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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 2016 and Outlook for the Third 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 April 2016 to 30 June 2016 (the “**Quarter**”).

#### **OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2016**

In this Quarter, the international oil price rose gradually, fluctuated around the price of 50 dollars per barrel. In terms of market development, domestically, although the overall market is still in the downturn, the Group generated a growth of new orders on the projects we have advantages. In this Quarter, the Group acquired general drilling projects, integrated well completion projects, coiled tubing services and fracturing services in Erdos market, and won tubing and casing repairmen and oil-based drilling fluid projects in Xinjiang. On the unconventional projects, the Group successfully expanded its markets in Sichuan, Guizhou and Shanxi, acquired general drilling project, fracturing and coiled tubing services projects. Overseas, the Group developed steadily in the Iraqi market, successfully acquired orders for directional drilling, coiled tubing and production operation management services. In Ethiopia, the Group won further acidizing projects from the customer. Besides, the Group made a breakthrough in a new market, Pakistan, where we acquired a pilot general fracturing project. In terms of order fulfillment, projects were processed faster comparing to the first quarter, but the overall execution volume remained low.

In the area of management, the Group actively consolidated assets and optimized resources alignments, introduced a strategic partner through transferring 40% of our Iraqi business. In addition, the Group continued to push forward the workforce optimization to improve efficiency.

## **ORDERS IN THE SECOND QUARTER OF 2016**

During this Quarter, the Group was awarded new orders worth approximately RMB503.0 million, of which approximately RMB 331.2 million from new domestic orders and approximately RMB171.8 million from new overseas orders.

Domestically, the Group delivered its integrated capacity and advantages on unconventional projects, secured orders with a contract value of approximately RMB99.5 million for general drilling service projects in coal-bed methane market in Shanxi, and orders valued approximately RMB118.0 million for fracturing service projects in the Erdos market. In southwest market, new orders mainly came from the shale gas projects and coal-base methane projects in Guizhou, where the Group won fracturing service projects valued approximately RMB25.3 million. In Xinjiang, the Group generated new orders of tubing and casing services valued approximately RMB 26.5 million.

Overseas, the Group successfully achieved breakthroughs in new markets. In Pakistan, the Group won an order from an independent Chinese oil company for providing a pilot general fracturing project valued approximately RMB 22.0 million. Furthermore, the Group's well completion tools entered new markets in Ecuador, the United Arab Emirates and Ethiopia markets, orders valued approximately RMB 17.3 million. In Iraq, the Group continued to win orders for providing of directional drilling, coiled tubing and production operation management services, with projects value of approximately RMB 50.9 million.

As of 30 June 2016, the order backlog of the Group was worth approximately RMB 3,562.1 million, of which the order backlog in the domestic market was approximately RMB 934.0 million and the order backlog in the overseas market was approximately RMB 2,628.1 million.

### *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.

## **ORDER FULFILLMENT IN THE SENCOND QUARTER OF 2016**

In this Quarter, projects were processed faster than that in the first quarter, while, the overall volume was still low. In the Xinjiang market, integrated drilling lump-sum service was commenced on schedule. In the Erdos market, the Group's workload from fracturing coiled tubing and integrated well completion services projects gradually increased. Overseas, in the Iraqi market, projects were commenced steadily. Preparation for the oil production maintenance project won previously was completed, ready to be kicked off in the third quarter as scheduled. The projects in Iran and Ethiopia moved steadily, overall workload increased. In America market, due to insufficient commencement, the workload was below expectation.

## **CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE SECOND QUARTER OF 2016**

In this Quarter, the Group continued to execute the "asset-light" strategy, focused on promoting the systemization, nutrition and promotion of new technical capacity so as to increase profitability by means of technology. In terms of investments, the Group continued to strictly control incremental investments. Capital expenditure was mainly for the payments of previous investments.

On cost control, the Group reduced labor cost by the continuous workforce optimization and organizational simplification, and reduced material cost by improving procurement and logistics management ability.

On financial management, the Group further strengthened budget management to ensure stable cash flow.

On capital management, the Group introduced a strategic partner through transferring 40% of its Iraqi business, which provided a more stable fund support to maintain a more favorable capital environment for the Group so as to capture the early-to-market opportunities when the market start to recovery.

## **OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2016**

In terms of market development, domestically, it's difficult to make breakthroughs in traditional markets. The Group will continue to capture the hotspot market, focusing on old well capacity increasing revamp projects and unconventional resources development projects. Overseas, with the gradual recovery in oil price, the exploration activities will go more active, the Group will push forward to enhance the coverage in the areas where Chinese companies have advantages, and to capture the opportunities of Chinese independent oil companies' developing in the overseas oilfields. Meanwhile, the new markets that the Group has cultivated along the "One Belt and One Road" region will gain more market opportunities. In the Middle East markets, the Group will take advantage of its existing capabilities as well as a more powerful integrated services capacity from the cooperation of the strategic partner, actively participate in bidding tenders for large scale orders.

In terms of order fulfillment, domestically, the overall work volume in the third quarter will enter a peak season. The Group will focus on the work implementation, ensure the project quality and promote work delivery. Overseas, in addition to fulfill the existing work, the Group will focus on the preparation of the oil production projects in Iraq, ensure it to be implemented on schedule. In Central Asia and African markets, the Group will push forward the project fulfillment in Ethiopia, and ensure work quality of projects in Pakistan new market. In the America markets, the Group will push forward the delivery time of well completion tools and pay close attention to the customers' start-up plan.

In terms of operations, the Group will continue to refine project management and strict its cost control, enhance technology innovation to improve its competitiveness in technology and focus on QHSE management to ensure project quality, improving its brand image in the process of operation. Besides, the Group will further strengthen its capital operation, strictly manage the cash budget to ensure cash safety.

***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, 17 July 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.*