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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 2013

FINANCIAL HIGHLIGHTS

Revenue of the Group rose 26.4% from RMB2,004.6 million in 2012 to RMB2,533.5 million in 2013. Profit attributable to equity holders of the Company increased by 26.4% from RMB302.6 million in 2012 to RMB382.6 million in 2013.

The proposed final dividend is RMB0.0547 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 2013 (hereafter referred to as "the Year" or "the reporting period") with comparative figures for 2012, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of RMB, except per share data)

	Note	**Year ended 31 December 2013**	2012
Revenue	4	**2,533,536**	2,004,583
Cost of sales	5	**(1,410,992)**	(1,103,307)
Gross Profit		**1,122,544**	901,276
Other gains, net		**19,950**	10,646
Selling expenses	5	**(173,068)**	(154,480)
Administrative expenses	5	**(299,833)**	(260,045)
Research and development expenses	5	**(64,397)**	(66,274)
Sales tax and surcharges	5	**(32,840)**	(33,144)
Operating profit		**572,356**	397,979
Interest income		**1,348**	1,932
Finance expenses		**(74,026)**	(32,542)
Finance costs, net	6	**(72,678)**	(30,610)
Share of loss of joint ventures		**(9,701)**	—
Profit before income tax		**489,977**	367,369
Income tax expense	7	**(86,839)**	(49,664)
Profit for the year		**403,138**	317,705
Profit attributable to:			
Equity holders of the Company		**382,568**	302,579
Non-controlling interests		**20,570**	15,126
		403,138	317,705
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- Basic	8	**0.1779**	0.1430
- Diluted	8	**0.1733**	0.1402
Dividends	11	**119,953**	97,600

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of RMB)

	Year ended 31 December	
	2013	2012
Profit for the year	**403,138**	317,705
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(14,469)**	(1,882)
Other comprehensive income for the year, net of tax	**(14,469)**	(1,882)
Total comprehensive income for the year	**388,669**	315,823
Total comprehensive income attributable to:		
- Equity holders of the Company	**368,099**	300,697
- Non-controlling interests	**20,570**	15,126
	388,669	315,823

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2013
(Amounts expressed in thousands of RMB)

	Note	**As at 31 December**	
		2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment		**1,601,686**	955,056
Land use rights		**22,021**	28,757
Intangible assets		**375,440**	371,185
Investment in joint ventures		**16,776**	4,000
Other non-current assets		**60,002**	—
Deferred income tax assets		**25,029**	19,553
		2,100,954	1,378,551
Current assets			
Inventories		**540,707**	487,040
Trade and notes receivables	9	**1,332,294**	948,305
Prepayments and other receivables		**191,328**	239,931
Restricted bank deposits		**32,414**	15,629
Cash and cash equivalents		**1,770,155**	523,378
		3,866,898	2,214,283
Total assets		**5,967,852**	3,592,834

CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS AT 31 DECEMBER 2013

(Amounts expressed in thousands of RMB)

	Note	As at 31 December **2013**	 2012
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**202,983**	200,836
Reserves			
- Proposed final dividend	11	**119,953**	97,600
- Others		**1,959,739**	1,673,425
		2,282,675	1,971,861
Non-controlling interests		**92,622**	109,093
Total equity		**2,375,297**	2,080,954
LIABILITIES			
Non-current liabilities			
Long-term bonds		**1,982,596**	299,051
Other long-term payables		**—**	3,256
Deferred income tax liabilities		**1,709**	979
		1,984,305	303,286
Current liabilities			
Short-term borrowings		**395,875**	191,568
Current portion of long-term borrowings		**—**	20,000
Current portion of other long-term payable		**3,414**	11,604
Trade and notes payables	10	**703,878**	730,444
Accruals and other payables		**449,118**	217,670
Current income tax liabilities		**55,965**	37,308
		1,608,250	1,208,594
Total liabilities		**3,592,555**	1,511,880
Total equity and liabilities		**5,967,852**	3,592,834
Net current assets		**2,258,648**	1,005,689
Total assets less current liabilities		**4,359,602**	2,384,240

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in thousands of RMB)

	Note	**Year ended 31 December 2013**	2012
Cash flows from operating activities			
Net cash inflows from operations	12	**490,093**	412,163
Interest paid		**(42,031)**	(15,422)
Interest received		**1,348**	1,932
Income tax paid		**(70,875)**	(49,110)
Net cash generated from operating activities		**378,535**	349,563
Cash flows from investing activities			
Purchase of property, plant and equipment		**(816,680)**	(232,179)
Proceeds from disposal of property, plant and equipment		**4,095**	2,227
Purchase of land use rights		**—**	(21,244)
Purchase of intangible assets		**(23,069)**	(22,195)
Proceeds from acquisition of subsidiaries		**—**	2,645
Investment of a joint venture		**(22,477)**	—
Payment of considerations of prior year acquisition		**(6,360)**	(7,600)
Disposal of a subsidiary, net		**55,761**	(13)
Proceeds from disposal of term deposits with initial terms of over three months		**—**	5,000
Net cash used in investing activities		**(808,730)**	(273,359)
Cash flows from financing activities			
Proceeds from issuance of long-term bonds		**1,682,953**	299,128
Proceeds from short-term borrowings		**511,379**	329,000
Repayments of short-term borrowings		**(387,241)**	(580,293)
Repayments of long-term borrowings		**—**	(25,003)
Repayments of sale and leaseback		**(11,100)**	(11,100)
Proceeds from share options exercised		**29,351**	23,748
Dividends distribution		**(112,814)**	(46,694)
Repurchase of own shares		**(17,685)**	—
Net cash generated from / (used in) financing activities		**1,694,843**	(11,214)
Net increase in cash and cash equivalents		**1,264,648**	64,990
Cash and cash equivalents, at beginning of the year		**523,378**	462,154
Exchange loss on cash and cash equivalents		**(17,871)**	(3,766)
Cash and cash equivalents at end of the year		**1,770,155**	523,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

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

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

The directors regard Pro Development Holdings Corp., a company incorporated in 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 18 March 2014.

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.

(a) ***New and amended standards adopted by 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).

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- 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, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

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

- 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, which are largely aligned between IFRSs and US GAAP, 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.

(b) ***New standards and interpretations not yet effective for the financial year beginning 1 January 2013 and relevant to the Group.***

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009. 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. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRIC 21,'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

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

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

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

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

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
For the year ended 31 December 2013					
Revenue	589,442	547,855	1,081,565	314,674	2,533,536
EBITDA	136,452	197,742	587,918	149,521	1,071,633
Depreciation and amortisation	(24,686)	(10,941)	(63,261)	(23,678)	(122,566)
Interest income	3	249	35	227	514
Finance expenses, net	(219)	(2,302)	(1,923)	—	(4,444)
Share of loss of joint ventures	3,551	—	—	—	3,551
Income tax expense	(6,567)	(12,569)	(48,019)	(19,684)	(86,839)
For the year ended 31 December 2012					
Revenue	432,956	458,161	856,543	256,923	2,004,583
EBITDA	107,911	145,833	470,843	105,448	830,035
Depreciation and amortisation	(10,496)	(17,945)	(33,929)	(26,425)	(88,795)
Interest income	53	355	49	690	1,147
Finance expenses, net	(905)	—	—	(96)	(1,001)
Income tax expense	(4,236)	(14,091)	(23,825)	(7,512)	(49,664)

	Drilling technology	Well completion	Down-hole operation	Tubular services	Total
As at 31 December 2013					
Total assets	641,864	1,151,504	1,609,498	510,064	3,912,930
Total assets include:					
Investments in joint ventures	12,776	—	—	4,000	16,776
Additions to non-current assets (other than deferred tax assets)	142,794	112,165	375,661	163,825	794,445
As at 31 December 2012					
Total assets	697,904	954,503	989,095	359,738	3,001,240
Total assets include:					
Investments in joint ventures	—	—	—	4,000	4,000
Additions to non-current assets (other than deferred tax assets)	132,039	28,205	253,792	37,175	451,211

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

	Year ended 31 December	
	2013	2012
EBITDA for reportable segments	**1,071,633**	830,035
Corporate overheads	**(458,711)**	(374,017)
Depreciation	**(107,609)**	(69,234)
Amortisation	**(14,957)**	(19,561)
Interest income	**514**	1,147
Finance expenses, net	**(4,444)**	(1,001)
Share of loss of joint ventures	**3,551**	—
Profit before income tax	**489,977**	367,369

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

	As at 31 December	
	2013	2012
Assets for reportable segments	**3,912,930**	3,001,240
Corporate assets for general management	**2,054,922**	591,594
Total Assets	**5,967,852**	3,592,834

Geographical Information

	Revenue		Non-current Assets	
	2013	2012	**2013**	2012
PRC	**1,957,689**	1,555,987	**1,852,808**	1,215,104
Iraq	**416,480**	327,564	**205,214**	150,860
Other countries	**159,367**	121,032	**42,932**	12,587
Total	**2,533,536**	2,004,583	**2,100,954**	1,378,551

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 2013

	Drilling technology	**Well completion**	**Down-hole operation**	**Tubular services**	**Total**
Client 1	22,141	37,924	200,418	—	260,483
Client 2	—	—	277,665	—	277,665
Client 3	196,459	165,436	35,325	217,587	614,807
Total	218,600	203,360	513,408	217,587	1,152,955

For the year ended 31 December 2012

	Drilling technology	**Well completion**	**Down-hole operation**	**Tubular services**	**Total**
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	174,011	—	425,609	182,528	782,148

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

4. REVENUE

Revenue by category is analysed as following:

	Year ended 31 December	
	2013	2012
Sales of goods	**258,548**	515,931
Sales of services	**2,274,988**	1,488,652
	2,533,536	2,004,583

5. EXPENSE BY NATURE

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

	Year ended 31 December	
	2013	2012
Materials and services	**966,696**	865,468
Staff costs		
- Salaries and other staff expenses	**342,523**	248,130
- Share-based compensation	**31,238**	17,980
Depreciation	**121,872**	72,579
Amortisation	**15,629**	20,846
Sales tax and surcharges	**32,840**	33,144
Other operating expenses	**470,332**	359,103
In which:		
- addition in impairment of receivables	**31,920**	28,364
- addition in impairment of inventories	**—**	12,900
- auditor's remuneration - audit service	**3,800**	3,700
Total operating cost	**1,981,130**	1,617,250

6. FINANCE COSTS, NET

	Year ended 31 December	
	2013	2012
Interest income	**1,348**	1,932
Interest expenses on bank borrowings and bonds	**(64,373)**	(27,473)
Interest expenses on sale and leaseback liability	**(1,606)**	(1,606)
Exchange loss, net	**(3,402)**	(1,884)
Others	**(4,645)**	(1,579)
	(72,678)	(30,610)

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 2013 (2012: 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.

	Year ended 31 December	
	2013	2012
Current income tax		
- PRC income tax	**61,665**	32,693
- Others	**29,920**	18,859
Deferred income tax		
- Deferred tax relating to the origination and reversal of temporary differences	**(4,746)**	(1,888)
	86,839	49,664

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	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	**382,568**	302,579
Weighted average number of ordinary shares in issue (thousands of shares)	**2,150,873**	2,115,501
Basic earnings per share (expressed in RMB per share)	**0.1779**	0.1430

(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 2013, the only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January 2013 to 31 December 2013) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

	Year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	**382,568**	302,579
Weighted average number of ordinary shares in issue (thousands of shares)	**2,150,873**	2,115,501
Adjustments for assumed conversion of share options (thousands of shares)	**57,038**	42,404
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,207,911**	2,157,905
Diluted earnings per share (expressed in RMB per share)	**0.1733**	0.1402

9. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2013	2012
Trade receivables, net (a)	**1,302,044**	919,430
Trade receivables from a related party	**4,832**	—
Notes receivable (d)	**25,418**	28,875
	1,332,294	948,305

Note:

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

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

	As at 31 December 2012		
	Gross amount	**Impairment**	**Net value**
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

(i) As at 31 December 2013, trade receivables with amount of RMB1,252,230,000 (31 December 2012: RMB866,945,000) 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 2013, trade receivables amounting to RMB54,646,000 (31 December 2012: RMB52,485,000) 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.

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

	2013	2012
As at 1 January	**16,685**	17,792
Additions	**31,920**	28,277
Written-off	**(12,741)**	(29,384)
As at 31 December	**35,864**	16,685

(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	
	2013	2012
RMB	**1,094,850**	791,430
US$	**237,444**	156,261
Others	**—**	614
	1,332,294	948,305

10. TRADE AND NOTES PAYABLES

	As at 31 December	
	2013	2012
Trade payables	**537,736**	643,134
Trade payables to related parties	**40,688**	50,354
Notes payables	**125,454**	36,956
	703,878	730,444

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

	As at 31 December	
	2013	2012
Less than 1 year	**675,590**	692,188
1 - 2 years	**20,588**	24,930
2 - 3 years	**4,079**	8,983
Over 3 years	**3,621**	4,343
	703,878	730,444

Trade and notes payable were denominated in the following currencies:

	As at 31 December	
	2013	2012
RMB	**692,176**	703,099
US$	**11,702**	23,074
KZT	**—**	4,271
	703,878	730,444

11. DIVIDENDS

On 3 June 2013, upon the approval from the annual general meeting of the shareholders, the Company declared 2012 final dividend of RMB0.0456 per ordinary share, totaling RMB98,314,000 (2011 final dividend: RMB36,694,000 of RMB0.0170 per share).

A dividend in respect of the year ended 31 December 2013 of RMB0.0547 per ordinary share, amounting to a total dividend of RMB119,953,000, is recommended by the directors on 18 March 2014, which is to be paid out of the share premium account of the Company. Such dividend is subject to the approval by the shareholders at the next Annual General Meeting. These financial statements do not reflect this dividend payable.

12. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31 December	
	2013	2012
Profit for the year	**403,138**	317,705
Adjustments for:		
Property, plant and equipment		
- depreciation charge (Note 5)	**121,872**	72,579
- net loss on disposals	**2,441**	1,211
Amortisation of land use rights and intangible assets (Note 5)	**15,629**	20,846
Addition of impairment of receivables (Note 5)	**31,920**	28,364
Addition of impairment of inventories (Note 5)	**—**	12,900
Charge of share option scheme	**31,238**	17,980
Gain on disposal of subsidiaries	**(13,251)**	—
Share of loss of joint ventures	**9,701**	—
Net foreign exchange loss (Note 6)	**3,402**	1,884
Interest income (Note 6)	**(1,348)**	(1,932)
Interest expenses on bank borrowings and bonds (Note 6)	**64,373**	27,473
Interest expenses on sale and leaseback liability (Note 6)	**1,606**	1,606
Income tax expense	**86,839**	49,664
Changes in other non-current assets	**(60,002)**	—
Changes in working capital:		
Inventories	**(100,933)**	(189,823)
Trade and notes receivables	**(472,214)**	(215,770)
Prepayments and other receivables	**(46,529)**	(19,885)
Trade and notes payables	**375,628**	290,808
Accruals and other payables	**53,368**	1,802
Restricted bank deposits	**(16,785)**	(5,249)
Net cash inflows from operations	**490,093**	412,163

b. Significant non-cash transactions

The principal non-cash transactions for the year ended 31 December 2013 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 2013 approximated RMB80 million (2012: RMB102 million).

BUSINESS REVIEW

China's Natural Gas Production Capacity Building Continued, Unconventional Oil and Gas Development Showed Momentum

China's natural gas market witnessed continued growth in 2013 and profound reforms in the industry were underway. Driven by factors such as the national economic growth, conscious efforts to improve energy mix and combat smog in the cities, China's natural gas consumption registered a double-digit high growth, becoming the third largest natural gas consumer in the world last year. According to data from the Ministry of Land and Resources, the country's natural gas output continued to grow in 2013, with annual output surpassing 100 billion cubic meters for three years in a row. Growth rate of the domestic natural gas demand, however, outpaced that of domestic production, leading to severe demand-supply constraints and forcing China to increase its imports. China's natural gas dependence has for the first time exceeded 30 percent in 2013, according to Ministry of Land and Resources. How to accelerate production capacity building for domestic resources and step up exploration efforts to ensure energy security is becoming one of the major factors governing China's national energy policy.

Against this backdrop, China's conventional gas production capacity building continued to move ahead last year. Tarim Basin, Erdos Basin and Sichuan Basin, the three major gas basins, all accelerated their pace of capacity building and production. Tarim Basin, relying on the technology to add proven reserves and increase production, saw the output from its major natural gas field rising steadily. Erdos Basin saw its primary oil and gas field's production reaching 50 million tons of oil equivalent, successfully building itself into "Daqing of Western China". Sichuan Basin achieved major strides in natural gas exploration in its central region and discovered China's largest monomer marine uncompartmentalized natural gas reservoir, according to the Ministry of Land and Resources. Meanwhile, domestic conventional oil and gas resources are dominated by ultra-deep or low-permeability low-grade resources, making them more difficult and costly to extract and, therefore, stimulating demand for technologies to improve drilling efficiency and production.

As of unconventional gas, several large-scale shale gas projects were formally kicked off in 2013. Production target for the shale gas also became clearer. Wells with high production emerged one after another thanks to the technological advancement and breakthroughs made earlier, indicating that

China's shale gas development is on a sound footing and momentum. Meanwhile, National Energy Administration released the Shale Gas Industry Policy in 2013, calling for stepped-up fiscal support for the industry and encouraging local governments to subsidize shale gas producers and to exempt or reduce tax for shale gas production companies. The policy paper, which also encourages all types of investors to enter the shale gas market, will boost the development and utilization of shale gas.

Liberalization of the oil and gas industry is being realized at an accelerating pace. In 2013, the government introduced many concrete and specific measures to accelerate the energy reform. For example, the State Council, in its 12th Five-Year Plan for Energy Development, clearly states that it will encourage the diversification of the energy investment, with a view to attracting private capital into energy field that is not explicitly prohibited by the law and regulations. National Development and Reform Commission said clearly that it will push forward the natural gas pricing reform, demanding the gradual establishment of a pricing mechanism that can truly reflect the demand and supply in the market and the scarcity of resources. The Third Plenum of 18th Chinese Communist Party's Congress stressed that market should play a decisive role in resource allocation, driving state-owned oil companies to open up their internal markets while at the same time encourage them to explore external markets. The spirit of the Third Plenum also encourage oil companies to expand joint-venture (JV) cooperation, bringing in non-state capital including private and social capital to forge JVs and cooperation, as well as to promote cooperation and development of such areas as undeveloped reserve and shale gas. Stimulated by the policies mentioned above, the traditional oil and gas industry landscape is being gradually reshaped, allowing more room for private companies with vitality and innovation to play a better role, and private companies with established scale and reputation are quickly becoming mainstream players.

Chinese Investors Stepped up Overseas M&A and Investment, International Oil & Gas Cooperation Became More Active

Guided by the goal of ensuring energy security, the Chinese government encouraged Chinese investors to continue deepening the "Go Out" strategy on one hand, and on the other, facilitated large energy international cooperation in an innovative way, a strategy that has increased China's influence in the global energy governance arena. As a result, China investors entered another year of aggressive overseas expansion in 2013.

In 2013, Chinese investors conducted a flurry of overseas M&A, acquiring assets in places as far from Middle East's Iraq to South America, North America, Central Asia and Africa. Chinese investors also achieved success in bidding for world's large-sized oil and gas fields last year. Demand for follow-up exploration and development activities will likely increase. Meanwhile, production capacity building for Chinese investors' existing projects advanced steadily last year and some of the large-scale projects even realized phased production capacity building target well ahead of schedule, rapidly marching towards even bigger production capacity level.

In 2013, China conducted international oil and gas cooperation with many countries whose oil and gas output is among the fastest-growing ones in the world. Owing to lack of operation capability, those countries badly need technology to complement their existing ones in order to increase their declining oil production and drill for newly increased resources, providing immense new market potential for China's oilfield service companies.

As Chinese investors expanded investment in up-stream assets, China's oilfield service providers also established a more important position in the global market. As China's oilfield service companies' competitiveness in the overseas market gradually began to be noticed through their quality service and cost advantage, national oil companies and international oil companies, during exploration and development of their projects and in the process of building a global supply chain, have realized the advantage and importance of Chinese partners, and are now actively seeking reliable and reputed Chinese oilfield service providers to become their long-term partners, offering an important opportunity for well-established and competitive Chinese oilfield service companies.

Business Performance

Recognizing the increasing demand and capacity for natural gas and the gradual opening-up on the upstream of the industry in China and in the context of Chinese investors intensifying investment overseas and the global oil and gas industry stepping up its efforts to cooperate with Chinese companies, the Group, as China's leading independent oilfield technical services provider, is quickening the pace to leverage its unique advantages. It strives to create the best service experience for its clients in each target market and introduces products and services catering to the market demand. During 2013, the Group continued to gain steady growth.

In 2013, the Group's total revenue amounted to RMB2,533.5 million, representing an increase of RMB528.9 million, or 26.4%, from RMB2,004.6 million in 2012. The revenue growth was mainly attributable to the Group's continued expansion in the domestic natural gas market and strong demand from overseas markets for the Group's business.

In 2013, the Group's operating profit reached RMB572.4 million, an increase of RMB174.4 million, or 43.8%, from RMB398.0 million in 2012. Net profit was registered at RMB403.1 million, an increase of RMB85.4 million, or 26.9% from RMB317.7 million in 2012. Profit attributable to equity holders of the Company amounted to RMB382.6 million, an increase of RMB80.0 million, or 26.4%, from RMB302.6 million in 2012. Net profit margin attributable to equity holders of the Company was 15.1%, flat with 15.1% in 2012. The Group was able to maintain healthy profitability thanks primarily to economies of scale from rapid business growth, stable gross profit margin and the resulting dilution of sales and administrative expenses ratio.

As the Group completes building its footprint in high-growth markets of oil and gas globally, it further implemented a regional strategy for key markets in 2013 to offer products and services suited to the local needs on the basis of studying each individual market's own features and characteristics in terms of geology, well depth, penetration rate, oil reservoir characteristics and the differences in terms of client composition and management model, and market features, with an objective to grow its local influence and increase its market penetration.

In 2013, revenue of the domestic market saw 25.8% growth over the previous year. The successful implementation of the regional strategy has further accelerated the Group's business growth in the three basins. In the Tarim Basin, the Group actively deployed new technologies to address formidable challenges on drilling optimization and stimulation in ultra-deep wells to the greater benefit of the clients. In the Erdos Basin where the client base is diverse, the Group continued to roll out a host of horizontal well multistage fracturing technologies targeting low permeability, low yield wells to meet the client need for fast production increase. In particular, the application of the new coiled tubing multistage fracturing technology was a remarkable success. Meanwhile, pressure pumping service capability was deployed by the Group and was put swiftly into operation in the region. In the Sichuan Basin, a large number of large-scale shale gas projects officially kicked off. In response to the fast-emerging local demand for shale gas development services, the Group has already entered major markets of shale gas development and contributed a variety of critical new technical services and fracturing equipment services.

The revenue of overseas market recorded 28.4% growth over the previous year. The Group made encouraging progress on implementing its "follow-up" strategy in the overseas market, and continued to strengthen the services coverage for the overseas projects of Chinese investors in 2013. In the Middle East, the Group responded to the lack of local technical expertise and increased its provision of required technical services and helped to build local production capacity. Thanks to the brand recognition the Group has garnered through many years of high-quality services in overseas projects, the Group started to gradually move beyond the "follow-up" strategy. In 2013, the Group's overseas business entered for the first time projects of national oil companies and international oil companies. In South America, production capacity recovery was a key theme across countries. Local expertise and human resources fell short of the requirements. After two years of laying the groundwork by introducing more talents and required services, the Group has already established a strong presence on the ground and turned this area a new growth driver of its overseas business.

The Group continued to move ahead with the implementation of the integrated service strategy. In 2013, through greater investment in pressure pumping equipment and rigs, the Group significantly enhanced its regular services capacity and further enriched its integrated product line. As at 31 December 2013, the Group owned a total capacity of 75,200 hhp for pressure pumping service. As at 31 December 2013, out of the 7 rigs purchased, 4 were already delivered in 2013. All the equipment in position had been mobilized in the market. The Group also accelerated the rollout of new technologies. The newly offered coiled tubing-conveyed resettable packer multistage fracturing technology and the fiber-diverting multistage fracturing technical service jointly offered with Schlumberger gained rapid growth and wide adoption. In the meantime, the Group accelerated the development of integrated project management (IPM) capabilities. "Tongzhou Integrated Oilfield Technology Co., Ltd." ("Tongzhou IPM"), a joint venture with Schlumberger, has already started operating and participated in a number of integrated tight gas and shale gas engineering projects. The Group also intensified efforts in building up its oil reservoirs and actively sought out integrated oil reservoir engineering project opportunities.

To prepare for long-term development, the Group acted preemptively to ramp up its talent and capital pool. The efforts reaped fruitful results in 2013. With regard to talent, the Group increased efforts to attract leading industry professionals and experienced talents on a large scale on the one hand and expanded its graduate recruitment program on the other with an intake of 680 graduates from petroleum universities and other prestigious universities

around China, most of whom being students with distinction and student cadres. In addition, a fast training mechanism was also developed. On the capital side, the Group successfully completed a US$250.0 million senior notes issue due 2018, setting the milestone as the first Chinese independent oilfield services provider to access the international debt capital market. Furthermore, the Group completed the issuance of the second tranche of the medium-term notes in China, which raised RMB200.0 million. By diversifying funding sources, both offshore and domestic, the Group has substantially enhanced the security of its capital reserves.

In 2013, the Group's capital efficiency remained in a healthy level. As at 31 December 2013, the average trade receivable turnover days of 2013 were recorded at 150, an increase of 16 days compared with the previous year; the average inventory turnover days of 2013 reached 131, an increase of 7 days from 2012; the average trade payable turnover days of 2013 stood at 157, an increase of 8 days compared with the previous year.

The Group's strategic goal is to become a leading global oilfield services provider with a solid foothold in China. Facing the swift changes in the configuration of the global oil and gas industry, independent Chinese oilfield technical services companies are now given an unprecedented room to realize its strengths. Seizing the opportunities, the Group developed a "No.1" brand proposition: "the Best Independent Chinese Oilfield Services Company, the Best Chinese Partner Worldwide". The Group strives to communicate its value of combining traditional culture, modern China and global standards to national oil companies, private oil and gas investors and international oil companies, and to become a responsible partner to these clients.

Geographical Market Analysis

In 2013, the Group's revenue from the domestic market was RMB 1,957.6 million, representing an increase of RMB 401.6 million or 25.8% from last year's RMB 1,556.0 million, and the domestic market accounted for 77.3% of the Group's total revenue. Revenue from the overseas markets reached RMB 575.9 million, representing an increase of 28.4%, or RMB 127.3 million from RMB 448.6 million in the previous year, and accounted for 22.7% of the Group's total revenue.

Revenue Breakdown of Domestic and Overseas Markets

	2013 (RMB' million)	2012 (RMB' million)	Change (%)	Revenue from the respective market as a percentage of total revenue 2013	2012
Domestic	1,957.6	1,556.0	25.8%	77.3%	77.6%
Overseas	575.9	448.6	28.4%	22.7%	22.4%
Total	**2,533.5**	**2,004.6**	**26.4%**	**100.0%**	**100.0%**

Revenue Analysis for Domestic Market

	2013 (RMB million)	2012 (RMB million)	Change (%)	Revenue from the respective region as a percentage of domestic revenue 2013	2012
Northwest China	798.3	557.4	43.2%	40.8%	35.8%
North China	765.7	528.6	44.9%	39.1%	34.0%
Southwest China	242.9	205.4	18.3%	12.4%	13.2%
Northeast China	150.7	264.6	-43.0%	7.7%	17.0%
Total	**1,957.6**	**1,556.0**	**25.8%**	**100.0%**	**100.0%**

Revenue Analysis for Overseas Market

	2013 (RMB million)	2012 (RMB million)	Change (%)	Revenue from the respective region as a percentage of overseas revenue 2013	2012
The Middle East	416.7	340.9	22.2%	72.4%	76.0%
Central Asia	76.4	85.2	-10.3%	13.3%	19.0%
Americas	73.2	10.0	632.0%	12.6%	2.2%
Africa	9.6	12.5	-23.2%	1.7%	2.8%
Total	**575.9**	**448.6**	**28.4%**	**100.0%**	**100.0%**

*

Domestic Market

In 2013, the Group promoted regionalization strategy centered on the three major basins, successfully boosting business growth there. Targeting the emerging demand from domestic natural gas development, including that of conventional gas and tight gas, as well as demand arising from shale gas development, the Group provides key technologies, for drilling optimization and stimulation, in the natural gas sector, and endeavors in developing and introducing new technologies, which achieved large-scale applications quickly because of its noticeable results in drilling acceleration and production increase. Meanwhile, the Group also stepped up its efforts to develop technology needed in the shale gas development, preparing technologies and services capacity reserve for large-scale shale gas development. Driven by the strong domestic natural gas demand, in 2013, revenue from the northwest, north and southwest regions where the three major basins are located totalled RMB1,806.9 million, up 39.9% from RMB1,291.4 million in 2012.

Major Business Development in the Domestic Market

- Tarim Basin is the biggest oil and gas basin in China's mainland in terms of its area and the reservoir is extremely complex with ultra-high depth, high temperature and high pressure conditions, posing world-class challenge in drilling engineering. Confronted with tight production targets and its own harsh geological conditions, clients in this region are in dire need of technologies that could help them achieve drilling optimization and production increase. The Group has been a major pioneer of new technologies in the area for many years, actively developing fit-for-purpose technologies for local geologies and quickly apply them on a large scale, thus helping clients achieve drilling acceleration and production increase. In 2013, driven by local clients' demand for drilling acceleration, the Group's oil-based drilling fluid business kept growing steadily. The rotary steerable drilling technique for directional drilling has effectively addressed the drilling acceleration challenges brought about by the ultra-deep wells and established sound well trajectory, boosting the growth of the directional drilling business in the region. Targeting the needs for stimulation at the block of ultra-deep wells, the Group partnered with Schlumberger and jointly introduced the fiber-diverting multistage fracturing technical service, achieving remarkable results in boosting production and thereby developing quickly into the major stimulation technique and is being promoted aggressively in the region. In addition, the Group's reservoir evaluation department along with expert teams actively explore business opportunities for the integrated reservoir engineering services.

- The Erdos Basin continued to remain as a key market for the Group. The basin has the objective of building itself into "Daqing of Western China", targeting 50 million tons of oil equivalent output. As China's major oil and gas supplier, the basin is faced with its "low permeability, low pressure and low output" features and the aggressive production target. Thus, the Erdos Basin is also the first market allowing more participants to enter the exploration and development activities in the up-stream business in order to accelerate production capacity building. As a result, the Group has a diversified customer base in the area. In 2013, faced with the pressing needs to increase production in the area, the Group ramped up its efforts to promote stimulation technologies, introducing the new coiled tubing-conveyed resettable packer multistage fracturing technology which became an important new multistage fracturing technique, and continuing to implement the open-hole multistage fracturing technique for horizontal wells on a broader scale. The Group also swiftly increased its pressure pumping service capacity. Together, the Group made significant efforts in adding to the production capacity building in the region.

- The Sichuan Basin bears an extremely significant potential for conventional and unconventional natural gas, and has discovered China's largest monomer marine uncompartmentalized natural gas reservoir. The basin is also in the forefront of China's exploration and development of shale gas. Several shale gas projects of considerable size have been kicked off and clients' demand for shale gas services began to emerge. Meanwhile, the basin's complex geological conditions, including well depth, high sulfur content and low permeability, pose multiple challenges to the development. The Group continued to introduce a string of relevant technologies to meet customers' need for improving drilling efficiency and increasing production. In 2013, the Group provided multiple targeted fit-for-purpose services including bridge-plug milling with coiled tubing and coiled tubing wireline logging technology, laying foundation for the Group to undertake future general contracting service in the large-scale development of shale gas.

- In other markets, the Group continued to provide helium testing service as well as casing and cementing services for domestic underground gas storage facilities. In the meantime, the Group actively explored the new model of developing tight oil in China.

Overseas Market

In 2013, the Group's "follow-up strategy" adopted at the overseas markets proceeded very well and the Group continued to strengthen the services coverage in overseas projects invested by Chinese investors to meet the urgent need for production capacity construction from Middle East, Central Asian and South American countries. While sticking to the "follow-up strategy", the Group, by taking advantage of its brand awareness gained from quality services offered in overseas projects in past years, has for the first time expanded its overseas customer base to national and international oil companies in 2013. To better meet the needs of local clients, the Group has initially completed regionalization at the overseas markets and, through streamlining management and better allocation of integrated products to serve the local market, developed customized products suitable for local market conditions. In 2013, revenue from the Middle East reached RMB 416.7 million, increasing 22.2% from RMB 340.9 million in 2012, maintaining its position as the Group's biggest overseas market. Revenue from Americas market was RMB 73.2 million, up 632.0% from the previous year, indicating there is significant growth potential in this market.

Major Business Development in the Overseas Market

- Iraq, one of the major regions for exploration and production activities for international oil companies, is also one of the few regions in the world with insufficient oilfield technical service capacity. In response to the massive demand for recovering oil production, Iraq signed technical service contracts with international oil companies, under which those oil companies will arrange technical service providers to help Iraq reach the capacity building target. In view of the insufficient local technical service capacity, the Group offers a broad spectrum of services and strengthens business coverage at Chinese-invested Al-Ahdab, Halfaya and Buzurgan projects and realized steady business growth. At the same time, the Group has created a sound brand reputation and carved a niche for itself in Iraq by virtue of its high quality services and outstanding operational results. In 2013, the Group successfully opened up the markets of international and national oil companies.

- South American market has been developing at an accelerating pace in recent years, becoming a strategic overseas foothold for Chinese investors. In most cases, Chinese investors' cooperation with national oil companies is in the form of joint ventures. The local oil reservoir's

characteristics call for a strong demand for horizontal wells technique and heavy oil production technology. Meanwhile, local production and development was conducted inefficiently in the past, resulting in a fast declining output from existing oil and gas fields, and subsequently creating an increasing demand for production capacity building. To meet these demands, the Group increased introduction of talents and provided respective services. In 2013, the Group achieved strong business growth in Colombia, a country the Group will use as a foothold to actively expand its business to South American markets.

Business Cluster Analysis

In 2013, the Group saw continued growth across all business clusters. The drilling technology cluster posted RMB589.4 million in revenue, an increase of 36.1% from 2012. The well completion cluster recorded a revenue of RMB547.9 million, an increase of 19.6% from 2012. The down-hole operation cluster saw its revenue grow by 26.3% from 2012 to RMB1,081.5 million. The tubular services cluster booked RMB314.7 million in revenue, an increase of 22.5% from 2012. In terms of contribution to the Group's total revenue for 2013, the down-hole operation cluster contributed the highest share of 42.7% of Group revenue, same as the previous year, followed by the drilling technology cluster with a share of 23.3% of Group revenue for 2013, up 1.7 percentage points from the previous year, the well completion cluster with 21.6% of Group revenue for 2013, down 1.3 percentage points from the previous year, and the tubular services cluster with 12.4% of Group revenue for 2013, down 0.4 percentage points from the previous year.

In 2013, the Group made strong efforts to shape up its product lines, which yielded significant results. The Group has developed a suite of technologies that effectively combine oil reservoir technologies and engineering technologies. With a full range of products and featured technologies covering all phases of oil and gas development and production, the Group is able to address such client challenges as increasing production, improving drilling efficiency, lowering costs and optimizing waste management in oil and gas fields. In particular, through the investment in pressure pumping equipment and rigs throughout 2013, the Group has met its initial target for the building regular services capacity. Meanwhile, having quickly built up its strength in reservoir study and analysis, the Group is now fully equipped to meet the client needs on oil reservoir technologies from evaluation in the early stage onto analysis, well completion and production. At present, the Group is competent for undertaking large and medium-sized integrated projects. It was also accelerating the development of product lines towards light assets so as to further attain an asset-light integrated services mode.

Revenue Breakdown by Cluster

	2013 (million RMB)	2012 (million RMB)	Change (%)	As a percentage of total revenue 2013	2012
Oil and gas field development technical services	**2,218.8**	**1,747.7**	**27.0%**	**87.6%**	**87.2%**
Down-hole operation cluster	1,081.5	856.5	26.3%	42.7%	42.7%
Drilling technology cluster	589.4	433.0	36.1%	23.3%	21.6%
Well completion cluster	547.9	458.2	19.6%	21.6%	22.9%
Tubular services cluster	**314.7**	**256.9**	**22.5%**	**12.4%**	**12.8%**
Total	**2,533.5**	**2,004.6**	**26.4%**	**100.0%**	**100.0%**

Down-hole Operation Cluster

In 2013, the down-hole operation cluster kept steady growth and posted RMB1,081.5 million in revenue, an increase of 26.3% from RMB856.5 million in 2012. The products lines in this cluster continued to revolve around the client need for stimulation. On the one hand, the cluster ramped up regular services capacity with pressure pumping equipment, allowing the Group to initially depend its integrated services offering in key target markets on self-owned services equipment. On the other hand, the deployment of new technologies in the high-end segment further quickened and achieved encouraging results.

The down-hole operation cluster comprises the following businesses, namely:

1) Stimulation. This business offers open-hole multistage fracturing for horizontal wells and other featured stimulation technologies, which are applied for the development of low pressure, low permeability reservoirs for higher production and recovery rate. In 2013, this business recorded RMB406.9 million in revenue, down 1.5% from RMB413.2 million in 2012;

2) Coiled tubing service. This business combines coiled tubing equipment with various tools to create a variety of technologies with diverse applications, including stimulation in low-permeability wells, specialized operations in ultra-complex wells and regular operations in conventional wells. In 2013, this business recorded RMB361.4 million in revenue, up 50.8% from RMB239.7 million in 2012;

3) Pressure pumping service. This business leverages the hydraulic horsepower service capacity of pressure pumping equipment and related operational expertise to help the clients complete pressure pumping design and operations of various sizes. In 2013, this business recorded RMB76.2 million in revenue, up 180.1% from RMB27.2 million in 2012;

4) Helium testing service. This business offers casing and tubing helium testing technologies for natural gas wells and underground gas storage facilities. By addressing the difficult challenge of gas seal leakage, it provides important safety assurances for the production of high-pressure and high sulfur content wells and key natural gas wells. In 2013, this business recorded RMB120.4 million in revenue, up 14.9% from RMB104.8 million in 2012;

5) Oil production service. This business offers management services for the production and operation of oilfield ground stations. In 2013, this business recorded RMB116.6 million in revenue, up 62.8% from RMB71.6 million in 2012;

6) Proppant. This business offers a critical material used to prop up the fractures in a fracturing process. The high-end ceramic proppant produced by the Group is high temperature and high pressure resistant, non-toxic, non-corrosive and non-radioactive. It helps keep the integrity of the oil and gas channel after a fracturing operation, thus increasing the production. This business is still under construction and is expected to officially come to market in 2014.

EBITDA for the down-hole operation cluster increased by 24.9% from RMB470.8 million in 2012 to RMB587.9 million in 2013. The EBITDA margin of the cluster was 54.4% in 2013, a slight decrease of 0.6 percentage points from 55.0% of 2012. The consistent EBITDA margin was largely due to cost savings on raw materials from new technology deployment and improved procurement management. The higher EBITDA margin of the newly launched pressure pumping service was also a reason.

Major Development in the Down-hole Operation Cluster

- Continued improvement of the technology system around multistage fracturing. In 2013, the Group's open-hole multistage fracturing service for horizontal wells continued to prevail in the market. The coiled tubing-conveyed resettable packer multistage fracturing technology quickly became one of the main new multistage fracturing technologies and gained wide adoption among clients in the same year as it was

introduced in the Erdos Basin, thanks to encouraging stimulation results. Meanwhile, the bridge-plug milling with coiled tubing technology the Group rolled out for multistage fracturing for shale gas also gained momentous growth.

- Initial completion of service capacity building on pressure pumping equipment. In 2013, the Group added 51,200 HHP of pressure pumping service capacity, bringing the total pressure pumping service capacity up to 75,200 HHP. Upon delivery, the equipment was quickly deployed for use in local markets of the Erdos Basin and the Sichuan Basin and has so far been fully and effectively utilized. As development efforts accelerated on tight oil and gas as well as shale gas, massive demand for fracturing operations emerge. The Group's available pressure pumping service capacity, track record and brand recognition have become important competitive advantages in the pursuit of long-term service contracts further to existing business in the local markets.

- Active promotion of fracturing proppant business and initiation of business building on down-hole chemicals. Recognizing the buoyant demand both from domestic and overseas markets for high-quality proppant, the Group leveraged its advantages on raw materials and talent from China as well as its strength on fracturing technology and market to provide high-end ceramic proppant. Production and marketing is expected to commence in 2014. The Group owns the advanced technology formula and is able to provide a full range of down-hole chemical materials. Promotion will likely start in 2014 to further empower the Group's extension along the value chain of fracturing.

- For oil production business, the production and operation management service offered to oilfield ground stations grew vibrantly in the overseas market. In light of the intense demand among global oil companies for post-production oilfield services, the Group drew strength from its Chinese human resources and technologies and aggressively moved ahead in the overseas market. In particular, its business in Iraq has seen a significant improvement.

Drilling Technology Cluster

In 2013, the drilling technology cluster saw strong growth, posting RMB589.4 million in revenue, an increase of 36.1% from RMB433.0 million in 2012. Business development efforts within this cluster mainly revolved around building the Group's integrated service capabilities and meeting client demand for drilling optimization. In 2013, the cluster put together the Group's first-ever

rig fleet, enabling the Group to offer integrated services from the main means of oil and gas development, namely drilling engineering technology. In view of the client demand for drilling optimization, the various product lines within this cluster delivered multiple technological applications around performance drilling, which demonstrated excellent performance in terms of helping clients improve drilling success rate and efficiency, shorten the drilling cycle and reduce drilling costs.

The drilling technology cluster comprises the following businesses:

1) Directional drilling. This business mainly provides direction drilling engineering, rotary steerable drilling, sidetracking and drilling optimization services to help clients effectively complete directional and horizontal wells in various complex situations such as high-temperature, high pressure wells and thin reservoirs. Revenue booked under this business in 2013 reached RMB242.9 million, an increase of 36.5% from RMB178.0 million in 2012;

2) Drilling fluid service. This business provides drilling fluid materials, technology and operations. In 2013, it recorded RMB188.4 million in revenue, an increase of 38.6% from RMB135.9 million in 2012;

3) Drilling new technology service. This business aims to improve drilling efficiency, enhance drilling and well completion engineering quality, save costs, address complex challenges and realize performance drilling. It provides an integrated set of technology solutions from design to complementary tools, production process and related equipment. In 2013, this business booked RMB125.2 million in revenue, an increase of 5.1% from RMB119.1 million in 2012;

4) Rig services. By managing and operating the rigs directly owned by the Group as well as third-party rigs, this business provides general contracting services for rig-driven drilling projects, drilling and well completion projects and block engineering projects. This business was established in 2013 and posted a revenue of RMB32.9 million;

5) IPM engineering project management service. This business provides integrated project management (IPM) services mainly through "Tongzhou Integrated Oilfield Technology Co., Ltd." ("Tongzhou IPM"), a joint venture with Schlumberger. This business was activated in the second half of 2013 and recorded a revenue of RMB13.7 million.

EBITDA of the drilling technology cluster increased from RMB107.9 million in 2012 to RMB136.5 million in 2013, an increase of 26.5%. EBITDA margin for 2013 stood at 23.2%, down 1.7 percentage points from 24.9% in 2012, mainly because more investment was committed to the ramp-up of rig service capacity.

Major Development in the Drilling Technology Cluster

- Comprehensive promotion of performance drilling. In 2013, the Group's technological solutions from directional drilling service, drilling new technology service, rig services and drilling fluid service around performance drilling demonstrated significant acceleration and cost-saving effects and mature management capabilities. With regard to directional drilling technology, facing the drilling acceleration challenge in an ultra-deep horizontal well in the Tarim Basin with a long horizontal section and complex down-hole conditions, experienced field engineers from the region deployed a drilling optimization solution supported by rotary steering tools, premium drill bit and the Group's proprietary measurement while drilling (MWD) technology. The result was a 1/3 reduction in the well completion cycle and very good bore hole quality. The rig services business line set a new regional drilling speed record in three wells. The well-managed QHSE system helped meet the objectives of no casualty or injury, equipment breakdown or contamination accident.

- The rapid buildup of sizable rig services capacity provided critical equipment support for implementing the Group's integrated services model. The Group started with moderate investment in rig purchases and drilling teams. It then used the managerial expertise of the in-house drilling teams to rapidly achieve management of third-party rigs and ultimately built up more rig services capacity with a primary focus on managing third-party rigs and complemented by self-owned rigs. The result was an asset-light technical services provider model. In 2013, the Group expeditiously completed the purchase of 7 rigs, 4 of which were delivered during the year. Since the first self-owned rig started drilling in June, all the rigs in position were quickly mobilized to provide general contracting drilling services in the Sichuan Basin and the Erdos Basin. In addition, the Group officially initiated professional rig management for third-party rigs and drilling teams. This has given the Group access to a large pool of rig resources and a process to quickly mobilize such resources.

- Accelerated the construction of the integrated services model. In 2013, Tongzhou IPM already started to provide IPM services for a shale gas and tight gas projects. Meanwhile, the Group has accelerated the development of expertise on oil reservoir, intensified efforts to attract leading geological and reservoir professionals, and actively explored opportunities on reservoir integration projects.

Well Completion Cluster

In 2013, the well completion cluster experienced steady growth and recorded RMB547.9 million in revenue, up 19.6% compared with RMB458.2 million in 2012. Business development efforts within this cluster focus on reservoir completion on the one hand, which started with geological survey of reservoirs and reservoir evaluation and analysis for each individual well or well block, based on which an optimal well completion engineering solution was presented. On the other hand, the Group accelerated the development of proprietary well completion tools. Through in-house completion tool testing, processing and manufacturing capacity, this cluster aims to minimize the deployment costs of a well completion operation, ascertain service quality of premium well completion technology through a full suite of completion tools, and promote faster development of premium completion technologies.

The well completion cluster comprises the following business:

1) Well completion integration. This business includes technical services for reservoir completion and well completion tools. In 2013, this business recorded a revenue of RMB378.1 million, an increase of 32.5% from RMB285.3 million in the previous year;

2) Gravel packing service. This business came from Shandong Precede, a majority-owned subsidiary acquired by the Group in 2008, which provides gravel packing well completion products and services. In 2013, this business booked a revenue of RMB169.8 million, a slight decrease of 1.8% from RMB172.9 million in 2012.

EBITDA of the well completion cluster increased by 35.6% from RMB145.8 million in 2012 to RMB197.7 million in 2013. EBITDA margin for 2013 was 36.1%, up by 4.3 percentage points from 31.8% in 2012, which is mainly attributable to cost reduction from a higher proportion of proprietary tools within this cluster.

Major Development in the Well Completion Cluster

- Diversification towards reservoir completion. In 2013, the well completion cluster expanded from single tool service to integrated general contracting service for reservoir well completion, i.e. starting with geological survey of reservoirs, conducting reservoir study and analysis for each individual well or well block and then presenting an optimal well completion engineering solution to provide integrated well completion technical services to the clients. The Group first tested this model in the Tarim Basin by teaming up with Schlumberger to offer fiber-diverting volume fracturing technical service. In the pilot test, two wells after adopting the technical service saw an exponential increase in daily gas yield and the high production was stable. Because of the significant production increase effect, after promotion for less than a year, this technical service has matured and received wide adoption. This was a key milestone for the diversification of the well completion cluster to reservoir completion.

- Promotion of proprietary well completion tools. In order to speed up the shift towards proprietary well completion tools to reduce the dependency on external supply partnerships for certain tools, which had constraints in terms of cost, delivery lead time and quality, the Group started in 2013 the construction of an industrial base in the Tianjin Binhai New Area for the design, testing, experiment, processing and assembling of well completion tools. The base is scheduled to become operational in two phases in 2014 and 2015. Upon completion, the base will supply fully proprietary well completion tools to the Group and greatly enhance its competitiveness on well completion service.

Tubular Services Cluster

In 2013, the tubular services cluster grew steadily and posted RMB314.7 million in revenue, an increase of 22.5% over RMB256.9 million in 2012. Business development efforts within this cluster focused on developing the one-stop third-party tubular services model and providing full life-cycle technical services for oil tubular products (including drilling tools, casing and tubing). The objective is to help improve the safety of tubular use, lower costs and simplify management for the clients.

EBITDA of this cluster grew 41.8% from RMB105.4 million in 2012 to RMB149.5 million in 2013. EBITDA margin for 2013 reached 47.5%, up 6.5 percentage points from 41.0% in 2012, mainly due to a higher EBITDA margin on the new business.

Major Development in the Tubular Services Cluster

- Comprehensive improvement of inspection and evaluation service capabilities. In the process of natural gas development, quality problems with oil tubing and casing often lead to more frequent safety accidents and expose the oil company to graver losses. Therefore, the advent of the natural gas era has put much higher requirements on the safety of tubular use. The Group already owns mature drilling tool inspection capabilities. Building on this foundation, the Group quickly extended its service to the inspection and evaluation of oil tubing and casing in 2013. It currently owns the leading inspection lines in the country. At the same time, the Group strengthened other tubular inspection service capabilities. Therefore, notable progress has been made in 2013 on inspection services and evaluation capabilities, which laid a solid foundation for the Group to scale up its inspection service.

- Vibrant growth of the drilling tools leasing business. As oil companies increasingly require drilling companies to take on the purchase of drilling tools, drilling companies have been motivated to actively seek the leasing of drilling tool resources. The size of the drilling tool leasing market has quickly grown. The Group started its drilling tool leasing business years ago. By working with strategic suppliers, the Group built up a sizable stock of drilling tools for lease. At the same, time, it built one of China's finest tubular services bases in the Tarim region which was equipped with a full set of drilling tool service and repair capabilities. This gave the Group an absolute competitive advantage. Therefore, in a booming market, the Group's drilling tool leasing business experienced strong growth in 2013 and remained in an unquestionable leadership position.

Alignment of Strategic Resources

In 2013, the Group preemptively deployed and aligned all-round strategic resources through investment, R&D and human capital. In investment side, the Group focused on boosting capacity for pressure pumping equipment and drilling rigs in order to quickly ramp up the previously inadequate regular service capacity and prepare for future development. The Group, by prioritizing the customers' needs for accelerating and increasing production and improving the Group's own integrated industry chain, continued to strengthen R&D endeavor in areas of self-developed products. For nurturing human resources development, the Group continued to implement "Talent First" strategy with a view to consciously building a talent reserve pool for the Group's long-term

business growth, thus providing reliable human resources support and solid backup. In 2013, the Group's capital expenditure spending amounted to approximately RMB 864.5 million, up 210.5% from RMB 278.4 million from 2012.

Alignment of Investment

Year 2013 was an important period during which the Group built up its regular service capacity. The Group gained sufficient fund reserve after a successful US dollar bond issuance aimed at long-term development, and thus, in 2013, the Group stepped up investment, quickly establishing regular service capacity with pressure pumping and drilling rig being its core offering. The delivered equipment was swiftly deployed to use in the market, indicating that the Group's regular equipment and technical service can reinforce and complement each other and demonstrating the advantage of the Group's integration strategy. The storage of regular service capacity in advance enabled the Group to undertake medium to large-scale integrated projects, laying foundation for it to tap the emerging opportunities in the field.

Major investment projects

- Pressure pumping, as the Group's featured investment in key regular service equipment for production increase. In 2013, the Group added 51,200 HHP pressure pumping service capacity, bringing the total to 75,200 HHP as of 31 December 2013. Meanwhile, the Group also made conscious efforts to build new capacity for R&D, configuration and manufacturing of the fracturing-related materials. Coupled with the Group's fracturing technology, techniques, tools and equipment, these will constitute an integrated fracturing service capacity.

- On coiled tubing, the Group set up 2 coiled tubing operation units in 2013. As of 31 December, 2013, the Group had 6 coiled tubing units in operation, of which 3 were deployed in China and 3 in the Middle East. In addition, one had arrived at the Group's global headquarters in Dubai and was selecting market opportunities. Meanwhile, an additional 2 coiled tubing operation units are being built, which are expected to be completed in the second half of 2014. Upon its completion, the Group will have service capacity comprising 9 coiled tubing operation units.

- On tubular helium testing, the Group set up 4 new tubular helium testing operation units in 2013. As at 31 December, 2013, the Group had a total of 15 tubular helium testing operation units. Meanwhile, there is one helium testing operation unit that is currently under construction, which is expected to be completed in the first half of 2014.

- On rig service, in order to meet the clients' demand for drilling rigs in their integrated operations, the Group in 2013 purchased 7 drilling rigs, 4 of which were delivered as at 31 December 2013 and rapidly deployed in the local market. The Group established a business model of driving sales of directional drilling and drilling fluid services through rigs, which was well received and it operated at full capacity. Besides purchasing drilling rigs, in December, the Group also successfully launched a rig management business model, under which it will offer professional and dedicated management service for partners' rigs and drilling crew covering key aspects such as quality, safety, technology and workforce. While keeping the Group's business model as an asset-light technical service company, this model expanded the Group's integrated service capacity for general contracting. The fast ramp up of the drilling rig service capacity will facilitate the growth of the Group's integrated general contracting business.

- The Group set up 10 new directional drilling operation units in 2013. As of 31 December 2013, the Group had established a total of 30 directional drilling operation units, of which 20 are operating domestically and 10 deployed overseas.

- On tubular services, in order to develop the integrated service model that hinges on inspection, the Group strengthened capacity building for tubular inspection and evaluation technical services. Meanwhile, the Group expanded oil drilling tool offerings in its leasing business, boosting its capacity for the leasing and operation capacity.

- In terms of establishing in-house independent manufacturing capacity and constructing industrial bases, plant for the well completion tools base in Tianjin Binhai New Area is on schedule, and construction is expected to be completed in 2015 with some production lines be operational in mid-2014. The manufacturing base, once completed, will have integrated tool design, experimentation, assembly, testing and processing functions with well completion tools as its main products. In the meantime, the base will leverage the strategic location of Tianjin to establish itself as center for Group's procurement, storage, logistics, export and import. The

construction of downhole operation base in Suining, Sichuan province is on schedule and is expected to be operational in second half of 2014. The base, once completed, will provide equipment storage, maintenance and repair, staff training, and forefront support for the downhole operation. It will also serve as the office space and accommodation for downhole operation engineers and act as the purchasing headquarters of the southwestern part of China. In Xinjiang, the Group's existing production and service base can no longer meet the growing market demand. To overcome this constraint, the Group has entered into a strategic partnership with the local government, under which a new production and service base will be built to meet the mounting market demand. The base, whose main structures have already been completed in 2013, is expected to be in use in the second half of 2014. In the overseas market, Halfaya and Al-Ahdab on-site service bases in Iraq provided solid support for the forefront operations, life and production in the field.

Alignment of R&D Resource

Based on its strategic needs, the Group actively moved forward the research and development（"R&D"）of proprietary products in connection with the need for stimulation and drilling acceleration and improvement in an integrated value chain in a bid to further increase operational efficiency and thus lower the customers' overall costs. In 2013, the Group invested RMB87.5 million in R&D, down by 1.1% comparing to RMB88.5 million of last year. In 2013, the Group obtained a total of 37 patent rights and 10 software copyrights, increasing the total number of patent rights and software copyrights owned by the Group to 408 and 10, respectively.

Key R&D projects

- Directional drilling software
- Development of new rotary liner hangers series
- Coiled tubing casing multistage fracturing technology
- Oilfield acidizing corrosion inhibitor technology
- New clean fracturing fluid technology
- New technology of phased array testing evaluation
- Fast and efficient tubular cleaning technology

Alignment of Human Resources

The development of human resources is crucial for building a global leading oilfield technical service company. The Group has always prioritized human resource cultivation as part of its strategic resource alignment program. In 2013, the Group further deepened the 'Talents First' strategy, preparing talent reserve preemptively. While attracting top industry talents globally, the Group also recruited graduate hires on a large scale. At the same time, it further improved the talent management and training mechanism to provide far-sighted strategic talent reserve for the Group. As of 31 December 2013, the Group had a permanent staff of 2,213, up 37.2% from 1,613 at the end of 2012.

Major development in human resources

- Talent recruitment further accelerated. In 2013, the Group continued to bring in top industry talents for all businesses in line with its development strategy. In order to benchmark towards the internationally accepted QHSE system, the Group also actively recruited leading international QHSE professionals. In addition, the Group expanded campus recruitment in order to meet its rapidly growing business needs. In 2013, the Group recruited 680 graduate hires from petroleum universities and prestigious universities all over the nation. Meanwhile, efforts were also made to strengthen the cultivation and creation of talent echelon, in a bid to secure the talent power required to support the Group' long-term business growth.

- Further improvement was made in overall talent structure. Keeping in line with the regional strategic layout, the Group aligned its domestic and overseas operations in 2013, stepping up talent deployment in each major market which facilitated the formation of a global network.

- A fast track talent development mechanism was also put in place. In light of the considerable number of graduates joining, the Group offered training courses to quickly grow them as field engineers. Industry experts across all businesses within the Group acted as trainers, providing both technical and on-the-job training. The graduates were given onsite, real time training with rigs. These new recruits were placed in various business units to help them improve the hands-on skills, deepen their understanding of technologies, and increase their professional knowledge of the QHSE process.

- In 2013, the Group granted a total of 35,640,000 ordinary share options to 300-plus top-performing employees and core staff members. Among the total share options awarded, 33,730,000 are exercisable at a price of HKD3.878 per share, 1,296,000 at a price of HKD5.742 per share and 298,000 at a price of HKD5.600 per share, 70,000 at a price of HKD5.570 per share and 246,000 at a price of HKD4.960 per share.

Branding

In 2013, reforms in China's oil and gas industry gathered pace and Chinese companies accelerated their overseas expansion. Against this backdrop, the Group seized the opportunity and proposed "The Best Independent Chinese Oilfield Services Company, the Best Chinese Partner Worldwide" as the brand positioning for Antonoil.

The essence of this "No.1" brand proposition lies heavily in the Group combining traditional culture, modern China and global standards. The Group's corporate culture, derived from the traditional oriental culture and wisdom, attaches great importance to self-improvement and responsibility-shouldering. Meanwhile, the Group taps into the advantage of modern China and develops its core competencies by seizing the opportunities arising from the oil and gas industry development in the country. In addition, the fact that the Group's product quality and technology can match the global standards, coupled with its rich overseas work experience, means it is competitive globally.

The Group will make its every effort to extend and promote its brand concept among Chinese oil companies and global oil companies, striving to become their long-term partners world-wide.

Outlook

In 2014, on the domestic front, development of natural gas continues to grow, particularly with shale gas development demonstrating good momentum. Market liberalization brings about more opportunities. On the overseas front, demands from the Middle East and South America markets further increase. At the same time, domestically, investment strategy shift of customers brings about challenges. Open tender leads to more severe competition. Overseas, global markets experience political unrest and uncertainties exist. Opportunities and challenges therefore coexist.

The Group is bracing up for the mix of opportunities and challenges from the development of oil and gas industry with confidence and readiness. Domestically, the Group continues to focus on the natural gas space. By offering new technologies for the development of conventional resources in the Tarim Basin and integrated services related to stimulation in the Erdos Basin, and providing technologies for shale gas development in the Sichuan Basin, the Group is becoming a close partner to its clients. On the overseas front, while the Group continues to cement its client base with Chinese investors, it is gradually moving beyond the "follow-up" strategy to forge partnerships with NOCs and IOCs.

In 2014, the Group will put more emphasis on product line management. On the one hand, it will actively advance the building of new asset-light business lines and focus on natural gas, especially the stimulation, optimization, waste management technologies needed in shale gas development. On the other hand, the Group will broaden its service portfolio of the existing product lines. Meanwhile, the Group will strengthen the development of reservoir expertise, improve reservoir analysis and evaluation capabilities and enable the perfect combination of reservoir expertise and engineering technologies.

With regard to human resources development, the Group will further accelerate the recruitment of leading industry professionals in 2014 to support the building of product lines, with an asset-light focus. It will maintain a sizable graduate hire program and strengthen talent training and mentoring to stock up talent for the Group's sustainable development. On QHSE, the Group will continue to fully enforce the QHSE management requirements, adopt international standards, and emphasize that "QHSE must come first at Antonoil". On financial management, the Group will exercise cost discipline and control, coupled with new technology promotion, and secure stable revenue growth and healthy profitability for the Group. At the same time, it will improve post-financing capital management to advance faster towards realizing the Group strategy.

In 2014, the Group will continue to improve the its brand system, conduct branding campaigns and fully leverage its brand equity to drive business growth. By communicating to Chinese and international oil companies of its brand ethos consisting of traditional oriental culture, modern Chinese technology and global standards, the Group will further enhance its brand profile as “the Best Independent Chinese Oilfield Services Company and the Best Chinese Partner Worldwide”.

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 2013 amounted to RMB2,533.5 million, representing an increase of RMB528.9 million or 26.4% as compared to RMB2,004.6 million in 2012. The increase of the Group’s revenue was mainly attributable to the Group’s continued expansion in domestic natural gas market and the strong demand for the Group’s business from overseas market.

Costs of Sales

The costs of sales in 2013 increased to RMB1,411.0 million, representing an increase of 27.9%, from RMB1,103.3 million in 2012. The increase was mainly attributable to the increase in cost corresponding to its business growth.

Other Gains

Other gains in 2013 increased to RMB20.0 million from RMB10.6 million in 2012. The increase was mainly attributable to the gains on disposal of subsidiaries.

Selling Expenses

The selling expenses in 2013 amounted to RMB173.1 million, representing an increase of RMB18.6 million or 12.0% as compared to RMB154.5 million in 2012. This was mainly attributable to the Group's expanded business operations.

Administrative Expenses

The administrative expenses in 2013 amounted to RMB299.8 million, representing an increase of RMB39.8 million or 15.3% as compared to RMB260.0 million in 2012. This was mainly attributable to the Group's expanded business operations.

R&D Expenses

The R&D expenses in 2013 amounted to RMB64.4 million, representing a decrease of RMB1.9 million or 2.9% as compared to RMB66.3 million in 2012. This was mainly attributable to the Group's stable investment in research and development.

Sales Tax and Surcharges

The sales tax and surcharge in 2013 amounted to RMB32.8 million, representing a decrease of RMB0.3 million or 0.9% as compared to RMB33.1 million in 2012. The decrease was mainly due to the reform of national tax system whereby taxes borne by certain businesses were changed from sales tax last year to value-added tax, which were not included in sales tax and surcharges.

Operating Profit

As a result of the foregoing, the operating profit of the Group in 2013 amounted to RMB572.4 million, representing an increase of RMB174.4 million or 43.8% as compared to RMB398.0 million in 2012. The operating profit margin for 2013 was 22.6%, representing an increase of 2.7 percentage points from 19.9% in 2012.

Finance Costs (Net)

Net finance costs in 2013 was RMB72.7 million, an increase of approximately RMB42.1 million as compared to 2012. The increase was mainly due to the increase in finance costs generated from the completion of the issue of US Dollar bonds.

Share of Loss of a Joint Venture

The share of loss of a joint venture in 2013 amounted to RMB9.7 million, mainly because a joint venture, Tongzhou IPM, was still at the stage of personnel recruitment and training in preparation for the Chinese market in spite of the revenue generated by the joint venture. No share of loss or profit of a joint venture was incurred in 2012.

Income Tax Expense

Income tax expense in 2013 amounted to RMB86.8 million, representing an increase of RMB37.1 million from 2012, mainly due to an increase of income tax expense as a result of a significant increase of profit before tax.

Profit for the Year

As a result of the foregoing, the Group's profit for 2013 was RMB403.1 million, representing an increase of RMB85.4 million, or 26.9%, from 2012.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company in 2013 amounted to RMB382.6 million, representing an increase of RMB80.0 million, or 26.4%, from 2012.

Trade and Notes Receivables

As at 31 December 2013, the Group's net trade and notes receivables were RMB1,332.3 million, representing an increase of RMB384.0 million as compared to 31 December of 2012. The average trade receivables turnover days (excluding quality guarantee deposits and other deposits) in 2013 were 150 days, representing an increase of 16 days as compared to 2012. This was mainly attributable to the Group's expanded business operations.

Inventory

As at 31 December 2013, the Group's inventory was RMB540.7 million, representing an increase of RMB53.7 million as compared to 31 December 2012, mainly due to the Group's expanded business operations.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2013, the Group's cash and bank deposits amounted to approximately RMB1,802.6 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing an increase of RMB1,263.6 million as compared to 31 December 2012.

As at 31 December 2013, the Group's outstanding short-term bank loans amounted to RMB395.9 million. Credit facilities granted to the Group by domestic banks in China amounted to RMB575.0 million, of which approximately RMB190.2 million were not used. Credit facilities granted to the Group by foreign banks in China amounted to RMB243.9 million remains unused. The aggregate principal amount of Medium-term Notes of the Group registered at the National Association of Financial Market Institutional Investors totals RMB 500.0 million, in which the issuance of the second tranche of RMB200.0 million Medium-term Notes was completed in 2013. In addition, the Group completed the issuance of USD250.0 million due 2018 senior notes in November 2013.

As at 31 December 2013, the gearing ratio of the Group was 56.5%, representing an increase of 19.1 percentage points from the gearing ratio of 37.4% as at 31 December 2012. This was mainly due to the increase in long-term borrowing and short-term borrowing. Net debt included borrowings and trade and notes payables. Total capital was calculated as equity plus net debt.

The equity attributable to equity holders of the Company increased from RMB1,971.9 million as at 31 December 2012 to RMB2,282.7 million as at 31 December 2013. The increase was mainly due to the increase in profit for the year.

Substantial Disposal of Subsidiaries

In February 2013, the Group disposed of its 55% interests in Bazhou Anton Chang Xiang Applied Chemical Technology Co., Ltd., Bazhou Chang Xiang Applied Chemical Technology Co., Ltd., Bazhou Cheng Xi Petroleum Commodity Co., Ltd., and Bazhou Cheng Xi Petroleum Commodity Kazakhstan Co., Ltd. (together the "Bazhou Companies"), for a total consideration of RMB56,497,000, with a gain on disposal was approximately RMB13.3 million.

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

For the year ended 31 December 2013, net cash inflow from operating activities of the Group amounted to RMB378.5 million, representing an increase of RMB28.9 million compared to 2012. This was mainly because the Group enhanced the management of trade receivables recovery.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2013 was RMB864.5 million, of which, investments in fixed assets were RMB812.6 million, investments in intangible assets (including land use rights) were RMB23.1 million, the payment for the equity investments was RMB28.8 million. The Group's net capital expenditure was RMB808.7 million, which included a recoupment of investment of RMB55.8 million.

The Group has budgeted approximately RMB750.0 million for capital expenditure in 2014, which will be used in investments in fulfilling the equipment purchase contracts signed in 2013 and adding moderate amount of stimulation equipment.

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 2013, the Group's operating lease commitments amounted to approximately RMB64.5 million. As at the balance sheet date (31 December 2013), the Group had capital commitments of approximately RMB231.2 million, which was not provided for in the balance sheet.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2013, the Group did not have any off-balance sheet arrangement.

FINAL DIVIDENDS

At the Board meeting held on 18 March 2014, the Board recommended the payment of a final dividend for the year ended 31 December 2013 of RMB0.0547 per share, totaling RMB120.0 million (2012: RMB0.0456 per share, totaling approximately RMB98.3 million).

If approved in 2014 AGM, the said dividend will be paid on or about 16 June 2014 to shareholders whose names appear on the register of members of the Company on 9 June 2014.

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 27 May 2014 (Tuesday) to 29 May 2014 (Thursday), both days inclusive, during which period no share transfers will be registered. In order to be eligible for attending and voting at the 2014 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 26 May 2014 (Monday).

The register of members will be closed from 5 June 2014 (Thursday) to 9 June 2014 (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 2014 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 4 June 2014(Wednesday).

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2013, except for the following deviation:

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive 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 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 2013, the Company repurchased a total 4,452,000 shares (2012: Nil) on the Stock Exchange at an aggregate consideration of approximately HK$22,225,080 (before expenses). All the repurchased shares were subsequently cancelled by the Company during the year. Particulars of the repurchases were as follows:

Month of the repurchases	Number of ordinary shares repurchased	Purchase price per share		Aggregate consideration paid (before expenses)
		Highest	*Lowest*	
		HK$	*HK$*	*HK$*
March 2013	324,000	5.0200	4.9800	1,619,680
April 2013	1,800,000	5.0400	5.0000	9,018,240
June 2013	378,000	5.0000	4.9700	1,885,660
July 2013	1,950,000	4.9900	4.9600	9,701,500
Total:	4,452,000			22,225,080

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

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 2013.

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

Hong Kong, 18 March 2014

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.