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 2014 and Outlook for the Third Quarter of 2014

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 31 March 2014 to 30 June 2014 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2014

In the Quarter, oil companies in the domestic market continued to push forward natural gas development and make further progress in market-based operations. In the Erdos basin, oil companies have been calling public tenders for various wellbore engineering projects since this year, leading to the faster opening-up of China's oilfield technical services market. The Group seized the opportunities and continued to win additional pressure pumping service contracts from such public tenders during the Quarter, allowing the Group to scale up the provision of regular services in the area. In the Quarter, unconventional oil and gas development further gathered pace in the domestic market. In the Sichuan-Chongqing basin and the Yangtze River area, shale gas projects were intensely undergoing development, whereas in the Junggar basin, Songliao basin and Subei basin, tight oil development was also progressing. In the Quarter, the Group executed the integrated service model of reservoir production management for its shale gas and tight oil clients. Meanwhile, it continued to develop individual technical services such as coiled tubing logging service as well as unveiling and executing new product lines favorable to the development of unconventional resources such as oilfield waste management and ceramic proppants.

While the opening-up of some markets and the development of unconventional oil and gas created new market space for the Group, the operation plan adjustment of oil companies and increasing competition led by the opening-up of the market also created pressure to the Group.

Overseas, the Group's key markets developed well. In Iraq, the Group made successive market achievements. Despite the local political incident since June, the operations of the Group were generally unaffected and normal because the projects where the Group provided services were all located in the unaffected south of Iraq. Furthermore, the Group continued to prepare for customers' strong demand for services. In the Quarter, the Group renewed the contracts for several existing services and some with bigger contract size, while it also added new service items. In the Americas, the Group firmly grasped the region's demand for sandscreen and water control services. In Canada, the Group developed more well-known local and international oil companies as its clients. In South America, business in Colombia continued to grow while the Group entered the Ecuador market through the introduction of sandscreen and water control service. Development of the region was full of vitality.

OPERATIONS IN THE SECOND QUARTER OF 2014

During the Quarter, the overall operations of the Group were stable. Towards the end of the Quarter, operations gathered faster pace. Product lines newly launched this year such as Reservoir Production Management, Oilfield Waste Management, Ceramic Proppants and Workover Service were already in smooth operation. Product lines related to equipment services such as Rig Services and Pressure Pumping Services entered a phase of regular, large-scale operations.

In the Quarter, the Group quickened the pace of implementing integrated service projects through the model of reservoir production management and the model of engineering project management by cooperating with Tongzhou IPM, the joint venture with Schlumberger. At the same time, the Group's equipment services and asset-light technologies started to form synergies, therefore operations of drilling general contracts and fracturing general contracts picked up consistently. As the Group accelerated the execution of its integrated strategy, it would expect longer operating cycle and settlement time for general contracts of larger scale in comparison with single technical services that feature a shorter operating cycle.

ORDERS IN THE SECOND QUARTER OF 2014

The Group recorded new orders of approximately RMB693.4 million awarded during the Quarter, among which approximately RMB424.6 million were new orders from the domestic market and approximately RMB268.9 million new orders from the overseas market. Out of the major orders newly awarded, the Group's pressure pumping service continued to beat other bidders and was awarded several additional annual contracts from public tenders in the Erdos basin. On shale gas development, the Group won an integrated service contract in Hubei with its reservoir production management services. The contract model entails the provision of end-to-end management of the project to charge basic service fees, and also to be rewarded with performance incentives if the rate of initial production reaches an agreed target. In the Tarim basin, the Group was awarded a drilling and completion general contract for a dual-lateral well and an annual workover operation contract. In Iraq, one additional CPF (Central Processing Facility) project was awarded to the product line of production operation services. The Group also won bids again in Iraq for well completion tools and sand control projects as well as for coiled tubing acidizing service with an increased contract value.

As at 30 June 2014, the order backlog of the Group was approximately RMB1,814.9 million, of which the order backlog in the domestic market was approximately RMB1,064.2 million, and the order backlog in the overseas market was approximately RMB750.8 million.

Notes:

- To better reflect its business model, the Group adopts the disclosure of 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 ceases 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 executed, and may also be adjusted by the management if an unexpected change in market conditions arises.

PROGRESS IN BUILDUP OF SERVICE CAPACITY IN THE SECOND QUARTER OF 2014

During the Quarter, on the buildup of regular equipment service capacity, the Group had seven rigs in place as at the date of this Announcement. The seventh rig was officially mobilized in mid-July to the Erdos basin to commence operations in an awarded drilling project.

On the establishment of product lines, the product line of Ceramic Proppants the Group built for critical fracturing materials had been in two months of continuous and smooth pilot run by June, and the quality of its products was reliable. It would help extend the Group's value chain in fracturing and create synergies with other stimulation services.

On human resources, during the Quarter, the Group completed the hiring of over 1,000 fresh graduates, who will have onboarding and receive training in the next quarter. On branding, the Group launched a new corporate logo and new visual identity system in the Quarter to best reflect "The Best" brand proposition of the Group.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2014

Looking into the third quarter of 2014, more opportunities will gradually further emerge in the industry. On the domestic front, the opening-up of some markets will further speed up. Oil companies will quicken their pace of unconventional oil and gas development. On the overseas front, the Group's key markets will maintain their strong demand. In the meantime, increased competition brought by the opening up of the domestic market, political uncertainties in the overseas market and the Group's cost pressure will continue. Opportunities and challenges both exist.

In the third quarter, the Group will execute its orders according to schedule. The high operating season is likely to commence.

In the third quarter, the Group will also continue to intensify its marketing efforts. Domestically, in the Tarim basin, Erdos basin and Sichuan basin, the Group will aim to grow these regional markets through the introduction of more service offerings in existing product lines, the launch of new product lines and further promotion of the integrated service general contract model. Meanwhile, it will quicken the pace of marketing to shale gas and tight oil and gas clients and roll out integrated services through general contracting. In overseas market, it will continue to develop the market in Iraq while actively exploring the South America market by securing new projects further to its incipient success in Colombia.

In the third quarter, in terms of service capacity building, the 25,000 HHP capacity ordered in the first quarter is expected to be all arrived, which will bring the Group's pressure pumping service capacity to an aggregate of around 100,000 HHP by then. It will continue to facilitate the delivery of coiled tubing equipment. In terms of base construction, the Group's well completion tools base in Tianjin as well as the down-hole operation base and ceramic proppant production base in Suining, Sichuan will be officially complete for production, and provide critical support for production, operation and training across different product lines and promote product line construction of the Group. On human resources, training will be provided to the newly-recruited fresh graduate in the third quarter while active preparations will be made for campus recruitment for next year, in order to continuously provide human resources support for the Group's development.

Disclaimer:

- *The aforementioned 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 aforementioned 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 aforementioned 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 2014

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. WU Di and Mr. LIU Enlong; the non-executive Director is Jean Francois POUPEAU; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai.