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 Second Quarter of 2015 and Outlook for the Third Quarter of 2015

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 2015 to 30 June 2015 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2015

In this Quarter, the global oil market remained weak. Oil prices recovered modestly but still experienced volatility. Domestically, capital expenditure on upstream exploration and development slowed and some regional markets saw sluggish growth. In such market climate, the Group found strength in its unique advantages around "natural gas" and "unconventional oil and gas", acquired over recent years, and made new progress on coal-bed methane. Overseas, the Group already built up a powerful market network, diverse product lines and full service capacities through many years of market penetration and business investment. In this Quarter, the Group witnessed a noticeable jump in its overseas orders, much higher than previous levels. In terms of order fulfillment, the Group's various product lines performed jobs successively. Overall job volume recovered and gradually stabilized. Domestically, rig service fully regained its operational momentum, drilling fluid and workover and well completion services received stable jobs and fracturing service saw a sure rebound in jobs. Overseas, production operation service, coiled tubing service and directional drilling service maintained stable job orders whereas rig service was temporarily postponed. On management, the Group achieved its targets set at the beginning of 2015 for the workforce improvement and redundancy program. In the first half, its collection of account receivables reached a record high.

ORDERS IN THE SECOND QUARTER OF 2015

The Group was awarded new orders worth approximately RMB805 million during the Quarter, among which approximately RMB347 million was attributed to new domestic orders and approximately RMB459 million to new overseas orders.

Domestically, tight oil and gas development saw strong order growth. The Group was awarded an annual service contract worth RMB47 million for horizontal well openhole multi-stage fracturing in the Erdos region and a lump-sum contract worth RMB53 million for horizontal well drilling for two wells and multi-stage fracturing in Xinjiang. As at the date of this Announcement, the Group has covered both eastern and western oilfields with its tight oil and gas services, which range from horizontal well drilling, completion and multi-stage fracturing. The order backlog related to tight oil and gas is worth RMB423 million. In addition, the Group won a fracturing proppant contract worth RMB40 million in a shale gas block in Sichuan.

Overseas, the Group was awarded an old well re-entrance contract worth RMB110 million in central Iraq. In emerging markets such as Ethiopia, the Group won a contract worth approximately RMB200 million for well cementing and drilling fluid services operatingt by a Chinese investor.

As at 30 June 2015, the order backlog of the Group was worth approximately RMB1,955 million, of which the order backlog in the domestic market was approximately RMB717 million and the order backlog in the overseas market was approximately RMB1,238 million.

In addition, the Group has reached agreement with an international oil company operating in south Iraq regarding a general contract for workover and completion services, which has already been cleared by the Iraqi oil ministry. The contract, with an estimated value of USD140 million, includes workover and completion services for over 160 wells and acidizing service for over 60 wells. The contract is not yet signed as the parties are still finalizing their respective internal approval procedures. The order backlog number disclosed above hence excludes the value of this pending contract.

Notes:

- To better reflect its business model, the Group moved to disclosing quarterly operational data by the value of new orders awarded during each quarter and the value of order backlog at the end of each quarter and ceased to disclose quarterly operational data by well counts. The change in disclosure was effective from the first quarterly operational update of 2014.

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

ORDER FULFILLMENT IN THE SECOND QUARTER OF 2015

In this Quarter, the Group's various product lines started fulfilling orders successively. Overall job volume recovered and gradually stabilized. Domestically, in the Erdos region, thanks to the commencement of drilling projects, the job volume for the entire drilling cluster also picked up. Fracturing service and integrated well completion service performed a consistent volume of jobs. In Xinjiang, workover service, oil-based drilling fruid service and tubular service kept stable job levels. In Sichuan, coiled tubing service and drilling fruid service continued without interruption and fracturing proppant service saw a breakthrough. In the Northeast region, the Group's proprietary rotary steering service for directional drilling was successfully implemented. Overseas, in Iraq, coiled tubing acidizing and production operation service progressed steadily whereas drilling service was temporarily delayed. In Central Asia and Africa, directional drilling and well completion tools services started order fulfillment consecutively. In the Americas, sales of sand control tools and directional drilling service gradually resumed.

CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE SECOND QUARTER OF 2015

The Group made no additional capital expenditure plans for the rest of the year except for recurrent investments. In this Quarter, previously purchased equipment arrived and was deployed in various regions to meet the Group's business needs. In Xinjiang, two units of workover equipment were deployed after finishing assembly. In Sichuan, two units of coiled tubing equipment were commissioned. For oilfield waste management, the Group received one new water-based slurry and drill cutting treatment facility in Xinjiang.

On human resources management, since 1 July 2014, the Group has implemented a full-scale restructuring and redundancy program, coupled with internal transfers aimed at improving the staff mix. As at 30 June 2015, the total headcount had been reduced by 25%. The Group estimates an overhead reduction of approximately RMB186 million for 2015.

On account receivable collection, the Group aggressively intensified efforts to collect payments for fulfilled jobs on one hand and improved the payment terms of negotiated contracts with customers on the other. In the first half of 2015, it collected RMB1,032 million, the highest among all corresponding periods.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2015

In terms of market development, domestically the Group will seize the opportunities on unconventional oil and gas development and old well rehabilitation. In an increasingly open market, the Group will leverage its integrated service solutions and fully participate in project tendering to continuously grow its market share. Overseas, the Group will continue to focus on opportunities in such popular markets as the Middle East and South America. In Iraq, the Group has moved beyond the "follow-up strategy" where it will continue to strengthen and deepen partnerships with the local NOCs and IOCs in order to gain access to long-term and stable orders. In South America, the Group will further capture the renewed demand of oil companies for low-cost development amid depressed oil prices and seek new breakthroughs. Overall, the Group expects a significant pickup in orders in the third quarter and the accumulative order backlog will likely reach a record level.

In terms of order fulfillment, domestically the Group will move along with its drilling and completion operations. Fracturing, workover and coiled tubing service will see jobs rise substantially. Overseas, the Group will continuously perform jobs for producing well completion, workover and coiled tubing acidizing service. The well cementing and slurry projects in Ethiopia will commence engineering work. The Group expects to see its engineering activity peak in the third quarter. As a result, its revenue proportion between the first half and second half of 2015 will likely return to the level before 2014.

In terms of strategic management and control, the Group continued to prioritize technology development and product line improvement. With a debt ceiling in place, the Group actively looked for low-cost debt refinancing options by leveraging its sizable assets. It intensified efforts on account receivable collection and optimization. While further streamlining and improving the workforce, the Group continued to bring in seasoned industry leaders. It also reined in capital expenditure in order to remain resilient against potential industry headwinds.

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, 20 July 2015

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. WU Di and Mr. PI Zhifeng; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai.