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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)

Operational Update on the First Quarter of 2016 and Outlook for the Second Quarter of 2016

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 January 2016 to 31 March 2016 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE FIRST QUARTER OF 2016

In this Quarter, the international oil started to rise after reaching a bottom level price of more than ten years. In terms of market development, domestically, in the highly competitive environment, the Group successfully acquired full-bore, vertical drilling and drilling tool leasing orders in Xinjiang, and won bulk orders for fracturing services and new staged fracturing process projects in the Erdos market. Meanwhile, the Group steadily promoted unconventional gas projects in the coal bed methane market and acquired orders for providing fracturing and coiled tubing services. Overseas, the Group continued to get breakthroughs in the Iraqi market, successfully acquired market access from a number of new customers, and successively won orders for oil production operation management projects, fracturing services and coiled tubing acidizing projects. In terms of order fulfillment, projects processed slowly at the impact of the Spring Festival and the winter break. In the area of management, the Group continued to push forward the workforce optimization program, strengthened stricter budget management, project management and cash management , all management measures focused on ensure cash safety and gain profit under a low oil price market.

ORDERS IN THE FIRST QUARTER OF 2016

During this Quarter, the Group was awarded new orders worth approximately RMB962.9 million, of which approximately RMB175.4 million from new domestic orders and approximately RMB787.5 million from new overseas orders.

Domestically, the Group spared no efforts to bid for the projects which can enhance the equipment utilization efficiency and those with strategic meaning, meanwhile strictly selecting the projects on the basis of cash flow occupation and abandoning projects whose cash flow will be occupied long. The Group secured fracturing equipment service projects with the contract value of approximately RMB36.0 million, horizontal well multi-stage fracturing service projects with the contract value of approximately RMB25.0 million in the Erdos region. In the southwest region, the Group secured orders mainly from the shale gas market and won coiled tubing service projects with the contract value of approximately RMB16.0 million and rotary steering service projects with the contract value of approximately RMB12.0 million.

Overseas, the Group continued to bid for new orders with its cost advantage in the advantageous market in Iraq to take place of the market share of the international service companies, and grasped the opportunity of the "Belt and Road" to enhance cooperation with the Chinese investors in the countries along the "Belt and Road" region. The new orders from overseas during this Quarter were mainly from the Iraqi market. In oil production business, the Group successfully secured oil production general operation management service projects and EPC projects with the contract value of approximately RMB513.0 million and RMB 19.5 million respectively in South Iraq. As of the end of this Quarter, the order backlog of the Group on oil production operation management service in the Iraqi market increased to RMB 690.8 million. In the traditional established market in Iraq, new orders of the Group grew steadily. In this Quarter, the Group secured fracturing equipment service projects with the contract value of approximately RMB105.3 million, coiled tubing service projects with the contract value of approximately RMB55.5 million, and acidizing service projects with the contract value of approximately RMB37.9 million.

As of 31 March 2016, the order backlog of the Group was worth approximately RMB 3,517.2 million, of which the order backlog in the domestic market was approximately RMB785.2 million and the order backlog in the overseas market was approximately RMB2,732.0 million.

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 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.

ORDER FULFILLMENT IN THE FIRST QUARTER OF 2016

In this Quarter, projects were implemented slowly at the impact of the winter break. Since March, the work volume of each region has begun to rise. In the Xinjiang market, integrated drilling lump-sum service commenced operation.. In southwest market, self-owned rotary steering service was stably implemented. Overseas, the operation schedule slowed down affected by oil price in the first Quarter, while in the Iraqi market, there was a steady amount of work in coiled tubing operation service, acidizing and artificial lifting service and directional drilling service. In the Ethiopian market, the Group fully commenced new operations, the delivery of drilling fluid has been completed and the project implementation is in preparation.

CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE FIRST QUARTER OF 2016

In this Quarter, the Group systemized and built technical capacity of each product line with a view to providing material support for corresponding projects while carrying out strict control over autonomous investment, and ancillary equipment and instrument for workover projects in Ethiopia were delivered to the operation site.

On human resources management, the Group continued to deeply push forward the workforce optimization program and fully adopted the personalized incentive programs of each business units.

In financial management, the Group further conducted detailed budget management, strengthened project accounting, continuously and strictly controlled cash flow management, and stringently controlled capital expenditure to ensure all the business units' operation conforming to the budget, and taking cash flow improvement and earn profit as a core of financial work.

OUTLOOK FOR OPERATIONS IN THE SECOND QUARTER OF 2016

In terms of market development, domestically, it's difficult to make breakthroughs in traditional markets with decreased capital expense and strengthened internal protection of oil companies. The Group will continue to capture the strategic market, focusing on old well capacity increasing revamp projects and unconventional resources development projects to maintain the leading position in these markets with technical advantages. Overseas, driven by cost reduction, there will be more opportunities in the markets in Iraq and the Gulf countries in the Middle East for the Chinese service companies. Meanwhile, the Group has already cooperated with the Chinese investors in the countries along the"Belt and Road" region , such as Pakistan and Ethiopia markets.

In terms of order fulfillment, domestically, the overall work volume in the second quarter will continue to increase. The Group will focus on the work efficiency of workover projects, coal bed methane pressure pumping service projects and integrated projects to ensure the construction quality of traditional service projects and accelerate the delivery. Overseas, the national oil company customers have made request to the operators on accelerating operation schedule in order to increase fiscal income and the Group will focus on preparation and start-up of rig projects, general workover and well completion and oil production operation projects in Iraq. In Central Asian and African markets, the Group will push forward the start-up of workover projects in Ethiopia and ensure quality and safety.

In terms of operations, the Group will vigorously strengthen cash management, refine project management and strictly control costs to improve its competitiveness in price; and focus on QHSE management and improve its brand image in the process of operation. The Group will close down and transform the product lines with lower efficiency to improve its asset efficiency; execute personalized incentive programs of each entity and contribute to performance improvement.

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, 21 April 2016

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.