ANTON 安東

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Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

Announcement

Operational Update on the Third Quarter of 2017 and Outlook for the Fourth 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 July to 30 September 2017 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE THIRD QUARTER OF 2017

This quarter, amount of new orders kept growing healthily, with about 50.0% growth as compared with the same period last year for total amount of new orders. In Iraq, the Group won bidding of a cementing service project for about RMB151.0 million, which signaled its beginning of large-scale services in Iraq, and largely complemented the Group's overall service capabilities in this market. In Kazakhstan, the Group further strengthened cooperation with the strategic partner, winning again two integrated drilling projects amounting to about RMB82.0 million. Operation-wise, workload in all markets has seen large improvements, and several large-scale projects have seen steady increases in workload after commencing operations in the first half. In Iraq, major projects including the integrated drilling project, integrated workover and completion project and the production operation project all kept full workload with large increases in workload as compared with last year. In Pakistan, pressure pumping service project has achieved the impressive result of production boost of over 10 times for a single well, creating high value for the customer and establishing the brand status of the Group, as well as providing strong support for the scaled promotion of this business. Domestically, new technologies of the Group had impressive results. Nano-chemical material with

FLOTEK had significant production boosting results in trial wells. Bio-based mud with an international partner had outstanding results for application in the Southwest shale gas market, generating a new drilling cycle record. Its high quality and low cost benefit the large-scale development of shale gas, and the Group will continue to push for scaled application of the product. Financially, the Group has received the second tranche of consideration of approximately RMB343.0 million in equivalent dollars from China Oil HBP Science & Technology Co., Ltd for the Iraqi transaction.

ORDERS IN THE THIRD QUARTER OF 2017

During this Quarter, the Group was awarded new orders worth approximately RMB588.2 million, with about 50.0% growth as compared with the same period last year, of which approximately RMB259.0 million from new domestic orders and approximately RMB329.2 million from new overseas orders, which is increased 1.1% and 139.9%, respectively, as compared with the same period last year.

Domestically, large equipment of the Group successively gained new orders, further increasing utilization rate, and thus pushing up overall revenue and leading to further improvements in gross margin. In this Quarter, new orders for rig service amounted to approximately RMB42.0 million, pressure pumping service about RMB69.0 million, and coiled tubing about RMB37.0 million.

Overseas, new cementing service project was secured in Iraq with a contract amount of about RMB151.0 million. In Kazakhstan, the Group won another bid from its strategic partner for two integrated drilling projects in Kazakhstan, totaling about RMB82.0 million. As at 30 September 2017, orders on hand from this customer amount to RMB145.0 million. In Pakistan, the Group signed a framework contract for shutting wells. The Group will select targets to provide reproduction services among several dozens of wells, while the customer will reward the Group based on production boosting results of individual wells. Such agreement will be counted into the new orders in the fourth quarter after the Group commenced the wells selection and confirmed the number of wells and amounts.

As of 30 September 2017, the order backlog of the Group was worth approximately RMB3,690.0 million, of which the order backlog in the domestic market was approximately RMB997.0 million and the order backlog in the overseas market was approximately RMB2,693.0 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 THIRD QUARTER OF 2017

On order fulfillment, commencing of operation for orders on hand picked up pace, with workload in all markets on a steep upward trend. In Iraq, the integrated rig service project achieved full utilization this Quarter. Two workover rigs for the integrated workover and completion project maintained steady operations. In Kazakhstan, the integrated drilling services project has ample workload since commencing operations in the first half. In Ethiopia, workload for workover services, cementing and drilling fluid services grew as compared with last year. In Pakistan, pressure pumping service project has achieved the impressive result of production boost of over 10 times for a single well, creating high value for the customer and establishing the brand status of the Group, as well as providing strong support for the scaled promotion of this business. Domestically, with operations entering its peak period, workload for all product lines had significant growth, with utilization rate increasing dramatically and drilling rigs and pressure pumping equipment in short supply in regional markets. At the same time, new technologies of the Group had impressive results. Nano-chemical material with FLOTEK had significant production boosting results in trial wells. Bio-based mud with an international partner had outstanding results for application in the Southwest shale gas market, generating a new drilling cycle record. Its high quality and low price benefit the large-scale development of shale gas, and the Group will continue to push for scaled application of the product.

MANAGEMENT UPDATE IN THE THIRD QUARTER OF 2017

On products and services, the Group continued to build service capabilities around customers’ need. In this Quarter, the Group has completed accessories for the third set of workover rig in Iraq, as well as established pressure pumping capability in Kazakhstan.

On financials, sticking to the principle of "seeking new income source and controlling cost", the Group continued to ramp up collection of receivables, while controlled prepayment to suppliers, turning the operational cash flow to positive. In terms of cash flow from investing activities, the Group continued to strictly control its CapEx, meeting the demand for new capital expenditure mainly by allocating idling assets. By doing so, the cash outflow from investing activities in this Quarter maintained a relatively low level. In this Quarter, the Group had no new repayment requirement, and as at 30 September, the Group maintained approximately the same debt level as at 30 June. At the same time, the Group has received the second tranche of consideration of approximately RMB343.0 million in equivalent dollars from China Oil HBP Science & Technology Co., Ltd for the Iraqi transaction on 29 August.

OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2017

The full year's growth of the Group is basically for certain, in the fourth quarter, cash flow management is still our first priority. The Group will put extensive efforts into receivable collection and obtain more cash inflow at this peak season for collecting receivables. Besides, the active and close cooperation of the Group with commercial banks overseas and state policy banks has entered a substantive phase of negotiations. Credit lines obtained from these banks will be used to release performance bond of overseas businesses and free up working capital of the Group in overseas markets, and will help the Group achieve positive operating cash flow this year.

Operation-wise, with the fourth quarter being a peak period for operations, all product lines will continue to increase workload, with overall workload surpassing the level last year significantly. The Group will strive for the full year revenue target, increase operation speed while maintaining safety and quality standards.

The market is in a slow recover, and in the fourth quarter, customers will begin to prepare for next year, and we expect large-scale development opportunities next year. New orders and bids in the fourth quarter will lay a solid foundation for next year's growth. In Iraq, the Group is bidding for large projects of multiple international oil companies. In Kazakhstan, the Group will deepen cooperation with the strategic partner. In Pakistan, the Group will commence well selection and operations under the framework agreement for shutting wells reproduction. In emerging markets outside the existing markets, the Group is working on multiple large projects, expecting breakthrough at the beginning of next year. Domestically, benefitting from recoveries in the shale gas market, customers are increasing investment dramatically in the Southwest shale market. The Group will grasp the opportunity of independent oilfield service companies entering the market on a large scale, and contest for the bidding of several large projects.

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, 19 October 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.