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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 Second Quarter of 2012 and Outlook for the Third 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 April 2012 to 30 June 2012 (the “Quarter”).

### **OVERVIEW**

Following a good start in the first quarter, the Group endeavored to promote all the businesses, accelerated introduction of new services and strengthened marketing to develop new customers in the second quarter of 2012, achieving breakthrough in all fronts of business and successfully seizing business opportunities arising from rapid growth of domestic natural gas development this year. During the period, the Group has secured considerable orders. Several general contracts were signed and batch orders were secured in key natural gas basins, ensuring more solid order backlog. Overseas, oilfields in the Middle East market expedited development with growing demands for a variety of technical services, creating an important growth engine for the Group.

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

During the Quarter, the number of jobs performed by the Group's core business — oil and gas development technical services increased compared with the same period last year. The three major services saw a steady growth compared with the same period last year, in which multistage fracking, with tremendous domestic demand, successfully developed more customers and completed 27 jobs during the Quarter, providing solutions to the stimulation challenges of tight gas and tight oil for customers across China; coiled tubing services further penetrated the overseas markets and achieved satisfactory growth, completing 61 jobs domestically and 50 jobs in overseas markets, or a total of 111 jobs during the period; directional drilling services continued to benefit from increased demand for horizontal wells domestically and the full promotion of product lines that led to more domestic market share, completing 18 jobs domestically and 11 jobs in the overseas markets, or a total of 29 jobs during the period. The Group's integration strategy is gradually realizing good results, with a total of 5 jobs completed during the Quarter. Furthermore, with accelerated construction of underground gas storage facilities, tubular helium testing business also exceeded forecast and completed 87 jobs during the period. For new services, following the arrival of part of the pressure pumping equipment during the Quarter, market was immediately opened up and operation kicked off, laying a solid foundation for future market development.

The supplementary business — tubular services — implemented the several annual service contracts as planned and workload was full.

## Operational summary of oil and gas field development technical services

Business Cluster	Major Product Classification	Jobs Completed in the Quarter (Well Counts)			Jobs Accumulated in the Quarter (Well Counts)			Remark
		Domestic	Overseas	Sub-total	Domestic	Overseas	Sub-total	
Drilling Technology Cluster	Directional drilling services	18	11	29	28	18	46	—
	Integrated services	5	—	5	7	—	7	—
	Drilling fluid services	—	—	—	—	—	—	Operations are in progress
	<b>Sub-total</b>	<b>23</b>	<b>11</b>	<b>34</b>	<b>35</b>	<b>18</b>	<b>53</b>	—
Well Completion Cluster	Well completion integration services	44	29	73	66	46	112	Well completion integration services released the number of jobs counting operational projects only but not including projects that solely trade products
	Gravel packing services	159	—	159	246	—	246	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>203</b>	<b>29</b>	<b>232</b>	<b>312</b>	<b>46</b>	<b>358</b>	—
Down-hole Operation Cluster	Multistage fracking services	27	—	27	47	—	47	—
	Coiled tubing services	61	50	111	81	79	160	—
	Tubular helium testing services	87	—	87	118	—	118	—
	Pressure pumping services	—	—	—	—	—	—	Operations are in progress
	Oil production services	161	—	161	174	2	176	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>336</b>	<b>50</b>	<b>386</b>	<b>420</b>	<b>81</b>	<b>501</b>	—
<b>Total</b>		<b>562</b>	<b>90</b>	<b>652</b>	<b>767</b>	<b>145</b>	<b>912</b>	—

## Operational summary of tubular services

Business Cluster	Major Product Classification	Jobs Completed in the Quarter (Number of Tubular Pipes)			Jobs accumulated in the Quarter (Number of Tubular Pipes)			Remark
		Domestic	Overseas	Sub-total	Domestic	Overseas	Sub-total	
Tubular Services Cluster	Inspection and Evaluation (tubular inspection)	154,951	18,412	<b>173,363</b>	282,064	30,962	<b>313,026</b>	
	Operation Management and Repair (repair, welding, coating)	90,738	3,056	<b>93,794</b>	131,563	3,666	<b>135,229</b>	
	Tubular Leasing	416,340	—	<b>416,340</b>	742,340	—	<b>742,340</b>	Tubular leasing service is measured in terms of tubular pipe days

## PROGRESS OF CONSTRUCTION OF SERVICE CAPACITY

The Group set up five new directional well operation service units during the Quarter and has by now an aggregate of 15 directional well operation service units. The newly-established drilling fluid department set up three operation units during the period. During the Quarter, the pressure pumping service department was initially built up with part of pressure pumping equipment arrived and two operation units established. Construction works for industrial bases in the PRC were fully carried out by strategic partners.

Regarding introduction of technologies, the Group participated in the foremost events in the industry, Offshore Technology Conference and the Global Petroleum Show, and paid company visits in North America, with an aim to identify and import cutting-edge technologies for oil and gas development.

In respect of acquisitions, the Group completed the acquisition of the 55% equity interests in the Bazhou Companies, which supplemented the Group's high-end water-based drilling fluid service and R&D capabilities by providing related technologies and talents in that area, and further improved the business structure and service capabilities of the Group's integrated drilling services.

As for talents, as of 30 June 2012, the Group further optimized the structure of its human resources structure and had a total of 1,395 permanent employees, an increase of 23.8% over the same period last year, and added international high-end talents in human resources, new industries, and new materials areas as an integral part of the Group's talent first strategy.

The first issue of medium-term notes with a term of three years was completed in May 2012 and raised proceeds of RMB300 million. There is an additional RMB200 million worth of principal amount available for future issue, providing a secured source of medium to long term funding for building up the Group's service capacity.

## OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2012

Looking ahead to the third quarter, the Group will continue to gear up for an active participation in several large tenders, and in the meantime also speed up executing the strong volume of domestic and overseas orders. Several integration projects are expected to be completed in the third quarter.

### Order backlog of oil and gas field development technical services

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
Drilling Technology Cluster	Directional drilling services	19	13	32
	Integrated services	6	—	6
	Drilling fluid services	3	—	3
	<b>Sub-total</b>	<b>28</b>	<b>13</b>	<b>41</b>
Well Completion Cluster	Well completion integration services	31	32	63
	Gravel packing services	116	—	116
	<b>Sub-total</b>	<b>147</b>	<b>32</b>	<b>179</b>
Down-hole Operation Cluster	Multistage fracking services	43	—	43
	Coiled tubing services	52	37	89
	Tubular helium testing services	84	—	84
	Pressure pumping services	4	—	4
	Oil production services	214	—	214
	<b>Sub-total</b>	<b>397</b>	<b>37</b>	<b>434</b>
	<b>Total</b>	<b>572</b>	<b>82</b>	<b>654</b>

*Note:*

1. The confirmed jobs in the backlog are completed in varying 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.

## 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)	146,300	17,600	163,900	—
	Operation Management and Repair (repair, welding, coating)	108,090	6,530	114,620	—
	Tubular Leasing	619,200	—	619,200	Tubular leasing service is measured in terms of tubular pipe days

## Development of major tenders newly won or major contracts signed

- In the Erdos Basin, (1) Sinopec North China E&P Company extended an order of 10 additional wells for multistage fracking services in the “horizontal well multistage fracturing packer, ancillary tool and on-site service” project; (2) the intent of business cooperation was confirmed with two drilling engineering companies under CNPC to provide around 20 wells of newly created orders for multistage fracking services, and some of the contracts have already been signed.
- In the Tarim Basin, (1) a service contract for one well of oil-based drilling fluid services was successfully signed incorporating the provision of oil-based drilling fluid materials, solution design and operations services; (2) an annual general contract for tubular helium testing services for oil casing projects was signed.

- In the Xinjiang region, a general service agreement was successfully signed engaging integrated services of directional drilling, drilling fluid, well completion and fracturing services.
- In the Songliao Basin, the Group won several directional drilling service contracts grasping more than 10 wells of orders in Jilin market, establishing the Group's dominant position in the area.
- In the market of underground gas storage facilities, (1) an integrated service contract was newly signed; (2) four exclusive general contracts for tubular helium testing technologies for the underground gas storage facilities across China were signed, ensuring stable orders for tubular helium testing services for the year.

## **CONSTRUCTION OF SERVICE CAPACITY**

The Group will continue to speed up the deployment of its integration strategy, and will add new service capacity in areas such as coiled tubing, pressure pumping and directional drilling in the next quarter. Meanwhile, the Group will accelerate the introduction of new technologies to improve its integrated value chain, and will actively look for suitable merger and acquisition opportunities at home and abroad.

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

Hong Kong, 12 July 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.*