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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 2020 and Outlook for the Fourth Quarter of 2020

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 July to 30 September 2020 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE THIRD QUARTER OF 2020

In the third quarter, China remained highly efficient in pandemic prevention and control, despite local and small-scale rebounds in places like Xinjiang during the Quarter, which were quickly and effectively controlled through rapid responses and strict control of the local governments. The Chinese economy has mostly recouped from the impact of the pandemic and was in a rapid recovery. Overseas, the Group’s main business market, Iraq, has gradually resumed commercial flights with the pandemic coming under control. Important business activities have resumed and bidding for projects has become active. However, globally, the pandemic still allows no optimism. The economic growth and crude oil prices remain pressured in this situation. During the Quarter, the Group continued, on one hand, to carry out strict pandemic prevention and control measures to ensure the absolute safety of employees at home and abroad, and on the other hand, actively paid attention to market and project opportunities to strive for high-quality orders.

ORDERS IN THE THIRD QUARTER OF 2020

In the third quarter, the Group received new orders of approximately RMB1,077.4 million, a decrease of 7.5% compared to the same period of last year. Among them, new orders in China market were about RMB657.3 million, an increase of 30.0% compared to the same period last year; new orders in the Iraq market were about RMB350.3 million, an increase of 135.4% compared to the same period last year; new orders in other overseas markets were about RMB69.8 million, a decrease of 86.3% compared to the same period last year.

In the domestic market, under the national energy security strategy, oil companies picked up pace to promote the development of oil and gas resources, and the Group was keeping up with market demand and actively seeking orders while strictly preventing and controlling the pandemic, winning bids for testing, leasing, drilling fluids and well completion technologies orders in the Xinjiang market thanks to technical and service capabilities of the Group. In the southwest market, the Group won orders of approximately RMB120.0 million for the integrated shale gas drilling project, and continued to win orders for technical services such as completion services, coiled tubing and testing projects; in other domestic markets, the Group continued to receive orders for CBM and tight gas drilling, stimulation, fracturing and completion tools in Shanxi, Erdos and other markets. During the Quarter, the Group received a total of RMB657.3 million of new orders in the domestic market, representing an increase of 30.0% over the same period last year.

In overseas markets, with the gradual resumption of navigation in the Iraqi market, a key market for the Group, the bidding activities of projects also became active. During the Quarter, in the Iraqi market, the Group received new additional orders related to oilfield management as well as orders for oilfield operations and maintenance, testing, etc. amounting to approximately RMB350.3 million, an increase of 135.4% compared to the same period last year. In other overseas markets, new orders in the Quarter amounted to RMB69.8 million, as the pandemic in Central Asia, Africa and other regions remained relatively severe and business activities were still restricted, while in the same period of last year, the Group won the contract for an integrated oilfield management project in Chad with a contract value of approximately USD53.0 million, and thus the comparative figures for the same period showed a sharp decline of 86.3%.

ORDER FULFILLMENT IN THE THIRD QUARTER OF 2020

In the domestic market, the Group actively promotes various operations in key markets such as Xinjiang, Southwest, and Erdos following customers' oil and gas development plans. In the Xinjiang market, the Group strictly implemented pandemic prevention and control measures when a local pandemic rebounded in Xinjiang during the Quarter, while actively pushing forward various operations; In the southwestern market, after our completion of drilling of the ultra-long horizontal shale gas well in the second quarter, the fracturing operations was officially launched in the third quarter. The Group continued to undertake integrated fracturing services for this well and provide customers with high-quality construction; In the Erdos market, the Group has carried out various production operations in an orderly manner, focusing on the promotion of asset-light services such as drilling tool leasing and testing. Overseas, after the gradual resumption of commercial flights of Iraq, the Group has arranged for the orderly rotation of employees stationed in Iraq and the mobilization of overseas project personnel currently in China to the project site. In terms of key projects, the Group's integrated oilfield management and oilfield operation and maintenance projects operated smoothly. However, due to the impact of the pandemic, some heavy asset projects such as drilling and workover have yet to resume operations. In other overseas markets, the integrated oilfield management project in Chad operated smoothly. Other heavy asset projects were affected by the pandemic, and operations of some projects were delayed.

As of 30 September 2020, the Group had an order backlog of approximately RMB5,165.0 million. Among them, orders in China market were approximately RMB2,218.6 million, accounting for approximately 43.0% of the Group's total order backlog, and orders in the Iraqi market were approximately RMB2,461.0 million, accounting for approximately 47.6% of the Group's total orders. Orders in other overseas markets were approximately RMB485.4 million, accounting for approximately 9.4% of the Group's total order backlog.

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 THIRD QUARTER OF 2020

In the third quarter, the Group followed the national and local governments' pandemic prevention regulations, strictly implemented prevention measures to ensure the safety of employees, and carried out efficient operations under normalized pandemic prevention measures in an orderly manner.

In terms of operation and management, the Group firmly implemented the business philosophy with cash flow as the core, and accelerated working capital turnover through whole process management of projects. It actively promoted the business model of "combing geology and engineering", and continued to summarize and accumulate the successful experience of oilfield management service projects, while at the same time improving talents through continuous team upgrades to fully prepare for the recovery of the industry after the pandemic.

In terms of debt management, the Company further repurchased the USD300,000,000 9.75% senior notes (the "2020 Notes") of the Group due 2020 in the secondary market in the third quarter, and till 21 October, the Group had further repurchased the 2020 Notes with an aggregate principle amount of USD67,717,000. After cancelling all repurchased notes, the remaining balance of the 2020 Notes will be USD115,546,000, representing approximately 38.5% of the initial principle amount of the notes. The Company may, based on market conditions and bond prices, further repurchase outstanding notes in the open market at an appropriate time, and disclose in accordance with the listing rules.

In terms of Environmental, Social and Governance (ESG), the Group released its first independent ESG report on 22 July. During the Quarter, the Group continued to pay attention to the development of the pandemic, and strictly implemented prevention and control measures in operating areas to ensure zero infection among employees, while actively fulfilling social responsibilities and providing active pandemic prevention assistance to communities and partners in such areas.

OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2020

In terms of market, in the domestic market, the Group will continue to keep up with the oil and gas development market opportunities under the national energy security strategy, focus on the natural gas and the unconventional energy markets, give full play to its technical advantages and strive for high-quality orders. In the Xinjiang market, the Group will continue to follow the needs of customers and aim for high-tech conventional natural gas projects; in the Southwest market, it will intensify its efforts to promote precision engineering services and go out for more high value-added orders around sweet-spot technology; in other markets, the Group will continue to take cash flow as the core indicator for new orders and seek high-quality project opportunities. Overseas, in the Iraqi market, the Group will grasp the opportunity of the market gradually recovering and actively promote its service model of integrating geology and engineering across the whole market, pinpoint customer needs, strive for more market share, and give full play to the successful experience of its oilfield management service project for further market opportunities of oilfield management service projects. In other overseas markets, the Group will actively explore new markets and strive for new project orders under the premise of strictly controlling market risks.

In terms of operations, in the domestic market, the Group will rapidly push forward project operation on the basis of strict pandemic prevention, strictly grasp project quality, and make every effort to ensure the smooth conclusion of 2020; in overseas markets, in addition to ensuring the continuous and stable operation of oilfield management projects in the Iraqi and Chad markets, with the gradual recovery of commercial activities, some projects delayed due to the impact of the pandemic will restore operation in the fourth quarter, and the Group has arranged the mobilization of personnel in an orderly manner to prepare for the commencement of projects.

In terms of operation and management, the Group will continue to focus on the core operational index of “cash flow”, and will fully promote the recovery of accounts receivable in the peak collection period of the fourth quarter. Through careful whole process management of projects, the Group will speed up the turnover of its working capital, and strive to achieve its key objectives for the whole year. At the same time, the Group will continue to carry out strict liquidity management to ensure the security of funds.

In terms of ESG, on 10 October, Anton Oilfield Services (Group) Ltd., a subsidiary of the Group, was selected as “Beijing’s Top 100 Private Enterprises in Technological Innovation” (北京市民營企業科技創新百強). It is the second time it was awarded as Beijing’s Top 100 Private Enterprises since chosen as “Beijing’s Top 100 Private Enterprises in Social Responsibilities” (北京民營企業社會責任百強) in 2018. The Group will continue to work on its vision of “becoming a model of harmonious and efficient development between the people and the environment”, and continue to strive in all respects to achieve long-term sustainable 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.*
- *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, 22 October 2020

As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. Fan Yonghong, the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WEE Yiaow Hin.