the growth with an aggregate revenue amounted to RMB830.9 million, up by 36.7% compared to last year, accounting for 41.4% of the Group's total revenue for the Year. In particular, as a result of the accelerated development of tight gas, the revenue of the multistage fracking service registered a remarkable revenue growth of 51.9%, reaching RMB163.1 million, with 139 jobs completed in the Year. In the meantime, the new services made a successful entry in the market, generating a revenue of RMB163.1 million, accounting for 8.1% of the Group's total revenue. As a new service, the oil-based drilling fluid had established a sustainable and stable market for the high-end use in the Tarim Basin while the pressure pumping service also opened up the market upon the completion of its service capacity for the massive use in the Erdos Basin.

In retrospect over the Year, the Group's stellar performance detailed above was attributable to the successful implementation of its business strategy. In market development, the Group increased presence in strategic regional markets and launched technical services with competitive value propositions, strengthened its influence in the market through the forging of strategic partnership, so as to effectively seize the opportunities arising from the development of China's domestic natural gas business and expanded investments made by Chinese companies overseas. In product development, the Group started the process of a strategic transition towards an integrated service model. Over the last two years, it established its integrated-service department, consolidated service competences in drilling technology, well completion, down-hole operation as well as oil production services and bolstered such regular services as pressure pumping, making the successful shift towards the integrated-services model with regular services driven by technical services targeting the high-end markets from a sole focus on services for high-end markets and unlocking the vast market potential. In human resources, the Group consistently adhered to its "Talents First" philosophy. It started the campus recruitments as early as in 2007 to attract,

develop and retain young professionals so as to diversify the Group's talent pool, besides hiring industry-leading talents with international experience to drive development of the new businesses. As the enormous potential of the industry began to unfold, the Group was able to leverage its human resources capital to capture market opportunities. In general management, the Group places a primary focus on performing the operation and management based on its strategic priorities to align various strategic resource allocation with business operations. In the meantime, a corresponding performance-based evaluation mechanism was adopted to ensure that strategic targets are delivered. The success of these strategies contributed not only to the Group's outstanding performance in 2012, but also well positioned the Group for its sustainability and continued creation of value for its shareholders.

Geographical Market Analysis

In 2012, the Group's revenue from the domestic market was RMB1,556.0 million, representing an increase of RMB584.4 million or 60.1% from last year's RMB971.6 million, and the domestic market accounted for 77.6% of the Group's total revenue. Revenue from the overseas markets reached RMB448.6 million, representing an increase of RMB161.3 million or 56.1% from RMB287.3 million in the previous year, and accounted for 22.4% of the Group's total revenue. During the reporting period, the Group completed a total of 1,756 jobs domestically and 368 jobs overseas.

Revenue Breakdown of Domestic and Overseas Markets

	2012 (RMB' million)	2011 (RMB' million)	Change (%)	Revenue from the respective market as a percentage of total revenue 2012	2011
Domestic	1,556.0	971.6	60.1%	77.6%	77.2%
Overseas	448.6	287.3	56.1%	22.4%	22.8%
Total	**2,004.6**	**1,258.9**	**59.2%**	**100.0%**	**100.0%**

Revenue Analysis for Domestic Market

	2012 (RMB million)	2011 (RMB million)	Change (%)	Revenue from the respective region as a percentage of domestic revenue 2012	2011
Northwest China	557.4	321.2	73.5%	35.8%	33.1%
North China	528.6	205.5	157.2%	34.0%	21.1%
Northeast China	264.6	307.9	-14.1%	17.0%	31.7%
Southwest China	205.4	137.0	49.9%	13.2%	14.1%
Total	**1,556.0**	**971.6**	**60.1%**	**100.0%**	**100.0%**

Revenue Analysis for Overseas Market

	2012 (RMB million)	2011 (RMB million)	Change (%)	Revenue from the respective region as a percentage of overseas revenue 2012	2011
The Middle East	340.9	227.5	49.8%	76.0%	79.2%
Central Asia	85.2	40.3	111.4%	19.0%	14.0%
Africa	12.5	18.9	-33.9%	2.8%	6.6%
Americas	10.0	0.6	N/A*	2.2%	0.2%
Total	**448.6**	**287.3**	**56.1%**	**100.0%**	**100.0%**

* The Americas market was in the market development phase with no material revenue booked in the previous year, so the percentage change is not applicable for this item.

Domestic Market: Seized Opportunities Arising from Significant Service Demands in Strategic Natural Gas Basins

In 2012, the domestic natural gas business witnessed a sustainable growth. In particular, in the three strategic natural gas basins where the Group seeks to prioritize business expansions — namely the Tarim Basin, Erdos Basin and Sichuan Basin, the Group kept rolling out new products and strengthening the service capacity, making full efforts to meet the significant demands for regular and high-end services prompted by the clients' pressing production goals. Through strengthening long-term strategic partnership, the Group further consolidated its market position and successfully extended growth in the weight of its business in the Northwest, North China and Southwest regions covered by the three basins, booking combined revenue that accounted for 83.0% of the total domestic revenue, an increase of 14.7 percentage points from 68.3% in 2011.

Major Business Development in the Domestic Market

- The Tarim Basin was one of the major focus areas of the Group for the Year, and the contribution in revenue from the region witnessed an extended increase. This basin is a strategic base for the secure and effective energy supplies in China, and the country's major energy developers have stepped up investments into the region. The geological conditions for resource development in the Tarim Basin area are extremely complex, and its ultra-high pressure and ultra-high temperature wells pose as a world challenge in drilling engineering. Confronted with the pressing production target, clients in this region have pressing needs for drilling technologies that facilitates cost reduction and efficiency enhancement. Targeting the clients' strategic needs in this basin, the Group quickly built up the oil-based drilling fluid service ability and actively pushed the application of directional drilling technique, successfully aiding the clients to shorten their drilling lead time and enhance the drilling success rate while providing a strong support to sustain the Group's business growth in the Year. In particular, the Group introduced the oil-based drilling fluid service during the Year which has so far obtained two consecutive batch orders and the jobs completed were well received by its customer with satisfying feedback for the noticeable acceleration in drilling speed and proven evidence of shortening the customer's drilling lead time and reducing costs that help ensure the clients' production targets are met.

- The Erdos Basin remained as a key market for the Group and its revenue contribution for the Year remarkably increased. The growth was mainly attributable to the robust demand for oilfield stimulation services like multistage fracking and pressure pumping as well as the oil and gas field integrated services, coupled with the Group's industry-leading technology and brand in such technical areas. The Erdos Basin is known to the world as a huge tight gas basin and a typical reservoir with low permeability, low pressure and low output, thereby requiring effective technical solutions for stimulation so as to achieve rapid output increments. According to "the 12th Five-Year Plan on Natural Gas Development" announced by the National Development and Reform Commission in December 2012, natural gas output comprising conventional gas and tight gas in the Erdos Basin is expected to grow substantially by 2015. As technical services including multistage fracking and pressure pumping have been proven as a key solution to the issue, the demands for such services are strong in this basin. In order to facilitate efficient development of resources, the basin adopted a liberalized competition mechanism and an increasing number of investors participated in resource development in the region, expanding the Group's client base. The Group is the market leader of horizontal well multistage fracking and has accumulated experience from operations in more than 274 jobs over the years. The Group added Sinopec and Yanchang Petroleum to its clientele in the first half of the Year, from whom it secured several batch orders, further consolidating the Group's market position. The pressure pumping service that the Group introduced during the Year also made an impressive start, becoming an effective supplement to the clients in regular service areas and cementing a reliable base for the future strategic partnerships. In the meantime, the integrated service jobs the Group completed for Yanchang Petroleum in this basin were also highly regarded and laid the foundation for the sustainable developing in the future.

- The Sichuan Basin is of great significance to China's natural gas development plans for the vast conventional and unconventional gas potential it holds, and has remained as a strategic area positioned by major oil and gas companies like PetroChina and Sinopec to support China's energy supplies, thereby resulting in particularly intense exploration and development activities. According to "the 12th Five-Year Plan on Natural Gas Development" mentioned above, natural gas output including conventional gas and tight gas in the Sichuan Basin is expected to post a significant growth by 2015. In addition, the Sichuan Basin has become the forefront in the exploration and development of unconventional natural gas in China due to its remarkable reserve potential. From the aspect of investment entities, besides PetroChina and Sinopec as mentioned above, international oil companies and the domestic medium- and small-sized enterprises including the privately-owned firms have also actively participated in the preparation for developing unconventional sources like shale gas. Due to low permeability, low porosity and fractured reservoir associated with the resources buried in the Sichuan Basin and other complex geological conditions, successful E&P in this basin required a slew of technologies that effectively address the stimulation and engineering challenges. In light of the reasoning above, the demand for the Group's technical services including integrated drilling, coiled tubing, directional drilling and multistage fracking in this basin during the Year witnessed a further increase. The Group expects an extended acceleration in unconventional resource development activities in this basin, therefore lending a strong boost to the demand for the Group's services mentioned above and other integrated services covering pressure pumping and turnkey project service propelled by the introduction of drilling rigs.

- The Songliao Basin has changed in recent years from a traditional main supply base of crude oil into an energy base involved in the development of both natural gas and oil, with natural gas being the main driver of production growth. Owing to the growing need for standard technologies driven by such structural change, the Group's business in the basin experienced remarkable growth during the Year, especially in the provision of standard technical services such as standard directional drilling technology and well completion tools.

- The large-scale construction of underground gas storage facilities has fully taken off in China. Thanks to its early market deployment and technical preparation, the Group safeguarded its dominating market position in the underground gas storage market. The Group not only rendered exclusive tubular helium testing services to five underground gas storage facilities in the country, helping clients to prevent natural gas pipe strings from leaking, but also offered products and services to facilitate well cementing and completion technologies, ensuring favorable injection and storage conditions for the underground gas storage facilities. Currently, the country's construction of gas storage facilities has reached completion milestones on a phased basis.

Overseas Market: Expanded Client Base with Satisfactory Growth

In 2012, as the continued growth in China's domestic energy consumption drove Chinese investors to speed up overseas project development, the Group's revenue generated overseas also saw a significant increase. Revenue from the overseas market amounted to RMB448.6 million, an increase of 56.1% from the previous year. In the Middle East, the Group has established its technology capability and service brand highly regarded by the market and benefited from the intensified development efforts by its clients, and the two major projects that the Group provides services for have entered a stage of intense development, leading to stable revenue sources for the Group and high visibility of its future growth. During the reporting period, revenue from the Middle East market reached RMB340.9 million, an increase of 49.8% from RMB227.5 million in the previous year. The Middle East market accounted for 76.0% of the total overseas market revenue, and remained as the Group's biggest overseas market. In the Americas market, as the Chinese investors expanded spending and the Group's technical services match their project development needs, this region has become one of the Group's strategic markets overseas where key breakthroughs were made. During the reporting period, revenue from the Americas market accounted for 2.2% of the Group's total revenues booked overseas. In addition, benefiting from the continued growth in development efforts in Central Asia, revenue generated from this market also posted a stable increase. During the reporting period, revenue from the Central Asia market rose 111.4% from the previous year and accounted for 19.0% of the Group's total revenue booked overseas.

Major Business Development in the Overseas Market

- Iraq constitutes a strategic overseas market for investors from China and project development activities continued the growth momentum in full speed. The Group witnessed a stable growth and further consolidated its position in the Al-Ahdab Project, as reflected by the good feedback from its client on the jobs completed. The Halfaya Project that the Group added as a new client during the Year is the largest investment project made by PetroChina as an operator, leading to a strong demand for various technical services; based on the Group's competitive technology ability and service quality, its oil production service made a successful entry into this project and its contribution to the Halfaya Project was highly regarded by the client. From a broader perspective, leveraging from the success experience accumulated previously, the Group implemented its market development strategy in Iraq by starting with the coiled tubing acidizing service suitable for the local geological conditions to help the client with rapid production recovery, and upon recognition by the market, strategically expanded its service line to comprehensively supplement the client's regional service needs. To date the Group has effectively achieved expansion of its service line in the Al-Ahdab and Halfaya projects by focusing on the coiled tubing services while introducing services in drilling technology, well completion and down hole operations. Based on the service capability and service brand highly regarded by its clients in the region, the Group expects further breakthroughs in the coming year with opportunities to provide services for additional strategic clients and in extended market segments.

- The Americas region attracted active E&P participation from investors during the Year and became one of the focal areas in the overseas market for Chinese investors. Targeting the market trend, the Group rapidly started resource deployment in the region, assigning marketing personnel to explore opportunities in the South America region in particular, and successfully made business breakthroughs in segments like well completion and tubular services. In view of accelerated growth in demand driven by Chinese investors' development activities in South America, the Group made its market entry with well completion and tubular services that fit with the local geological conditions partly characterized by the generally higher sand content in wells and relatively larger heavy oil reservoirs, before quickly unfolding into other technical services. The Group expects a remarkable business increase in this region in the future.

- Central Asia has become a key market to support the overseas production volume of the Group's clients and demand for oil field services posted a stable increase as E&P activities extended expansion. In order to accommodate growing demands for drilling brought about by the accelerating development of oilfields in the region, the Group actively promoted vertical drilling and directional drilling service to improve drilling speed, and offered various well completion tools and services, enabling the Group to achieve business growth faster than expected. In consideration of the sustained future growth, the Group will further extend its service line according to its client's particular requirements.

Business Cluster Analysis

In 2012, the Group's core business, oil and gas field development technical services (including drilling technology, well completion and down-hole operation), continued to contribute to the Group's revenue growth. Revenue booked under the core business reached RMB1,747.7 million, representing an increase of RMB660.1 million, or 60.7%, from RMB1,087.6 million of the previous year. Its contribution to the Group's total revenue rose further to 87.2%, up 0.8 percentage points from 86.4% of the previous year.

In the area of oil and gas field development technical services, the Group's signature services extended to cover multistage fracking, coiled tubing, directional drilling and drilling fluid services, the last of which was launched earlier during the Year and has since formed a scale and proved to have strong growth potential. The revenues from the four services totaled RMB966.8 million, up from RMB608.0 million by RMB358.8 million or 59.0%. The combined share contribution from the four technical services to the Group revenue leveled with the 48.3% of 2011, showing the Group's consistent commitment to innovation and extended diversification of its revenue sources.

The tubular services, the Group's auxiliary business cluster, also saw a robust growth. During the reporting period, revenue from this service cluster reached RMB256.9 million, an increase of RMB85.6 million, or 50.0%, from the RMB171.3 million in the previous year. Its share contribution to the Group's revenue further declined, dropping from 13.6% in 2011 to 12.8% in 2012.

Revenue Breakdown by Cluster

	FY2012 (million RMB)	FY2011 (million RMB)	Change (%)	As a percentage of total revenue FY2012	FY2011
Oil and gas field development technical services	1,747.7	1087.6	60.7%	87.2%	86.4%
Down-hole operation cluster	856.5	570.3	50.2%	42.7%	45.3%
Well completion cluster	458.2	319.8	43.3%	22.9%	25.4%
Drilling technology cluster	433.0	197.5	119.2%	21.6%	15.7%
Tubular services	256.9	171.3	50.0%	12.8%	13.6%
Total	**2,004.6**	**1258.9**	**59.2%**	**100.0%**	**100.0%**

Oil and gas field development technical services

Revenue analysis for the four signature services

	Business cluster	FY2012 (million RMB)	FY2011 (million RMB)	Change (%)	As a percentage of total revenue FY2012	FY2011
Multi-stage fracking	Down-hole operation	413.2	272.1	51.9%	20.6%	21.6%
Coiled tubing	Down-hole operation	239.7	193.3	24.0%	12.0%	15.4%
Directional drilling	Drilling technology	178.0	142.6	24.8%	8.9%	11.3%
Drilling fluid	Drilling technology	135.9	—	N/A*	6.8%	—
Total		**966.8**	**608.0**	**50.9%**	**48.3%**	**48.3%**

* Drilling fluid is a new service launched in 2012 with no historical data available, the percentage change is not applicable.

Down-hole Operation Cluster

The down-hole operation cluster posted stellar results in 2012 with revenue of RMB856.5 million, an increase of 50.2% from RMB570.3 million in 2011. Services associated with this cluster employ various stimulation techniques and solutions to address output constraints in low-permeability or low-yield wells in China and overseas projects with a pressing need for output recovery. The Group made further progress in diversifying the product offerings in down-hole operations during the reporting period and grew its regular service capacity in pressure pumping. As the demand for the development of low-permeability reserves such as tight gas and shale gas keeps rising in China and there is a pressing need for rapid production recovery in some overseas projects, the Group's service offerings gain increased popularity among its clients.

The down-hole operation cluster consists of four business departments, namely 1) the well stimulation department with multistage fracking as its core competency, which recorded RMB413.2 million in revenue in 2012, up 51.9% from RMB272.1 million of 2011; 2) the down-hole operation department offering such services as coiled tubing and tubular helium testing, which posted RMB344.5 million in revenue in 2012, representing an increase of 41.7% from RMB243.1 million in the previous year; 3) the pressure pumping services, a newly-added department that booked RMB27.2 million in revenue with a few months of market operations since the service equipment arrived in the third quarter of 2012; and 4) oil production department offering such services as chemical EOR (enhanced oil recovery), well flushing and gas lift, which recorded a revenue of RMB71.6 million in 2012, an increase of 29.9% from RMB55.1 million in 2011. EBITDA for the down-hole operation cluster increased by as much as 82.0% from RMB258.7 million in 2011 to RMB470.8 million in 2012. EBITDA margin for the Year was 55.0%, up 9.6 percentage points from 45.4% of 2011, thanks to lower unit purchasing costs enabled by large-volume purchases from strategic suppliers and reduced procurement costs resulting from increased use of in-house tools.

Major Development of Down-hole Operation Cluster

- Multistage fracking service remained as a growth engine for the Group during the Year. It posted RMB413.2 million in revenue during the reporting period, a 51.9% increase from RMB272.1 million in the previous year. The Group completed 139 multistage fracking jobs in 2012, an increase of 75.9%, or 60 jobs, from 79 in 2011. The Group introduced open-hole multistage fracking to China's domestic market as early as in 2007, and the service features shortened operation lead time, enhanced efficiency and improved success rate compared with other fracking techniques. Since the large-scale promotion of this technology in 2010, the Group has completed more than 274 horizontal well multistage fracking jobs and established its market leadership in the area of multistage fracking stimulation operations. During the Year, the Group made several progress in this service: 1) successfully performed 19-stage fracking service for a horizontal well operated by Sinopec in North China, hitting the record in terms of the number of completed sections for a horizontal well operated by this client in 2012; 2) successfully employed in-house tools on project sites with good performance; 3) successfully implemented the vertical well volume fracturing technology in the Erdos Basin, consolidating its experience accumulation for new technology dissemination; 4) apart from cementing its partnership with PetroChina, secured new batch orders from Yanchang Petroleum and Sinopec. In particular, since Sinopec started its campaign in developing tight gas oil and gas reserves in the Erdos Basin in December 2011, it has widely promoted the use of the two critical technologies including horizontal well and multistage fracking in order to achieve output expansion, and has made multiple tenders for horizontal well multi-stage fracking service. The Group received three consecutive batch orders for multistage fracking services from Sinopec in 2012, translating into 120 jobs awarded in multistage fracking for the full Year — 68 of which were completed in 2012 and the remaining jobs on hand scheduled for completion in 2013. Although this service has become a well-established technique widely adopted in natural gas development following several yeas of massive promotion, the Group still remains in an absolute market leadership position and a preferred service supplier for horizontal well multi-stage fracking service thanks to its ongoing technology innovation and premium service brand proven by the market.

- Revenue from coiled tubing services was RMB239.7 million in 2012, representing an increase of RMB46.4 million or 24.0% from RMB193.3 million in 2011. The Group completed 222 jobs in China and 206 overseas. In China's domestic market, the Group as a pioneer promoting new techniques in coiled tubing continued to strengthen advanced techniques combining coiled tubing with the use of various down-hole tools, seeking to introduce the added value and technical diversity of coiled tubing services in down-hole operations. The approach was aimed at expanding the application of coiled tubing services in the domestic market, therefore helping the clients achieve their targets in output increases and efficiency enhancement. In 2012, while maintaining investments in its conventional techniques, the Group also set new technical priorities such as coiled tubing solutions for shale gas, casing coiled tubing staged fracturing technology, and coiled tubing milling ball seat technology. In particular, the Group offered coiled tubing plug milling for various shale gas wells in the Sichuan Basin, making it the first domestic service provider with self-sufficient capacity to independently perform such technique which marked a breakthrough in well stimulation for unconventional resources. In the overseas market, Chinese operators in Iraq have a brisk demand for production recovery but the local oilfields feature thick layers and carbonate rocks, making production gains more difficult. The Group introduced coiled tubing acidizing services in Iraq which pump acidizing chemicals and fluids through coiled tubing into the formations, gaining quick access to the oil reservoir and materializing production. With a proven track record of service quality and performance enhancement, the Group was able to build a strong partnership in the Al-Ahdab oilfield project where a stable growth was recorded through 2012. In the newly added Halfaya project in the Group's clientele, the Group garnered rave review and received a special letter of recognition from the client for its successful implementation of coiled tubing acidizing service and the delivery of substantially improved yield, making the Group a preferred service provider. The new contract volume brought about from the new partnership boosted the Group's business growth. Backed by the success of these two projects, the Group has enhanced its reputation and attracted interest from other Chinese investors and foreign national oil companies, laying the foundation for future market expansions.

- Revenue from tubular helium testing services reached a record RMB104.8 million in 2012, a significant increase of 110.0% from RMB49.9 million in the previous year. As the number of natural gas wells keep rising and the construction of underground gas storage facilities gathered pace, prompting an increase in the clients' safety requirements associated with the development process which further boosted the demand for the tubular helium testing services. The Group is the industry pioneer and leads promotion of the technology and during the reporting period the Group made a breakthrough in research and development of large casing gas leakage detection tools as an extension to its existing oil tubing gas leakage detection technology, further extending the scope of service application. The Group saw a remarkable business growth after being awarded the annual contract in the Tarim Basin, regional batch orders in Northeast China and annual contracts in several underground gas storage facilities across China. To date, the Group remains the exclusive supplier of tubular helium testing services in China and completed 249 jobs in 2012.

- Pressure pumping is a new service launched in the second half of 2012. The service harnesses the hydraulic horsepower (HHP) of the pumping equipment and other related operational capabilities to help clients implement pressure pumping design and solutions of varying scales. Pressure pumping is the world's second largest oilfield service by type. As China steps up its efforts to develop the low-permeability wells, the clients need to add massive HHP capacity currently in short supply to enhance the production of low-permeability wells, promising escalated demands for pressure pumping services in the domestic market. Foreseeing the huge demand potential of this service, the Group ordered a set of 2,000-model pressure pumping equipment as early as in August 2011 and, as at 31 December 2012, the Group had completed the build-up of 24,000 HHP service capacity as the first phase construction. Formally starting market operations in the fourth quarter, the new service department posted RMB27.2 million in revenue during the period, reflecting the business' huge development potential. As a supplementary addition to the regular-service capacity of state-owned oil companies' oilfield service subsidiaries, the Group's pressure pumping service completed 56 jobs in the domestic market, cementing a solid foundation for the long-term strategic partnerships in the future. The Group started the 2nd phase construction of its pressure pumping capacity, having ordered sets of equipment totaling 38,000 HHP in capacity to be delivered on a phased basis throughout 2013. The Group's strategy of developing pressure pumping marks a crucial step to its ambition to step up its regular service capacity. It is aimed at delivering an integrated service offering with a core value proposition of providing effective stimulation solutions by combining pressure pumping with the Group's fracturing technology, materials and tools.

- In 2012, revenue from the Group's oil production services amounted to RMB71.6 million, a 29.9% increase from RMB55.1 million in 2011. The Group used to focus its oil production services on mature oil fields in Northeast China, but such regions often contributed low revenue per well yet required a large commitment of people. Amid more intense competition, they presented limited profit and growth potential. In 2012, the Group quickly shifted its focus from such regions towards emerging overseas markets by providing production management service for new oilfields, which had much higher returns. During the reporting period, the Group was awarded a contract in the Iraqi Halfaya project under the term of "one firm plus one optional year" to provide operational management service for its oil gathering and transportation station where it helps maintain and manage the equipment linking 23 wells with the station to coordinate oil production. The contract award opened up a whole new market for the Group. Building on this initial success of market expansion into Iraq and as other local oilfields scale up production, this service is likely to witness extended growth in contract volume.

Well Completion Cluster

In 2012, the well completion cluster registered a robust growth and contributed RMB458.2 million in revenue, a 43.3% increase from RMB319.8 million in 2011. The rise was largely attributable to the strong growth in overseas markets and the application of more tools as a result of increased technical partnership and in-house R&D efforts. The cluster's service mainly addresses challenges in well bore construction against particular geological conditions after drilling, offering such services during both construction and production phases. The Group's service is widely used in high-temperature wells, complex wells, wells with high sand content, and heavy oil wells.

The well completion cluster currently comprises two business departments: 1) well completion integration, including products and technical services associated with well cementing and well completion, production well completion, sandscreen completion and oil production tools/services, which recorded a revenue of RMB285.3 million in 2012, an increase of 54.9% from RMB184.2 million in the previous year; 2) Shandong Precede, a subsidiary acquired by the Group in 2008 that provided gravel packing well completion products and services, which recorded a revenue of RMB172.9 million in 2012, an increase of 27.5% from RMB135.6 million in 2011. EBITDA of the well completion cluster rose by as much as 32.8% from RMB109.8 million in 2011 to RMB145.8 million in 2012. EBITDA margin fell by 2.5 percentage points from 34.3% in 2011 to 31.8% in 2012, mainly attributable to the provision for impairment of its aged inventory.

Major Development of Well Completion Cluster

- In 2012, revenue from selling products and technical services in well cementing and completion and production completion reached RMB206.6 million, an increase of RMB92.2 million or 80.6% from RMB114.4 million in 2011. The number of jobs completed was 118 in China and 121 overseas. In China, as domestic oil companies invest aggressively in exploration and development, the increasing number of new wells drilled and the complexity of formation conditions fueled the increased demand for well completion technology and services. This is particularly true given that clients are increasingly involved in the development of low-permeability oil and gas reservoirs, which requires a greater amount of alternation work, demanding the development and application of innovative well completion techniques. In view of such demand, the Group consolidated its well completion technologies by promoting the use of advanced well completion tools for multistage completion through technology alliances with world-class service providers such as Schlumberger. It also successfully promoted the full bore multistage completion in the Erdos Basin, contributing to the Group's business growth with expanded scale of applications. Meanwhile, the nationwide construction of underground gas storage facilities also presents tremendous opportunities for the Group's well completion tools and services as evidenced by strong business growth in the underground gas storage space in 2012. In production completion, the Group in 2012 further penetrated the Tarim Basin with its well completion tools and allowed for safe production of conventional gas in difficult wells by applying well bore and wellhead treatment technologies. In the overseas markets, the Group saw broad-based demand for its well completion tools. The overseas growth in 2012 mainly came from business expansion in the Al-Ahdab project and Halfaya project in Iraq and new business in Turkmenistan in Central Asia after successful market development initiatives.

- In 2012, revenue from sandscreen well completion and oil production tools was RMB78.7 million, representing an increase of RMB8.9 million or 12.8% from RMB69.8 million in 2011. Specifically in sandscreen well completion, the Group further solidified its position in Northwest China and extended its reach to South America and Canada. Verified by the development progress, Canada has been identified as a strategic and high-growth market for the Group. The use of sandscreen during the Year amounted to 33,910 meters, representing an increase of 3.0% from 32,920 meters in 2011.

- Shangdong Precede, a self-operated subsidiary of the Group, continued to show strong growth. In 2012, it provided 470 jobs of gravel packing services, generating RMB172.9 million in revenue, an increase of 27.5% from RMB135.6 million of 2011. Domestically, the company further penetrated the Xinjiang market. On top of its existing business portfolio with Shengli and Henan, the Group drove further business servicing horizontal wells in Xinjiang and made market breakthroughs in heavy oil blocks in Xinjiang, which became another important market for the Group's gravel packing services. Overseas, the Group focused on meeting demand for gravel packing services in major heavy oil regions such as South America where it has stricken market breakthroughs with vast potential ahead.

Drilling Technology Cluster

In 2012, the drilling technology cluster witnessed remarkable growth, posting RMB433.0 million in revenue, a phenomenal increase of 119.2% from RMB197.5 million in 2011. After years of business deployment, the cluster now offers professional drilling solutions to help its clients address the most difficult engineering challenges by increasing efficiency, enhancing the success rate and reducing overall construction costs.

The drilling technology cluster comprises three business departments: 1) directional drilling, which mainly provides Measurements While Drilling ("MWD"), Logging While Drilling ("LWD"), rotary steerable drilling and geological steerable drilling services. Revenue booked under this department reached RMB178.0 million during the reporting period, an increase of 24.8% from RMB142.6 million of 2011; 2) integrated drilling, which is engaged in turnkey contracts for single well and block drilling, cementing and completion. The revenue of this department reached RMB119.1 million in 2012, a phenomenal increase of 116.9% from RMB54.9 million in 2011; and 3) the newly created drilling fluid service department, which provides high-end drilling fluid materials, technology and operational expertise for high-temperature and high-pressure wells. This department contributed RMB135.9 million in revenue in 2012. EBITDA of the drilling technology cluster increased from RMB45.4 million in 2011 to RMB107.9 million in 2012, an increase of as much as 137.7%. EBITDA margin for 2012 amounted to 24.9%, up 1.9 percentage points from 23.0% in 2011, mainly because the Group generated more revenue and the synergy effect arising from the implementation of the integrated-service strategy along with increased in-house capacity led to further cost reductions.

Major Development of Drilling Technology Cluster

- In 2012, the directional drilling business benefited from abundant contract orders thanks to the increasing number of horizontal well drilling activities both in China and overseas, having completed 68 jobs in China and 39 jobs overseas. During the reporting period, the department posted RMB178.0 million in revenue, an increase of 24.8% from RMB142.6 million in 2011. During the Year, this business managed to shift towards the integrated-services model with regular services driven by technical services targeting the high-end markets from a sole focus on services for high-end markets. In regular service capacity construction, the business increased the use of proprietary technology and domestically made apparatus, therefore expanding the markets of MWD and LWD. In the high-end service market, the Group tapped the technology resources from broader international partners, achieving integration of high-end service techniques such as rotary steerable systems (RSS) and geological steerable systems (GSS) with the regular service capacity, enabling access to new market potentials. In China's domestic market, the Group entered the new market of Northeastern China by obtaining contracts for its regular services from an oilfield block; entered the Southwest market, breaking into competitive landscape; and gained access to the Northwest market with superior service quality and three letters of compliments from its customers. Overseas, in Iraq, the Group significantly increased contract volume in the Al-Ahdab Oilfield and actively pushed ahead with its plans of securing additional contracts from the Halfaya Oilfield for 2013. Meanwhile, the Group also succeeded in obtaining a large volume of contract orders for vertical drilling in Kazakhstan against the customers' rapid growth in demands in Central Asia.

- The integrated drilling department registered a revenue of RMB119.1 million in 2012, representing an increase of 116.9% from 54.9 million in 2011. The Group established this department to meet the customers' increasing demand for integrated services. The Group introduced the service with immediate success, bagging the carbon capture and storage (CCS) contract of Shenhua Group and turnkey contracts servicing coal bed methane customers in China. In 2012, the Group opened up the new markets in Xinjiang and Yanchang. In particular, the Group provided drilling turnkey services for three single wells in the Yanchang oilfield, and its good performance and outstanding drilling engineering quality was well regarded by the client. The Group also started the projects in underground gas storage well cementing service and new drilling technology service. In 2012, the Group worked closely with Schlumberger in cement slurry technologies to build a leading brand of underground gas storage well cementing services. It also explored new drilling technologies such as hole opening and drill bit technologies to nurture new markets. During the reporting period, the integrated drilling department completed 13 jobs in China. The Group's integrated service model achieved initial success.

  Building on the initial success, the Group made a further move with the integrated service strategy by signing a contract with the leading global oilfield service company Schlumberger to establish a joint venture which is 40% held by the Group and 60% by Schlumberger. The joint venture targets to offer integrated project management (IPM) services to China's onshore oil and gas fields. On a global scale, the IPM service model is very popular among large international oil companies. It is applied in large-scale projects that require stringent cost control and higher production by end-to-end management of oil and gas exploration and development, from project design to resource allocation to project implementation, and integrating individual services into the entire process to achieve production increase and cost savings. The joint venture is committed to creating equally superior values to China's onshore customers with a focus on varying sizable projects, including large-scale integrated projects such as multi-well integration and multi-block integration, as well as highly complex wells, shale gas wells and sub-contract blocks. The joint venture provides an effective platform to combine Schlumberger's international experience, advanced technology and outstanding operating standards with the Group's local resources, specialized market knowledge, professional service capabilities and strong engineering team to provide customers with IPM services. The Group believes that the joint venture will face enormous opportunities and thereby create huge demands for the Group's regular and high-end

services to drive the Group's future revenue growth. As at 31 December, 2012, the JV had been incorporated as Tongzhou IPM Oilfield Technology Company Limited ("TIPM"). The joint venture will actively expand staffing in 2013 and prepare for entering the market.

As a result, the integrated drilling department will be composed of TIPM and the drilling new technology service department. The latter is mainly engaged in providing comprehensive drilling technology services.

- In order to meet the strong demand for drill rigs driven by the integrated business, the Group has established a drilling company to support the development of integrated service projects. On the one hand, the new entity will make appropriate investments in drill rigs and build up drilling teams to provide drilling service for integrated projects. On the other hand, it will also work with other drilling companies or rig manufacturers to help them manage their drilling rigs and teams, so as to enhance the Group's drilling service capabilities.

- Drilling fluid technology service is the Group's new service provision. Drilling fluid technology is a critical part of oil and gas field service and the Group believes that oil-based drilling fluid is a good solution to the drilling challenges in the Tarim Basin. The geological conditions for resource development in the Tarim Basin region are extremely complicated, and the ultra-high pressure and ultra-high temperature wells in the block pose as a world challenge in drilling engineering, hampering the customers' ability to rapidly ramp up production for the prolonged drilling lead time and complex engineering work associated with the projects. The oil-based drilling fluid service is widely used in other countries with proven advantages in resistance to high temperature and contamination, noticeably shortening the drilling lead time. Given the market potential, the Group developed a long-term strategy for drilling fluid services by establishing the drilling fluid department at the beginning of 2012 and forming a strategic partnership with Magcobar, a drilling fluid joint venture of Schlumberger's M-I SWACO in China, to develop oil-based drilling fluid service in the Tarim area. In addition, the Group implemented measures to recycle oil-based drilling fluids by building a mud plant to provide drilling fluid recovery, storage, treatment and re-processing services, providing indispensible support to the oil-based drilling fluid services. In 2012, the Group completed 7 drilling fluid jobs with excellent engineering quality and satisfactory enhancement in drilling speed, lending a strong support to helping the clients achieve production targets and cost reductions. The Group therefore managed to achieve mass-scale application of its

technology to support the client with timely delivery of production goals. In less than a year, the Group rapidly built up its drilling fluid service capabilities and made a successful entry into the high-end market in Tarim domestically, achieving large-scale operation by winning two consecutive contracts in a row. The business contributed RMB135.9 million in revenue in 2012 and became a star service of the Group.

In May 2012, the Group acquired a 55% stake in a water-based drilling fluid technology service provider - the Bazhou Companies. The Bazhou Companies had an experienced engineering team, which was consolidated into the Group's drilling fluid department after the acquisition. When the Group acquired the Bazhou Companies in May 2012, respective parties set a limit on the maximum amount of liabilities undertaken by the Bazhou Companies. However, the contingent liabilities at that time have been confirmed and exceeded the pre-defined level, resulting in a tight cash position and operational losses incurred by the Bazhou Companies to satisfy the profitability requirements set by the Group, presenting noticeable operational risks. The Group thus on 7 February 2013 decided to proceed with the disposal of the stake triggered by the risk mitigation mechanism specified in the acquisition and cooperation agreement signed in May 2012 in relation to the acquisition of the Bazhou Companies' stake, so as to protect the Group from the potential impact of such risks. The consideration for the Disposal is a sum of RMB56,496,948, including the original investment and a premium made by the Group in 2012 to acquire the stake in Bazhou Companies. Since the Bazhou Companies are involved in the provision of water-based drilling fluid material and services and one of the Group's new key services in 2012 was the high-end oil-based drilling fluid service which witnessed robust order backlogs over the past year with a growth momentum in the future and targets a different market as compared with the water-based drilling fluid service provided by the Bazhou Companies, the disposal will not have any impact on the Group's oil-based drilling fluid business. The disposal excludes the transfer of employees, any employee at the Bazhou Companies is entitled to continuing work for the Group upon mutual agreement. Upon completion of the disposal, the Group will accelerate its talent acquisition and other investment to further enhance the drilling fluid services and consolidate the development of the drilling fluid business on both oil-based and water-based fronts, growing it as one of the Group's core businesses.

Tubular Services Cluster

In 2012, the tubular services cluster maintained a stable growth, posting RMB256.9 million in revenue, representing an increase of RMB85.6 million, or 50.0%, from RMB171.3 million of FY2011. The growth stemmed from the effective Group strategy of reducing product sales while pushing integrated solutions revolving around tubular services. The one-stop third-party tubular service idea received more votes of confidence from the clients. The one-stop service offering, which includes tubular inspection and evaluation, tubular repair, leasing and operational management, has won clients over for its great convenience and cost benefits. EBITDA of this cluster was up by as much as 161.5% from RMB40.3 million in 2011 to RMB105.4 million in 2012. EBITDA margin grew by 17.5 percentage points from 23.5% in 2011 to 41.0% in 2012. The increase was mainly due to higher revenue contribution from the more service-based offerings and lower unit purchasing cost enabled by large-volume purchasing orders from strategic suppliers.

Major development in the tubular service cluster

- In China, the cluster saw steady growth in tubular testing and evaluation service. In maintenance and repair, the cluster signed an annual contract for services such as drill pipe wear-resistant belt welding in the Tarim market. The new premium connector repair service received positive market reaction and helped drive growth. In light of the growing leasing demand in regional markets, the cluster increased the large-volume purchases of drill pipes from strategic suppliers, which came with competitive costs and longer credit period. This helps the Group further promote its tubular-centered integrated service solutions. In the second half of 2012, the Group was awarded a master tubular service contract in the Tarim area, which further stimulated revenue growth for this cluster. In overseas markets, this cluster has entered major markets with stable growth recorded in Central Asia, market penetration achieved in Colombia and service started at the Halfaya project in Iraq. Overseas markets showed unprecedented market potential.

- Northern Heavy Anton Machinery Manufacturing Co., Ltd ("Northern Heavy Anton") is a joint venture under the tubular service cluster. Adopting a prudent accounting approach, the Group made a considerable loss provision of RMB31.9 million at the end of 2011 for its investment in this joint venture. At the end of 2011, the joint venture had a book value of RMB4.0 million. In 2012, Northern Heavy Anton's turnaround plan to grow revenues and cut expenses showed initial results. On the one hand, the joint venture adopted austerity measures to cut expenditure. On the other hand, it explored new revenue streams by bringing new products to the market. For 2012 as a whole, the joint venture was in a better shape than in 2011. Therefore the Group considers no further impairment was needed for this investment during the Year. As of the end of 2012, the joint venture's book value remained at RMB4.0 million.

Strategic Resource Alignment

The Group continued to align its core business with the strategic objective of offering integrated technical solutions for oil and gas field development based on the wellbore technology. Guided by this strategic objective and its medium and long-term growth priorities, the Group proactively built and deployed all-round strategic capabilities to support the rapid and sustainable growth of its various business lines. Such efforts including investment, research and development and human resources will provide a solid support to achieving the Group's strategic goals. In 2012, the Group's capital expenditure reached RMB278.4million, an increase of 40.2% from RMB 198.6 million in the previous year. Specifically, fixed-asset investment was about RMB 230.0 million, up 45.0% from the previous year; the balance payment for equity investments of prior years was approximately RMB 5.0 million, an increase of 24.2% from 2011; investment on intangible assets (including land use rights) reached about RMB 43.4 million, an increase of 20.3% from 2011.

Alignment of Investment Projects

Throughout 2012, the Group made investment in equipment, facilities and industrial bases for its main business lines and new business priorities to support rapid business expansion. It also actively explored merger and acquisition opportunities both domestically and overseas and made continued improvements in its integrated service offerings and service capabilities in various industry clusters.

Main Investment Projects

- On drilling fluid, the Group aims at the huge market potential of drilling fluid service in China, particularly for the technically challenging operations in the Tarim Basin. It had developed a long-term strategy for drilling fluid service and quickly built up a service presence. In 2012, the Group forged a strategic alliance with MI-SWACO, a global leader in drilling fluid technology, to provide world-class drilling fluid service for its clients. At the same time, the Group moved swiftly to create a lab and a mud plant in the Tarim Basin to enable R&D and production as well as provide drilling fluid express recovery, storage and processing services, aiming to offer its clients the most effective, convenient and economical sets of solutions. In addition, through the Bazhou project, the Group assembled a strong team of experienced drilling fluid engineers to support rapid expansion in the high-end segment of drilling fluid service.

- On directional drilling, the Group in 2012 broadened its international supplier base and signed strategic partnership agreements with domestic suppliers on the purchase of directional drilling apparatus. Through more comprehensive comparisons, product performance was optimized, delivery cycle shortened and purchasing cost reduced. Meanwhile, the Group started the in-house manufacturing of quick-wear parts to bring down the total cost. During the reporting period, it invested in the addition of 10 directional drilling operation units. As at 31 December 2012, the Group had completed construction of 20 operation units, 15 of which were deployed in China and 2 in the Middle East and 3 in Central Asia.

- On coiled tubing, the Group in 2012 added 1 coiled tubing operation unit which was formed in October in 2012 and was then put into service in the domestic market. As at 31 December 2012, the Group had 5 active coiled tubing operation units, of which 3 were deployed in China and 2 in the Middle East. An additional 2 units are being built and will likely become complete during the first half of 2013, by which time, the Group will have had total service capacity comprising 7 coiled tubing operation units.

- On tubular helium testing, the Group in 2012 created 2 additional tubular helium testing operation units. As of 31 December 2012, the Group had 11 such units. 1 additional unit is being built and will likely be made ready during the first quarter of 2013.

- On pressure pumping— which is a new business priority identified for 2012, the Group made active investment to consolidate its competencies around the equipment and materials needed for pressure pumping. As of 31 December 2012, the set of twelve 2,000-model pressure pumping equipment purchased as the first phase construction had been delivered and passed the acceptance check, which generated a combined service capacity of 24,000 HHP. The Group quickly unlocked the domestic market to service tight gas projects in China and in order to meet the growing demand in overseas markets, the Group had shipped out two trucks. In light of the robust momentum in this segment, the Group had signed strategic partnership agreements with leading Chinese fracturing equipment manufacturers to minimize purchasing costs, shorten the delivery lead time and secure equipment supply. In late 2012, the Group commenced investments into the second phase construction under which the newly purchased equipment will arrive on a phased basis throughout 2013, bringing the Group's combined service capacity to a total of 62,000 HHP upon completion. Meanwhile, the Group is investing in materials service capacity in pressure pumping, which will, together with the equipment, contribute to an integrated pressure pumping solution.

- On tubular services, the Group responded to the growing demand for drilling tools leasing by contracting strategic suppliers with large-volume orders for drill pipes. This approach resulted in lower purchasing costs and extended payment cycles, supporting the growth of the tubular leasing business and making a further move ahead in formulating the one-stop tubular services.

- On industrial bases, the Group in 2012 successfully executed the construction plans both in China and abroad. In the domestic market, the Group diversified its strategic partnerships on infrastructure construction, seeking to reduce the Group's investment in non-core assets. Overseas, the first phase construction of on-site service bases for both Al-Ahdab oilfield and Halfaya oilfield in Iraq had been completed, providing an effective support to the frontline operations abroad.

R&D Resource Alignment

Based on its strategic needs, the Group made research investments in key technologies required for the development of all business clusters with emphases on the research of self-developed products with an objective of increasing the number of self-developed products, enhancing operating efficiency, and reducing development costs for customers. During the reporting period, the Group formulated and launched a research incentive program which granted awards for outstanding contributions in research projects. The program successfully incentivized its scientific research and technical staff to excel in technological reform and R&D. Throughout the year, the Group made investments of RMB 88.5 million on R&D, an increase of 25.9% as compared to RMB70.3 million in the corresponding period last year, RMB22.2 million of which was accounted for intangible assets (excluding land use rights) and RMB66.3 million accounted for R&D expenses. During the reporting period, the Group obtained in aggregate 46 patent rights, increasing the total number of the Group's patent rights to 371.

Major R&D Projects

- Research on sidetracking slim hole technologies for horizontal well drilling and well completion. The Group successfully completed the integrated drilling projects of sidetracking window opening, sidetracking horizontal well drilling and completion technologies for 4 inch slim hole, the first case in China, demonstrating an established technical leadership with on-site service capacity in China.

- Research on segregated completion and selective steam injection technologies for horizontal wells. The Group has worked out advanced segregated completion and selective segregated steam injection technologies. It successfully developed high-temperature resistant (≥ 270 ℃) external casing packers and steam injection tools, high-temperature resistant liquid expansion packers, which were successfully applied to four heavy oil wells. The selective steam injection technology was the first case in China and attained a leading domestic standard with promising market prospects.

- After over 100 experiments, Anton PBL intelligent well completion technology has now completed both oil and water experiments, high pressure filling experiments and high density media filling experiments, satisfying the technical requirements of well filling operations under different geological conditions, with indoor successful rate reaching 80%.

- Research on coiled tubing water drainage and gas production technology. The Group conducted proprietary research on some equipment and tools and has mastered the key technologies for coiled tubing water drainage and gas production. We now possess the ability to pull out velocity strings and implement large-scale promotion and application.

- Research and production of large-size tubular helium testing tools for underground gas storage facilities. The Group successfully completed the research and production of 13 3/8 inch casing and 10 3/4 inch casing which were put into use in well testing. This is an safe and reliable advanced technology, and is now in the on-site promotion stage. It provided further technical support to the Group in rapidly expanding integrated projects for the underground gas storage facility market.

- Research on oilfield acidizing etchant. Through scientific and technological research, the Group developed corrosion inhibitor series products which are well compatible with strata ion, heat-resistance and with good performance. This will help improve the Group's technical services capacity in the oilfield chemicals sector.

Human Resource Alignment

The development of human resources is of critical importance in supporting the development of an oilfield technical service company, and the Group's fast business growth demands even stricter requirements on the build-up of a systematic human resource structure. In 2012, adhering to the philosophy of "Talents First" and placing a focus on supporting the international business development strategy, the Group developed as well as improved the systemic mechanism in human resource management, continued the efforts to strengthen talent acquisition and further optimized measures in training, attaining and incentivizing talents, so as to provide the Group with prospective human resource reserves of strategic significance and lend an effective talent support to its rapid business expansion and long-term development. As of 31 December 2012, the Group had 1,613 permanent staff in total, an increase of 27.8% as compared with 1,262 at the end of last year. Among those employees, 701 were engineers (end-2011: 514), 504 on-site technical staff (end-2011:447), 203 marketing personnel (end-2011: 178) and 205 management personnel (end-2011: 123). The number of senior engineers and management personnel of mid- and senior-level or above accounted for about 25.6% of the total staff headcounts.

Major Development in Human Resources

- In 2012, the Group further enriched its human resource pool and kicked off implementation of its strategy in talent acquisition and development in a comprehensive manner. During the reporting period the Group hired senior international personnel to lead its human resources management, paving the way for introducing international management practice to support the Group's global expansion strategy. More importantly, large batches of industry-leading talents were introduced in every new service area and continuous efforts were made to attract and recruit people with leadership potential and established international sector experience. That development in human resources was extended to the departments of new drilling technology, directional drilling, drilling fluid, pressure pumping and new materials, promoting the diversity of its talent development. During the reporting period, the Group hired 226 talents with established experience, comprising seasoned professionals and on-site engineers with rich work experience. In the meantime, 225 university graduates were recruited from both domestic and overseas campuses, and through the Group's internal training program those young talents also rapidly became a strong support to the Group's business growth.

- The Group worked with Hewitt Associates, a renowned global business consulting firm, to design the Group's organizational structure, position hierarchy, compensation system linked with individual performance and the training system for the following three to five years, which is aligned with the Group's strategy and the best practices of world-leading oil service companies. It also built up a system to develop onsite engineers and increased efforts to identify potential managers in preparation for future acquisition and training of talents.

- The Group further improved the incentive system to motivate the achievement of performance targets. In 2012, the Group introduced a remuneration system based on performance review, where performance assessment is measured against various strategic indicators and aligned with the reward and penalty in the employee remuneration so as to motivate the employees to meet and exceed the indicators. During the reporting period, most employees have outperformed their targets, leading to noticeable improvement in direct cost savings and enhanced capital efficiency.

- The Group made a system-wide improvement in developing a culture conducive to growing onsite engineers. Onsite engineers are often the interface of oilfield technology service companies to directly serve clients, and their quantity and quality have a direct effect on the speed of response and quality of services delivered to the clients. On top of that, onsite engineers serve as a talent pool supplying an oilfield technology service's human resource needs as a large number of senior talents grew from onsite engineers. Therefore, building a system and corporate culture that facilitates the development of onsite engineers constitutes the core part of the Group's HR strategy. In 2012, the Group reviewed the job descriptions, performance targets and relevant remuneration structure, ranking, leave days and day-to-day management of on-site engineers across the Group and incorporated the nurturing, mentoring and motivation of onsite engineers as a key component of the Group's HR strategy. It introduced formalized processes to feature onsite engineers prominently in the Group culture and brand them as a core competitive advantage.

- In 2012, the Group granted a total of 61,949,076 ordinary share options of the Company to over 170 high-performing talents and core staff. Among the total share options awarded, 40,000,000 are exercisable at a price of HKD 1.072 per share, 6,000,000 at HKD 1.24 per share, 7,100,000 at HKD 1.16 per share, 8,720,276 at HKD 2.61 per share and 128,800 at HKD 3.82 per share.

Outlook

Looking ahead into 2013, the Group expects accelerated growth in demand in the major markets under its current service coverage. In China, the Chinese government has re-affirmed its commitment to promoting natural gas development through the official release of the 12th Five-Year Plan for the gas industry and 2013 will prove critical in achieving the specific goals formulated by the authorities. To realize the defined target, the government is believed to make escalated efforts in speeding up various reforms in the natural gas industry and introduce additional opening-up initiatives allowing more investment entities to participate in the development. Aside from the continued drive in tapping conventional resources, a particular focus will be placed on exploring and developing the unconventional natural gas, signaling a remarkable increase in the E&P activities made by major oil and gas companies in the country's key onshore basins including the Tarim, Erdos and Sichuan Basins. Overseas, the Group foresees an accelerated move by Chinese investors to deploy strategic resources on a global scale, and as a number of their projects acquired previously entered into the phase of

production commencement or capacity extensions, there will be a robust growth in demand for oilfield services. The Middle East and South America, in particular, will remain as an attractive destination for Chinese investors to develop energy resources.

In view of the market development trends, the Group will stay committed to serving the natural gas market in China while placing a particular emphasis on providing services for projects associated with the development of unconventional resources, including shale gas. At the same time, it would seek to establish strategic partnerships with state-owned oilfield service companies to which the Group's service offerings are a strong addition, so as to effectively explore the full market potential and facilitate the Group's drive in further consolidating its market leadership in the Tarim Basin, Erdos Basin and Sichuan Basin. In the overseas market, the Group will stick to the "follow-up" strategy, strengthen its foothold in the existing markets, expand service offerings based on clients' requirements and further increase the business volume in the Middle East. In consideration of the active investment up-trend in South America, the Group will seek to make a further stride in expanding its business in South America where it has gained a breakthrough. In addition, the Group will look to start cooperation with national oil companies based abroad to further expand its client base.

In 2013, the Group will maintain its product strategy that emphasized on growing the oil and gas field development technical services while independently developing the tubular services. In oil and gas field development, the Group will ramp up and further enhance its regular-service capacity according to the market demand characteristics, and comprehensively push ahead with the shift towards the integrated-service model with regular services driven by technical services targeting high-end markets from a sole focus on services for high-end markets. This strategy in particular involves providing stimulation services to address client's challenges when facing output constraints, and providing integrated services to address clients' challenges in drilling engineering and efficiency enhancement. More specifically, in the drilling technology cluster, the Group will grow the turnkey drilling business through the addition of land rigs, the Group will also view the IPM joint venture company with Schlumberger as a marketing platform to acquire more large amount integrated service contracts to promote its integrated turnkey business, while broadening the application of oil-based drilling fluid service in extended regions and markets and apply directional drilling to the regular service market; in the well completion cluster, strengthen the buildup of in-house capacity in well-completion tools in an all-round manner; in the downhole operation cluster, continue to invest in

pressure pumping and coiled tubing capacity and promote the self-developed new materials and chemical products. In the meantime, the Group will invest in the leasing resources and vigorously develop the leasing business in the tubular services cluster. On top of that, the oil and gas development department will also actively participate in the evaluation of low-yield blocks, aiming to propel the development of its integrated services. The Group has put more resources in Anton Research Institute to emphasize its role to promote business development from a technology-driven point of view. The new institute will interface with investors in shale gas and, from a geological and reservoir analysis perspective, provide professional support and services with regard to the reservoir evaluation issues in the early E&P stage of shale gas and advise them on the development strategy in a bid to promote the development of shale gas.

In human resources development, the Group will actively acquire industry-leading talents with international experience in core areas as well as strengthen talent identification and training for the management pipeline; and at the same time recruit graduates on a massive scale and turn them into onsite engineers after short-term trainings so as to provide a solid backup for the Group's site operations, and establish a long-term human resources strategic framework to support its sustainable business growth.

In general management, the Group continues to be committed to acheiving better corporate governance. In this regard, the Group announced the addition of the executive vice-president of Schlumberger as a non-executive director of the Board to make a step forward with its corporate governance pratice. In the meantime, as a commitment to strengthening its QHSE management, the Group has formed a QHSE committee in the Board with the newly-joined non-executive director from Schlumberger to be the chairman of the committee, serving to bring the world's leading standards in QHSE to the Group. In informatization, the Group is making full efforts to build up the informatization system through working with an IT service provider, Atos Origin, with good knowledge of the international oilfield service companies' best practice, to support its long-term growth.

In terms of financial strategy, the Group aims to maintain a fast growth in revenue and stable profitability, while sustaining the enhancement of capital efficiency. The Group will realize such objectives through developing new products and services, exploring new markets and making intensified efforts in cost controls and efficiency enhancement. At the same time, the Group will utilize different debt financing channels including MTN issuance, supply chain financing and financial leasing to provide adequate sources of capital for the Group's business development.

In conclusion, in anticipation of robust demands from both the domestic and overseas markets, the Group will precisely position clients' needs and subsequently make timely addition of its service offerings as guided by its long-term strategy, so as to provide one-stop technical service solutions that effectively suit the clients' demand. In the meantime, the Group will further enhance its soft power by prioritizing the talent pool buildup, corporate culture and informatization, to cement a concrete foundation towards becoming a leading global oilfield service company with a strong foothold in China.

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 2012 amounted to RMB2,004.6 million, representing an increase of RMB745.7 million or 59.2% as compared to RMB1,258.9 million in 2011. The increase of the Group's revenue was mainly attributable to the rapid growth in demand from domestic natural gas market and overseas market and a surge in overall business driven by the Group's successful market and product strategies.

Cost of Sales

The operating costs of sales in 2012 increased to RMB1,103.3 million, representing an increase of 49.9%, from RMB736.0 million 2011. The increase was mainly attributable to the increase in revenue.

Other Gains

Other gains in 2012 increased to RMB10.6 million from RMB2.2 million in 2011. The increase was mainly attributable to the increase in government subsidies.

Selling Expenses

The selling expenses in 2012 amounted to RMB154.5 million, representing an increase of RMB50.4 million or 48.4% as compared to RMB104.1 million in 2011. This was mainly attributable to the Group's expanded business operations.

Administrative Expenses

The administrative expenses in 2012 amounted to RMB260.0 million, representing an increase of RMB95.2 million or 57.8% as compared to RMB164.8 million in 2011. This was mainly attributable to the Group's expanded business operations.

R&D Expenses

The R&D expenses in 2012 amounted to RMB66.3 million, representing an increase of RMB13.0 million or 24.4% as compared to RMB53.3 million in 2011. This was mainly attributable to the Group's increased investment in research and development.

Sales Tax and Surcharges fees

The sales tax and surcharge fees in 2012 amounted to RMB33.1 million, representing an increase of RMB5.1 million or 18.2% as compared to RMB28.0 million in 2011. The increase was mainly due to an increase in sales tax taxable income of the Group.

Operating Profit

As a result of the foregoing, the operating profit of the Group in 2012 amounted to RMB398.0 million, representing an increase of RMB223.1 million or 127.6% as compared to RMB174.9 million in 2011. The operating profit margin for the Year was 19.9%, representing an increase of 6.0 percentage points from 13.9% in 2011.

Finance Costs (Net)

Net finance costs in 2012 was RMB30.6 million, an increase of approximately RMB14.5 million as compared to 2011. The increase was mainly due to the increased liabilities used for the Group's strategic resource alignment including the fixed-asset investment.

Share of Loss or Profit of a Jointly Controlled Entity

The share of loss or profit of a jointly controlled entity was nil in 2012.

Impairment Loss of Long-term Investment in Jointly Controlled Entity

This item was nil in 2012.

Income Tax Expense

Income tax expense in 2012 amounted to RMB49.7 million, representing an increase of approximately RMB28.9 million from 2011, mainly due to an increase of operating profit as a result of business growth.

Profit for the Year

As a result of the foregoing, the Group's profit for 2012 was RMB317.7 million, representing an increase of RMB226.0 million, or 246.5%, from 2011.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company in 2012 amounted to approximately RMB302.6 million, representing an increase of approximately RMB225.3 million, or 291.5%, from 2011.

Trade and Notes Receivables

As at 31 December 2012, the Group's net trade and notes receivables were approximately RMB948.3 million, representing an increase of RMB277.3 million as compared to 31 December of 2011. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in 2012 were 134 days, representing a decrease of 44 days as compared to 2011. This was mainly attributable to the Group's strengthened management of receivables collection.

Inventory

As at 31 December 2012, the Group's inventory was RMB487.0 million, representing an increase of RMB215.6 million as compared to 31 December 2011, mainly due to the Group's expanded business operations.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2012, the Group's cash and bank deposits amounted to approximately RMB539.0 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing an increase of RMB61.5 million as compared to 31 December 2011.

As at 31 December 2012, the Group's outstanding short-term bank loans amounted to RMB191.6 million and the Group's outstanding long-term bank loans due within one year amounted to RMB20.0 million. Credit facilities

granted to the Group by domestic banks in China amounted to RMB530.0 million, of which approximately RMB434.0 million were not used. The aggregate principal amount of Medium-term Notes registered at the National Association of Financial Market Institutional Investors totals RMB 500.0 million, of which RMB 300.0 million has been issued and RMB 200.0 million remains unused.

As at 31 December 2012, the gearing ratio of the Group was 37.4%, representing an increase of 12.5 percentage points from the gearing ratio of 24.9% as at 31 December 2011. This was mainly due to the increase in bank loans, trade payables and notes payables and net debt (including borrowings and trade and notes payables. It is also because total capital was calculated as equity plus net debt.

The equity attributable to equity holders of the Company increased from RMB1,666.1 million in 2011 to RMB1,971.9 million as at 31 December 2012. The increase was mainly due to the increase in profit for the year.

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 US dollars may have a negative impact on the Group's operating results and financial position.

CASH FLOW FROM OPERATING ACTIVITIES

As at 31 December 2012, net cash inflow from operating activities of the Group in 2012 amounted to RMB 349.6 million, representing an increase of RMB 129.2 million compared to 2011. This was mainly because of such factors as the enhanced capital efficiency and the further reduction of accounts receivables turnover days.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2012 was RMB278.4 million, of which, investments in fixed assets were RMB230.0 million, investments in intangible assets (including land use rights) were RMB43.4 million and the balance payment for the equity investments of prior years was RMB5.0 million.

The Group has budgeted approximately RMB400.0 million for capital expenditure in 2013, which will be used in investments in stimulation equipment, equipment to facilitate the integrated services, and for the purpose of strengthening in-house capacity.

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 2012, the Group's operating lease commitments amounted to approximately RMB4.8 million. As at the balance sheet date (31 December 2012), the Group had capital commitments of approximately RMB289.4 million, which was not provided for in the balance sheet.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2012, the Group did not have any off-balance sheet arrangement.

FINAL DIVIDENDS

At the Board meeting held on 15 March 2013, the Board recommended the payment of a final dividend for the year ended 31 December 2012 of RMB0.0456 per share, totaling RMB97.6 million (2011: RMB0.0170 per share, totaling approximately RMB36.7 million).

If approved in 2013 AGM, the said dividend will be paid on or about 25 June 2013 to shareholders whose names appear on the register of members of the Company on 10 June 2013.

The dividend proposed subsequent to the balance sheet date has not been recognized as a liability at the balance sheet date.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30 May 2013 (Thursday) to 3 June 2013 (Monday), both days inclusive, during which period no share transfers will be registered. In order to be eligible for attending and voting at the 2013 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 May 2013 (Wednesday).

The register of members will be closed from 7 June 2013 (Friday) to 10 June 2013 (Monday), both days inclusive, during which period no share transfers will be registered. In order to be entitled for the payment of the final dividend (subject to approval at the 2013 AGM), all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 June 2013 (Thursday).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2012, except for the following deviation:

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

For the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing Independent Non-executive Directors, namely Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wang Mingcai. The Audit Committee of the Company has reviewed the audited financial statements for the year ended 31 December 2012.

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

Hong Kong, 15 March 2013

As at the date of this announcement, Mr LUO Lin, Mr WU Di and Mr. LIU Enlong are the executive directors of the Company; Mr. Jean Francois POUPEAU is the non-executive director of the Company; and Mr ZHANG Yongyi, Mr ZHU Xiaoping and Mr WANG Mingcai are the independent non-executive directors of the Company.