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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 2018 and Outlook for the Fourth Quarter of 2018

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 2018 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE THIRD QUARTER OF 2018

During the Quarter, new orders in the Group’s key markets continued to grow. In the domestic market, the Group seized the market opportunities for domestic customers to increase oil and gas resources development, and obtained orders for new projects such as integrated shale gas drilling and completion technology services; in overseas markets, the Group achieved breakthrough in the “Belt and Road” emerging market countries, entered new African market countries to conduct business. In the implementation of projects, domestically, the Group’s projects in Southwest China, Erdos, Xinjiang and other markets ran smoothly; overseas, the Group focused on promoting the official launch and commencing of the integrated large-scale oilfield management service project in South Iraq. The oil field was officially taken over by the Group on 1 July from the international oil company responsible for its operations. During the Quarter, facing a new business model and working environment, the Group maintained good communication and cooperation with customers, carried forward the spirit of “hard working” to maintain smooth operation of oilfield production, and to obtain an increase in daily production, allowing it to enter a new stage. The project’s operating efficiency exceeded expectations. The Group has successfully obtained the first-phase service payment, and has officially embarked on a stable and well-found business management model.

ORDERS IN THE THIRD QUARTER OF 2018

During this Quarter, the Group was awarded new orders worth approximately RMB 626.9 million, of which approximately RMB 256.9 million from new domestic orders, approximately RMB 197.5 million from new orders in Iraq, and approximately RMB 172.5 million from new overseas orders.

Domestically, in the Southwest China shale gas market, the Group continued to take advantage of its superior unconventional project capabilities, winning bids of approximately RMB 125.0 million, including the integrated drilling and completion technology service orders, which amounted to approximately RMB 84.0 million; in the Tarim basin, the Group received new orders of approximately RMB 96.0 million. From other markets in China, new orders were approximately RMB 36.0 million.

In the Iraqi market, the Group continued to acquire technical services projects such as drilling and completion, and the new order amount was approximately RMB 197.5 million.

In other overseas markets, the Group continued to acquire new projects in existing markets, and enter new African countries to provide customers with technical services such as drilling and completion, obtaining a total of approximately RMB 172.5 million in new orders;

As of 30 September 2018, the order backlog of the Group was worth approximately RMB 4,860.4 million, of which approximately RMB 1,222.9 million in domestic market, approximately RMB 3,420.9 million in Iraq, and approximately RMB 216.5 million in other markets .

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.

ORDER FULFILLMENT IN THE THIRD QUARTER OF 2018

In terms of order fulfillment, during the Quarter, the Group maintained active operations in all markets. Overseas, in the Iraqi market, the Group completed the successful takeover of the large oilfield in the south. The new integrated oilfield management business model operated smoothly, and helped customers achieve new breakthroughs in production. The integrated drilling and completion project for international oil company customer commenced operation smoothly, with traditional services including drilling, completion, oil production and maintenance in full swing. In other overseas markets, two drilling rigs in Pakistan were fully utilized and entered the construction phase; and the new African market project has also been launched quickly. In the domestic market, the first shale gas horizontal well in Southwest China has completed successfully, laying a solid foundation for following operations. Projects in other markets were being safely and efficiently carried out under the high-quality operation and management of the Group.

MANAGEMENT UPDATE IN THE THIRD QUARTER OF 2018

In terms of management, the Group has entered into a business cooperation agreement with CRCC Financial Leasing Co., Ltd. on 24 August, both parties will jointly consolidate the advantages in their respective industries to actively implement the “One Belt, One Road” national strategy through mutual cooperation in various areas. CRCC Financial Leasing Co., Ltd. will provide financing to the Group according to its needs in forms of financial leasing including direct lease, operating lease and sale and leaseback etc, pursuant to conditions permitted by laws and regulations. The Group had finished its first sale and leaseback cooperation with CRCC Financial Leasing in July 2018, with the amount of RMB 270.0 million, and is in discussion of further cooperation on operating leasing and overseas financial leasing. The Group has also signed an agreement with Bank of Beijing on the overseas performance bond cooperation, and obtained a special credit of RMB 350.0 million. The Group can use this credit to issue performance bonds for its overseas projects with certain amount of deposits. This cooperation will strongly support the development of the Group’s overseas business. Besides, the Group’s newly won large-scale project in Iraq in the first half has got insurance coverage from Sinasure which can cover corresponding political and commercial risks of this project. Basing on this insurance coverage, the Group can cooperate with financial institutions such as banks to carry out factoring business to accelerate the recovery of funds.

In terms of cash flow management, the Group continued to strengthen the overall control over receivables and inventories, maintaining good cooperation with strategic suppliers, and maintaining a net in-flow of operating cash flow in the third quarter.

In terms of human resources, the Group continued to promote the internationalization of talents, strengthen the internationalization ability training of managers, and provide talent support for the Group's international development. In the large oilfield management project in South Iraq, the diversified project team consisting of hundreds of people of the Group is well managed, and the Group's international operation management capability is further enhanced.

OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2018

In terms of market, overseas, the Group continued to explore opportunities for large-scale projects in the Iraqi market, and further explore promising new markets in "Belt and Road" initiative countries, at the same time, tighten the control of the overall regional risk management. The Group will keep a close watch on customers' credit risk changes, and carry out business cooperation on the base of risk control. Besides, we'll continue to promote the "integration of production and financing" and deepened cooperation with national policy financial institutions. Domestically, the Group will seize the opportunity of large-scale new capacity building in the Tarim basin as well as shale gas project opportunities in Southwest China, and continue to leverage on the advantages of the Group in natural gas and non-conventional projects, focusing on high-quality non-conventional business project order opportunities.

In terms of operations, the fourth quarter is still the peak period of operation, and the Group will continue to pay close attention to quality and safety of operations, to improve operational efficiency, and to ensure that projects achieve a good level of profitability and cash flow.

In terms of management, the management focus of the fourth quarter will still be cash flow, and it will fully promote the recovery of accounts receivable and generate more cash in-flows. In addition, the Group will specify its "leap-forward" development goals and develop the 2019 budget. In the meantime, it would optimize the headquarters decision-making system, strengthen the resource allocation management system, improve risk management, build a more optimized management platform, and support the comprehensive expansion of the Group's businesses.

In terms of talents, the Group will continue to promote the building of international teams, refine the system and culture of arduous struggle, carry forward the entrepreneurial spirit of hard work, and further build the core competitiveness for the Group's future development in the world.

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, 22 October 2018

As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. WU Di and Mr. PI Zhifeng, 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 Yaw Hin.