安東石油
Antonoil

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

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

幫助別人成功
自己就能成功

We succeed by helping others to succeed

2009 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Lin
Mr. Ma Jian
Mr. Pan Weiquo
Mr. Wu Di

Independent Non-executive Directors

Mr. Zhang Yongyi
Mr. Zhu Xiaoping
Mr. Wang Mingcai

AUDIT COMMITTEE

Mr. Zhu Xiaoping *(Chairman)*
Mr. Zhang Yongyi
Mr. Wang Mingcai

REMUNERATION COMMITTEE

Mr. Wang Mingcai *(Chairman)*
Mr. Zhu Xiaoping
Mr. Luo Lin

NOMINATION COMMITTEE

Mr. Zhang Yongyi *(Chairman)*
Mr. Wang Mingcai
Mr. Luo Lin

AUTHORIZED REPRESENTATIVES

Mr. Luo Lin
Mr. Ngai Wai Fung

COMPANY SECRETARY

Mr. Ngai Wai Fung (FCIS, FCS(PE), CPA, ACCA)

COMPANY'S WEBSITE

www.antonoil.com

INVESTORS RELATIONS HOTLINE

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email: ir@antonoil.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2109, Cosco Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

No. 8, Pingcui West Road, Donghuqu
Chaoyang District, Beijing, China 100102

REGISTERED OFFICE

PO Box 309GT, Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 75
George Town
Grand Cayman KY 1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

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

as to PRC law:
Tian Yuan Law Firm

as to Cayman law:
Maples and Calder

PRINCIPAL BANKERS

China Merchants Bank
Shanghai Pudong Development Bank
Bank of Beijing

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

3337

DATE OF LISTING

14 December 2007

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

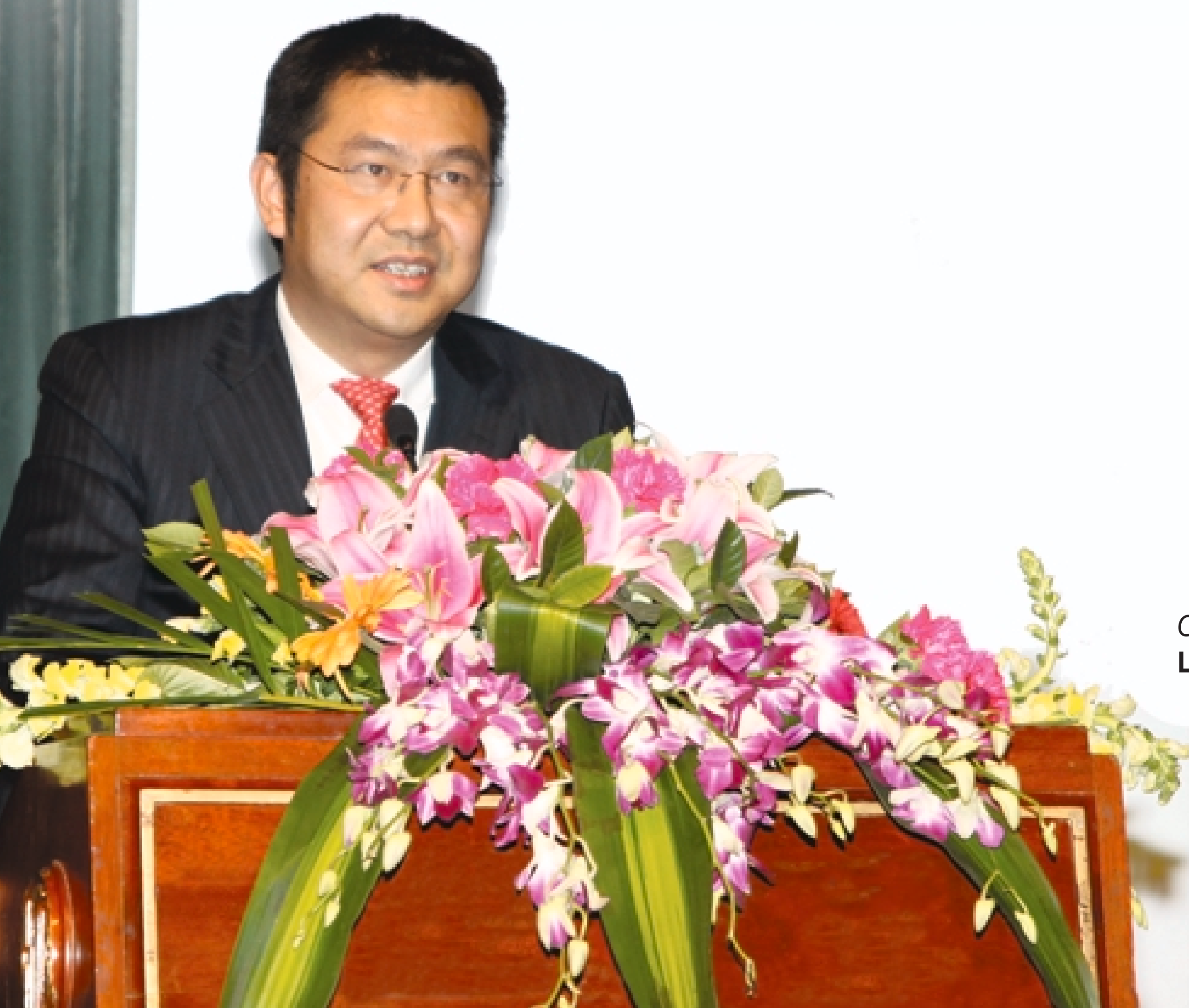
	Year ended 31 December				
RMB ('000)	2005	2006	2007	2008	**2009**
Revenue	149,225	246,951	493,434	763,266	**690,030**
Other income/(losses), net	104	1,987	888	(14,551)	**3,748**
Operating costs	(101,406)	(164,104)	(360,951)	(606,965)	**(656,287)**
Operating profit	47,923	84,834	133,371	141,750	**37,491**
Finance (costs)/income, net	(556)	(1,384)	(6,546)	(37,683)	**1,801**
Profit before income tax	47,367	83,450	127,314	105,418	**38,331**
Profit for the year	45,744	78,497	113,157	72,145	**37,606**
Attributable to:					
Equity holders of the Company	43,792	76,651	113,000	68,463	**32,020**
Minority interests	1,952	1,846	157	3,682	**5,586**
Dividends	15,500	—	—	57,000	**18,000**

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
RMB ('000)	2005	2006	2007	2008	**2009**
Assets					
Non-current assets	50,706	84,655	298,480	617,863	**723,685**
Current assets	130,123	421,337	1,542,495	1,307,459	**1,067,795**
Total Assets	180,829	505,992	1,840,975	1,925,322	**1,791,480**
Total Equity	97,902	305,753	1,389,769	1,550,614	**1,546,079**
Liabilities					
Non-current liabilities	—	—	42,545	5,407	**2,479**
Current liabilities	82,927	200,239	408,661	369,301	**242,922**
Total liabilities	82,927	200,239	451,206	374,708	**245,401**
Total equity and liabilities	180,829	505,992	1,840,975	1,925,322	**1,791,480**
Net current assets	47,196	221,098	1,133,834	938,158	**824,873**
Total assets less current liabilities	97,902	305,753	1,432,314	1,556,021	**1,548,558**

CHAIRMAN'S STATEMENT

2009 was historically the most difficult year for Anton. The outbreak of the global financial turmoil caused our oilfield customers to cut upstream capital expenditure and postpone some production projects, thereby bringing about negative effects to our operations. However, crises gave birth to opportunities. 2009 saw our industry framework further refined with greater research investment, accelerated commercialization of research results, new product offerings and expansion into new markets, which further reinforced our purchase and logistics platform, operation platform and human resources management platform and thus laid down a solid foundation for Anton to consolidate our market position, seize opportunities in economic recovery and achieve our strategic objectives.



Chairman
LUO LIN

On behalf of the Board of Directors (the "Board" or the "Directors") of Anton Oilfield Services Group (the "Company" or "Anton"), I am pleased to present all shareholders with the annual result of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

Refined industry framework with increase in service offerings

In 2009, Anton further refined its industry framework, which focused on well completion and included four divisions – drilling technology, well completion tools, down-hole operation technology, and oilfield tube services, where the service offerings continuously increased. The Group's drilling technology business saw a growth in Anton's capability to integrate resources and further reinforcement in integrated drilling technology services, including the technological services such as vertical drilling technology, rotary steering technology and geo-steering drilling technology. The Group commenced to provide proprietary MWD/LWD services in the markets such as Daqing oilfield and Huabei oilfields and gained consistent recognition from our customers. For the well completion tools business, Anton had established a comprehensive well completion tools system, in which an integrated sand control philosophy covering screen sand control, gravel packing and chemical sand control was established; water control well completion and water control and sand control well completion technology increasingly developed and selective well completion services covered more products and technologies. For the down-hole operation business, Anton had established an one-stop integration technical services system covering testing and assessment, project design and optimization, tool supplies, liquid system, equipment service and on-site construction quality control. Meanwhile, Anton had established a national leading tubular helium testing technical team, and its coiled tubing operation equipment had been in place, which was one of the key contributors to its future revenue growth. For its oilfield tube services business, Anton consolidated the foundation of the existing field business and focused on service-based businesses such as leasing, repair and testing of drilling tools and drilling tool coating.

A refined industry framework gave Anton enhanced one-stop service capability, which increased its market competitiveness in the international market.

Reinforcement in research and development ("R & D") and establishing strategic technical cooperative partnership mechanism

Anton insisted on a technology-oriented development strategy in spite of difficult macro-economic market conditions. In 2009, the R & D expenditure of the Group was approximately RMB34.8 million. The total number of registered patents increased to 210 as a result of 72 new registrations. In addition, the Group conducted a series of technological development in its core businesses, most of these new technologies had resulted in commercialization and had begun to create value for customers. Meanwhile, the Group and the China University of Petroleum jointly established Anton Research and Design Institute of China University of Petroleum. In addition, Anton established strategic cooperative partnership by signing strategic cooperation framework agreements with three engineering and technology research institutes. The strategic cooperation with the above institutions and engineering and technology institutes further enhanced Anton's R & D strength and core competitiveness in the technological area. Not only did this provide Anton with a talent reserve, but also provided a support platform of higher level for the commercialization of Anton's research results, thus having far-reaching effects on our future steady development.

Consolidating domestic market and expansion into overseas market

In 2009, being affected by the global financial turmoil and international oil price, domestic oilfield customers of the Company reduced their capital expenditure to a certain extent. Anton took initiatives to adapt to changes of market environment and strengthened efforts in targeted market areas; meanwhile, Anton continued to reinforce market exploration in new products and new services, and establish long term cooperation relationships with major oilfield customers. During the year, the Group's integrated drilling technology services achieved success in Daqing oilfield. The sand control technical services gained predominance in Jidong oilfield, Shengli oilfield and Zhongyuan oilfield. The hydraulic horizontal technology and multi-layer crushing technical services succeeded in stepping into the markets of Sichuan and Sulige. The coating and anti-corrosion technology was further promoted in Tarim oilfield. The Group had ever growing room for market development with expanded customer base and increasing brand popularity.

The Chairman of the Group, Mr. Luo Lin, received the "Emerging Class award" in the "Ernst & Young Entrepreneur of the Year 2009 China award"

In 2009, Anton kept increasing its domestic market share. At the same time, it also succeeded in implementing a strategy of "overseas accompanying", i.e. overseas oilfield exploration with other Chinese investors such as PetroChina, Sinopec and CNOOC and providing them with oilfield technology products and services. During the year, leveraging on advantage of low cost and increasing maturity of product market services, Anton further explored overseas markets in Central Asia, the Middle East, Africa and South America where it initially established a worldwide marketing network and had also set up a service base in Kazakhstan.

Strengthened operation management and reinforced purchase and logistics platform

Anton always insists that the most effective way of increasing its core competitive capability is to enhance its operation management capability. In 2009, Anton faced a difficult external environment and emphasized more on self-improvement. By further strengthening internal operation management, plan management, quality management and financial management such as management of receivables, Anton improved its operation efficiency. At the same time, Anton confirmed to enhance its purchase and logistics platform at low cost and implemented sophisticated management for the whole purchase and logistics process so that an efficient flow of internal capital, information and logistics was guaranteed and the operation cost was also lowered, which facilitated the launch of low-cost solutions for the customers.

Introducing technical staff and optimized human resources structure

Anton's growth dynamics mainly comes from the brilliant staff and sound human resources allocation. In 2009, despite the difficult market environment, Anton still adhered to the principle of putting staff as its top priority. In order to have an optimized human resources structure, Anton kept recruiting talents in high-end technology sectors. During the year, Anton's total number of staff were 1,210, of which, 437 were technical staff. Anton has always focused on providing incentives and trainings for talents by launching competitive salary scheme and option scheme. At the same time, it has also developed a career ladder for internal staff so that they can have clear career paths and goals. We believe that Anton's talent reserve will become one of the most powerful motivations for its stable growth in the future.

In 2009, all Anton's employees were in the same boat to combat the difficult environment. In order to maintain its leadership in the market, Anton continued to consolidate the base for future development by enhancing R & D technical competence and expanding its market share. In facing of difficulties, Anton not only survived, but developed in a stable way. This further affirmed that its development strategy and business model were right and practical. In the future, in order to create greater value for both customers and shareholders, Anton will continue to put more effort on research and development of oilfield technical services and will perfect service facilities and provide better diversified strategic services such as focused solutions for customers. Taking this opportunity, we would like to express our sincere gratitude to all our shareholders, business partners, investors and staff members. With their ongoing support, Anton will keep striding towards to be a leading oilfield service provider in the world.

Luo Lin
Chairman

Hong Kong, 22 March 2010

BUSINESS REVIEW

The Group is one of the leading independent oilfield technical service providers in China. The Group's drilling technology, well completion tools, down-hole operation technology and oilfield tube services provide products and services covering the entire oilfield life cycle in oil and gas field development, including drilling, well completion and production.

The Group experienced a very difficult year in 2009, which the impact of the financial turmoil on domestic oil companies gradually surfaced. Oilfield customers reduced their capital expenditures, postponed production plans and scaled back operation workload, which all resulted in direct negative consequences to the business of the Group. Revenue of the Group in 2009 amounted to RMB690.0 million, representing a decrease of RMB73.3 million or 9.6%, when compared with 2008. Net profit after tax for the year attributable to equity holders of the Company was RMB32.0 million, representing a decrease of RMB36.5 million or 53.3%, when compared with 2008.

DRILLING TECHNOLOGY BUSINESS

The drilling technology business of the Group made significant breakthroughs in 2009, as the Group's capabilities in integrated drilling technology and directional technology services grew continuously and gradually improved the Group's market share. Revenue from drilling technology business reached RMB88.1 million in 2009, representing an increase of RMB17.8 million or 25.3%, when compared with 2008.

The directional technology services of the Group became more mature. The Group's equipment and technicians were already in place and could provide operation services to 5 wells at the same time. The size of the directional technology service team had a leading position in China. The directional technology services achieved output of RMB61.6 million in 2009. It is expected that this business will account for a greater proportion of the revenue of the Group in 2010.

In 2009, the Group successfully completed CPX controlled pressure side-drilling technologies of Daqing Songshen horizontal well. This well required very complex construction craft, as it required integration of various technologies, namely casing exiting technology, slim hole drilling technology, deep well drilling technology, controlled pressure drilling technology and fire stratified rock drilling technology, etc., signifying the Group's profound sophistication in proprietary drilling technologies. Meanwhile, the integrated drilling technology services were utilised in northeast region, southwest region and northwest region of China.

WELL COMPLETION TOOLS BUSINESS

In 2009, the Group'srevenue from well completion tools business was RMB213.9 million, representing a decrease of RMB26.9 million or 11.2%, when compared with 2008.

In 2009, the Group carried out integrated well completion technology services for 532 wells; most notably the integrated well completion technology services provided for 長深平 A 井 and 長深平 B 井 . These services mainly covered various aspects of drilling such as tool selling, product delivery and development of tieback tools, further reflecting the integrated capability of the Group's one-stop services. The self-developed well completion tools of the Group will become its important growth driver in 2010.

The gravel-packing sand control technology was successfully implemented in the construction of 曙 X horizontal well in Liaohe oilfield, and the sand control results were desirable. The Group's captured solid market positions in Shengli oilfield, Zhongyuan oilfield and Jidong oilfield. The Group also made every effort to develop the markets such as Dagang oilfield, Liaohe oilfield and Kelamayi Oilfield to promote its gravel-packing sand control technology to various markets from a single market. Meanwhile, the self-developed water control screen had been put into commercial use, thus making contribution to the revenue growth of the Group in 2010.

During the year, as affected by the postponement of capital expenditure plans by oilfield customers, sales of sand screens of the Group was unsatisfactory with sales of only 55,614 metres, decreased by 59,998 metres, when compared with 2008. Meanwhile, sales of production equipment and tools also decreased. In 2009, sales of polished rods amounted to 3,807 pieces, sales of couplings amounted to 51,732 pieces and sales of down-hole pumps amounted to 167 pieces.

DOWN-HOLE OPERATION TECHNOLOGY BUSINESS

In 2009, the revenue from down-hole operation technology business was RMB100.0 million, representing a decrease of RMB11.6 million or 10.4%, when compared with 2008.

In 2009, the Group performed 190 acidization, fracturing and chemical EOR (enhanced oil recovery) operations. In June 2009, the Group successfully completed the first open hole multi-stage sanded fracture construction for horizontal well of Sulige gas field. After completing the construction, the well operated at a production rate several times higher than that of the surrounding fractured wells. The successful application of open hole multi-stage fracture technology for horizontal well facilitated the high-efficiency excavation of gas wells in the Sulige region, which marked the Group's successful entrance into the North Shaanxi market.

In 2009, the Group commenced the equipment service segment, which included coiled tubing operation and tubular helium testing services.

During the year, the Group successfully completed coiled tubing investment plan and commenced provision of on-site operation services. Drilling, grinding, milling, sand-washing and plugging removal（鑽磨銑沖砂解堵）operations were completed successfully in 4 oil and gas wells successively, including 七里 x 井，龍會 x 井，雲陽 x 井 and 廣安 x 井. Among which, the successful implementation of negative pressure sand washing in 廣安 x 井 served as an effective solution for subsequent excavation of low-pressure sand producing wells; as the gas wells doubled in production after sand washing operations and realised continuous production. These all show the market potential for coiled tubing operation technology services.

In the meantime, the Group further expanded the markets of tubular helium testing technique services, providing sealed testing services to Sichuan oilfield, Tarim oilfield and Jilin oilfield. This further fortified Anton's leading position in terms of scale and technological advancement in tubular helium testing among our domestic counterparts.

OILFIELD TUBE SERVICES BUSINESS

In 2009, the Group's revenue from oilfield tube services business was RMB288.0 million, representing a decrease of RMB52.6 million or 15.4%, when compared with 2008.

Sales volume of key oilfield tube products:

		Year ended 31 December	
	Unit	**2009**	2008
Drill pipe	tonne	**2,438**	2,490
Heavy-weight drill pipe/collar	piece	**1,942**	1,822
Oil pipe	tonne	**2,998**	1,607

In 2009, while the Group consolidated its testing and surfacing services in the domestic market and continued the overseas expansion. In Kazakhstan, for instance, the Group completed grading testing（分級檢測）for 11 wells and provided repair and regular damage inspection services for over 30 wells in 2009. As of 31 December 2009, the testing and surfacing services teams of the Group tested a total of 364,619 equipment of various kinds, and these services were generally well-received by our customers.

MARKETING

In 2009, market conditions were extremely difficult for the Group. The delay in capital expenditure plan and the shrinking of operation volume by oil companies resulted in various degrees of impact on the domestic oilfield services industry, which led to the first significant drop in the Group's operation results. In order to cope with this tough market environment, the Group swiftly adjusted its marketing strategies and strengthened its marketing efforts in terms of technology. In 2009, the Group still managed to achieve certain results and developments in marketing in various oil and gas regions. In the Tarim area, by strengthening the traditional projects of the existing field services, the Group built on such foundation to successfully achieve results in new projects such as tubular helium testing. In the Southwest China, the Group made an important breakthrough through the coiled tubing services. In the Liaohe area, the Group's gravel-packing sand control technology was successfully applied in 曙 x horizontal well, as the well had the most serious sand producing problem. In the North Shaanxi area, the Group successfully completed the first open-hole multi-stage sanded fracture construction in the horizontal well of Sulige gas field, marking the Group's successful entrance into this market.

At the same time, Anton further enhanced its market position and market influence by establishing strategic alliances with institutions such as the PetroChina Oil Drilling Institution（中石油鑽井院）and PetroChina Sulige region oilfield unit, thereby laying a more solid foundation for its future market expansions.

In 2009, the Group's international business operations flourished by making breakthroughs in several markets. Anton's overseas oilfield tube testing business established a base in Kazakhstan, realising revenue of approximately RMB14.1 million. Well completion construction projects were progressing smoothly, while an overseas service team consisting of professionals with high technological standards and good language competence was built. Besides, drilling pipe testing and well completion services succeeded in entering into the Turkmenistan market. The well completion sand-control, gravel-packing and sand picking coiled tubing services had also entered into the Middle East and Africa markets. In 2009, the international businesses of the Group realised revenue of approximately RMB86.4 million, representing an increase of 8.7% or RMB6.9 million, when compared to 2008.

Revenue by region:

	Year ended 31 December	
	2009	2008
North China	**21.4%**	18.6%
Northwest China	**35.2%**	32.8%
Northeast China	**12.7%**	18.7%
Southwest China	**8.4%**	20.3%
Overseas	**12.5%**	6.6%
Others	**9.8%**	3.0%

RESEARCH AND DEVELOPMENT

In 2009, the R & D expenditure of the Group was approximately RMB34.8 million. The Group registered 72 new patents and the total number of patents held by the Group increased to 210. Meanwhile, the Group jointly established Anton Research and Design Institute of China University of Petroleum with the China University of Petroleum, and signed strategic cooperation framework agreements with Oil-drilling Engineering Technology Research Institute of CNPC, Mud Technology Service Branch of CNPC Bohai Drilling Engineering Company Limited and Gas Production Engineering Research Institute of PetroChina Southwest Oil & Gasfield Company respectively to form strategic cooperating alliances. The strategic cooperation with the above institutions and engineering and technology institutes further enhanced the Group's R & D strength and core competitiveness in the technological area.

In 2009, the Group's technological R & D primarily focused on the core businesses. In the drilling technological area, the Group achieved a series of technological breakthroughs with the development of deep well sidetracking technology in response to customers' needs. In the well completion tools area, the Group successfully developed various well completion tools based on our own intellectual property rights such as high temperature thermal production packer, drill-free blinding plate（免鑽盲板）, rotary steering float shoe（旋轉導向浮鞋）, and drillable float collar and float shoe（可鑽浮箍浮鞋）; the self-developed water control screen had been launched in the market; and the third generation AOC alloy polished rods had commenced mass production. In the down-hole operation technological area, the Group completed the investment in coiled tubing operation equipment and service capability and the new coiled tubing services had developed their construction capability of considerable scale. Meanwhile, the Group improved the well-casting tubular helium testing technology in response to the problems in the application of the said technology in terms of the geological conditions of gas wells in China. The hydraulic horizontal technology was being developed. In the drilling tool service and tube manufacturing technological area, the Group developed portable tube repair tools. Most of these new technologies mentioned above had been put into commercial use and begun to create value for customers.

HUMAN RESOURCES

The Group adheres to the principle of outstanding human resources in the key to advanced productivity. As at 31 December 2009, the Group had a total of 1,210 employees, among which, 141 were sales staff, 437 were technical staff, 446 were on-site service staff and 186 were functional management staff. During the year, the Group granted options to the core staff according to the share option incentive scheme. Meanwhile, the Group would continue its effort to attract high-quality professionals in every area to assist the rapid and stable growth of the Group in the future.

The remuneration of employees of the Group is determined based on individual performance, nature and responsibilities of their duties and the performance of the Group. The Group regularly review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments.

OUTLOOK

Looking forward to 2010, the global economy will rebound in general, and the Chinese economy will still maintain rapid and stable growth. The demand for energy in China is increasingly strong, and the Chinese oilfield customers' demand for advanced technical services is still very strong. The Group is improving its product positioning, marketing, technical support, enhancing the core advantage, as well as striving to become an oilfield technical service provider with a focus on well completion technology and with international competitive edge.

In respect of product positioning, the Group will further refine its one-stop service system focusing on well completion. Anton has commenced the equipment service segment, which included coiled tubing operation and tubular helium testing services on the basis of the four existing segments of drilling technology, well completion tools, down-hole operation and oilfield tube services. The Group is planning to add the chemical materials segment in due course in the future. The Group will strive to build up its horizontal well completion operation technology characteristics to become a service provider equipped with independent intellectual rights and economy of scale.

In respect of the technical support system, the Group will strive to develop each segment into a separate customer-oriented division with value creation, thus realizing the synergy effects among each division by mutual support and providing one-stop services to customers.

In respect of the domestic market, the Group will target the horizontal well and natural gas markets as our major markets and focus on the key sites and hot spots of oilfield exploration. Meanwhile, the Group will make greater efforts to the service field construction in Tarim Basin, Jilin and Shengli, and accelerate the preparation and construction of the Sichuan and Sulige fields.

In respect of the international market, the Group will put effort in establishing strategic partnership with the China-invested oilfields overseas. The Group will leverage on its well completion service and self-developed products as core businesses to open up the international market. In the meantime, the Group focus on establishing a network which composed of the China-invested oilfields overseas with Dubai as our headquarters, and develop its field service capabilities in the developed markets.

Going forward, the domestic oil companies will pay more attention to the functions of the independent oilfield technical service providers, and increasingly emphasise on efficiency enhancement through technology as the domestic market will be further opened. The development provides favourable external conditions for the Group's sustained stable development. The Group will continue to focus on well completion with more clear product positioning of the well completion and down-hole operation services in contrast to product positioning of other oilfield service providers, thus strengthening our unique advantage. Meanwhile, the Group will reinforce independent R & D, and persist in organic development and merger and acquisition growth. Also, the Group will continue to create value for customers by enhancing and leveraging its advantages in capital, talent and management, thus becoming the indispensable partner of the customers.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2009 amounted to RMB690.0 million, representing a decrease of RMB73.3 million or 9.6% compared to 2008. The decrease in our revenue was mainly attributable to the delay of capital expenditure plan and the shrinking of operation volume resulting from the international financial crisis.

Costs of Materials

The costs of materials increased from approximately RMB344.0 million in 2008 to RMB368.2 million in 2009, representing an increase of 7.0%. The increase was mainly due to change of revenue mix.

Staff Costs

Staff costs amounted to approximately RMB115.1 million in 2009, representing a decrease of RMB11.0 million or 8.7% from RMB126.1 million in 2008. This was mainly due to the Group's amortisation cost of options granted decreased by approximately RMB20.0 million compared to that of 2008.

Operating Lease Expenses

Operating lease expenses was approximately RMB7.5 million in 2009, representing a decrease of RMB16.6 million from 2008. The decrease was due to the reduction in of leased equipment used in well services since the Group's own procured equipment has been put into use successively.

Depreciation and Amortisation

Depreciation and amortisation amounted to approximately RMB34.5 million in 2009, representing an increase of RMB8.8 million or 34.2% from RMB25.7 million in 2008. The increase was mainly attributable to the increase in depreciation of oilfield services equipment that has been put into use as well as the increase in amortisation and depreciation of intangible assets and fixed assets resulting from the acquisition of Jilin DongXin Oil Engineering Technology Co., Ltd. ("Jilin Dongxin") and Shangdong Precede Petroleum Technology Co., Ltd. ("Shandong Precede").

Sales tax and surcharges

Sales tax and surcharges was RMB13.5 million, increased by RMB6.2 million or 84.9% as compared with RMB7.3 million in 2008, mainly due to the increase in the proportion of revenue from services in total revenue.

Other Operating Costs

Other operating costs arrived at RMB117.3 million in 2009, representing an increase of RMB37.6 million or 47.2% compared to RMB79.7 million in 2008. The increase was mainly attributable to the increase of operating costs in the Group's overseas market expansion and increase in R&D costs.

Operating Profit

As a result of the foregoing, the operating profit in 2009 amounted to approximately RMB37.5 million, representing a decrease of approximately RMB104.3 million or 73.6% compared to RMB141.8 million in 2008. The operating profit margin was 5.4% in 2009, representing a decrease of 13.2 percentage points from 18.6% in 2008.

Net Finance Costs

Net finance income was approximately RMB1.8 million in 2009, increased by approximately RMB39.5 million compared to net finance costs, RMB37.7 million in 2008. The sharp increase was mainly due to RMB50.5 million foreign exchange loss recognized by the Group in 2008.

Income Tax Expense

Income tax expense amounted to RMB0.7 million in 2009, representing a decrease of approximately RMB32.6 million from 2008, mainly because of a decrease in the total pre-tax profits of the Group's subsidiaries in the PRC during the year and the income tax refund obtained by the subsidiaries of the Group.

Profit for the Year

As a result of the foregoing, the Group's profit for 2009 was approximately RMB37.6 million, representing a decrease of approximately RMB34.5 million or 47.9% over the same period of 2008.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company amounted to approximately RMB32.0 million in 2009, representing a decrease of RMB36.5 million or 53.3% over the same period of 2008.

Trade Receivables

As of 31 December 2009, the Group's net trade receivables were approximately RMB418.0 million, representing a decrease of RMB25.3 million compared to the end of 2008, mainly because the decrease in turnover. The average trade receivables turnover days (exclude quality guarantee deposits and other deposits) were 214 days in 2009, representing an increase of 42 days when compared with 2008.

The Group set up a special committee with our Chief Executive Officer as the chairman of the committee in the second half of 2008, with emphasis on improving our working capital management, especially in the collection of trade receivables. We set a specific trade receivables collection target for each sales region, which is a key performance benchmark for the regional managers. In 2009, the Group collected RMB785.6 million, representing an increase of RMB51.1 million or 7.0% from 2008.

Inventory

As of 31 December 2009, the Group's inventory was approximately RMB211.6 million, representing an increase of RMB9.0 million compared to the end of 2008, mainly due to preparation for the production of the first quarter of 2010 by the Group.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2009, the Group's cash and bank amounted to approximately RMB343.7 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing a decrease of RMB79.3 million compared to the end of 2008, mainly because the Group deployed the cash raised through its IPO into its operations, and capital expenditure programs. As of 31 December 2009, the Group's term deposits with initial terms of over three months amounted to approximately RMB67.6 million.

As at 31 December 2009, the Group's outstanding short term bank loans amounted to approximately RMB50 million. A domestic bank granted the Group a credit facility of RMB501.0 million, of which RMB436.5 million undrawn.

As at 31 December 2009, the gearing ratio of the Group was 9%, representing an increase of 1% compared to the gearing ratio of 8% in the same period of 2008, this was mainly due to the increase of short-term bank loans. Gearing ratio is calculated as net debt divided by total capital. Net debt includes borrowings and trade and notes payables. Total capital is calculated as equity plus net debt.

The equity attributable to the Company's equity holders decreased from RMB1.52 billion at the corresponding period of 2008 to RMB1.51 billion at 2009. The decrease was mainly due to dividend RMB57.0 million of 2008 distributed this year offsetting an increase on equity attributable to the Company's equity holders from profit generated this year.

EXCHANGE RISK

The Group mainly conducts its business in RMB. During the year ended 31 December 2009, the Group expanded into overseas markets with most transactions denominated and settled in US dollars. The exchange risk of the Group also comes from its foreign currency deposits in US dollars. The fluctuation in RMB exchange rate against US dollars may have a negative impact on the Group's operating results and financial position. As at 31 December 2009, the Group had foreign currency deposits equivalent to RMB51.1 million. Appreciation of RMB would result in exchange loss in those bank balances and other assets denominated in foreign currencies. During the year ended 31 December 2009, the Group did not use any derivatives to hedge against the risk of foreign exchange fluctuations.

CASHFLOW FROM OPERATING ACTIVITIES

Cash inflow from operating activities in 2009 was approximately RMB54.2 million, compared with a cash inflow of RMB23.0 million in 2008. This change was mainly due to an increase in the recovered trade receivables for the period as compared to the pervious period.

CAPITAL EXPENDITURE AND INVESTMENT

The Group's capital expenditure for 2009 was approximately RMB279.1 million. The capital expenditure includes approximately RMB102.1 million, primarily for installment payments on acquisition of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. ('Hinen-Hitech'), Shandong Precede and Jilin Dongxin.

The Group also invested approximately RMB138.5 million in core technical service projects of divisions, which mainly include directional well projects, coiled tubing operation projects, well completion tools testing centre projects, tubular helium testing projects and high pressure hydraulic jet radius horizontal well side drilling projects.

In 2010, the budgeted capital expenditure is approximately RMB270 million, mainly for the purposes of equipment procurement, service base construction and upgrade, continous investment on core technical service projects and possible acquisitions.

CONTRACTUAL LIABILITY

The Group's contractual commitments consist primarily of payment obligations under our operating lease arrangements for offices and certain equipment and machinery. The Group's operating lease commitments amounted to RMB16.5 million as of 31 December 2009.

The Company did not have any capital commitments related to investments in property, plant and equipment at the balance sheet date but not yet provided for in the balance sheets.

CONTIGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2009, the Group did not have any off-balance sheet arrangement.

The Board of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group provides high-end drilling technology services, well completion tools services, down-hole operation technology services, and oilfield tube services covering the entire life cycle of oil and gas field development.

RESULTS OF OPERATIONS

The financial results of the Company for 2009 are set out in pages 41 to 106 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Company is set out in page 4 in the section "Financial Summary" of this Annual Report.

DIVIDENDS

At the Board meeting held on 22 March 2010, the Board recommended a payment of a final dividend for the year ended 31 December 2009 of RMB0.0086 per share, totaling RMB18.0 million (2008: RMB0.02723 per share, totaling RMB57.0 million).

SUBSIDIARIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Company accounted for approximately 21.7% and 47.4% respectively of the Company's revenues for the year ended 31 December 2009.

For the year ended 31 December 2009, the total amount of purchases made by the Company from its five largest suppliers amounted to RMB183.2 million, and accounted for 38.7% of the total purchases for the year. The amount of purchases from the largest supplier amounted to RMB79.7 million, and accounted for 16.8% of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Company for the year ended 31 December 2009 totaled RMB119.1 million. Details of movements are shown under Note 6 to the financial statements of this Annual Report.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

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

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2009 are set out in Note 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the aggregate amount of reserves which is available for distribution to the equity shareholders of the Company was RMB335.1 million.

DIRECTORS

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

Executive Directors

Mr. Luo Lin	(appointed on 3 August 2007)
Mr. Ma Jian	(appointed on 3 August 2007)
Mr. Pan Weiguo	(appointed on 3 August 2007)
Mr. Wu Di	(appointed on 22 March 2010)

Independent Non-executive Directors

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

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

In accordance with Article 114 of the Articles of Association, the Executive Director, Mr. Wu Di being eligible has offered himself for re-election at forthcoming annual general meeting ("AGM").

In accordance with Article 130 of the Articles of Association, and the letters of appointment for all Independent Non-executive Directors of the Company, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai being eligible, have offered themselves for re-election at the forthcoming AGM.

Mr. Pan Weiguo has informed the Company that he will retire as an Executive Director of the Company with effect from the conclusion of the forthcoming AGM to pursue other business opportunities. He has confirmed that there is no disagreement with the Board and there are no matters relating to his retirement that need to be brought to the attention of the shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Mr. Wu Di, being the Executive Director, has entered into a service contract with the Company for a term of three years commencing from 4 March 2010, which may be terminated by not less than three month's notice in writing served by either party on the other.

The letter of appointment of each of Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai, being the Independent Non-executive Directors, has been renewed by the Company for a term commencing from 27 May 2009 up to the date of the next AGM, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

DIRECTORS' INTEREST IN MATERIAL CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

REMUNERATION OF DIRECTORS

In compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 26 to the financial statements of this Annual Report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2009, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules (the "Model Code") were as follows:

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

Name of director	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust	689,146,150	32.93%
Ma Jian	2	Founder of a discretionary trust	87,850,550	4.20%
Pan Weiguo	3	Beneficiary of a trust	10,612,080	0.51%

Notes:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 689,146,150 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust.

2. Mr. Ma Jian is the founder of the Brewster Trust, which is indirectly interested in 60.4% of the issued share capital of Anton Management Development Holdings Corp., which in turn is interested in 87,850,550 shares of the Company. Mr. Ma Jian and his family members are the beneficiaries of the Brewster Trust.

3. The interest shown is the vested interest in the Company as declared by Mr. Pan Weiguo on 8 September 2008. Mr. Pan Weiguo is one of the beneficiaries of Anton Harmony Trust, a discrtionary trust established by Mr. Pan and certain other employees to hold their interest in the Company. Prior to 8 September 2008, Mr. Pan was deemed to be interested in all the shares held under the Anton Harmony Trust, which was 221,241,825 shares, representing 10.57% of the issued share capital of the Company.

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

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

Save as disclosed above, at no time during the year ended 31 December 2009, the Directors and chief executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2009, so far as is known to any Director or the chief executive, the shareholders, other than the Directors or the chief executive of the Company, who had an interest or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name	Note	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	1	Trustee	689,146,150	32.93%
Seletar Limited	1	Trustee	689,146,150	32.93%
Serangoon Limited	1	Trustee	689,146,150	32.93%
Avalon Assets Limited	1	Trustee	689,146,150	32.93%
Pro Development Holdings Corp.	1	Beneficial owner	689,146,150	32.93%
Chengwei Anton Holdings Inc.	2	Beneficial owner	188,606,740	9.01%
Chengwei Ventures Evergreen Fund, LP	2	Interest of controlled corporation	188,606,740	9.01%
Chengwei Ventures Evergreen Management, LLC	2	Interest of controlled corporation	188,606,740	9.01%
EXL Holdings, LLC	2	Interest of controlled corporation	188,606,740	9.01%
Li Eric Xun	2	Interest of controlled corporation	188,606,740	9.01%
Li Zhu Yi Jing	2, 3	Interest of spouse	188,606,740	9.01%
China Harvest Fund, L.P.	4	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment, L.P.	4	Interest of controlled corporation	375,000,000	17.92%
China Renaissance Capital Investment GP	4	Interest of controlled corporation	375,000,000	17.92%
Erdos Holding Company Limited	4	Beneficial owner	375,000,000	17.92%

Notes:

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

2. The 188,606,740 shares referred to the same batch of shares.

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

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

Save as disclosed above, as at 31 December 2009, so far was known to the Directors, no other persons (other than the Directors or chief executives) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 5% of the shares in issue immediately following completion of the IPO of the Company (but taking no account of any shares which may be allotted or issued pursuant to the exercise of the over-allotment option), being 103,362,500 shares. As at the date of this annual report, the number of shares available for issue and remained outstanding under the share option scheme was 71,330,000 shares (2008: 17,800,000 shares) representing 3.41% (2008: 0.85%) of the issued share capital of the Company. The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue as at the date of grant unless approved by the shareholders in general meeting.

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

As the existing scheme limit available to be granted to eligible participants represents only approximately 4.94 per cent of the total number of shares in issue, it is proposed that the terms of the Share Option Scheme be revised to bring the scheme limit of the Share Option Scheme to the 10% limit in line with what has been provided under Chapter 17 of the Listing Rules, and to refresh the scheme limit so as to provide the Company with the flexibility of granting further share options under the Share Option Scheme. The Board proposes to seek the approval of shareholders at the forthcoming AGM on 27 May 2010 by passing an ordinary resolution. Please refer to the circular published by the Company on 19 April 2010 for details.

As at 31 December 2009, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each.

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Note	Number of share options as at 1 January 2009	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2009
Directors										
Zhang Yongyi	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	1, 3	1,400,000					1,400,000
	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	2, 5		600,000				600,000
				Sub total:	1,400,000	600,000				2,000,000
Zhu Xiaoping	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	1, 3	1,200,000					1,200,000
	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	2, 5		600,000				600,000
				Sub total:	1,200,000	600,000				1,800,000
Wang Mingcai	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	1, 3	1,000,000					1,000,000
	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	2, 5		600,000				600,000
				Sub total:	1,000,000	600,000				1,600,000
Luo Lin	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	1, 5		2,000,000				2,000,000
Ma Jian	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	1, 5		1,500,000				1,500,000
Pan Weiguo	29 Apr 2009	29 Apr 2010 to 28 Apr 2013	0.684	1, 5		1,800,000				1,800,000
				Sub total:		5,300,000				5,300,000
Employees in aggregate	3 Feb 2008	3 Feb 2009 to 2 Feb 2012	1.634	1, 3	8,400,000				2,150,000	6,250,000
	27 Oct 2008	27 Oct 2009 to 26 Oct 2012	0.62	1, 4	6,000,000				6,000,000	0
	29 Apr 2009	29 Apr 2009 to 28 Apr 2013	0.684	1, 5		24,000,000			2,700,000	21,300,000
				Sub total:	14,400,000	24,000,000			10,850,000	27,550,000
				Total:	18,000,000	31,100,000			10,850,000	38,250,000

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of forty-eight months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of first, second and third anniversaries of the date of grant.
2. The option period for the share options granted above commences on the date of grant and ends on the last day of thirty-six months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of first and second anniversaries of the date of grant.
3. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.63.
4. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.52.
5. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.63.

PRE-IPO SHARE OPTION SCHEME

The Company adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 October 2007.

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

Grantee	Note	Date of grant of share options	Number of share options as at 1 January 2009	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 31 December 2009
Employees in aggregate	1	2 Oct 2007	75,000,000			75,000,000	0
	2	9 Oct 2007	10,815,000			7,570,500	3,244,500
	3	16 Oct 2007	210,000				210,000
			86,025,000			82,570,500	3,454,500

Notes:

1. The option period for the share options granted commences on the date of grant and ends on the last day of the twenty-five months counting from the said date. The grantee is vested with, and entitled to exercise up to 50% of his share options during the option period commencing from each of the first and second anniversaries of the date of grant.
2. The option period for the share options granted commences on the date of grant and ends on the last day of the eight years counting from the said date. The grantee is vested with, and entitled to exercise up to 30%, 30%, 20%, 10% and 10% of his share options during the option period commencing from each of the first, second, third, fourth and fifth anniversaries of the date of grant.
3. The option period for the share options granted commences on the date of grant and ends on the last day of the five years counting from the said date. The grantee is vested with, and entitled to exercise up to all of her share options during the option period commencing from the first anniversary of the date of grant.

As at the date of this annual report, the number of shares available for issue and remained outstanding under the Pre-IPO Share Option Scheme was 3,454,500 shares (2008: 78,454,500 shares) representing 0.17% (2008: 3.75%) of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

TAXATION

For the year ended 31 December 2009, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

DONATION

For the year ended 31 December 2009, the Company contributed a total of RMB0.7 million as charitable and other donations. In the future, the Company will continue to fulfill its commitment to be an enterprise with sound social responsibilities.

CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2009 are set out in Note 32 to the Financial Statements of this Annual Report.

POST BALANCE SHEET EVENTS

At a meeting held on 22 March 2010, the Board recommended a final dividend to be paid out of the share premium account of the Company in respect of the year ended 31 December 2009 of RMB0.0086 per share, totaling RMB18.0 million (2008: RMB0.02723 per share, totaling RMB57.0 million). This dividend is subject to the approval of shareholders at the AGM to be held on 27 May 2010, and compliance with the Companies Law of the Cayman Islands.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

In view of the amended Rule 2.07A of the Listing Rules relating to the use of electronic means or website for communication with shareholders which became effective on 1 January 2009, the Board proposes to seek the approval of shareholders at the forthcoming AGM on 27 May 2010 by passing a special resolution to amend the relevant provisions of the Company's memorandum and articles of association to conform to such amendments to the Listing Rules. Additional amendments will also be proposed to update all references of the Companies Law (2007 Revision) of the Cayman Islands in the memorandum and articles of association of the Company to "Companies Law (2009 Revision)", which came into effect in August 2009. Please refer to the circular published by the Company on 19 April 2010 for details of amendments.

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 2009.

AUDITORS

The Company has appointed PricewaterhouseCoopers as the auditors of the Company for the year ended 31 December 2009. PricewaterhouseCoopers has conducted the audit of the financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS"). A resolution for their re-appointment as auditors of the Company for the year ending 31 December 2010 will be proposed at the forthcoming AGM.

By the order of the Board

Luo Lin
Chairman

Hong Kong, 22 March 2010

EXECUTIVE DIRECTORS

Luo Lin (羅林), aged 43, is the Chairman and Chief Executive Officer and one of the founders of the Company. Mr. Luo graduated with a bachelor degree in well bore engineering from Southwest Petroleum Institute (西南石油學院) in 1992. He has accumulated 18 years of industry experience, including his work at the Tarim Basin Oil Field and as the Deputy General Manager of a subsidiary of the Southwest Petroleum Bureau (西南石油局) responsible for sales and marketing, prior to establishing Anton Oilfield Services (Group) Ltd in 2002. Mr. Luo is also qualified as a lawyer and a chartered accountant in the PRC.

Ma Jian (馬健), aged 42, is an Executive Director of the Company and one of the founders of the Company. Mr. Ma graduated with a bachelor degree in well bore drilling engineering from Jianghan Petroleum University (江漢石油學院) in 1991. He also holds a master degree in business administration from the Huazhong University of Science and Technology (華中科技大學). He is completing the doctoral degree at the China University of Petroleum and is a guest professor at Yangtze University (長江大學). From 1991 to 1999, he worked as a Petroleum Engineer at the drilling company in Jianghan Oilfield (江漢油田鑽井工程處). He worked at Halliburton China from 2000 to 2002 as a well bore Projects Manager. Mr. Ma has served as a Director since 2003, and is also responsible for sales and marketing in the Company. He has 19 years of experience in the petroleum industry.

Pan Weiguo (潘衛國), aged 47, is an Executive Director of the Company. Mr. Pan graduated with a bachelor degree in well bore drilling from Daqing Petroleum Institute (大慶石油學院) in 1984 and a master degree in 1990. He worked as Deputy Chief Engineer and Chief Engineer at China Petroleum North Petroleum Control Board Well Bore Drilling Research Institute (中石油華北石油管理局鑽井工藝研究院) from 1990 to 1996, and worked as the Deputy Head and Head of the same from 1996 to 2006. He has 20 years of experience in the petroleum drilling industry. Mr. Pan joined the Company in 2006 and is responsible for research and development and well services of the Company.

Wu Di (吳迪), aged 43, is an Executive Director of the Company. Mr. Wu graduated with a bachelor degree in oil reservoir engineering from Southwestern Petroleum Institute (西南石油學院) in 1990 and obtained a master degree in oil and gas field development engineering from China University of Petroleum, Beijing in 2007. He was awarded a certificate of senior engineer in 2002 and was granted the title of professor senior engineer in 2009. Between 1990 and 2010, Mr. Wu was employed by China National Petroleum Corporation (CNPC) and was appointed as the Chief Geologist of the Development Business Department of Tarim Oilfield Company (塔里木油田分公司) and the Director of its Development Department. He has more than 20 years of experience in the oil industry. Mr. Wu joined the Company in early March 2010.

INDEPENDENT NON-EXECUTIVE DIRECTRORS

Zhang Yongyi (張永一), aged 74, is an Independent Non-executive Director of the Company. Mr. Zhang has a wide range of experience in the petroleum industry. He had taught in the Southwest Petroleum Institute (西南石油學院) for more than 30 years. He was appointed as the Deputy General Manager of CNPC in 1992. He was appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998 and Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000.

Zhu Xiaoping (朱小平), aged 61, is an Independent Non-executive Director of the Company. Mr. Zhu has extensive experience in corporate finance. He is currently an Accounting Professor of the Renmin University of China (中國人民大學). He has served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Auditing Society (中國審計學會理事). Mr. Zhu is also a Director of Beijing Wandong Medical Company Limited (北京萬東醫療設備股份有限公司), Heilongjiang Agriculture Company Limited (黑龍江北大荒農業股份有限公司) and Tibet Rhodiola Pharmaceutical Holding Company Limited (西藏諾迪康藥業股份有限公司), all of which are listed on the Shanghai Stock Exchange. He is also an Independent Non-executive Director of Sanmenxia Tian Yuan Aluminum Company Limited (Stock Code: 8253), a company listed on the Growth Enterprise Market of the Stock Exchange.

Wang Mingcai (王明才), aged 65, is an Independent Non-executive Director of the Company. Mr. Wang has previously worked as the Vice Chief Engineer of Exploring and Development Bureau of China National Petroleum Company (中國石油天然氣總公司). He also held positions such as Vice General Manager of China National Oil & Gas Exploration and Development Corporation (中國石油天然氣堪探開發公司), President of CNPC Venezuela Corporation (中油國際委內瑞拉公司), Executive Director of CNPC (Hong Kong) Limited (Stock Code: 0135), a company that has been listed on the Main Board of the Stock Exchange since 2001. Presently, Mr. Wang is the General Manager and Chairman of the board of directors of Sino-U.S. Oil Development Corporation (中美石油開發公司).

SENIOR MANAGEMENT

Li Bingnan (李冰南), aged 41, is an Executive Vice President of the Company. Mr. Li graduated with a bachelor degree in well bore engineering from Jianghan Petroleum University (江漢石油學院) in 1991. Between 1991 and 2002, Mr. Li was employed by Jianghan Oil Bureau and in 2000, he was appointed as a Manager for the environmental protection plant of the Jianghan Oil Bureau. He has more than 19 years of experience in the oil and gas industry. Mr. Li joined the Company in 2002 and is responsible for oilfield services in the Company.

Fan Yonghong (范永洪), aged 39, is Executive Vice-president of the Company. Mr. Fan graduated from Chongqing Junior College of Petroleum in 1991 and graduated from China University of Petroleum in 1998, majoring in petroleum engineering. Being a petroleum engineer, Mr. Fan has 14 years of experience in the field of petroleum. Prior to joining the Company in 2004, he served as deputy section chief of Tarim Oilfield Company (塔里木油田分公司).

Shen Haihong (沈海洪), aged 41, is Executive Vice-president of the Company. Mr. Shen graduated with a bachelor degree in well bore engineering from Southwestern Petroleum Institute (西南石油學院) in 1991 and obtained a MBA degree from Tsinghua University in 2006. He was awarded a certificate of senior engineer in well bore engineering in 2002. Between 1991 and 2006, Mr. Shen was employed by CNPC and was appointed as the deputy general manager of Toha Oil Well Drilling Company (吐哈石油鑽井公司), and as the deputy director of the Enterprises Department of Toha Directorate (吐哈指揮部企管處). He has more than 20 years of experience in the oil industry. Mr. Shen joined the Company in 2007.

Chen Wei (陳偉), Aaged 45, is an Executive Vice-president of the Company. Mr. Chen graduated with a distance learning bachelor degree in oil bore engineering from Southwestern Petroleum Institute (西南石油學院) in 1992. Between 1982 and 2000, Mr. Chen was employed by CNPC to be responsible for the general management of Chuan Zhong Oil and Gas Company (川中油氣公司). He has more than 26 years of experience in the oil industry. Mr. Chen joined the Company in 2000.

Jiao Ying, Steven (焦謍)**,** aged 48, is an Executive President of the Company. Mr. Jiao graduated with a bachelor degree in English and International Journalism from Shanghai Foreign Studies University in 1984 and obtained a master degree in education from Nottingham University in Great Britain in 1990 and a MBA degree in Corporate Finance from University of International Business and Economics in 1997. Since 1992, Mr. Jiao served as the secretary to the board of directors and Financial Controller of China World Trade Center Company Ltd. (SH60007), Executive Vice President and CFO of 中太科技有限公司, CFO of China Shenzhou Mining & Resources, Inc., a listed company on the American Stock Exchange, and Project CFO of 新加坡南方資本集團有限公司. He has more than 18 years of experience in financial management. Mr. Jiao joined the Company in 2009.

Liu Enlog (劉恩龍), aged 48, is an Executive President of the Company. Mr. Liu graduated with a bachelor degree in well bore engineering from Jianghan Petroleum University (江漢石油學院) in 1982. He was awarded a certificate of senior engineer in well bore engineering in 1995. Between 1982 and 2001, Mr. Liu was employed by CNPC and was appointed as the deputy manager and chief engineer of 華北油田第四勘探指揮公司 in 1997. He was employed by a Canadian Energy Technology Company in 2005 to be responsible for technical sevices. He has more than 28 years of experience in the oil industry. Mr. Liu joined the Company in 2010.

COMPANY SECRETARY

Ngai Wai Fung (魏偉峰), aged 48, is the Company Secretary of the Company. Mr. Ngai is a Director and Head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. He is currently the Vice President of the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Chairman of its Membership Committee. He is also a fellow member of HKICS and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance degree from the Hong Kong Polytechnic University, a Master of Business Administration degree from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Directors of the Company has adopted the Model Code as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the above-mentioned rules during the reporting year.

CORPORATE GOVERANCE STRUCTURE

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

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

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

BOARD OF DIRECTORS

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

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

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

The Company set up the Audit Committee, Remuneration Committee and Nomination Committee on 17 November 2007. During the reporting year, the Company had convened six Board of Directors' meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting.

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

	Meeting attendance/number of meetings			
Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Director				
Mr. Luo Lin (Chairman of the Board of Directors and Chief Executive Officer)	6	N/A	1	1
Mr. Ma Jian	6	N/A	N/A	N/A
Mr. Pan Weiguo	6	N/A	N/A	N/A
Mr. Wu Di (appointed on 22 March 2010)	N/A	N/A	N/A	N/A
Independent Non-executive Director				
Mr. Zhang Yongyi	6	2	N/A	1
Mr. Zhu Xiaoping	6	2	1	N/A
Mr. Wang Mingcai	6	2	1	1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer of a company must be separated, and must not be assumed by one person. The Company does not separate the Chairman's and Chief Executive Officer's duties. Mr. Luo Lin served as both Chairman and Chief Executive Officer during the reporting period. Mr. Luo was the main founder of the Group, he has been responsible for the operational management since the Group's establishment, and has led the Group's expansion. Mr. Luo possesses rich petroleum industry experience and excellent operational management ability. The Board is of the view that continuing to have Mr. Luo to serve as Chief Executive Officer of the Company will safeguard the continuity of the operational management and can protect shareholders' interest.

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

ACCOUNTABILITY AND AUDIT

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

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 39 and 40 of the Independent Auditor's Report.

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

During the year, the Group has reviewed its internal control system. Based on the review, the Board was satisfied with the effectiveness of the current internal control system of the Group.

AUDIT COMMITTEE

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

During the year, the Audit Committee has convened two meetings.

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

	RMB'000
Audit services	3,300
Non-audit services	–

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

REMUNERATION COMMITTEE

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

The Remuneration Committee comprises two Independent Non-executive Directors, Mr. Wang Mingcai and Mr. Zhu Xiaoping, and one Executive Driector, Mr. Luo Lin. Mr. Wang Mingcai is the Chairman of the Remuneration Committee.

During the year, the Remuneration Committee has convened one meeting.

NOMINATION COMMITTEE

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

During the year, the Nomination Committee has convened one meeting.

INVESTOR RELATIONSHIP AND SHAREHOLDERS' EQUITY

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

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

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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

We have audited the consolidated financial statements of Anton Oilfield Services Group ("the Company") and its subsidiaries (together, the "Group") set out on pages 41 to 106, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2010

Balance Sheets

As at 31 December 2009

		As at 31 December			
		Group		Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**334,240**	248,444	**—**	—
Land use rights	7	**26,051**	26,072	**—**	—
Intangible assets	8	**312,087**	291,186	**—**	—
Investment in subsidiaries	9	**—**	—	**3,551,412**	3,548,655
Investment in a jointly controlled entity	10	**50,668**	51,629	**—**	—
Deferred income tax assets	21	**639**	532	**—**	—
		723,685	617,863	**3,551,412**	3,548,655
Current assets					
Inventories	11	**211,613**	202,591	**—**	—
Trade and notes receivables	12	**429,985**	453,225	**—**	—
Prepayments and other receivables	13	**82,509**	194,757	**120,787**	85,990
Financial assets at fair value through profit or loss	14	**—**	33,859	**—**	33,859
Restricted bank deposits	15	**3,120**	—	**—**	—
Term deposits with initial terms of over three months	15	**67,609**	115,109	**—**	—
Cash and cash equivalents	15	**272,959**	307,918	**27,524**	37,891
		1,067,795	1,307,459	**148,311**	157,740
Total assets		**1,791,480**	1,925,322	**3,699,723**	3,706,395

		As at 31 December			
		Group		Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	16	**197,411**	197,411	**197,411**	197,411
Reserves					
- Proposed final dividend	29	**18,000**	57,000	**18,000**	57,000
- Others	17	**1,295,954**	1,265,084	**3,464,613**	3,432,518
		1,511,365	1,519,495	**3,680,024**	3,686,929
Minority interests		**34,714**	31,119	**—**	—
Total equity		**1,546,079**	1,550,614	**3,680,024**	3,686,929
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	21	**2,479**	5,407	**—**	—
		2,479	5,407	**—**	—
Current liabilities					
Short-term borrowings	18	**50,000**	7,000	**—**	—
Trade and notes payables	19	**103,138**	123,545	**—**	—
Accruals and other payables	20	**77,895**	215,934	**19,699**	19,466
Current income tax liabilities		**11,889**	22,822	**—**	—
		242,922	369,301	**19,699**	19,466
Total liabilities		**245,401**	374,708	**19,699**	19,466
Total equity and liabilities		**1,791,480**	1,925,322	**3,699,723**	3,706,395
Net current assets		**824,873**	938,158	**128,612**	138,274
Total assets less current liabilities		**1,548,558**	1,556,021	**3,680,024**	3,686,929

The financial statements on pages 41 to 46 were approved by the Board of Directors on 22 March 2010 and were signed on its behalf.

Luo Lin	**Ma Jian**
Executive Director	*Executive Director*

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

Consolidated Income Statements

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Revenue	22	**690,030**	763,266
Other gains / (losses), net	24	**3,748**	(14,551)
Operating costs			
Material costs		**(368,240)**	(343,977)
Staff costs	26	**(115,140)**	(126,143)
Operating lease expenses		**(7,496)**	(24,059)
Depreciation and amortisation		**(34,547)**	(25,722)
Sales tax and surcharges		**(13,547)**	(7,321)
Others		**(117,317)**	(79,743)
		(656,287)	(606,965)
Operating profit	23	**37,491**	141,750
Interest income	25	**3,403**	18,015
Finance expenses	25	**(1,602)**	(55,698)
Finance income / (costs), net		**1,801**	(37,683)
Share of (loss) / profit of a jointly controlled entity	10	**(961)**	1,351
Profit before income tax		**38,331**	105,418
Income tax expense	27	**(725)**	(33,273)
Profit for the year		**37,606**	72,145
Attributable to:			
Equity holders of the Company		**32,020**	68,463
Minority interests		**5,586**	3,682
		37,606	72,145
Dividends	29	**18,000**	57,000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- basic	28	**0.0153**	0.0327
- diluted		**0.0153**	0.0325

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**37,606**	72,145
Other comprehensive income/(loss), net of tax:		
Currency translation differences	**(83)**	(96)
Other comprehensive income/(loss), net of tax for the year	**(83)**	(96)
Total comprehensive income for the year	**37,523**	72,049
Attributable to:		
- Equity holders of the Company	**31,937**	68,367
- Minority interests	**5,586**	3,682
Total comprehensive income for the year	**37,523**	72,049

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

Consolidated Statements of Changes in Equity

For the year ended 31 December 2009

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000	Total RMB'000	Minority interests RMB'000	Total Equity RMB'000
		Attributable to the Company's equity holders								
As at 31 December 2007		195,006	647,511	277,016	20,858	244,503	(235)	1,384,659	5,110	1,389,769
Issue of new shares	16(a)(i)	2,405	42,813	–	–	–	–	45,218	–	45,218
Share issue expenses	17(a)	–	(3,406)	–	–	–	–	(3,406)	–	(3,406)
Share option scheme	16(b)	–	–	35,403	–	–	–	35,403	–	35,403
Profit for the year		–	–	–	–	68,463	–	68,463	3,682	72,145
Other comprehensive income:										
-Currency translation differences		–	–	–	–	–	(96)	(96)	–	(96)
Acquisition of subsidiaries		–	–	(10,535)	–	–	–	(10,535)	22,327	11,792
Share of reserve of										
a jointly controlled entity	10	–	–	(211)	–	–	–	(211)	–	(211)
Transfer to statutory reserves	17(b)	–	–	–	4,093	(4,093)	–	–	–	–
As at 31 December 2008		**197,411**	**686,918**	**301,673**	**24,951**	**308,873**	**(331)**	**1,519,495**	**31,119**	**1,550,614**
Share option scheme	16(b)	**–**	**–**	**15,357**	**–**	**–**	**–**	**15,357**	**–**	**15,357**
Profit for the year		**–**	**–**	**–**	**–**	**32,020**	**–**	**32,020**	**5,586**	**37,606**
Other comprehensive income:										
-Currency translation differences		**–**	**–**	**–**	**–**	**–**	**(83)**	**(83)**	**–**	**(83)**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,516)**	**(2,516)**
Capital injection by minority shareholders	17(a)(i)	**–**	**–**	**1,576**	**–**	**–**	**–**	**1,576**	**525**	**2,101**
Transfer to statutory reserves	17(b)	**–**	**–**	**–**	**5,817**	**(5,817)**	**–**	**–**	**–**	**–**
Dividends	17(a)(ii)	**–**	**(57,000)**	**–**	**–**	**–**	**–**	**(57,000)**	**–**	**(57,000)**
As at 31 December 2009		**197,411**	**629,918**	**318,606**	**30,768**	**335,076**	**(414)**	**1,511,365**	**34,714**	**1,546,079**

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

Consolidated Cash Flow Statements

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Net cash inflows from operations	30	**66,207**	37,425
Interest paid		**(474)**	(4,497)
Interest received		**3,202**	16,904
Income tax paid		**(14,694)**	(26,808)
Net cash generated from operating activities		**54,241**	23,024
Cash flows from investing activities			
Purchase of property, plant and equipment		**(152,929)**	(85,239)
Proceeds from disposal of property, plant and equipment		**1,661**	808
Purchase of land use rights		**(537)**	—
Purchase of intangible assets		**(23,129)**	(7,417)
Acquisition of subsidiaries, net of cash received		**(102,054)**	(215,031)
Disposal of a subsidiary, net of cash payment		**(2,126)**	—
Increase in investment in a jointly controlled entity		**—**	(16,380)
(Increase) / Decrease in restricted bank deposits		**(3,120)**	82,610
Decrease / (Increase) in term deposits with initial terms of over three months		**47,500**	(115,109)
Decrease / (Increase) in entrusted loans and structured deposits		**121,000**	(121,000)
Proceeds from entrusted loans and structured deposits		**5,888**	670
Disposal / (Purchase) of financial assets at fair value through profit or loss	14	**33,418**	(51,943)
Net cash used in investing activities		**(74,428)**	(528,031)
Cash flows from financing activities			
Proceeds from short-term borrowings		**70,000**	57,000
Repayments of short-term borrowings		**(27,000)**	(213,500)
Issue of new shares	16(a)(i)	**—**	45,218
Share issue expenses	16(a)(i)	**—**	(1,813)
Dividends distribution		**(57,000)**	—
Net cash used from financing activities		**(14,000)**	(113,095)
Net decrease in cash and cash equivalents		**(34,187)**	(618,102)
Cash and cash equivalents, at beginning of the year		**307,918**	976,654
Exchange loss on cash and cash equivalents		**(772)**	(50,634)
Cash and cash equivalents at end of the year		**272,959**	307,918

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

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (the 'Group') are principally engaged in providing oilfield technology services and manufacturing and trading of related products in the People's Republic of China (the 'PRC'). 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.

These financial statements have been approved for issue by the Board of Directors on 22 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

2.1 Basis of preparation *(Continued)*

(a) *New and amended standards adopted by the Group in 2009*

- IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted IFRS (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or the Company's financial statements.

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

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

2.1 Basis of preparation *(Continued)*

(b) Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

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

2.1 Basis of preparation *(Continued)*

(b) *Standards, amendments and interpretations to existing standards, that are relevant to the operations of the Group, but not yet effective and have not been early adopted by the Group* (Continued)

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) not with standing the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

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

2.2 Consolidation

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

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 2.7).

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

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

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

2.2 Consolidation *(Continued)*

(c) *Jointly controlled entities*

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

In the Company's balance sheet, the investment in a jointly controlled entity is stated at cost less provision for impairment losses. The result of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ('CODM'), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting. The CODM has determined the operating segments base on these reports.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

2.5 Property, plant and equipment *(Continued)*

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.6 Land use rights

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

2.7 Intangible assets

(a) Goodwill

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

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

(b) Computer software

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

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

2.7 Intangible assets *(Continued)*

(c) Patents

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

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

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

2.8 Impairment of non-financial assets

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

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

2.9 Financial assets *(Continued)*

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and notes receivables', 'prepayments and other receivables' and 'cash and cash equivalents' in the balance sheet.

2.9.2 Recognition and measurement

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

Gains and losses from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains, net', in the period in which they arise.

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

2.10 Inventories

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

2.11 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Trade payables

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

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

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

2.15 Borrowings

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

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

2.16 Current and deferred income tax

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

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

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

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

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

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

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

2.17 Employee benefits

(a) *Pension and other social obligations*

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

(b) *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

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

2.18 Revenue recognition

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

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

(a) Sales of goods

Revenue associated with the sucker rods, oil pumps and other goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(b) Sales of services

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

(c) Lease income

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

(d) Interest income

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

(e) Dividend income

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

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

2.19 Borrowing costs

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

2.20 Operating lease

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

(a) *The Group is the lessee*

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

(b) *The Group is the lessor*

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

2.21 Government grants

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

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

2.22 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has purchases from and sales to overseas. During the year ended 31 December 2009, the Group developed its businesses overseas with most of the transactions denominated and settled in US$. Foreign exchange risk also arise from certain bank deposits denominated in United States dollar ('US$'), which came from the listing proceeds. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

During the years ended 31 December 2008 and 2009, the Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2009, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit for the year and equity attributable to the equity holders would have been RMB3,911,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, trade receivables and accruals and other payables.

(ii) Fair value interest rate risk

The Group's interest-rate risk arises from interest-bearing assets mainly including entrusted loans, structured deposits and term deposits with initial terms of over three months, which all bear fixed interest rate and expose the Group to fair value interest-rate risk.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

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

(c) Liquidity risk

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

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

	Group Within 1 year as at 31 December	
	2009	2008
	RMB'000	RMB'000
Short-term borrowings	**51,545**	7,132
Trade and notes payables	**103,138**	123,545
Accruals and other payables	**77,895**	215,934
Current income tax liabilities	**11,889**	22,822
	244,467	369,433

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

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

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

The gearing ratios 31 December 2009 and 2008 are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Total borrowings	**153,138**	130,545
Total equity	**1,546,079**	1,550,614
Total capital	**1,699,217**	1,681,159
Gearing ratio	**9%**	8%

The slight increase in gearing ratio in 2009 was due to the increase in short-term borrowings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2009, the Group had no financial instruments that are measured in the balance sheet at fair value.

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

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

(c) Impairment of trade and other receivables

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

Despite the significant increase in the past-due trade receivables as of 31 December 2009, impairment provision of trade receivables increased only slightly because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history.

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
1 - 6 months	**—**	—
6 months – 1 year	**—**	—
1 - 2 years	**63,717**	16,000
2 - 3 years	**3,467**	5,139
Over 3 years	**—**	962
	67,184	22,101

As at 31 December 2008 and 2009, majority of pass-due trade receivables were not impaired as the management considered such long ageing items were receivable from the customers with good cooperation and no default history in the past, therefore the risk of impairment was remote.

(d) Fair value of share options

The fair value of share options granted is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on the specific terms prescribed in the share option contracts and relevant market conditions at the grant dates.

5. SEGMENT INFORMATION

The CODM has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments base on these reports.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance. They are so managed according to different nature of products and services. Most of these entities engaged in just single business, except a few entities deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of four reportable segments: drilling technology, well completion technology, down-hole operation technology and oilfield tube and field support services.

Revenue recognised during the years ended 31 December 2009 and 2008 are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Drilling technology	**88,139**	70,265
Well completion technology	**213,888**	240,842
Down-hole operation technology	**100,034**	111,589
Oilfield tube and field support services	**287,969**	340,570
Total	**690,030**	763,266

5. SEGMENT INFORMATION *(Continued)*

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 CODM evaluates the performance of the operating segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance costs net, and share of (loss) / profit from a jointly controlled entity ('EBITDA').

	Drilling technology RMB'000	Well completion technology RMB'000	Down-hole operation technology RMB'000	Oilfield tube and field support services RMB'000	Total RMB'000
For the year ended 31 December 2009					
Revenue (from external customers)	**88,139**	**213,888**	**100,034**	**287,969**	**690,030**
EBITDA	**22,396**	**91,534**	**37,801**	**51,237**	**202,968**
Depreciation and amortisation	**(1,702)**	**(10,258)**	**(4,034)**	**(13,291)**	**(29,285)**
Interest income	**—**	**637**	**55**	**52**	**744**
Finance costs, net	**—**	**(131)**	**(12)**	**(131)**	**(274)**
Share of loss from a jointly controlled entity	**—**	**—**	**—**	**(961)**	**(961)**
Income tax expense	**337**	**(2,125)**	**141**	**922**	**(725)**
For the year ended 31 December 2008					
Revenue (from external customers)	70,265	240,842	111,589	340,570	763,266
EBITDA	27,649	153,924	64,335	91,600	337,508
Depreciation and amortisation	(544)	(7,325)	(2,580)	(12,319)	(22,768)
Interest income	–	135	33	76	244
Finance costs, net	–	(348)	(6)	(389)	(743)
Share of profit from a jointly controlled entity	–	–	–	1,351	1,351
Income tax expense	(1,878)	(16,630)	(5,282)	(6,483)	(30,273)

5. SEGMENT INFORMATION *(Continued)*

	Drilling technology RMB'000	Well completion technology RMB'000	Down-hole operation technology RMB'000	Oilfield tube and field support services RMB'000	Total RMB'000
As at 31 December 2009					
Total assets	**46,778**	**618,029**	**143,267**	**354,205**	**1,162,279**
Total assets include:					
Investments in a jointly controlled entity	**—**	**—**	**—**	**50,668**	**50,668**
Additions to non-current assets (other than deferred tax assets)	**25,621**	**20,607**	**6,657**	**62,997**	**115,882**
As at 31 December 2008					
Total assets	22,036	581,381	138,204	353,681	1,095,302
Total assets include:					
Investments in a jointly controlled entity	—	—	—	51,629	51,629
Additions to non-current assets (other than deferred tax assets)	17,401	182,704	66,471	15,666	282,242

5. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
EBITDA for reportable segments	**202,968**	337,508
Corporate overheads	**(134,861)**	(210,174)
Depreciation	**(24,597)**	(18,113)
Amortisation	**(4,688)**	(4,655)
Interest income	**744**	244
Finance costs, net	**(274)**	(743)
Share of (loss) / profit of a jointly controlled entity	**(961)**	1,351
Profit before income tax	**38,331**	105,418

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Assets for reportable segments	**1,162,279**	1,095,302
Corporate assets for general management	**629,201**	830,020
Total Assets	**1,791,480**	1,925,322

6. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2008						
Cost	30,115	82,263	11,061	8,805	34,774	167,018
Accumulated depreciation	(2,139)	(13,034)	(1,994)	(2,505)	—	(19,672)
Net book value	27,976	69,229	9,067	6,300	34,774	147,346
Year ended 31 December 2008						
Opening net book value	27,976	69,229	9,067	6,300	34,774	147,346
Additions	2,865	38,152	6,918	5,907	51,705	105,547
Acquisition of subsidiaries	11,951	2,413	1,097	279	1,821	17,561
Transfer in/(out)	37,874	6,148	1,752	46	(45,820)	—
Reclassification	—	(404)	1,360	(956)	—	—
Depreciation charge	(2,390)	(13,695)	(3,261)	(1,721)	—	(21,067)
Disposals	(51)	(673)	(72)	(147)	—	(943)
Closing net book value	78,225	101,170	16,861	9,708	42,480	248,444
As at 31 December 2008						
Cost	82,727	127,780	21,681	13,157	42,480	287,825
Accumulated depreciation	(4,502)	(26,610)	(4,820)	(3,449)	—	(39,381)
Net book value	78,225	101,170	16,861	9,708	42,480	248,444
Year ended 31 December 2009						
Opening net book value	**78,225**	**101,170**	**16,861**	**9,708**	**42,480**	**248,444**
Additions	**2,218**	**8,390**	**7,678**	**1,017**	**99,776**	**119,079**
Disposal of a subsidiary	**—**	**(1,163)**	**(1,060)**	**(136)**	**—**	**(2,359)**
Transfer in/(out)	**3,817**	**109,163**	**3,168**	**1,340**	**(117,488)**	**—**
Depreciation charge	**(4,480)**	**(16,681)**	**(5,043)**	**(3,185)**	**—**	**(29,389)**
Disposals	**—**	**(1,214)**	**(290)**	**(31)**	**—**	**(1,535)**
Closing net book value	**79,780**	**199,665**	**21,314**	**8,713**	**24,768**	**334,240**
As at 31 December 2009						
Cost	**88,762**	**241,185**	**30,855**	**15,105**	**24,768**	**400,675**
Accumulated depreciation	**(8,982)**	**(41,520)**	**(9,541)**	**(6,392)**	**—**	**(66,435)**
Net book value	**79,780**	**199,665**	**21,314**	**8,713**	**24,768**	**334,240**

7. LAND USE RIGHTS - GROUP

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

	RMB'000
As at 31 December 2007	
Cost	15,141
Accumulated amortisation	(40)
Net book value	15,101
Year ended 31 December 2008	
Opening net book value	15,101
Additions	11,512
Amortisation charge	(541)
Closing net book value	26,072
As at 31 December 2008	
Cost	26,653
Accumulated amortisation	(581)
Net book value	26,072
Year ended 31 December 2009	
Opening net book value	**26,072**
Additions	**537**
Amortisation charge	**(558)**
Closing net book value	**26,051**
As at 31 December 2009	
Cost	**27,190**
Accumulated amortisation	**(1,139)**
Net book value	**26,051**

8. INTANGIBLE ASSETS - GROUP

	Patents RMB'000	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2008				
Opening net book value	19,518	76,886	2,668	99,072
Additions	5,131	—	2,286	7,417
Adjustment	—	30,000	—	30,000
Acquisition of subsidiaries	—	158,811	—	158,811
Amortisation charge	(4,109)	—	(5)	(4,114)
Closing net book value	20,540	265,697	4,949	291,186
As at 31 December 2008				
Cost	25,334	265,697	4,956	295,987
Accumulated amortisation and impairment	(4,794)	—	(7)	(4,801)
Net book value	20,540	265,697	4,949	291,186
Year ended 31 December 2009				
Opening net book value	**20,540**	**265,697**	**4,949**	**291,186**
Additions	**24,935**	**—**	**566**	**25,501**
Amortisation charge	**(4,109)**	**—**	**(491)**	**(4,600)**
Closing net book value	**41,366**	**265,697**	**5,024**	**312,087**
As at 31 December 2009				
Cost	**50,269**	**265,697**	**5,522**	**321,488**
Accumulated amortisation and impairment	**(8,903)**	**—**	**(498)**	**(9,401)**
Net book value	**41,366**	**265,697**	**5,024**	**312,087**

Goodwill is allocated to the cash-generating units (CGUs) of the Group identified according to their operations. Before 2009, the carrying amount of goodwill is allocated to Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, 'Hinen-Hitech'), Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技有限公司, 'Huarme'), Jilin Dongxin Oil Engineering Technology Co., Ltd. (吉林東新石油工程技術有限公司, 'Jilin Dongxin') and Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司, 'Shandong Precede'). As the businesses developed in 2009, the carrying amount of goodwill is newly allocated to screen business and the other two subsidiaries, Jilin Dongxin and Shandong Precede.

8. INTANGIBLE ASSETS - GROUP *(Continued)*

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

As at 31 December 2009 and 31 December 2008	Down-hole operation technology RMB'000	Well completion technology RMB'000	Total RMB'000
Jilin Dongxin	26,325	—	26,325
Shandong Precede	—	132,486	132,486
Screen business	—	106,886	106,886
	26,325	239,372	265,697

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using zero growth rates.

The key assumptions used for value-in-use calculations in 2009 are as follows:

	Down-hole operation technology	Well completion technology	
As at 31 December 2009	**Jilin Dongxin**	**Shandong Precede**	**Screen business**
Gross margin	**22.96%**	**53.44%**	**50.57%**
Discount rate	**13.00%**	**13.00%**	**15.00%**

The key assumptions used for value-in-use calculations in 2008 are as follows:

	Down-hole operation technology	Well completion technology	
As at 31 December 2008	Jilin Dongxin	Shandong Precede	Hinen-Hitech
Gross margin	53.45%	56.34%	48.92%
Discount rate	15.00%	15.00%	20.00%

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

Based on the assessments, no goodwill was impaired as at 31 December 2009.

9. INVESTMENT IN SUBSIDIARIES - COMPANY

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**2,862,439**	2,862,439
Amounts due from a subsidiary*	**686,216**	686,216
Share option granted to employees of subsidiaries	**2,757**	—
	3,551,412	3,548,655

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

As at 31 December 2009, the Company directly or indirectly held equity interests in the following subsidiaries, all of which are unlisted and limited liability companies:

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Directly held:				
Pure Energy Investments Limited ('Pure Energy')	Hong Kong, Limited liability company, 17 August 2007	HK$100	100%	Investment holding
Anton Oilfield Services International Company Limited ('Anton International')	Hong Kong , Limited liability company, 17 July 2008	HK$10,000	100%	Oilfield services and sales of equipment
Indirectly held:				
Hinen-Hitech	Beijing, the PRC, Limited liability company, 18 September 2000	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Beijing Foyou Engineering Technology Limited（北京佛友工程技術有限責任公司, 'Foyou Tech'）	Beijing, the PRC, Limited liability company, 12 December 2000	RMB5,100,000	100%	Oilfield services
Jilin Dongxin	Jilin Province, the PRC, Limited liability company, 1 September 2001	RMB5,500,000	100%	Oilfield servicesand sales of production equipment
Anton Oilfield Services (Group) Limited（安東石油技術（集團）有限公司, 'Anton Oil'）	Beijing, the PRC, Limited liability company, 28 January 2002	US$131,000,000	100%	Oilfield services and sales of equipment
Xinjiang Tong'ao Oilfield Services Limited（新疆通奧油田技術服務有限公司, 'Xinjiang Tong'ao'）	Xinjiang Uygu Autonomous Region, the PRC, Limited liability company, 21 February 2002	RMB51,000,000	100%	Oilfield services
Beijing Anton Fenglei Machinery Company Limited（北京安東風雷機械有限責任公司, 'Anton Fenglei'）	Beijing, the PRC, Limited liability company, 24 February 2004	RMB1,100,000	100%	Oilfield services
Beijing Tongsheng Well Engineering and Technology Limited（北京通盛威爾工程技術有限公司, 'Tongsheng Well'）	Beijing, the PRC, Limited liability company, 24 December 2004	RMB11,000,000	100%	Oilfield services
Anton Tong'ao Technological Products Limited（安東通奧科技產業有限公司, 'Anton Tong'ao'）	Xinjiang Uygur Autonomous Region, the PRC, Limited liability company, 15 December 2005	RMB60,000,000	100%	Manufacturing of rod casing

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Huarme	Beijing, the PRC, Limited liability company, 17 April 2006	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment
Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油科技發展有限公司, 'Cangzhou Hinen-Hitech')	Cangzhou, Hebei Province, the PRC, Limited liability company, 22 June 2006	RMB3,500,000	66.67%	Manufacturing and sales of petroleum drilling and sand control equipment
Beijing Anton Oil Machine Technology Limited (北京安東石油機械技術有限公司, 'Anton Machine') Formerly named Beijing Anton New Materials Technology Limited (北京安東新材料技術有限公司, 'Anton New Materials')	Beijing, the PRC, Limited liability company, 29 September 2006	RMB10,000,000	100%	Research and development of new materials and technology
Xinjiang Foyou Oil Engineering Construction Limited (新疆佛友石油工程建設有限責任公司, 'Xinjiang Foyou')	Xinjiang Uygur Autonomous Region, the PRC, Limited liability company, 22 December 2006	RMB35,000,000	100%	Oilfield services
Anton Energy Services Corp.	Canada, Limited liability company, 14 August 2007	USD$100,000	100%	Sales and leasing of drilling equipments

9. INVESTMENT IN SUBSIDIARIES - COMPANY *(Continued)*

Company name	Place and date of incorporation and type of legal entity	Registered capital	Equity interest held by the Group	Principal activities
Indirectly held: *(Continued)*				
Shandong Precede	Shandong Province, the PRC, Limited liability company, 2 September 2008	RMB12,000,000	75%	Oilfield services and sales of production equipment
Roxxon Industry Group Limited ('Roxxon Hong Kong')	Hong Kong, Limited liability company, 11 September 2008	HKD10,000	100%	Oilfield services
Dongying Precede Well Completion and Sand Prevention Engineering Technology Research Centre (東營市普瑞斯德完井防砂工程技術研究中心, 'Dongying Research Centre')	Shandong Province, the PRC, Limited liability company, 10 November 2008	RMB100,000	100%	Research and development of Oilfield Well Completion Technology
Qingdao Precede Oil Technology Limited (青島普瑞思德石油技術有限公司, 'Qingdao Precede')	Shandong Province, the PRC, Limited liability company, 22 January 2009	RMB1,000,000	100%	Oilfield services and sales of production equipment
Anton International Kazakhstan Ltd. ('Anton HSK')	Kazakhstan, Limited liability company, 31 March 2009	US$1,000	100%	Oilfield services
Anton International FZE Ltd. ('Anton Dubai')	Dubai, Limited liability company, 12 April 2009	US$7,300,000	100%	Oilfield services
Sichuan Anton Oil Gas Engineering and Technology Services Ltd. (四川安東油氣工程技術服務有限公司' Sichuan Anton')	Sichuan Province, the PRC, Limited liability company, 14 July 2009	RMB30,000,000	100%	Oilfield services and sales of production equipment
Anton Oilfield Services Africa Co., Ltd. ('Anton Sudan')	Sudan, Limited liability company, 9 September 2009	US$1,000,000	100%	Oilfield services

10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY - GROUP

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

	2009 **RMB'000**	2008 RMB'000
As at 1 January	**51,629**	34,109
Addition	**—**	16,380
Share of (loss) / profit	**(961)**	1,351
Share of reserve	**—**	(211)
As at 31 December	**50,668**	51,629

Company name	**Place and date of incorporation and type of legal entity**	**Registered capital**	**Equity interest held by the Group**	**Principal activities**
Northern Heavy	Inner Mongolia, the PRC, limited liability company, 30 October 2007	RMB100,000,000	50%	Manufacturing and sales of drill collars and heavy-weight drill pipes

10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY - GROUP *(Continued)*

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Assets:		
Non-current assets	**78,462**	54,307
Current assets	**125,432**	110,562
	203,894	164,869
Liabilities:		
Non-current liabilities	**798**	—
Current liabilities	**96,105**	61,611
	96,903	61,611
Minority interests	**5,655**	—
Net assets	**106,991**	103,258
Income	**514,335**	407,912
Expenses	**(516,411)**	(405,210)
(Loss) / profit after income tax	**(2,076)**	2,702
Minority interests	**154**	—
Joint venture's commitments	**14,277**	14,404

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

11. INVENTORIES - GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Raw materials	**70,436**	45,221
Work-in-progress	**12,836**	10,856
Finished goods	**127,221**	146,105
Spare parts and others	**1,120**	409
	211,613	202,591

As at 31 December 2009 and 2008, all inventories were stated at cost.

12. TRADE AND NOTES RECEIVABLES - GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade receivables, net (Note (a))	**417,974**	443,343
Notes receivables (Note (b))	**12,011**	9,882
	429,985	453,225

Note:

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
1 - 6 months	**232,790**	323,065
6 months - 1 year	**87,181**	85,995
1 – 2 years	**99,297**	31,594
2 – 3 years	**3,604**	5,427
Over 3 years	**2,319**	962
Trade receivables, gross	**425,191**	447,043
Less: Impairment of receivables	**(7,217)**	(3,700)
Trade receivables, net	**417,974**	443,343

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

(c) As at 31 December 2009, RMB410,877,000 (31 December 2008: RMB409,837,000) and RMB19,108,000 (31 December 2008: RMB43,388,000) of trade and notes receivables were denominated in RMB and US$, respectively.

(d) The fair values of trade and notes receivables approximated their carrying values due to the short maturity.

12. TRADE AND NOTES RECEIVABLES - GROUP *(Continued)*

Note: *(Continued)*

(e) Most of the trade receivables are with credit terms of six months, except for retention money which would be collected one year after the completion of the sales.

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

	RMB'000
As at 1 January 2008	6,957
Acquisition of subsidiaries	801
Additions	1,938
Reversed	(5,168)
Written off	(828)
As at 31 December 2008	3,700
Additions	9,261
Written off	(3,762)
Dispose of a subsidiary	(1,982)
As at 31 December 2009	7,217

13. PREPAYMENTS AND OTHER RECEIVABLES - GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers	**56,297**	44,929	**—**	—
Entrusted loans (Note (a))	**—**	83,820	**—**	—
Structured deposits (Note (b))	**—**	40,000	**—**	—
Other receivables	**26,212**	26,008	**476**	593
Amounts due from subsidiaries (Note (c))	**—**	—	**120,311**	85,397
	82,509	194,757	**120,787**	85,990

13. PREPAYMENTS AND OTHER RECEIVABLES - GROUP AND COMPANY *(Continued)*

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

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 - 6 months	**50,824**	96,052	**100,476**	67,378
6 months - 1year	**19,568**	88,604	**20,311**	18,612
1 - 2 years	**6,701**	8,343	**—**	—
2 - 3 years	**6,354**	1,201	**—**	—
Over 3 years	**1,552**	557	**—**	—
Prepayments and other receivables, gross	**84,999**	194,757	**120,787**	85,990
Less: Impairment of prepayments and other receivables (Note (d))	**(2,490)**	—	**—**	—
Prepayments and other receivables, net	**82,509**	194,757	**120,787**	85,990

Note:

(a) Anton Oil entered into two entrusted loan contracts with a bank as at 31 December 2008. The two contracts, which have a total principal amount of RMB81,000,000, borne interest at 5.6% and 5.7% per annum with maturity dates on 20 January 2009 and 29 May 2009, respectively. Counterparties of the contracts are Chongqing Metro Corporation and Beijing Fengtai Comprehensive Investment Corp. Both of the entrusted loans were guaranteed by the China Development Bank and repaid in full in 2009.

(b) Anton Oil entered into a short-term structured deposit contract with Agricultural Bank of China in 2008. The structured deposit had a principal amount of RMB40,000,000, bearing interest at 6.625% per annum, and a maturity date on 11 September 2009.

(c) Amounts due from subsidiaries are unsecured, non-interest bearing and payable on demand.

(d) Movements of impairment of prepayments and other receivables are as follows:

	RMB'000
As at 31 December 2008	—
Additions	2,490
As at 31 December 2009	2,490

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**33,859**	–	**33,859**	–
Additions (Note)	**10,000**	51,943	**—**	51,943
Revaluation loss	**(441)**	(18,084)	**(441)**	(18,084)
Disposals	**(43,418)**	–	**(33,418)**	–
As at 31 December	**—**	33,859	**—**	33,859

Note:

The additions to financial assets at fair value through profit or loss in 2009 represent an investment fund managed by Industrial and Commercial Bank of China Limited. This investment was purchased on 25 March 2009 with a principal amount of RMB10,000,000 and was disposed on 16 September 2009. The investment fund mainly invests in government bonds, central bank notes and other money market instruments of relatively lower risk. Anton Oil received dividends with a total amount of RMB106,000, which is recorded in 'other gains / (losses), net'.

The financial assets at fair value through profit or loss as at 31 December 2008 included four unlisted US$ denominated security investment contracts entered into by the Company in July and August 2008, which are linked to the Hang Seng index with one year maturity. The principal of the financial assets at fair value through profit or loss was US$7,600,000 (equivalent to RMB51,943,000) in total and the fair value was US$4,954,092 (equivalent to RMB33,859,000) as at 31 December 2008 based on the underlying index. These financial assets had been disposed in 2009.

15. CASH AND BANK – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Restricted bank deposits (Note (a))	**3,120**	–	**—**	–
Term deposits with initial terms of over three months (Note (b))	**67,609**	115,109	**—**	–
Cash and cash equivalents				
– Cash on hand	**630**	733	**—**	–
– Deposits in bank	**272,329**	307,185	**27,524**	37,891
	343,688	423,027	**27,524**	37,891

Note:

(a) As at 31 December 2009, amounting to RMB1,000,000 were pledged to bank for issued notes payable. The other restricted bank deposits were cash deposit for letter of credit. The effective interest rate on restricted bank deposits was 1.98% per annum, with an average maturity of 180 days.

(b) As at 31 December 2009, the effective interest rate on term deposits with initial terms of over three months ranged from 1.71% to 2.25% per annum (31 December 2008: 2.88% to 4.14% per annum); and these deposits have an average maturity of 216 days (31 December 2008: 191 days).

Cash and bank were denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**292,560**	375,932	**—**	–
US$	**43,815**	44,815	**26,465**	35,689
HK$	**1,068**	2,202	**1,059**	2,202
Others	**6,245**	78	**—**	–
	343,688	423,027	**27,524**	37,891

16. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	Authorised	
	Number of shares	HKD'000
As at 31 December 2008	3,500,000,000	350,000
As at 31 December 2009	3,500,000,000	350,000

	Number of shares issued and fully paid of HK$0.1 each	HKD'000	Share capital RMB'000
As at 31 December 2007	2,067,250,000	206,725	195,006
Net proceeds from over-allotment share issue (Note(i))	25,804,000	2,580	2,405
As at 31 December 2008	2,093,054,000	209,305	197,411
As at 31 December 2009	2,093,054,000	209,305	197,411

Note:

(i) Over-allotment shares were issued by the Company at HK$1.88 per share on 9 January 2008. The resulting share capital and share premium (net of share issue expenses) amounted to RMB2,405,000 and RMB39,407,000, respectively.

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

(b) Share options

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

	Average exercise price in HK dollar per share	Number of share options (thousands)
As at 31 December 2007		86,025
Granted (on 3 February 2008)	1.634	12,350
Granted (on 27 October 2008)	0.62	6,000
Forfeited	1.634	(350)
As at 31 December 2008		104,025
Granted (on 29 April 2009)	0.684	31,100
Forfeited		(18,421)
Expired		(75,000)
As at 31 December 2009		41,704

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

(b) Share options *(Continued)*

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

Expiry date	Exercise price HK dollar per share	Number of share options (thousands) As at 31 December 2009
31 July 2010	1.04	3,244
2 February 2012	1.634	9,850
16 October 2012	1.04	210
28 April 2013	0.684	28,400
		41,704

The fair value of the options granted during the year ended 31 December 2009 is determined using the Black-Scholes Option Pricing Model. The major assumptions used in the pricing model were the exercise price shown above; current stock price of HK$0.65 per share; expected dividend yield of 1.0%; maturity years ranging from 2.0 to 3.5 years, risk-free rate ranging from 0.70% to 1.34%; annualised volatility ranging from 65.78% to 75.28%.

The total expense recognised in the income statement for the year ended 31 December 2009 for share options amounted to RMB15,357,000 (year ended 31 December 2008: RMB35,403,000), with a corresponding amount credited in capital reserve.

18,421,000 share options granted were forfeited as a result of staff turnover during the year ended 31 December 2009.

17. RESERVES

(a) Reserves

	Group					
	Share premium	Capital reserve	Statutory reserve	Retained earnings	Exchange differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007	647,511	277,016	20,858	244,503	(235)	1,189,653
Profit for the year	—	—	—	68,463	—	68,463
Issue of new shares (Note 16(a)(i))	42,813	—	—	—	—	42,813
Share issue expenses (Note 16(a)(i))	(3,406)	—	—	—	—	(3,406)
Share option scheme	—	35,403	—	—	—	35,403
Acquisition of subsidiaries	—	(10,535)	—	—	—	(10,535)
Share of reserve of a jointly controlled entity	—	(211)	—	—	—	(211)
Transfer to statutory reserves (b)	—	—	4,093	(4,093)	—	—
Exchange differences	—	—	—	—	(96)	(96)
As at 31 December 2008	686,918	301,673	24,951	308,873	(331)	1,322,084
Profit for the year	**—**	**—**	**—**	**32,020**	**—**	**32,020**
Share option scheme	**—**	**15,357**	**—**	**—**	**—**	**15,357**
Capital injection by minority shareholders (Note (i))	**—**	**1,576**	**—**	**—**	**—**	**1,576**
Transfer to statutory reserves (b)	**—**	**—**	**5,817**	**(5,817)**	**—**	**—**
Dividends (Note (ii))	**(57,000)**	**—**	**—**	**—**	**—**	**(57,000)**
Exchange differences	**—**	**—**	**—**	**—**	**(83)**	**(83)**
As at 31 December 2009	**629,918**	**318,606**	**30,768**	**335,076**	**(414)**	**1,313,954**

Note:

(i) The capital injection in 2009 represents the additional capital injections in Shandong Precede made by minority shareholders in the form of property, plant and equipment.

(ii) On 24 March 2009, the directors proposed a final dividend of RMB57,000,000 for the year ended 31 December 2008, which is to be paid out of the share premium account of the Company. This dividend was approved by the shareholders at the Annual General Meeting on 26 May 2009 and settled by cash in 2009.

17. RESERVES *(Continued)*

(a) Reserves *(Continued)*

	Company			
	Share premium	**Capital reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007	647,511	2,873,098	(11,119)	3,509,490
Issue of new shares (Note 16(a)(i))	42,813	—	—	42,813
Share issue expenses (Note 16(a)(i))	(3,406)	—	—	(3,406)
Share option scheme	—	35,403	—	35,403
Loss for the year	—	—	(94,782)	(94,782)
As at 31 December 2008	686,918	2,908,501	(105,901)	3,489,518
Share option scheme	**—**	**15,357**	**—**	**15,357**
Proft for the year	**—**	**—**	**34,738**	**34,738**
Dividends	**(57,000)**	**—**	**—**	**(57,000)**
As at 31 December 2009	**629,918**	**2,923,858**	**(71,163)**	**3,482,613**

(b) Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For the year ended 31 December 2009, 10% of statutory net profit of each entity registered in the PRC was appropriated to this reserve. This reserve is non-distributable.

18. SHORT-TERM BORROWINGS

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Unsecured bank borrowings	**50,000**	7,000

As at 31 December 2009, all short-term bank borrowings were denominated in RMB, with interest rates of 4.779% per annum (31 December 2008: 4.374% to 5.589%).

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

As at 31 December 2009, undrawn bank borrowing facilities of the Group amounted to approximately RMB436 million (as at 31 December 2008: RMB163 million).

19. TRADE AND NOTES PAYABLES - GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade payables	**78,921**	89,856
Trade payables to a related party (Note 32(c))	**9,693**	4,542
Notes payables	**14,524**	29,147
	103,138	123,545

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Less than 1 year	**93,763**	115,563
1 - 2 years	**6,961**	6,593
2 - 3 years	**1,406**	868
Over 3 years	**1,008**	521
	103,138	123,545

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

20. ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Customer deposits and receipts in advance	1,952	1,368	—	—
Accrued expenses	5,619	23,980	2,300	2,400
Payroll and welfare payable	8,542	8,248	31	—
Taxes other than income taxes payable (Note (a))	26,867	69,904	—	—
Consideration for acquisition of subsidiaries	17,960	95,163	—	—
Amounts due to subsidiaries (Note (b))	—	—	15,729	15,440
Others	16,955	17,271	1,639	1,626
	77,895	215,934	19,699	19,466

Note:

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

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

21. DEFERRED INCOME TAX - GROUP

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	639	532
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	1,782	1,782
– Deferred tax liabilities to be settled within 12 months	697	3,625
	2,479	5,407

21. DEFERRED INCOME TAX - GROUP *(Continued)*

Deferred tax liabilities:

	Acquisition of subsidiaries RMB'000	Withholding tax from investment income RMB'000	Total RMB'000
As at 31 December 2007	5,045	—	5,045
Remeasurement of deferred tax – change in PRC tax rate due to entitlement of tax holiday approved in 2008	(1,596)	—	(1,596)
(Credited) / charged to the income statement	(1,042)	3,000	1,958
As at 31 December 2008	2,407	3,000	5,407
Payment of withholding Tax	—	(3,000)	(3,000)
(Credited) / charged to the income statement	(625)	697	72
As at 31 December 2009	1,782	697	2,479

Deferred tax assets:

	Tax losses RMB'000	Impairment provision of trade receivables and inventories RMB'000	Total RMB'000
As at 31 December 2007	646	2,206	2,852
Remeasurement of deferred tax – changed in PRC tax rate due to entitlement of tax holiday approved in 2008	—	(355)	(355)
Charged to the income statement	(646)	(1,319)	(1,965)
As at 31 December 2008	—	532	532
Credited to the income statement	—	107	107
As at 31 December 2009	—	639	639

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2009, the Group did not recognise deferred income tax assets of RMB2,389,000 (31 December 2008: RMB983,000) in respect of losses amounting to RMB13,049,000 (31 December 2008: RMB3,930,000) that can be carried forward against taxable income as certain subsidiaries are not expected to generate enough profit to utilise such tax loss credit in the future years.

22. REVENUE

Revenue by category is analysed as the following:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Sales of goods	**493,369**	502,688
Sales of services	**196,661**	260,578
	690,030	763,266

23. EXPENSE BY NATURE

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

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
(Gains) / Losses on disposal of property, plant and equipment	**(126)**	135
Addition for impairment of receivables	**11,751**	1,938
Reversal for impairment of receivables	**—**	(5,168)
Written off trade receivables	**(3,762)**	(828)
Sales tax and surcharges	**13,547**	7,321
Depreciation	**29,389**	21,067
Amortisation of intangible assets and land use rights	**5,158**	4,655
Auditor's remuneration	**3,300**	3,700

24. OTHER GAINS / (LOSSES), NET

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Government grants and subsidies	**1,632**	—
Financial assets at fair value through profit or loss (Note 14):		
– fair value loss	**(441)**	(18,084)
Income from entrusted loans and structured deposits	**3,068**	3,490
Others	**(511)**	43
	3,748	(14,551)

25. FINANCE INCOME / (COSTS), NET

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest income	**3,403**	18,015
Interest expenses on bank borrowings	**(474)**	(4,497)
Exchange loss, net	**(683)**	(50,538)
Bank surcharges and others	**(445)**	(663)
	1,801	(37,683)

26. STAFF COSTS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages, salaries and allowances	**92,812**	81,255
Housing subsidies (Note (a))	**2,130**	2,404
Contributions to pension plans (Note (b))	**4,027**	3,126
Share option costs (Note 16(b))	**15,357**	35,403
Welfare and other expenses	**814**	3,955
	115,140	126,143

Note:

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

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

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

26. STAFF COSTS *(Continued)*

(c) Emoluments of directors and five highest paid individuals

The remuneration of every director for the year ended 31 December 2009 is set out below:

	For the year ended 31 December 2009				
Directors	**Fees**	**Basic Salaries and Allowances**	**Bonus**	**Retirement benefits and others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Luo Lin	**—**	**845**	**—**	**15**	**860**
Ma Jian	**—**	**754**	**—**	**21**	**775**
Pan Weiguo	**—**	**754**	**—**	**21**	**775**
Wang Mingcai*	**300**	**—**	**—**	**—**	**300**
Zhu Xiaoping*	**300**	**—**	**—**	**—**	**300**
Zhang Yongyi*	**300**	**—**	**—**	**—**	**300**
	900	**2,353**	**—**	**57**	**3,310**

* 5,400,000 share options were granted to three independent non-executive directors in February 2008 and April 2009,respectively, with total expense recognised in the income statement for the year ended 31 December 2009 amounted to RMB782,000 (for the year ended 31 December 2008: RMB1,159,000) which are not included in this summary.

	For the year ended 31 December 2008				
Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin	—	845	—	15	860
Ma Jian	—	754	—	21	775
Pan Weiguo	—	754	—	21	775
Wang Mingcai	300	—	—	—	300
Zhu Xiaoping	300	—	—	—	300
Zhang Yongyi	300	—	—	—	300
	900	2,353	—	57	3,310

26. STAFF COSTS *(Continued)*

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the other two (2008: two) individuals during the year are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,343**	1,862
Contributions to pension schemes	**18**	20
	1,361	1,882

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emoluments bands		
RMB nil – RMB 1,000,000	**2**	1
RMB 1,000,000 – RMB 1,500,000	**—**	1
	2	2

(e) During the years ended 31 December 2009 and 2008, no directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

27. 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 2009 (for the year ended 31 December 2008: 25%), based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates as detailed below. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

Pursuant to New and High Technology Enterprises Certificate issued by the Science and Technology Committee, the Finance Bureau of Beijing, the State Tax Bureau of Beijing City, Beijing Local Taxation Bureau and Guo Fa [2007] No. 39, Anton Oil, Tongsheng Well, Hinen-Hitech, being New and High Technology Enterprises and domiciled in New and High Technology Areas, have been granted a preferential rate of 15% and a tax holiday of 3-year exemption, starting from their first operating year, followed by a 50% reduction of the preferential rate from the fourth to the sixth year.

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

Pursuant to Guo Shui Zi [2009] No. 1 issued by the State Tax Bureau of Luntai County, Xinjiang Uygur Autonomous Region, as a enterprise set up in the western area of the PRC, Xinjiang Tong'ao has been granted a preferential rate of 15% from 2007 to 2010.

Pursuant to New and High Technology Enterprises Certificate issued by the Science and Technology Committee, the Finance Bureau of Shandong Province, the State Tax Bureau of Shandong Province, Shandong Province Local Taxation Bureau and Lu Ke Gao Zi [2009] No. 202, Shandong Precede being New and High Technology Enterprises, have been granted a preferential rate of 15% from 2009 to 2011.

27. INCOME TAX EXPENSE *(Continued)*

The applicable EIT tax rates of the Group companies during the years ended 31 December 2009 and 2008 are detailed as follows:

	Year ended 31 December	
	2009	2008
The Company	**—**	—
Anton Oil	**15%**	15%
Foyou Tech	**25%**	25%
Xinjiang Tong'ao	**15%**	25%
Anton Fenglei	**25%**	25%
Tongsheng Well	**7.5%**	7.5%
Anton Tong'ao	**—**	—
Anton Machine	**25%**	25%
Xinjiang Foyou	**Note**	Note
Hinen-Hitech	**15%**	15%
Cangzhou Hinen-Hitech	**25%**	25%
Huarme	**25%**	—
Jilin Dongxin	**25%**	25%
Shandong Precede	**15%**	25%
Anton Energy Services Corp.	**29.5%**	29.5%
Anton International	**16.5%**	17.5%
Pure Energy	**16.5%**	17.5%
Qingdao Precede	**25%**	—
Dongying Research Centre	**25%**	—
Anton HSK	**20%**	—
Anton Dubai	**—**	—
Sichuan Anton	**25%**	—
Anton Sudan	**—**	—
Roxxon Hong Kong	**16.5%**	—

Note:

Pursuant to Guo Shui Zi [2008] No. 001 issued by the State Tax Bureau of Bazhou Technical Economic Development Area, Korla, Xinjiang Uygur Autonomous Region, the EIT of Xinjiang Foyou is levied at 25% of the approved taxable income which is calculated as total revenue multiplied by 8%.

27. INCOME TAX EXPENSE *(Continued)*

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Current income tax		
– PRC income tax	**(669)**	30,772
– Other	**1,429**	(181)
Deferred income tax (Note 21)		
– Deferred tax relating to the origination and reversal of temporary differences	**(35)**	3,923
– Deferred tax resulting from a decrease in PRC tax rate	**—**	(1,241)
	725	33,273

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

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**38,331**	105,418
Tax calculated at applicable tax rates	**15,790**	36,061
Preferential tax rates and tax exemption on the income of certain subsidiaries	**(6,362)**	(23,974)
(Gains) / Losses incurred by a company registered in Cayman Islands with zero tax rate	**(5,566)**	27,785
Income not subject to taxation	**(3)**	(12,189)
Expenses not deductible for taxation purposes	**4,139**	3,209
Tax losses for which no deferred income tax asset was recognised	**2,389**	983
Remeasurement of deferred tax – change in PRC tax rate due to entitlement of tax holiday approved in 2008	**—**	(1,241)
Withholding tax from investment income	**696**	3,000
EIT refund due to prior year tax holiday approved in current year	**(9,602)**	(361)
Additional deduction of research and development expense	**(756)**	—
Income tax expense	**725**	33,273

28. 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	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**32,020**	68,463
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,054**	2,092,488
Basic earnings per share (expressed in RMB per share)	**0.0153**	0.0327

(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 2009, 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 2009 to 31 December 2009) 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	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**32,020**	68,463
Weighted average number of ordinary shares in issue (thousands of shares)	**2,093,054**	2,092,488
Adjustments for assumed conversion of share options (thousands of shares) (Note)	**—**	13,760
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**2,093,054**	2,106,248
Diluted earnings per share (expressed in RMB per share)	**0.0153**	0.0325

Note: No adjustments for assumed conversion of share options for the year ended 31 December 2009 due to the assumed exercise prices were higher than the average market share price. Therefore there were no dilutive ordinary shares.

29. DIVIDENDS

On 22 March 2010, the Board of Directors recommended the payment of a final dividend of RMB0.0086 per ordinary share, totaling RMB18,000,000, 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.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**37,606**	72,145
Adjustments for:		
Property, plant and equipment		
–depreciation charge (Note 23)	**29,389**	21,067
–net (gain) / loss on disposals (Note 23)	**(126)**	135
Amortisation of land use rights and intangible assets (Note 23)	**5,158**	4,655
Addition / (reversal) of impairment of receivables (Note 23)	**7,989**	(4,058)
Charge of share option scheme (Note 26)	**15,357**	35,403
Fair value loss on financial assets at fair value through profit or loss (Note 24)	**441**	18,084
Investment gains from entrusted loans and structured deposits (Note 24)	**(3,068)**	(3,490)
Share of (loss) / profit of a jointly controlled entity	**961**	(1,351)
Net foreign exchange loss (Note 25)	**683**	50,538
Interest income (Note 25)	**(3,403)**	(18,015)
Interest expenses on bank borrowings (Note 25)	**474**	4,497
Income tax expense	**725**	33,273
Changes in working capital:		
Inventories	**(12,229)**	(67,464)
Trade and notes receivables	**14,685**	(121,580)
Prepayments and other receivables	**5,943**	(22,742)
Trade and notes payables	**(2,663)**	46,287
Accruals and other payables	**(31,715)**	(9,959)
Net cash inflows from operations	**66,207**	37,425

31. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**—**	1,407
	—	1,407

(b) Operating lease commitments – where the Group is the leasee:

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
No later than 1 year	**5,819**	7,697
1 to 2 years	**6,097**	5,189
2 to 3 years	**3,940**	5,467
3 to 4 years	**611**	3,940
4 to 5 years	**—**	611
	16,467	22,904

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group are also considered as related parties.

(a) The following companies and persons are related parties of the Group during the year ended 31 December 2009 and 2008:

Names of related parties	Nature of relationship
Anton Oilfield Services Holdings Company ('Anton Holdings')	Controlled by the same ultimate controlling party
Northern Heavy	Jointly controlled entity of Anton Oil

(b) Transactions with related parties

Save as disclosed elsewhere in this report, during the year ended 31 December 2009, the following transactions were carried out with related parties:

	Year ended 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchases of goods				
Northern Heavy (i)	**71,316**	78,028	**—**	—
Sales of goods				
Northern Heavy (i)	**1,791**	1,068	**—**	—
Payments of the Group on behalf of related parties				
Anton Holdings	**—**	4,758	**—**	4,758
	—	4,758	**—**	4,758

Note:

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

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December			
	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payable				
Northern Heavy (Note 19)	**9,693**	4,542	**—**	—

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

(d) Key management compensation

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**5,549**	8,025
Pension scheme	**74**	100
Share-based payments	**988**	3,973
	6,611	12,098

33. SUBSEQUENT EVENTS

(1) On 22 March 2010, the directors of the Company proposed to distribute RMB18,000,000 dividend for the year ended 31 December 2009. This dividend is subject to the approval of shareholders at the annual general meeting.

(2) In February 2010, Anton Oilfield Services Overseas Kish, a wholly owned subsidiary of Anton Dubai was set up in Kish Island, Iran, with a registered capital of approximately US$1,000,000.