ANTON 安東

安東油田服務集團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

Announcement

Operational Update on the Third Quarter of 2014 and Outlook for the Fourth Quarter of 2014

The board of directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**", together with its subsidiaries, collectively the "**Group**") is pleased to announce the operational update and order backlog for the three months from 30 June 2014 to 30 September 2014 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE THIRD QUARTER OF 2014

In the Quarter, the domestic market underwent continued adjustments and the situation remained challenging. In the Tarim Basin, the Group saw steady growth in orders under the drilling fluid and completion fluid product line. In the Erdos Basin, the two drilling general contract projects secured by the Group in early 2014 through tendering commenced operations. The Group received stable fracturing general contract orders for the year and started continuous operations. The Group also successfully acquired new clients in the region. In the Sichuan Basin, despite difficult market conditions, the Group's oilfield waste management product line was able to move into new shale gas fields to pursue oil-based mud recycling projects. In other regions of the domestic market, the Group tapped into a new market and recorded revenue in Northern China. In Eastern China, the Group won another bid for integrated drilling service general contract with a non-SOE client, signifying client endorsement of the Group's rig-led integrated project management model. Land drilling service drove the Group to develop asset-light product lines and to form synergies. This has given a boost to the Group's business with non-SOE clients in domestic regions beyond the three basins.

Overseas, the Group was awarded the tender for service of two rigs in Southern Iraq, signifying its land drilling service has gained international recognition and overseas market entry. The successful delivery of land drilling service will likely bring strong earnings to this business line and help attract greater opportunities for the Group's other overseas business. In addition, the Group's production operation management product line added one additional Central Processing Facility (CPF) project in Iraq, marking the incipient large-scale development of this product line.

OPERATIONAL UPDATE ON THE THIRD QUARTER OF 2014

During the Quarter, the Group operated smoothly. Operational activities quickened under asset-light product lines such as oilfield waste management and down-hole chemical products and service. Equipment service-related product lines such as land drilling service and pressure pumping service maintained smooth operation.

In addition, in October, the two reservoir production management projects of shale gas well in Hubei and the tight oil well in the Subei Basin both completed drilling and proceeded to subsequent engineering service. Due to complex down-hole geological conditions, the above-mentioned two projects experienced engineering delays, yet they are currently progressing on track. The initial results look promising.

ORDERS IN THE THIRD QUARTER OF 2014

The Group recorded new orders of approximately RMB624.1 million awarded during the Quarter, among which approximately RMB272.6 million was attributed to new domestic orders and approximately RMB351.5 million to new overseas orders. Out of the major orders newly awarded, the Group won annual contracts in the Tarim Basin for its drilling fluid and completion fluid service. In the Erdos Basin, the Group acquired a pressure pumping general contract from a new client. In other domestic regions, the Group won a second bid for drilling general contract with a non-SOE client. In Iraq, the Group was awarded service orders for two rigs, signifying its land drilling service has gained client endorsement and official entry into the overseas market.

In addition, in October, the Group's workover service was contracted by projects located in a new market in the Northwest, with a contractual value in excess of RMB110 million. For the portion of the bid won by the Group, an estimated total of 16 workover rigs will be provided by the client and managed by a team from the Group. This arrangement created a new type of business relationship between an NOC and a private oilfield services firm. It will help the Group capture the excellent opportunities of the market opening-up in China, drive its other product lines to gradually moving into the region and secure a head-start ahead of a market recovery. In the Erdos Basin, the Group's stimulation and coiled tubing services won contracts in October for horizontal well open-hole multistage fracturing, coiled tubing-conveyed resettable packer multistage fracturing and coiled tubing bridge plug and perforation, in a total of three projects with a combined contractual value of approximately RMB32 million. These three projects are expected to commence within this year.

As at 30 September 2014, the order backlog of the Group was approximately RMB2,155.5 million, of which the order backlog in the domestic market was approximately RMB1,175.0 million, and the order backlog in the overseas market was approximately RMB980.5 million.

Notes:

- To better reflect its business model, the Group moved to disclosing quarterly operational data by the value of new orders awarded during each quarter and the value of order backlog at the end of each quarter and ceased to disclose quarterly operational data by well counts. The change in disclosure was effective from the first quarterly operational update of 2014.

- Order backlog is the estimated work volume available for future execution as at a certain date based on the judgment and calculation by the management with reference to the contracts and agreements entered into between the clients and the Group. New orders awarded are the increments in the order backlog during the Quarter. Order backlog is reduced when orders are fulfilled, and may also be adjusted by the management should an unexpected change in market conditions arises.

PROGRESS IN BUILDUP OF SERVICE CAPACITY IN THE THIRD QUARTER OF 2014

During the Quarter and as at the date of this Announcement, on alignment of regular equipment, the additional 25,000 HHP pressure pumping service capacity purchased in the first quarter of this year has all been deployed since its arrival in August. This brings the Group's total pressure pumping service capacity up to 102,000 HHP, basically in line with the Group's target. In terms of oilfield waste management service, the Group added one unit of oil-based mud treatment equipment and expanded into new shale gas markets in the Sichuan Basin and has already started offering service. On coiled tubing, one unit of coiled tubing equipment was delivered to the Group and successfully commenced operation in the northwestern region in China.

On human resources, the 1,000-plus graduate students recruited by the Group for this year have all reported to position and deployed to various engineering sites for on-the-job training. At the same time, graduate hire for 2015 has started with an estimated intake of 200-plus highly qualified graduates.

OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2014

Looking into the fourth quarter of 2014, the Group expects the domestic market to continue operating under a challenging environment with tailwinds from the operational model transformation of oil companies and market adjustments. Nevertheless, the Group foresees a peak of operation activities as oil companies come under pressure to meet their annual production targets and due to normal seasonality. Overseas, progress on projects in Iraq will likely materialize on track, further opportunities for development will present themselves, and business in the Americas will benefit to gain scale. The management team of the Group will further intensify efforts to "focus on the frontline" to take the Group forward on its quest in meeting its annual targets and pave the way for a prosperous 2015.

In the fourth quarter, with active management by the account receivables team and the expected peak of account settlement before year-end, the Group expects a marked improvement on account receivable turnover days compared with the first half of 2014.

In the fourth quarter, on service capacity building, the Group expects to add four sets of oil-based mud drill cutting treatment equipment to support the buildup of its oilfield waste management service.

In 2014, the domestic market is still in an adjustment period, and remains difficult and competitive and has led to downward pricing pressure. To address the market adjustment, the Group intensifies its effort to adjust its business, and committed more resources to the development of new business. Financing costs of the Group also increases significantly. The Group expects no significant growth in revenue of 2014 as compared with the same period in 2013, and the profits attributable to the equity holders of the Group may decline dramatically.

Disclaimer:

- *The above-mentioned information on operational updates is unaudited and is based on preliminary internal information of the Group, which due to various uncertainties arising during the contract signing process, execution progress and client plan etc., the above-mentioned quarterly operational updates may differ from the Group's periodic financial disclosures. Therefore, the quarterly operational updates in this Announcement only serve the purpose of periodic reference.*

- *The above-mentioned quarterly operational updates do not constitute nor should they be construed as invitations or offers to buy or sell any securities or financial instruments of the Group. Nor are they intended as the offer of any investment services or advices. Investors are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.*

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

Hong Kong, 27 October 2014

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