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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 Second Quarter of 2020 and Outlook for the Third Quarter of 2020

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 to 30 June 2020 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2020

In the second quarter, the COVID-19 epidemic in China was effectively controlled and all provinces and cities resumed production in an orderly manner, while globally, the epidemic continued to ferment and have a strong impact on economic growth and crude oil demand. Supported by the production reduction agreement reached between OPEC and major oil-producing countries, Brent and WTI prices experienced large increases in the second quarter but were still far below their pre-epidemic levels.

Under such market environment, the Group continued to carry out strict epidemic prevention and control in accordance with the requirements of national and local governments to ensure the safety of all of its domestic and overseas employees, while actively fulfilling its social responsibility by leveraging its global supply chain to prepare and deliver epidemic prevention materials and actively helping the local governments, communities and partners where the Group operates to prevent and control the epidemics. On the other hand, the Group continued to actively seek project opportunities, promote the efficient and safe operation of ongoing projects, exercise stringent cost control measures, accelerate working capital turnover and actively respond to business challenges brought about by the macro environment.

ORDERS IN THE SECOND QUARTER OF 2020

During the second quarter, the Group’s new orders were approximately RMB817.3 million, a decrease of 29.9% compared to the same period of last year, among which, new orders in the domestic market were approximately RMB457.3 million, a decrease of 41.7% compared to the same period of last year; new orders in Iraq were approximately RMB352.5 million, an increase of 24.7% compared to the same period of last year; new orders from other overseas markets were approximately RMB7.6 million, a decrease of 92.4% compared to the same period last year.

In the domestic market, the customers' gas development plans continued to progress actively, and the Group, under the "cash flow" control objective, focused on selectively securing high-quality orders for gas development projects. During the Quarter, the Group continued to win bids for asset-light and high-return projects such as drilling tools leasing and inspection, as well as technical services such as drilling and coiled tubing in the Xinjiang market; in the Southwest market, the Group won orders for well completion services and inspection projects. In addition, the Group made breakthroughs in the CBM and tight gas markets and won a number of orders for well completion projects in Shanxi and Erdos.

Overseas, the epidemic is still not under effective control, personnel mobilization and commercial activities in Iraq and other overseas markets were impacted, and customers' development plans were also postponed largely. Relying on its excellent experience in oilfield management projects, the Group actively explored opportunities in oil production and operation and maintenance projects. During the Quarter, the Group won bids for projects such as oil production, maintenance and drilling tools inspection, with new orders totaling approximately RMB360.1 million.

ORDER FULFILLMENT IN THE SECOND QUARTER OF 2020

In the domestic market, the Group's project operation has resumed in full and accelerated continuously. In the northwest market of Xinjiang, the Group's natural gas projects were promoted with high efficiency. In the southwest market, the Group successfully completed the drilling and completion technical services for the horizontal section of the largest inclined ultra-long horizontal shale gas well of CNPC depending on its leading technology and quality operation. In the Erdos market, the Group's drilling team successfully exceeded the annual drilling advance of 10,000 meters in late April by focusing on both epidemic prevention and control as well as production operations after returning to work. In other project areas, the Group actively promoted epidemic prevention to ensure safety and strictly implemented the epidemic prevention requirements of the national and local governments, while carrying out various production operations in an orderly manner. Overseas, the oilfield operation and management project was running smoothly, and the Group actively promoted the commencing of projects on the basis of tight epidemic prevention and control. However, as the overseas epidemic situation remained severe, project personnel were still unable to mobilize normally, and operational efficiency and new project commencement in some oilfields were still greatly affected.

As at 30 June, 2020, the Group had order backlog of approximately RMB4,828.0 million. Among them, the order backlog in the domestic market amounted to approximately RMB2,086.5 million, accounting for approximately 43.2% of the Group's total order backlog, and order backlog in the Iraqi market amounted to approximately RMB2,279.3 million, accounting for approximately 47.2% of the Group's total order backlog. Order backlog in the other markets amounted to approximately RMB462.2 million, accounting for approximately 9.6% of the Group's total order backlog.

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.

MANAGEMENT UPDATE IN THE SECOND QUARTER OF 2020

During the second quarter, the domestic epidemic situation continued to improve. The Group followed the epidemic prevention requirements of the national and local governments, normalized epidemic prevention, strictly controlled and prevented epidemics and ensured the safety of its employees, while at the same time actively fulfilling its social responsibility by giving full play to the advantages of its global supply chain and service network, procured and delivered epidemic prevention materials, and provided active assistance globally to the communities and partners where the Group operates.

In the face of market risks, the Group further promoted the “digital” transformation and “decentralized” management model to improve management efficiency and reduce management costs. The Group has firmly implemented the business philosophy of focusing on cash flow, stepped up recovery of accounts receivable, heightened the negotiation and communication with suppliers, strengthened inventory management, to accelerate the turnover of working capital.

In respect of ESG, the Group completed the upgrade of its QHSE Committee to ESG Committee on 21 May, further improved the Group’s top-down ESG management system with full staff participation.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2020

In terms of market, the Group will focus on the core domestic natural gas market, leverage its technological advantages, and continue to secure high-quality orders. In the Xinjiang market, the Group will continue to keep up with customer demand and strive for conventional natural gas projects with high technological requirements; in the southwest market, the Group will step up its efforts to promote precision engineering services, and secure more related orders around the sweet-spot evaluation technology; in Erdos, the Group will continue to actively look for opportunities in the tight gas technological services market. Overseas, in the Iraqi market, the Group will actively leverage its successful experience in the oilfield management service project, which has been running smoothly for two years, and combine its sound service capabilities and technical advantages in this market to actively seek market opportunities and orders for projects despite the sluggish market environment affected by the epidemic. In other overseas markets, the Group will continue to strictly control market risks and seek opportunities for quality projects.

In terms of operations, the third quarter is the peak period for operations in the domestic market. The Group will continue to attach great importance to epidemic prevention and control to ensure safety while expediting the commencing of projects, and pay close attention to project quality to ensure the delivery of high quality projects. Overseas, the Iraqi market plans to gradually relax its entry restrictions on personnel by the end of July. The Group will speed up the progress of its overseas projects based on local epidemic control situation of our locations of business.

In terms of operation and management, despite the market challenges, the Group will actively explore opportunities for quality projects and strive for more asset-light projects. At the same time, the Group will continue to strengthen internal cost control and accelerate the turnover of working capital through the comprehensive management of project operation process, receivables, payables, inventories, etc. All operations will be centered around the goal to achieve a “positive feedback” on cash flow.

On ESG: The Group has comprehensively reviewed and summarized its ESG efforts under the corporate vision of becoming “a model for the efficient and harmonious development of mankind and environment” and published its first separated ESG report on 22 July. Guided by our corporate vision, the Group will make continuous efforts to achieve sustainable development.

The above statements are based on the current operations of the Group and current market conditions, and not a guarantee of the performance of the Group. The performance of the Group is mainly determined by the market and financial environment.

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, 22 July 2020

As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. Fan Yonghong, the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WEE Yiaow Hin.