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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 2019 and Outlook for the Second Quarter of 2019**

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 2019 (the “**Quarter**”).

#### **OPERATIONAL OVERVIEW OF THE FIRST QUARTER OF 2019**

During the Quarter, exploration activities of the global oil and gas market were active. The Group’s major domestic and overseas customers vigorously promoted the development of oil and gas resources, and upstream capital expenditures further increased. The demand for oil and gas development technical services was strong, which brought large-scale market opportunities to the Group. Facing the good market situation, the Group proactively adjusted its operating philosophy and firmly implemented high-quality growth targets with the core of “return on equity and free cash flow”, conducted in-depth analysis of market opportunities and targeted implementation of resource allocation and focus on quality orders in line with the Group’s business philosophy. Regarding project execution, with the fully ramp up of customers’ development progress, the Group’s operations both in domestic and overseas markets achieved robust growth.

## **ORDERS IN THE FIRST QUARTER OF 2019**

During this Quarter, the Group was awarded new orders worth approximately RMB1,519.3 million, a 22.9% year-on-year increase, of which approximately RMB864.5 million from new domestic orders, a 31.0% year-on-year increase, approximately RMB457.5 million from new orders in Iraq, a 98.1% year-on-year increase, and approximately RMB197.3 million from new overseas orders, a 42.8% year-on-year decrease.

In the domestic market, with the increased demand for high-tech services for the deep-well natural gas development in the Tarim basin and Mahu areas in the northwest Xinjiang market, the Group is actively pursuing opportunities in the region, and continued to win large-scale projects with technical advantages, such as drilling fluid, performance drilling, inspection, drilling tools and rental services and coiled tubing-dragged fracturing services etc., providing customers with high quality and safe oil and gas production in this region. The total new orders of Xinjiang market in the first quarter significantly increased by 127.3% year-on-year, accounting for 57.9% of the total new orders in domestic market in the first quarter. The rapid development of the high-end market in Xinjiang will greatly enhance the overall business quality of the Group. In the southwest market, under the guidance of its operating principles, the Group strictly controlled quality of orders, and continued to win technical service orders, such as coiled tubing and shale gas fracturing. Meanwhile, the Group reached agreement with customers on strategic cooperation intention, by which the Group would help customers to solve their problems of lacking equipment and lifting production. The individual technical strength of the Group in Chinese market had been further shown in the first quarter. The coiled tubing services that the Group won in different regions like Xinjiang, Southwest and Erdos region all ranked first in the bidding.

In the Iraqi market, the synergy effect of the Group's oilfield management projects has emerged, and oilfield management services scale has increased by approximately RMB170.0 million. In mature markets, in Halfaya, the large cementing service project tendered by the Group in the fourth quarter of last year successfully won the bid in this quarter, and the order amount exceeded RMB 150.0 million; the Group also actively expanded into new markets. During the Quarter, it successfully won the service project from a new Chinese SOE client in the East Baghdad oilfield, and provided directional drilling services to new customers in the oilfield, which laid a good start for the Group's further business expansion in this market.

In other emerging markets, the Group conducted credit assessments for customers based on rigorous risk control and project cash flow assessments, and selectively increased its orders. During the Quarter, the Group scaled back tendering for projects that were assessed to be unable to meet the Group's cash flow requirements and turned its focus to pursuing of higher-quality orders. In terms of volume, although the total number of new orders from emerging markets in the first quarter decreased by approximately RMB147.7 million compared with the same period of last year, they were mainly from high-quality orders from large Chinese SOE client in the Chad market, and the quality of orders improved effectively. The Group will continue to focus on and expand more high-quality project opportunities from emerging markets.

### **ORDER FULFILLMENT IN THE FIRST QUARTER OF 2019**

In terms of order fulfillment, the Group's operations in both domestic and overseas markets grew robustly during the Quarter.

In the domestic market, with the rapid development of domestic oil and gas resources development, several regions in China stopped or shortened the winter break, and exceeded project implementation. Projects in Xinjiang and Erdos commenced operation successfully across the board; in the southwest market, the Group promoted technological innovation to solve drilling problems and overcome technical bottlenecks in shale gas projects, improving drilling efficiency, and promoting execution of all projects with high efficiency.

In the Iraqi market, the Group has carried out high quality projects in Garraf and Halfaya oilfields; in the Majnoon oilfield, the Group has received high praise and encouragement from the customer, stating that the Group's Majnoon project team has been actively overcoming difficulties and challenges since taking over the oilfield management, reaching all the targets proposed by the customer with high quality.

In other overseas markets, the Group suspended projects in some regions that failed to meet its cash flow requirements. Its business in the Chad market operated smoothly, and it has further improved market share thanks to its excellent operation quality.

As of 31 March 2019, the order backlog of the Group was worth approximately RMB5,222.0 million, of which approximately RMB1,659.2 million in domestic market, accounted for about 31.8% of total backlog of the Group, approximately RMB3,198.4 million in Iraq, about 61.2% of total backlog of the Group, and approximately RMB364.4 million in other markets, or about 7.0% of total backlog of the Group.

*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. Order backlog is reduced when orders are fulfilled, and may be adjusted by the management should an unexpected change in market conditions arises.

### **MANAGEMENT UPDATE IN THE THIRD QUARTER OF 2019**

The Group conducted operations and project executions management around policies with the core of “free cash flow and return on equity”, and screened for high-quality orders, effectively improved order quality, and strictly controlled capital expenditures.

In terms of human resources, during the Quarter, the Group continued to strengthen the internationalization of talents, and enhance its international business support and international management capabilities. It continued to strengthen employees’ understanding and practice of corporate culture, improve the construction of incentive and assessment system, and carry forward the work spirit of “hard work”. The efficiency of personnel is highly improved compared with the same period of last year along with project executions continued to progress in high gear.

### **OUTLOOK FOR OPERATIONS IN THE SECOND QUARTER OF 2019**

In terms of market, in the domestic market, for shale gas projects in the southwest region, the Group will give full play to its “partnership empowerment” platform effect by cooperating with domestic private partners and construct a “drilling rig alliance” with private companies in China, assist customers in meeting their oil and gas development needs while strictly controlling the investment of its own funds, and further strive for high-quality project orders. Meanwhile, the Group will actively

promote the application of the Group's reservoir geology and engineering technologies in the southwest shale gas market in order to better help customers solve efficiency problems that are crucial for shale gas development, and improve resource development efficiency, optimize investment and increase production from the perspective of geological engineering. Overseas, the Group will further promote its oilfield management model services.

In terms of operations, the Group's key projects in the domestic and overseas markets will continue to be implemented at a high speed; while maintaining a high workload, the Group will continue to focus on the quality and safety of operations, improve operational efficiency, and ensure that projects achieve good profitability and cash flow levels.

In terms of human resources, the Group established an "honor system" for talents within the Group to encourage employees to exert their spirit of hard work and work hard together for the Group's development. It will establish a "global leader" quality model to enhance employees' internationalization and management capabilities. At the same time, the "Amoeba" assessment and incentives will continue to be promoted to enhance the effectiveness and capabilities of talents.

In terms of financial management, the Group will continue to strictly control capital expenditures and strictly manage cash flow around its business management objectives. At the same time, it commits to further optimizing the debt structure, improving liquidity, and striving for further corporate credit rating upgrade.

**The above statements are based on the current operations of the Group and current market conditions, and not a guarantee of the performance of the Group. The performance of the Group is mainly determined by the market and financial environment.**

***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, 23 April 2019

*As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. FAN Yonghong, 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 Yiau Hin.*