

[For Immediate Release]



## Significant Progress and Three-year Strategy Guidelines Announced for Antonoil's Production Module

Hong Kong, November 3, 2014 - **Anton Oilfield Services Group** (“Anton Oilfield” or the “Group”, HKEx stock code: 3337), the leading independent oilfield services provider in China, is pleased to announce the significant progress made under its Production Module and furthermore the strategy guidelines for this module for 2015 to 2017 (“next three years”).

On October 31, 2014, the Group received the notification by a client to have been qualified for market entry permit to three workover rigs in South Xinjiang. Having previously put in position both people and equipment, the Group has passed the client's inspection and comprehensive evaluation and gained the qualification. The three workover rigs are expected to commence operations shortly. The Group had previously gained the market entry permit for its first workover rig in May 2014. As at the date of this announcement, the Group had been qualified a total of four workover rigs for service in the market. Gaining the permit means the Group is now able to provide long-term workover service in the oilfield. Meanwhile, on October 21, the Group received the letter of award from a client in East Xinjiang for workover service. The client will provide the necessary capital equipment, which are client's internal assets. The capital equipment will be managed by independent service provider. This is a result of its internal restructuring to improve operational effectiveness. The client committed to offer market entry permit and a contract with a value of RMB114 million to the winning bidder. The revenue projected for 2015 is capped at the contract value. In July, the Group already announced the addition of a production facility operation and management project in Iraq. These events signify that the Group has recently made significant progress under its Production module, and laid a solid foundation for the rapid growth of Production module in the next three

years. Therefore, the Group has devised and is hereby announcing a clear development plan for the Production module in the next three years.

The Group's Production module provides daily production operation, maintenance and repair services for oilfields after development and construction phase. The production maintenance services include the maintenance of surface facilities and equipment, workover service within borehole and reservoir monitoring service. Correspondingly, the module is broken down into three product lines, namely production operation service which caters to surface facilities and equipment in the oilfield, workover service targeting sub-surface operation and maintenance, and reservoir production technical service with reservoir monitoring at its core. The Group now has all-round service capability for production phase of oilfields. Targeting OPEX of clients, the Production module will bring more long-term stable revenue to the Group, improve revenue composition, decrease reliance on CAPEX projects of oil company clients, and iron out impact of cyclical changes of the industry.

The Group's **Production Operation Service**, a light-asset service primarily provides human resources and based on long-term oilfield production service contracts, consists of production facility operation management, oilfield equipment maintenance and repair and surface facility engineering services. The Group has been building production operation service since 2012. After more than two years of development, this product line currently has 150 engineers and the goal is to grow the number to more than 450 over the next three years. The product line is now mainly anchored in the Middle East and Africa markets. The majority of the service team has multi-year experiences in overseas oil production operation service. The service has operated continuously and received positive client feedback. When contracts expire, the client prefers to choose renewing its contract with the Group. The order backlog of this product line is over RMB270 million across two years. The Group will continue to develop other markets in the Middle East and South America. It is expected to reach the upper limit of the Group's 30%-50% growth requirement on product lines. Its revenue in 2015 is mainly supported by order backlog

and follow-on orders, and the executable part of its order backlog in 2015 amounts to about RMB140 million.

The Group's **Workover Service**, officially launched in 2014, covers businesses including well workover, profile correction, water control, etc. and is delivered by field engineers with the help of workover equipment. The service currently revolves around oilfields in the Northwest and comprises regular and major workover, sidetrack drilling, well testing and completion integrated service and daily maintenance service for oil and gas wells. The recent win in the tender for workover service in an oilfield in East Xinjiang requires 16 sets of workover equipment, which will be provided by the client and managed by the Group's crew. This arrangement creates a brand-new model of cooperation between a national oil company and an independent oilfield service provider. It will enable the Group to seize the excellent opportunities of domestic market opening and gain a head-start in market recovery. The workover service bid in East Xinjiang and acquiring of market entry permit to South Xinjiang mean the Group will achieve leap-frog growth in this product line, and will bring continued and stable income streams to the Group in this new market. This product line currently owns 4 sets of workover equipment and manages another 16 sets. Its order backlog is currently RMB150 million. The Group will gradually replicate the new model of cooperation with NOCs to other domestic regions and will actively develop workover and other production operation business in the Middle East and South America market. This product line is estimated to grow with a CAGR beyond the upper limit of the Group's growth requirement on product lines over the next three years and achieve leap-frog growth while expand its team to over 900 in 2017. Revenue projected for 2015 is mostly secured by the order backlog, of which the executable part in 2015 is about RMB150 million.

**Reservoir Production Technical Service**, a product line still being developed by the Group, aims to increase recovery rate, the services cover dynamic monitoring and evaluation of reservoir, reservoir production plan optimization, in the forms of specialized reservoir service, specialized oilfield engineer service as well as consulting service. Progress in this

product line is expected in 2015 when initial development will have completed and some revenue will be recorded.

In the next three years, the Group expects its three product lines to provide all-round services for the production phase of oilfields to contribute to growth of the Production module sequentially, due to the stable growth of Production Operation Service product line, leap-frog growth of Workover Service product line, which commenced operations in 2014, as well as the development of the Reservoir Production Technical Service product line. The Group expects the Production Module to reach the upper limit of the growth requirement of the Group on product lines. On capital expenditure, the Group expects overall CAPEX of the Production module in the next three years to stabilize at a relatively low level. On human resources, the Group expects to gradually add approximately 600 field engineers in this module over the next three years.

The Group expects that in order to optimize operation and increase efficiency, domestic oil company clients will deepen their cooperation with oilfield service companies to meet their rigid demand of production phase maintenance and production services. As a pioneer of the oil and gas sector reform, the Group is poised to forge similar strategic partnerships with other domestic oilfields, helping the Group's Production module to gain scale, and generate stable and stronger long-term cooperation relationships for the Group to provide more project opportunities for the Group's sustainable development.

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

Anton Oilfield Services Group (HKEx stock code: 3337) is a leading independent integrated oilfield services provider. The Group provides products and services for the entire process of oil and gas development and production, including reservoir management, drilling technology, well completion, down-hole operations, oil production as well as tubular

service. With its comprehensive product lines and integrated service capacity, the Group is empowered to help oil companies solve their challenges in increasing production, improving drilling efficiency, lowering costs and optimizing waste management. Its fast growth benefits from the accelerating development of natural gas in China and the Group's increased presence in overseas markets. The Group's strategic objective is to become a leading global oilfield services provider with a solid foothold in China.

The Group is headquartered in Beijing and has established an international network across China and overseas markets. In China, its markets cover the Tarim area, Erdos area, Southwest area and other areas of China, whereas, its overseas markets include Iraq and other Middle East market, Central Asia and Africa market and the Americas market. Anton Oilfield is the best independent Chinese oilfield services partner, the best Chinese partner worldwide.

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