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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 First Quarter of 2018 and Outlook for the Second Quarter of 2018

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 to 31 March 2018 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE FIRST QUARTER OF 2018

During this Quarter, with the full recovery of the industry, new orders winning of the Group maintained strong growth. In Iraq, it continued to explore businesses of international oil companies, won a drilling turn-key project from an international company, with a total contract value of about RMB100.0 million. It is the Group's new breakthrough in the market of this international oil company customer. The Group's services capacities and comprehensive strength is gradually been recognized by more international as well as Iraqi national oil companies, with a tremendous growth potential in the future. In other overseas markets, the Group continued to extend cooperation with clients with fast-growing order backlog. In Kazakhstan, it has once again won multiple drilling turn-key projects from its strategic partner client with total value of about RMB130.0 million. In Ethiopia, the Group has renewed several annual contracts with total value of about RMB140.0 million. In China, Sichuan shale gas market kept continuous active development. Since successfully becoming one of the first independent oil services companies to win turn-key projects in the last quarter, the Group has once again won drilling turn-key project and directional drilling services project with total value of about RMB180.0 million. In Erdos, natural gas exploration demand grew, and the Group has won drilling services projects with total value of about RMB100.0 million. In terms of operations, in Iraq, multiple new projects officially commenced operations, with the workover and completion turn-key project adding a third workover rig to operate, and cementing service project as well as pressure pumping service project both beginning to operate. Overall workload of the Group continued to grow significantly. In other overseas markets, multiple key markets including Ethiopia and Kazakhstan maintained full workload. In China, benefitting from capacity building demand, project execution picked up pace, winter break was even shortened in certain region. In terms of company management, the Group completed redemption of USD71.0 million of the previous bond on January 12, thus, no further bond need to be repaid in 2018. As of the DMCC equity repurchase, the Group is currently preparing materials according to HKEX's requirement for a major transaction. It will require more time to complete all processes, and is expected to complete official settlement before June 30th, 2018.

ORDERS IN THE FIRST QUARTER OF 2018

During this Quarter, the Group was awarded new orders worth approximately RMB1,236.1 million, of which approximately RMB660.1 million from new domestic orders, approximately RMB231.0 million from new orders in Iraq, and approximately RMB345.0 million from new overseas orders.

Domestically, benefitting from active exploration of Sichuan shale gas projects, the Group has once again won a shale gas platform turn-key project and a directional drilling services project in this market with value of about RMB100.0 million and RMB80.0 million respectively. The highly-promoted biosynthesis-based environment friendly drilling fluid has also won long-term service orders in the shale gas market with value of about RMB42.0 million. In Erdos, the Group has been awarded drilling service projects with total value of about RMB100.0 million, and pressure pumping service projects with total value of about RMB55.0 million. In Xinjiang, benefitting from recovery of natural gas development, the Group has won workover services, drilling fluid service and inspection services orders with value of about RMB46.0 million, RMB60.0 million and RMB54.0 million respectively.

In Iraq, brand name of the group further expanded along with higher recognition from international company customers, a new turn-key drilling project was won by the group from an international oil company customer with the contract value amounted to around RMB100.0 million, and another coiled-tubing service of about RMB78.7 million in traditional market was also secured in this quarter.

In other overseas markets, cooperation between the Group and independent Chinese oil companies further imencified with new orders from Kazakhstan strangie partner of about RMB130.0 million, and new orders from Ethiopian customers of about RMB176.4 million.

As of 31 March 2018, the order backlog of the Group was worth approximately RMB4,274.5 million, of which approximately RMB1,396.5 million in domestic market, approximately RMB2,594.6 million in Iraq, and approximately RMB283.4 million in other markets.

Event after our Quarterly Updates period, the Group has announced on 13 April 2018 that it has been awarded integrated oilfield management services project for a large oilfield in southern Iraq, with the service fee close to USD100.0 million per year in a "2+1" service model, meaning a two-year contract with optional one extra year of service, depending on execution of the contract. Due to the project being awarded in April, it has not been included in the abovementioned order backlog, and will be added in the operational update for the second quarter.

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 FIRST QUARTER OF 2018

In terms of order fulfillment, the Group has maintained active operations in all markets during the Quarter. In Iraq, major projects underway, including the drilling turn-key project, workover and completion project as well as production operations maintenance project, were running smoothly, with multiple new projects commencing operations in the first quarter, increasing overall workload. In other overseas markets, the Group has swiftly commenced working after been awarded the new drilling integrated project from its strategic partner in Kazakhstan, which has seen steadily increasing workload during the Quarter. In Ethiopia, newly entered product lines, including workover services, cementing and drilling fluid services, has continued to maintain stable workload after renewing contracts, In domestic market, demand for capacity building continued to grow, and winter break was shortened in certain areas, prompting project execution to pick up pace across the board. The Group comprehensively strengthened operation quality management and maintained its high quality to guarantee the safe and efficient operations of all projects.

MANAGEMENT UPDATE IN THE FIRST QUARTER OF 2018

In terms of capital operations, the Group completed redemption of USD71.0 million of existing bond on January 12, and no other bond due in 2018 exists for the Group, while at the same time deleveraging and reducing financial cost for the Group. As of the DMCC equity repurchase, the Group is currently preparing materials according to HKEX's requirement for a major transaction, and is expected to complete settlement before June 30th, 2018. In terms of human resources, the Group continued to push forward internationalization of its workforce. It strengthened international training of management personnel, increased proportion of local employees in overseas businesses, while at the same time recruited leading talents in the industry to support the fast-growing international businesses.

OUTLOOK FOR OPERATIONS IN THE SECOND QUARTER OF 2018

In the second quarter, the Group will continue to focus on cash flow management, continuously improve project management, achieve highly-efficient operations, and stepping forward to return to a healthy growing track by strengthening working capital management.

In terms of market, the Group will continue to comprehensively push forward global development with a key focus on promoting business model upgrade. It will rely on its advantages as a leading Chinese integrated technological services company to upgrade to a light-asset turn-key integrated services model. It will continue to explore national and international oil company clients to lay a solid customer base for full internationalization. It would deepen cooperation in other overseas markets regarding projects combining projects and financing, as well as with national policy financial institutions. In domestic market, facing the rapid recovery of the market, the Group will continue to play its advantages in natural gas and unconventional projects to grasp opportunities of high quality projects in both Sichuan shale gas market and Erdos natural gas market.

In terms of operations, the Group will pay close attention to operation quality and safety, and improve operation efficiency. While maintaining safe and efficient operations for multiple ongoing large projects, it will focus on operating preparations for the integrated oilfield management project in Iraq and new drilling turn-key projects from international oil companies. It will push forward the full commencing of operations for Sichuan shale gas projects and increase operation efficiency to guarantee a relatively high profitability and cash flow level for the projects.

In terms of talents, the Group will focus on introducing industry-leading oilfield management talents and technological service talents, and increase international management level and localization level of overseas businesses while controlling headcount growth to the maximum extent. It will continue to optimize management with an international remuneration and incentive system in order to fully utilize efficiency of its existing workforce, and fully promote the performance and incentive culture.

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 notto 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, 23 April 2018

As at the date of this announcement, the executive Directors 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.