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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 2017 and Outlook for the Third Quarter of 2017

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 2017 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2017

This quarter, the Group's overall workload volume has been greatly increased along with the massive start of project executions both in the domestic and overseas markets. In Iraq, after the first rig's spud in in early April, the Group has completed the first well construction for the general drilling project; another two wells are in construction. This project contributed considerable revenue to the Group with a preferable day rate of the drilling rigs. For the general workover and well completion project, works for fifteen wells have been completed since its launch in the first quarter, income from this project kept a continuous increase. Workload for the oil production and maintenance project and coiled tubing project also seen a substantial increase. In the Ethiopian market, workload for the workover project, cementing project and drilling fluid project achieved a steady increase. In Kazakhstan market, amid the market recovery, the directional drilling product line obtained considerable new orders which have already been in construction; the general drilling project, customer of which is the Group's strategic partner, has stepped into a stable construction phase, workload will keep increasing. In the domestic market, work volume for the Group's heavy-asset projects - drilling projects and pressure pumping projects increased, which lifted the utilization rate of related equipment. In terms of orders, domestically, orders for shale gas projects achieved a remarkable increased;

overseas, the market size of the orders from the same customer has been enlarged, market share in Ethiopia and Kazakhstan markets further expanded through deepening cooperation with Chinese investors there. In terms of human resources management, the Group has further optimized the salary incentive mechanism, lifted the performance pay ratio of the employees which is highly correlated to the performance of the company, to reduce the ratio of labor cost to income, motivate the staff, at the same time guaranteeing the achievement of the Group's performance goal. For the long-term incentive of management and outstanding staff, the Group granted a total of 100,000,000 share options on May 23. On the aspect of corporate governance, to further improve its internationalized governance level, the Group introduced a new Malaysian independent non-executive director who has extensive industry experiences.

ORDERS IN THE SECOND QUARTER OF 2017

During this Quarter, the Group was awarded new orders worth approximately RMB409.7 million, of which approximately RMB 191.7 million from new domestic orders and approximately RMB218.0 million from new overseas orders.

Domestically, due to the reason that some projects will be launched in the second half of this year in region market, and the Group strengthened the management of the quality of the orders and reduce the participation of the projects which has a long capital occupation time and low profit margins, the new orders decreased as compaired with the same time of last year, The Group focus on the non-conventional resources projects which has short capital occupation time and high profit margins, obtained a large number of orders during this quarter in the southwest shale gas market, Guizhou coal bed methane market and Shanxi coal bed methane market leveraging on its advantage in unconventional development technology, with a total amount of approximately RMB 80.0 million, increased substantially 70% as compared with the same period of last year, the quality of orders also improved a lot

Overseas, in Iraq, new orders increased as compaired with last year, and many large-scale cooperation projects between the Group and the international oil companies are operating normally and is still in progress in this quarter.. As at the date of this announcement, orders from international oil companies were approximately RMB1,550.0 million. In the emerging markets, the Group's cooperation with the strategic partners has been further deepened. As of the announcement date, orders from this strategic partner is approximately RMB 126.5 million in the Kazakhstan market, cooperation in Albanian market has also been started.

As of 30 June 2017, the order backlog of the Group was worth approximately RMB 3,706.4 million, of which the order backlog in the domestic market was approximately RMB 915.4 million and the order backlog in the overseas market was approximately RMB2,791.0 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 SECOND QUARTER OF 2017

On order fulfillment, this quarter, the Group's overall workload volume has been greatly increased along with the massive start of project executions both in the domestic and overseas markets. In Iraq, after the first rig's spud in in early April, the Group has completed the first well construction for the general drilling project; another two wells are in construction. This project contributed considerable revenue to the Group with a preferable day rate of the drilling rigs. For the general workover and well completion project, works for fifteen wells have been completed since its launch in the first quarter, income from this project kept a continuous increase. Workload for the oil production and maintenance project and coiled tubing project also seen a substantial increase. In the Ethiopian market, workload for the workover project, cementing project and drilling fluid project achieved a steady increase. In Kazakhstan market, amid the market recovery, the directional drilling product line obtained considerable new orders which have already been in construction; the general drilling project, customer of which is the Group's strategic partner, has stepped into a stable construction phase, workload will keep increasing. In the domestic market, work volume for the Group's heavy-asset projects - drilling projects and pressure pumping projects increased, which lifted the utilization rate of related equipment.

MANAGEMENT UPDATE IN THE SECOND QUARTER OF 2017

For the purpose of cost control, the Group's changed its previous auditor PricewaterhouseCoopers, who retired as the auditor of the Company with effect from the annual general meeting, and Deloitte Touche Tohmatsu was appointed as the new auditor of the Company. The Group appointed Dato' Wee Yiaw Hin as a new independent non-executive director of the Group. As a senior executive who has extensive experience in international oil companies, the appointment of Dato' Wee will help to further enhance the Group's corporate governance level and international vision. In terms of human resources, as part of its incentive salary mechanism, the Group granted a total of 100,000,000 share options on May 23 for the long-term incentive of management and outstanding staffs.

On financial, the Group strengthened the collection of the account receivables and improved as compared with the same time of last year.. The Group strengthened the management of payments to meet the substantial increase in workload, paid the accounts payable of a longer age, and those suppliers who is willing to accept the discount, thus reduced the risk of accounts payable, increased profits, and the liabilities ratio has declined. In the first half of the year, the cash balance of the Group as at the date of this announcement was lower than that at the beginning of the year due to the management of the payment and the second Iraqi transaction of China Oil HBP Science & Technology Co., Ltd (HBP). As at the date of this announcement, the Group has successfully completed the repayment and renewal of short-term loans of approximately RMB700.0 million. Thematurity of the new loans was renewed from May to July of 2018, the total credit increased by approximately RMB200.0 million as compared with the beginning of this year, and the unused credit line was approximately RMB280.0 million..

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2017

The market is in a slow recovery, domestically, the Group will focus on the southwest shale gas market development opportunities and coal bed methane market opportunities leveraging on its unconventional technology advantages. Overseas, the Group is running several large-scale project orders, it will further deepen the cooperation with existing customers, to expand the cooperation scale, and seize more project opportunities of the strategic partners, promote the bidding of projects from the first tier international oil companies to obtain a breakthrough in orders.

In terms of order fulfillment, the Group will continue to increase its construction workload. Domestically, the Group will focus on drilling rig and fracturing projects' construction quality, lift its equipment utilization, fine project management and improve profitability. Overseas, the Group will focus on the progress of the construction of large projects in the Iraqi market to ensure the project quality and nurturing greater opportunities for future cooperation with the international oil companies. Workload in the Kazakhstan market and the Ethiopian market will maintain at a continuous and stable level.

In terms of operations, for the payment of the second tranche of the Iraqi transaction, the Group had reached a consensus with China Oil HBP Science & Technology Co., Ltd (HBP), who committed to complete the payment by the end of August 31 this year.The Group will focus on the improvement of liquidity management, strengthen the collection a of accounts receivable, strictly control the outflow of cash, withdraw the unused credit on the basis of the control of financial costs and maintain a healthy cash flow. In terms of human resources, the Group will continue to strengthen the introduction of outstanding talents and control the labor costs by optimizing the remuneration structure.

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, 16 July 2017

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr.WU Di and Mr. PI Zhifeng; the non-executive Director is Mr. John William CHISHOLM and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr.ZHU Xiaoping and Dato WEE Yiaw Hin.