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ANTON 安東

安東油田服務集團
Anton Oilfield Services Group

(於開曼群島註冊成立之有限公司)

(股份代號：3337)

Announcement

Operational Update on the Second Quarter of 2019 and Outlook for the Third Quarter of 2019

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 1 April to 30 June 2019 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2019

During the Quarter, despite slight fluctuations in international crude oil prices, the Group’s domestic and overseas markets were unaffected and continued to maintain a positive upward trend. Domestically, on the basis of oil and gas development speeding-up in various key regional markets, the National Energy Administration organized a promotion meeting at the end of May to vigorously increase oil and gas exploration, further emphasizing that oil companies should solidly increase their exploration and development, fulfil their responsibilities of increasing reserves and production, and to complete the “Seven-Year Action Plan” for 2019-2025 without compromise to safeguard the long-term sufficient supply of oil and gas. The up-cycle for domestic oil service industry is more certain. Overseas, the Group’s key Iraqi market is actively building its capacity, and market development is active. The tension in the Middle East since May has not affected the operations of major oilfields in Iraq, and market development and project executions of the Group in major oilfields in Iraq have been carried out steadily.

ORDERS IN THE SECOND QUARTER OF 2019

In the second quarter, the Group continued to focus on high-quality operational targets of “improving return on equity and free cash flow”, and actively strived for quality orders in line with the Group’s development philosophy. The Group’s new orders for the Quarter were approximately RMB1,166.0 million, a decrease of 34.0% compared with the same period of last year, among them, new domestic orders were approximately RMB783.7 million, an increase of 152.4% compared with the same period of last year, and new orders in the Iraqi market were approximately RMB282.6 million, a decrease of 78.2% compared with the same period of last year. In other overseas markets, the Group won approximately RMB99.7 million of new orders, a decrease of 36.8% compared with the same period of last year.

In the domestic market, the Group continued to actively bid for high quality orders in Xinjiang, and obtained projects such as advanced oil-based drilling fluid and drilling tools rental and inspection services etc., which were all “asset-light” orders. The Group’s new orders won in the region increased by 86% compared with the same period of last year. In the southwest market, the Group integrates market resources through its “equipment alliance” strategy to control capital expenditure while meeting the demand for equipment in the shale gas market. During the Quarter, in the entrance qualification bidding for integrated drilling engineering teams organized by shale gas customers in the southwest, the Group fully organized its alliance resources for bidding, and 14 teams of the Group were successfully qualified, out of the total number of 90 teams selected, accounting for nearly 50% of all private company finalists. The Group’s orders in the southwest shale gas market in the Quarter increased by 130.0% compared with the same period of last year.

In the Iraqi market, the Group continued to win fracturing services in the mature market of Halfaya oilfield with an order amount of approximately RMB116.8 million as well as coiled tubing acidizing and lifting services etc., As the Group won the large asset-light Majnoon oilfield management service project with an order amount of approximately RMB1,260.00 million in the same period of last year, while there was no similar management project in the same period of this year, total order in the second quarter decreased by 78.2% compared with the same period of last year, but the market is active overall with prominent development trend, the traditional projects of the Group increased by RMB163.2 million as compared with the same period of last year.

In other emerging markets, the Group strictly selected orders based on their quality and proactively gave up on market projects that could not meet the Group’s cash flow requirements, focusing on orders with higher quality. Nearly 70% of the new orders received in the Quarter were asset-light project orders.

ORDER FULFILLMENT IN THE SECOND QUARTER OF 2019

In terms of order fulfillment, the Group maintained ample workload in both domestic and overseas markets during the Quarter. In the domestic market, the Group’s operations, under the premise of strictly ensuring operational safety, have increased significantly compared to the same period of last year. In the Xinjiang market, the Group’s drilling, workover and oil-based drilling fluid projects were operated with high quality. In the southwest market, the Group’s projects have commenced with high efficiency, providing a guarantee for subsequent high-quality delivery. In the Iraqi market, the Group’s operations in the Halfaya oilfield are undergoing efficiently, and have been recognized by its customers, resulting in a further increase in workload. In the Majnoon oilfield, since taking over the oilfield in July last year, the Group has ensured safe and stable production of the oilfield and achieved outstanding results. On July 15, customer organized a celebration of the first anniversary of Majnoon management takeover, deputy Minister of Iraqi Ministry of Oil, senior management of customer, Chairman of the Group together with Majnoon management team attended the celebration. The celebration was spotlighted by the Iraqi Ministry of Oil and the local media, and the Group’s oilfield management services were highly applauded by its customers, the scope of services is expected to expand further.

In other overseas markets, the Group’s business in the Chad market is running smoothly and is actively conducting technical research and cooperation with customers to strive for more large-scale project orders.

As of 30 June 2019, the order backlog of the Group was worth approximately RMB5,386.0 million, of which approximately RMB1,967.6 million in domestic market, or about 36.6% of total backlog of the Group, approximately RMB3,104.3 million in Iraq, or about 57.6% of total backlog of the Group, and approximately RMB314.1 million in other markets, or about 5.8% of total backlog of the Group.

Notes:

- 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 this Quarter. Order backlog is reduced when orders are fulfilled, and may be adjusted by the management should an unexpected change in market conditions arises.

MANAGEMENT UPDATE IN THE SECOND QUARTER OF 2019

The Group continued to focus on whole process operational management with the core business policy of improving “free cash flow and return on equity”. In certain regional markets that require large equipment investment, the Group integrates third-party resources through cooperation, expand its market share under asset-light model, saves capital expenditure, decrease working capital occupation, and shares profits with its partners at the same time.

In terms of financial management, the Group comprehensively promoted the collection of accounts receivable and improved inventory turnover. At the same time, it strengthened cooperation with strategic suppliers. Its working capital turnover was largely improved, and cash flow continued to improve significantly. The Group also further strengthened cooperation with domestic banks, completed repayment and roll over of short term loans and got more facilities to assure good liquidity situation while maintained a stable debt level.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2019

In terms of market, domestically, in Xinjiang, the Group will seize the opportunity of customers actively promoting capacity building, and further strive for high-quality orders. In the shale gas project market in the southwest region, the Group will continue to play out the platform effect of the “drilling rig alliance” by relying on the 14 teams that have been obtained qualification, seize the market opportunities for customers to further expand the scale of resource development, and continue to strive for large-scale integration projects. Overseas, in the Iraqi market, the Group will continue to seek orders for large-scale projects. In emerging markets, the Group will focus on promoting the integrated asset-light management project that is being tendered.

In terms of operations, the Group’s key projects in domestic and overseas markets will continue to be implemented at high speed. While maintaining high workload, the Group will continue to focus on quality and safety of operations, improve operational efficiency and ensure good profitability and cash flow of projects.

In terms of human resources, the Group will continue to comprehensively strengthen its talent teams, enhance their overall quality and the ability to support global business, and prepare for the Group’s major development.

The above statements are based on the current operations of the Group and current market conditions, and not a guarantee of the performance of the Group. The performance of the Group is mainly determined by the market and financial environment.

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

Hong Kong, 23 July 2019

As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. FAN Yonghong, the non-executive Director is Mr. John William CHISHOLM and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Dato WEE Yiau Hin.