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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 Fourth Quarter of 2016 and Outlook for the First 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 October to 31 December 2016 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE FOURTH QUARTER OF 2016

In this quarter, the production cut agreement reached by the OPEC countries boosted the international oil price rebound, the industry showed an obvious sign of recovery. In terms of orders, domestically, the Group newly secured drilling rig services, directional drilling services, horizontal well multi-stage fracturing services and testing orders; overseas, the Group newly secured orders of directional drilling services, coiled tubing services and sales of completion tools. In terms of order fulfillment, the fourth quarter reached a peak of project processing, the Group progressed the commencement of high-quality operations. As for domestic market, work volume increased largely and the key projects were implemented on schedule. The Guizhou coal-bed methane integrated general project has successfully completed drilling and completion of 6 wells. In the Iraqi market, project executions increased steadily. The fracturing service project has successfully completed the fracturing of the first pilot well, the general workover and well completion project has completed all pre-commencing preparation, which will be formally commenced in the near future. In Central Asia and Africa, in Ethiopian market, the workover, environmental protection and cementing project has entered into a stable progressing stage. In Pakistani market, the general fracturing project has successfully completed the

commencement of 5 wells. In terms of operations, the Group focused on enhancing external cooperation and establishing strategic alliance. In terms of technology cooperation, during the Quarter, the Group entered into a strategic cooperation agreement with Flotek Industries, Inc, pursuant to which, the Group gained its exclusive cooperation right of the advantageous franchise chemical stimulation technology in the PRC, and both parties will mutually push forward the application of such chemical stimulation technology in the PRC. In terms of business cooperation, the Group has entered into a strategic cooperation agreements with China Oil HBP Science & Technology Co., Ltd. and Geo-Jade Petroleum Corporation, while further enhance both parties cooperation in terms of shareholding and establish an in-depth cooperation between oil company and oilfield service company.

ORDERS IN THE FOURTH QUARTER OF 2016

During this Quarter, the Group was awarded new orders of approximately RMB334.9million, of which approximately RMB 177.5 million from new domestic orders and approximately RMB157.4 million from new overseas orders.

Domestically, the Group continued to win new orders in its advantageous region. New orders include workover service projects, testing project, drilling service project and rotary steering service project.

Overseas, the Group continued to achieve breakthroughs in the emerging markets. In the Ecuadorian market, the Group's autonomous completion tools continued to win new orders. In the Iraqi market, the Group maintained its development trend, new orders including coiled tubing project, tubing and casing repairmen services project and production operation service project were obtained.

In Domestic market, the Group had given up one of the integrated projects in consideration of a rising project risk caused by customer's commercial terms adjustment, and some projects' actual execution amount were less than the expected scale on the contract. The management made corresponding adjustments to domestic order backlog after re-assessing the orders on hand on the basis of prudence and a total downsize of RMB 217.2million was made to the domestic order backlog. In the overseas markets, due to the increased scale of certain projects, the management also made corresponding adjustments, and an increase of totally RMB 55.0 million was made to the order backlog. As of 31 December 2016, the order backlog of the Group was worth approximately RMB 3,158.2million, of which the order backlog in the domestic market was approximately RMB 629.3 million and the order backlog in the overseas market was approximately RMB2,528.9 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 FOURTH QUARTER OF 2016

In operations, the peak of processing was occurred in the fourth quarter of the year, with the overall work volume increased largely. As for domestic market, work volume increased in every region and the key projects were implemented on schedule. The Guizhou coal-bed methane integrated general project has successfully completed drilling of 6 wells and commenced completion; the directional drilling work and fracturing work were completed for the integrated general contract of drilling in Xinjiang. In the Iraqi market, the total number of projects were increased steadily. The fracturing service project of the key project has successfully completed the fraction of the first pilot well, the general workover and well completion project has completed all pre-project commencing preparation, and it will be formally commenced in the near future. In Central Asia and Africa, in Ethiopian market, the workover, environmental protection and cementing project has entered into a stable progressing stage. In Pakistani market, the general fracturing project has successfully completed the commencement of 5 wells.

CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE FOURTH QUARTER OF 2016

During this quarter, focusing on promoting external cooperation and enhancing the introduction and popularization of new technologies, the Group entered into the strategic cooperation agreement with Flotek Industries, Inc so as to start exclusive cooperation in respect of its advantageous franchise chemical stimulation technology. Meanwhile, the chairman and CEO of Flotek jointed the board of the Group to serve as a non-executive director. Both parties will try out and popularize the patented chemical stimulation technology widely applied by Flotek in the US market and fully carry out cooperation and innovation on other technologies based on the actual demand of clients on production increase application. It will be the Group's long-term strategic move to build core competitiveness combined with highly efficient production increase technologies and low-cost service through asset-light model such as international technological cooperation.

On financial management, the Group entered into the strategic cooperation agreement with Beijing Branch of Shanghai Pudong Development Bank Co., Ltd., pursuant to which Beijing Branch will provide professional support and financing facility to the Group in respect of ordinary activities, asset securitization, cross border settlement, securities lending and equity transactions etc., with the provisional financing scale of RMB2 billion, while the actual financing amount and the specific engagement between both parties will be subject to the credit line agreement executed by both parties and approved by the competent internal credit department of that bank.

On capital management, the Group entered into the strategic cooperation agreement with China Oil HBP Science & Technology Co., Ltd. and Geo-Jade Petroleum Corporation to establish in-depth cooperation relationship between oil company and oilfield service company. On equity cooperation, the Group introduced two strategic investors, i.e. Trafalgar Trading Fund Inc. and Geo-Jade Petroleum Corporation. In addition, China Oil HBP Science & Technology Co., Ltd. also became a strategic shareholder of the Group by purchasing shares of the Group at the open market.

OUTLOOK FOR OPERATIONS IN THE FIRST QUARTER OF 2017

In terms of market development, for the purpose of capturing the opportunity of the recovery growth from key markets, in the domestic market, the Group will stick to a stable market strategy, focus on seizing the opportunities in the dominant market and promote the popularization and application of chemical stimulation technology and proprietary technology products, and in the overseas market, with the gradual recovery of oil prices, the Group will focus on new opportunities in the Iraqi market and the emerging markets of the “Belt and Road”. In the Iraqi market, the Group will consolidate the advantages of the traditional dominant market, and actively explore new markets and new customers. In Central Asia and Africa, priority should be given to the strategic cooperative projects with Geo-Jade Petroleum Corporation in the Kazakhstan and the Group will further tap the market potential of Ethiopia and Pakistan market. In Americas, the Group will continue to promote proprietary completion tools sales.

In terms of order fulfilment, on the backdrop of market recovery, with the successive start of projects, it is still the major tasks in the first quarter to intensify project operation management and push forward the preparation work of major projects. Domestically, the Group will focus on the progress of fracturing work of the integrated coal-bed methane projects in Guizhou and also the fulfillment of the workover projects in Xinjiang, and emphasis will be given to the preparation and operation of post winter projects in Xinjiang and Erdos areas. In the Iraqi market, the Group will focus on the feedback on operation quality of the fracturing project so as to prepare for the subsequent operation. Furthermore, it is the Group’s top priority to

engage in the operation of the general workover and completion project and strictly control each process of the preparation work to ensure the smooth operation of projects. In Central Asia and Africa, by intensifying the project management, the Group will ensure the steady fulfillment of projects in Ethiopia and Pakistan.

In terms of operations, the Group will continuously increase the efforts in external cooperation to enhance the popularization and application of new technologies.

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 January 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 Mr. WANG Mingcai.