

[For Immediate Release]



## Antonoil Announces 2011 Annual Results

**Revenue up by 32.4% to RMB1.26 billion**

**Oil and gas field development technical services registered strong growth**

(Hong Kong, March 25, 2012) Anton Oilfield Services Group ("Antonoil" or the "Group", HKEx stock code: 3337) is pleased to announce its annual results for the year ended December 31, 2011.

In 2011, benefitting from the steady development of the domestic natural gas market and the rapid growth in the overseas markets, the Group saw its total revenue amounted to approximately RMB1,258.9 million, up 32.4% compared to the same period of 2010. Operating profit increased by 20.3% year-on-year to RMB174.9 million. Profit attributable to equity holders of the Company amounted to RMB77.3 million, representing a decrease of 33.8% year-on-year. This was mainly due to the investment loss of RMB14.3 million resulting from the loss of RMB28.6 million attributable to Northern Heavy Anton Machinery Manufacturing Co., Ltd. ("Northern Heavy Anton"), the Group's joint-venture company engaging in tubular manufacturing and the provision for impairment loss of RMB31.9 million made to reduce risk exposure. Earnings per share were RMB0.0369. The Board of Directors recommended a dividend of RMB0.0170 per share for the year ended 31 December 2011.

During the year, the Group strengthened its management of receivables recovery. The average trade receivables turnover days recorded a decrease of 17 days to 178 days as compared to the same period of 2010. Cashflow from the Group's operating activities reached a record high, representing a significant increase of RMB194.4 million to approximately RMB220.4 million, reflecting the effectiveness of the Group's campaign to enhance the collection of account receivables implemented since the fourth quarter.

**Mr. LUO Lin, Chairman of Antonoil** said, "Benefitting from the steady growth of the domestic natural gas market, rapid expansion in the overseas market and the enlarged market share of its core products and services, the Group maintained its strong growth in 2011. With the broad application of our technologies in the development of conventional gas, tight gas, shale gas and coal-bed methane gas – which provide effective solutions for production enhancement and engineering difficulties, as the golden age of natural gas development approaches, the Group faces tremendous market opportunities. Due to the successful implementation of its 'follow-up' strategy, Antonoil has become the major

technical partner of Chinese investors in the Middle East, Central Asia, the Americas and Africa. Together, these developments have achieved greater economies of scale for the Group's integrated technical services both at home and abroad.”

#### **Steady growth in domestic market with prominence in natural gas development**

The Group's market strategy of focusing on natural gas in the domestic market yielded significant results in 2011, with revenue up 22.9% year-on-year to RMB971.6 million, accounting for 77.2% of the Group's total revenue. The Group recorded steady growth in major gas-producing basins, including the Erdos Basin, the Sichuan Basin and the Tarim Basin. In the Sichuan Basin and Erdos Basin, the Group promoted its multistage fracking services and directional well services for production enhancement, the Group also signed long-term strategic agreements with its customers to secure stable long-term orders. In the Tarim Basin, the Group offers integrated drilling and directional drilling services to tackle the engineering difficulties. In the past year, with constantly growing market share, the Group consolidated its technological leadership in providing solutions for production enhancement and engineering difficulties of natural gas.

#### **Rapid growth in overseas markets realizing the effective “follow-up” strategy**

The Group's revenue surged 79.6% year-on-year to RMB287.3 million, accounting for 22.8% of the Group's total revenue. Due to the robust demand for quick recovery of production capacity and expedited commencement of its production by Chinese investors in overseas markets, the Group's “follow-up” strategy successfully provided customized technical services to the target markets. As Chinese investors are pressed to elevate the production in the Middle East, the Group made strong revenue in the Middle East, accounting for 79.2% of the total revenue from overseas markets. Consequently, the Middle East has become the Group's largest overseas market. The sales revenue from the Middle East market accounted for the Group has entered into long-term exclusive technical service contracts with customers at the Al-Ahdab Oilfield in Iraq and has been selected as the main provider of technical services at the Halfaya Oilfield in Iraq, further driving the Group to develop stable and rapid growth in Iraq, signaling the success of Group's “follow-up” strategy.

#### **Core business in conjunction with a supplementary business to drive business growth**

In 2011, the Group continued to focus on its core business coupled with a supplementary business, whereby the Group made every effort to develop its principal business in oil and gas development technical services and to independently develop its supplementary business of tubular services. The Group has established multistage fracking services, coiled tubing services and directional well drilling services as its three best-performing services. Revenue of the three services increased by 72.1% year-on-year to RMB608.0 million, which accounted for 48.3% of the Group's total revenue.

Multistage fracking technology yielded significant results for production enhancement. The Group has made a number of breakthroughs, including becoming the supplier of the multistage fracking technology in the first shale gas horizontal well in China and the successful completion of several super long horizontal wells multistage fracking projects

domestically, which further improved the effectiveness of the Group's production enhancement technology.

Leveraging on the solid development of the Al-Ahdab market, the Group's coiled tubing services have been extended to the Halfaya Oilfield in Iraq. At the same time, the application of the technology had also been broadly promoted in China.

In terms of directional drilling, the Group stepped up its efforts in promoting technologies such as providing measurement while drilling ("MWD"), logging while drilling ("LWD"), rotary steerable drilling and geological steerable drilling. The Group not only further expanded its services in the Tarim Basin and the Sichuan Basin, but also providing its services to the Daqing and Jilin regions, thus booking a full workload. The Group also expanded its presence in the overseas markets by leveraging on its technology, which were successfully launched the Iraq and the Kazakhstan markets.

### **Strategic investments made to form integrated services capabilities**

The Group made its investments on the basis of its integrated service strategy for oil and gas field development centered around well-bore technologies. On the one hand, investments were made to build an integrated value chain along the drilling, well completion, down-hole operation and oil production areas. On the other hand, investments were made to integrate the supply chain for the operation, including a combination of design, tools, chemical materials and equipment. The Group's full-year industry investments focused on the directional drilling, drilling fluid, coiled tubing, tubular helium testing and pressure pumping service capacity as the core businesses in the future, with the objectives of increasing production and solving the customers' engineering problems so as to develop the construction of integrated services.

In light of the huge potential in the pressure pumping market, in August 2011, the Group ordered 10 sets of pressure pumping equipment and ancillary equipment with a total pressure pumping capacity of 20,000 hydraulic horsepower. Meanwhile, the Group is preparing to build the capability to supply its own tools and chemical materials in order to build integrated pressure pumping service capacity. Pressure pumping services is expected to become the Group's future growth engine.

### **Optimization of human resource structure boosts strategic talents reserves**

The Group adhered to the philosophy of 'Talents First'. In 2011, the Group formulated a mid-to-long term strategic plan for human resources development with a view to enhance its organisational structure and human resources structure and to enlarge its talent reserves. Through comprehensive performance evaluation, talents screening, recommendation and self-introduction, the Group gave additional resources to train those high-performing staff and core staff and also gave them reasonable promotion. During the period, the total number of technical service and marketing staff as a percentage of the Group's total number of employees reached 90.3% and the percentage of high-end staff and core positions continued to increase. Non-core staff were substantially converted to outsourcing contracts, leading to greater efficiency in human

resources.

**Mr. LUO** concluded that “In 2012, the Group is confident about the development of both domestic and overseas markets. In addition to speeding up the natural gas market layout and growing the market share in the natural gas area of China, the Group will also persist in its “follow-up” strategy as it provides services to customers who look to establish their production capacity and expedite the commencement of production. The Group will not only focus on growing the Middle East market and stabilizing the Central Asia and Africa markets, but will also nurture new markets in South America to enlarge its overseas revenue contribution. While adhering to a product strategy that emphasizes growth on technical services for oil and gas field development while independently developing tubular services, the Group strives to build an integrated value chain and supply chain to strengthen its competitive advantages. Together, it lays a solid foundation for the Group’s long-term development.”

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#### **About Anton Oilfield Services Group**

Anton Oilfield Services Group (HKEx stock code: 3337) is a leading independent oilfield services provider specializing in high-end oil and gas field development technical services. Its services and solutions cut across the drilling technology, well completion and down-hole operations during the exploration and production process. Its fast growth benefits from the expanding natural gas development in China and the Group's increasing presence in the overseas markets. To realize its strategic objective as a world-leading oilfield services provider with a solid footprint in China, Antonoil is committed to continuously strengthening its R&D capabilities and adding its talents reserves to its 1,000+ staff.

Antonoil is headquartered in Beijing and has more than 14 sales offices and six operations bases across China's onshore basins. The Group also has an international headquarters in Dubai and an extensive network across the Middle East, Central Asia, Africa, and Americas.

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