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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 2021 and Outlook for the Third Quarter of 2021

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 2021 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2021

During the Quarter, the global economy maintained the momentum of recovery, energy demand further rebounded, and international oil prices continued to rise. In terms of the Group’s operational update, as oil and gas development was actively promoted in various oilfield markets in China, the Group actively participated in bidding for projects in various markets, and continued to secure quality orders with cash flows and return on net assets as its primary indicators; in terms of order fulfillment, during the Quarter, the overall work volume in Chinese market entered a peak season, and the Group focused on the high-quality execution of its order backlog. Overseas, the Group’s commercial activities in various overseas markets increasingly recovered, and previously suspended projects due to the impact of the pandemic resumed operation gradually, which has steadily improved the operational efficiency.

ORDERS IN THE SECOND QUARTER OF 2021

During the Quarter, the Group won new orders of approximately RMB1,776.3 million, representing an increase of 117.3% compared to the same period last year. New orders from Chinese market amounted to approximately RMB397.6 million, representing a decrease of 13.1% compared to the same period last year; new orders from Iraqi market amounted to approximately RMB1,166.4 million, representing a significant increase of 230.9% compared to the same period last year; and new orders in other overseas markets amounted to approximately RMB212.3 million, representing a significant increase of RMB204.7 million compared to the same period last year.

In China, during the Quarter, the Group continued to win orders for drilling tools leasing, formation testing and workover services, oilfield inspection and other projects in the Xinjiang market; in southwestern market, the Group was awarded orders for fracturing general contracting, drilling fluid services and other shale gas related projects; and in Shanxi, Erdos and other areas, the Group continued to obtain multiple orders for coal-bed methane related projects, including coiled tubing services, pressure pumping services and stimulation technical services.

In overseas markets, in Iraq, the Group completed the renewal of the IFMS project in Majnoon Oilfield and the new contract was still executed under the “2+1” model. The Group continued undertaking the integrated management of the oilfield, and the scope of work under the contract was further expanded. In addition, the Group also obtained orders for asset-light projects such as oilfield operation and maintenance, supervision and management in Halfaya and Buzurgan oilfields. In other overseas markets, the Group entered the Australian market for the first time to provide customers with asset-light technical services. In West Africa markets, the Group successfully penetrated the Niger market and obtained orders for asset-light projects; in the Chad market, the Group fully expanded its business and obtained numerous orders for well workover services, mud services, calibration and testing services, etc. New orders from the overseas markets recorded significant growth compared to the same period last year.

ORDER FULFILLMENT IN THE SECOND QUARTER OF 2021

In the domestic market, the Group continued to promote technological innovation, and simultaneously continued to strengthen the cost control on the entire cycle of operation projects to improve the profitability of the projects. During the Quarter, in Sichuan shale gas region, the Group’s coiled tubing team completed coiled tubing services for an ultra-deep well with a depth of 7,305 meters, setting a new domestic record. The Group’s gas seal test team completed the ultra-high pressure gas seal test for the tubing completion well, with the on-site actual operating pressure reaching 120MPa, setting a record for the gas seal test industry. In the Xinjiang market, each of services of the Group, such as oil-based drilling fluid services, drilling tool rental services and testing technical services, has been efficiently advanced.

Overseas, in the Iraqi market, the Group successfully completed the service for an initial term of three years for the IFMS project in Majnoon Oilfield as at the end of the second quarter and achieved a HSE performance of 20 million LTI Free(lost time injury free) man-hours, which was unanimously praised by customers. As the renewed contract was smoothly transitioned from the original one, the Group will continue to provide integrated oilfield management services for customers for a new “2+1” service term to ensure the steady operation of oilfields. At the end of the Quarter, the Group’s drilling service projects for oilfield in the southern of Iraq have successfully resumed execution. In other overseas markets, the integrated oilfield management projects in the Chad market in Africa have been running smoothly. Drilling fluid and directional drilling projects have remained full workload. In Pakistan and Kazakhstan and other markets, drilling and workover projects, drilling tools inspection projects and directional drilling projects have been smoothly advanced.

As of 30 June 2021, the Group had order backlog of approximately RMB7,110.2 million. Among them, order backlog in the domestic market was approximately RMB2,991.3 million, accounting for approximately 42.1% of the Group’s total order backlog; order backlog in the Iraqi market was approximately RMB3,506.8 million, accounting for approximately 49.3% of the Group’s total order backlog; in other markets, order backlog was approximately RMB612.1 million, accounting for approximately 8.6% 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. Order backlog shall be reduced due to the execution of orders, and shall be subject to the adjustment by the management due to an unexpected change in market conditions.

MANAGEMENT UPDATE IN THE SECOND QUARTER OF 2021

In the second quarter, the Group initiated “refined operation strategy”, based on the efficient information management, took the “Amoeba operating” as the core, and further comprehensively implemented strict cost control measures, so as to improve management efficiency and reduce costs at the same time. In terms of operation and management, the Group continued to firmly implement the operating strategy of cash flow as the core, and accelerate the turnover of working capital through the entire process of project management.

In terms of ESG management, during the Quarter, Anton Oilfield Services (Group) Co., Ltd. (安東石油技術(集團)有限公司), a subsidiary of the Group, was awarded the title of “Capital Labor Award (首都勞動獎)” in Beijing through layers of recommendation, step-by-step review and public announcement, which fully reflected the high recognition from all walks of life to the Group’s social responsibility and contribution.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2021

In terms of the market, leveraging its technical strengths, the Group will continue to strive for unconventional resources development projects in China and improve its operation efficiency to increase production and reduce costs for customers through application and promotion of new technologies. In the meantime, we will actively promote the market expansion of two new businesses, “low-carbon and new energy technology business” and “intelligent oil and gas technology business”. Overseas, in the Iraqi market, the Group will seize the opportunity during the gradual recovery of the market, continue to focus on opportunities for market structural adjustments, give full play to its cost reduction and efficiency improving advantage, and strive for more market share. In other overseas markets, the Group will focus on the opportunity for the full resumption of business activities in the West African market and seek further market breakthroughs.

In terms of operations, the Group will fully focus on customer needs, through precise engineering services that combine engineering services with geological technologies, to fundamentally achieve cost optimization and efficiency improvement in the whole process. The Group will further promote the collaboration with partners and actively apply new technologies through an ecological development platform to jointly promote cost reduction and efficiency enhancement by applying new technologies.

In terms of operation and management, the Group will further strengthen refined operation, adhere to asset-light development, promote technological innovation, management upgrades, and business transformation, and build a technology-based company featured with low cost, strong anti-risk capability, quick market response, and competitiveness.

In terms of debt management, an announcement in relation to exchange offer for the existing notes and proposed issue of the new notes was made by the Group on 6 July 2021 and the pricing and issuance of the new notes were completed on 19 July 2021. According to the exchange results, a total of US\$61,903,000 new notes were issued for the exchange and a total of US\$88,097,000 new notes were issued in the Concurrent New Money Issuance in the transaction. In total, US\$150 million new notes with the coupon of 8.75% and a term of 3.5 years were issued which will due in January 2025. The outstanding balance of the notes due in 2022 is US\$228,437,000 after the completion of the issuance.

In terms of environment, society and governance (ESG), the Group conducted a comprehensive review of its ESG efforts in 2020 and published its 2020 sustainability report on 22 July 2021. The Group will uphold the vision of efficient and harmonious development between human and environment and be benchmarked against the best ESG practices in the industry with continuously efforts and improvements 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, due to various uncertainties arising from the contract signing process, execution progress and client plan etc., and such information 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 solicitations 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 2021

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