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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 for the Third Quarter of 2012 and Outlook for the Fourth Quarter of 2012**

The Board of Directors of Anton Oilfield Services Group (the “Company”, together with its subsidiaries, collectively the “Group”) announced its operational update and order backlog for the three months from 1 July 2012 to 30 September 2012 (the “Quarter” and “during the period”).

#### **OVERVIEW**

Entering the third quarter, the Group extended its strong momentum in the first half of 2012, as it won a number of tenders and closed several major contracts for its services while speeding up job completion. In the domestic market, continued investment in natural gas development has driven growth in demand for both standard services and high-end technical services. The Group’s standard services showed remarkable development. The business model of providing standard services to support high-end technical services has become increasingly evident. In the overseas markets, the Group’s quality services from previous operations had won customer confidence and, with this strong market foundation, the Group sped up the promotion of full services in overseas projects, thereby driving the growth of the overseas business.

#### **OPERATIONS IN THE THIRD QUARTER OF 2012**

During the Quarter, the number of jobs performed for the Group’s core business — oil and gas development technical services — increased compared with the same period last year, with a total of 671 jobs completed in the Quarter. The three major services saw steady growth compared with the same period last year. Multistage fracking services had secured several batch orders from CNPC, Sinopec, Yanchang Petroleum, etc. in the first three quarters of this year, and the Group completed 45

jobs during the Quarter. The aggregate number of jobs completed for the first three quarters this year has already exceeded the total number of jobs completed in the entire year last year, demonstrating significant growth in this service. Coiled tubing services continued to be executed in accordance with the development plans of overseas clients and to expand the applications in the domestic market. During the period, 115 jobs were completed, of which 66 jobs domestically and 49 jobs from overseas. Directional drilling services sped up the execution of regional batch orders in the Songliao Basin and newly added orders in the overseas markets. During the period, 26 jobs were completed domestically and another 10 jobs were completed in the overseas markets respectively, finishing a total of 36 jobs. The Group's integrated drilling services completed a total of four jobs in the Quarter. Subsequent to the Group's successful operation and the resultant high yield of the general contracting services for sidetrack drilling of two horizontal wells during the Quarter, the cooperation with Yanchang Group will proceed further as the client has confirmed an intent to adopt broader scope of services from the Group in the client's block. Drilling fluid services were newly launched this year. A total of 12 jobs had been secured from orders for oil-based drilling fluid services in the second and third quarters, of which 11 jobs were in operation during the period, providing a strong work volume for the service. Pressure pumping equipment was fully in place in July. As soon as the equipment arrived, the Group quickly opened up the market as it began to provide pressure pumping equipment services for several tight gas and tight oil wells in China, while it also successfully applied new techniques in the provision of integrated fracking service for the development of unconventional resources. During the period, 15 jobs of pressure pumping services were in operation domestically.

A notable progress is in the Halfaya Project. Based on its outstanding performance in the operations over the past year, the Group had won customer confidence in its technical standards and service quality. As the service agreement for well acidizing stimulation services expired its one year term in the project, the Group in the Quarter won a new tender for well acidizing stimulation services for a three-year term, consolidating the Group's leading market position in the project. The Group further promoted its other services in the project. During the period, the Group began the delivery of two pressure pumping equipment to this overseas project, and operation shall commence upon the arrival of the equipment. In addition, the Group's centralized production facility management services were delivered in good progress.

The supplementary business — tubular services — implemented the several annual service contracts as planned with strong work volume.

**OPERATIONAL SUMMARY OF OIL AND GAS FIELD DEVELOPMENT  
TECHNICAL SERVICES**

Business Cluster	Major Product Classification	Number of jobs completed in the Quarter (Well counts)			Year-to-date total number of jobs completed (Well counts)			Remark
		Domestic	Overseas	Sub-total	Domestic	Overseas	Sub-total	
Drilling Technology Cluster	Directional drilling services	26	10	36	54	28	82	—
	Integrated services	4	—	4	11	—	11	—
	Drilling fluid services	—	—	—	—	—	—	Operation in progress
	<b>Sub-total</b>	<b>30</b>	<b>10</b>	<b>40</b>	<b>65</b>	<b>28</b>	<b>93</b>	<b>—</b>
Well Completion Cluster	Well completion integration services	24	34	58	90	80	170	Well completion integration services released the number of jobs counting operational projects only but not including projects that solely trade products
	Gravel packing services	139	—	139	385	—	385	Gravel packing services released the number of jobs counting operational projects only but not including projects that solely trade products
	<b>Sub-total</b>	<b>163</b>	<b>34</b>	<b>197</b>	<b>475</b>	<b>80</b>	<b>555</b>	<b>—</b>
Down-hole Operation Cluster	Multistage fracking services	45	—	45	92	—	92	—
	Coiled tubing services	66	49	115	147	128	275	—
	Tubular helium testing services	81	—	81	199	—	199	—
	Pressure pumping services	—	—	—	—	—	—	Operation are in progress
	Oil Production services	193	—	193	367	2	369	Oil production services released the number of jobs counting operational projects only but not including projects for the management of oilfield production
	<b>Sub-total</b>	<b>385</b>	<b>49</b>	<b>434</b>	<b>805</b>	<b>130</b>	<b>935</b>	<b>—</b>
<b>Total</b>	<b>578</b>	<b>93</b>	<b>671</b>	<b>1,345</b>	<b>238</b>	<b>1,583</b>	<b>—</b>	

## OPERATIONAL SUMMARY OF TUBULAR SERVICES

Business Cluster	Major Product Classification	Jobs completed in the Quarter (Number of tubular pipes)			Year-to-date total number of jobs completed (Number of tubular pipes)			Remark
		Domestic	Overseas	Sub-total	Domestic	Overseas	Sub-total	
Tubular Services Cluster	Inspection and Evaluation (tubular inspection)	181,783	19,796	<b>201,579</b>	463,847	50,758	<b>514,605</b>	—
	Operation Management and Repair (repair, welding, coating)	90,860	2,770	<b>93,630</b>	222,423	6,436	<b>228,859</b>	—
	Tubular Leasing	607,860	—	<b>607,860</b>	1,350,200	—	<b>1,350,200</b>	Tubular leasing service is measured in terms of the number of tubular pipe days

## CONSTRUCTION PROGRESS OF SERVICE CAPACITY

During the Quarter, the Group established three new directional drilling operating units, bringing the total number of directional drilling operating units to 18. The Group's drilling fluid laboratory in the Tarim Basin commenced operation in the Quarter, while the mud station also completed its construction and will commence operation in the near term. For pressure pumping equipment, the Group finished construction of a service capacity of 20,000 HHP during the Quarter and, in order to accommodate the growing demand from overseas markets, the Group further ordered two pressure pumping equipment with a total of 4,000 HHP, which are expected to be delivered in the fourth quarter. The tubular services cluster planned to expand its tubular leasing services and procured a batch of drill pipes to meet the growing demand for tubular leasing in the Tarim Basin. Construction works on industrial bases in China were carried out by strategic partners, whereas the current phase of overseas bases construction was completed.

In September, the Group signed a joint venture (“JV”) contract with the leading global oilfield services company, Schlumberger. The JV, in which the Group and Schlumberger hold stakes of 40% and 60%, respectively, will provide integrated project management (“IPM”) services. Targeting the demand for IPM services in China's onshore oil and gas projects, the JV offers end-to-end management of oil and gas exploration and development spanning project design, resource procurement to project supervision, and through the synchronization of various stand-alone services throughout the project, it facilitates overall production growth and cost savings.

As of September 30, 2012, the Group continued to strengthen its talent base, increasing the total number of permanent staff to 1,641, an increase of 17.6% compared to the previous quarter. As the Group's continued commitment to the "Talents First" strategy, 218 graduates recruited through the campus program in the first half of 2012 were fully on board in the Quarter, and the Group also recruited top talents and high-end professionals for the business clusters and in the area of quality and safety management. Meanwhile, the Group at the beginning of this year established the accounts receivable management method and revenue targets for the first half year. Based on these targets and combined with the pegged reward and penalty system, the Group performed an assessment during the Quarter and accordingly, the majority of the staff were given rewards in the Quarter, which will help to inspire all staff to fulfill the Group's full year financial targets.

## **OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2012**

With the Group's strong order backlog booked in the first three quarters, the fourth quarter will be a peak period for order execution and for the settlement of completed jobs to meet its full-year business targets. At the same time, the Group will commence market research for 2013 in order to formulate business development strategies for the coming year.

## **ORDER BACKLOG OF OIL AND GAS FIELD DEVELOPMENT TECHNICAL SERVICES**

<b>Business Cluster</b>	<b>Major Product Classification</b>	<b>Confirmed jobs in the backlog as at the date of this Announcement<sup>1</sup> (Well counts)</b>		
		Domestic	Overseas	<b>Sub-total</b>
<b>Drilling Technology Cluster</b>	Directional drilling services	21	11	<b>32</b>
	Integrated services	6	—	<b>6</b>
	Drilling fluid services	12	—	<b>12</b>
	<b>Sub-total</b>	<b>39</b>	<b>11</b>	<b>50</b>
<b>Well Completion Cluster</b>	Well completion integration services	35	32	<b>67</b>
	Gravel packing services	110	—	<b>110</b>
	<b>Sub-total</b>	<b>145</b>	<b>32</b>	<b>177</b>

Business Cluster	Major Product Classification	Confirmed jobs in the backlog as at the date of this Announcement <sup>1</sup> (Well counts)		
		Domestic	Overseas	Sub-total
Down-hole Operation Cluster	Multistage fracking services	51	—	51
	Coiled tubing services	72	24	96
	Tubular helium testing services	70	—	70
	Pressure pumping services	36	—	36
	Oil Production services	133	—	133
	<b>Sub-total</b>	<b>362</b>	<b>24</b>	<b>386</b>
	<b>Total</b>	<b>546</b>	<b>67</b>	<b>613</b>

Note :

- The confirmed jobs in the backlog are completed in different progress within the agreed period of time of the order, and the progress of job completion depends on many factors, including but not limited to the construction plans of the clients, the progress of upstream operations, weather conditions, and the availability of all service resources. Most of the jobs in the backlog will be completed in the next 12 months.

## ORDER BACKLOG OF TUBULAR SERVICES

Business Cluster	Major Product Classification	Confirmed jobs in the backlog as at the date of this Announcement (Number of Tubular Pipes)			Remark
		Domestic	Overseas	Sub-total	
Tubular Services Cluster	Inspection and Evaluation (tubular inspection)	186,600	14,900	201,500	—
	Operation Management and Repair (repair, welding, coating)	98,410	2,100	100,510	—
	Tubular Leasing	688,500	—	688,500	Tubular leasing service is measured in terms of tubular pipe days

## **DEVELOPMENT OF NEWLY WON MAJOR TENDERS OR MAJOR CONTRACTS SIGNED**

- In the Erdos Basin, (1) won a tender of 30 jobs for multistage fracking services from the “external casing packer horizontal well completion and multistage fracking project” from Sinopec North China E&P Company, amassing a total of 70 jobs attained from this client for the year. (2) Two general service contracts were signed with Yanchang Petroleum to provide “horizontal well and multistage fracking services” and “horizontal well sidetrack drilling and multistage fracking services”. (3) The intent of long-term business cooperation was confirmed with a drilling engineering company under CNPC to provide pressure pumping equipment services as a major technical support of this service, thereby ensuring a reliable source of work volume in the future.
- In the Tarim Basin, the Group successfully signed a contract for 8 to 10 wells of oil-based drilling fluid services, with a minimum service fee of RMB 9 million per well. Nine jobs have so far been confirmed from this contract.
- In the underground gas storage facilities market, an integrated service contract was newly signed.
- For the Halfaya Project in Iraq, the Group won a new tender for well acidizing stimulation services for a three-year term, which further consolidates the Group’s leading market position in the project.

## **CONSTRUCTION OF SERVICE CAPACITY**

In the fourth quarter, the Group will execute its construction plan for the service capacity of directional drilling, coiled tubing and pressure pumping services. Based on its development strategies, the Group will also determine the new construction plan for its service capacity for next year. At the same time, it will continue to look for merger and acquisition opportunities both domestically and abroad.

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

Hong Kong, 18 October 2012

*As at the date of this announcement, the executive Directors of the Company are Mr. Luo Lin, Mr. Wu Di and Mr. Liu Enlong; and the independent non-executive Directors are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.*