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 2015 and Outlook for the First Quarter of 2016

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 2015 to 31 December 2015 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE FOURTH QUARTER OF 2015

In this Quarter, due to the influence of the market on the expected output of global crude oil, the international oil price continued to fall and the global petroleum market downturn persisted. Domestically, the Group won another project for providing an integrated well workover service to a customer from Xinjiang by being creative in projects related to state-owned enterprise reform. Overseas, the Group obtained the annual renewal of a contract for regulatory competitive projects in Iraq and continued to expand in Ethiopia by providing annual well workover services. The sale of well completion tools made a breakthrough in South America, a new market. In terms of order fulfillment, the work volume of the Group in each area remained stable in this Quarter. In the area of management, the workforce improvement and redundancy program was continued. The Group intensified project billing, and stepped up efforts to collect trade receivables, which made the amount of the annual trade receivables collected by the Group reach a historical high. In addition, the Group further reduced its requirement for capital, improved the efficiency of capital turnover and ensured that cash flow was maintained at a safe level.

ORDERS IN THE FOURTH QUARTER OF 2015

During this Quarter, the Group was awarded new orders worth approximately RMB596.7 million, of which approximately RMB 392.0 million from new domestic orders and approximately RMB204.7 million from new overseas orders.

Domestically, the Group secured more service orders riding on its technical advantage in unconventional resource projects. The Group still had a creativity edge in state-owned reform projects. In Xinjiang, the Group won another integrated well workover project for a term of three years with a value of approximately RMB210.0 million. The Group obtained the annual renewal of a contract for drilling tool leasing with a value of approximately RMB40.0 million. In the southwest region, the Group acquired new orders for providing rotary geological steering services for shale gas blocks with a value of approximately RMB20.0 million.

Overseas, the Group secured the annual renewal in Iraq of a contract valued at RMB126.0 million for coiled tubing services and acidizing and gas lifting services — service projects for which the Group holds a conventional advantage. In Ethiopia, the Group won the bid valued at RMB53.0 million for providing an annual workover service. In addition, the sale of well completion tools made a breakthrough in South America, a new market, with a contract valued at approximately RMB12.0 million.

Due to the difficult domestic market situation, clients have cancelled or downsized some projects, and thus the management has adjusted the order backlog accordingly based on the principle of prudence after reevaluating contracts on hand. The order backlog calculated based on existing contracts before the Quarter has been adjusted downwards by a total of RMB 150.0 million. As of 31 December 2015, the order backlog of the Group was worth approximately RMB 2780.1 million, of which the order backlog in the domestic market was approximately RMB 727.1 million and the order backlog in the overseas market was approximately RMB 2053.0 million.

Notes:

- To better reflect its business model, the Group moved to disclosing quarterly operational data by the value of new orders awarded during each quarter and the value of order backlog at the end of each quarter and ceased to disclose quarterly operational data by well counts. The change in disclosure was effective from the first quarterly operational update of 2014.

- 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 2015

In this Quarter, the Group's overall work volume remained stable. Domestically, rig services, fracturing and well completion services continuously operated in the Erdos Basin region. In Xinjiang, the workover service, integrated drilling services and mud service volume remained stable. In southwest region, the Group mainly focused on the shale gas sector, and the fracturing services and the coiled tubing services recorded a constant work volume. The Group achieved a favorable delivery of fracturing proppant on schedule. The integrated drilling project in the eastern oil field was successfully completed, and the rotary steering service and the oil field environmental protection service remained operational in northeast China. Overseas, in Iraq, there was a steady amount of work in the conventional and strong projects including gas lifting, acidification service and production operation service. Oil casing projects that were newly added this year were completed. The mud services and the well cementation services operated normally in Ethiopia, and the well completion services completed corresponding work volume in Sudan and Central Asia areas. In the Americas, delivery of well completion tools orders has been completed in Canada.

CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE FOURTH QUARTER OF 2015

In this Quarter, the Group spared no effort to systemize and build technical capacity of each product line with a view to providing material support for corresponding projects while carrying out strict control over autonomous investment. In this Quarter, ancillary equipment and instrument for workover projects in Ethiopia were basically in place, and delivery would be completed in January 2016. Except as described above, there was no further significant investment project.

On human resources management, the Group continued its restructuring and redundancy program, completing its objective of further reducing staff numbers by 15%, and reducing overhead costs.

In financial management, the Group comprehensively intensified the recoverability of trade receivables and the amount of the annual trade receivables collected by the Group reached a historic high. In addition, the Group further reduced its requirement for capital, improved the efficiency of capital turnover and ensured that cash flow was maintained at a safe level.

OUTLOOK FOR OPERATIONS IN THE FIRST QUARTER OF 2016

In terms of market development, in light of the current global supply and demand of crude oil, the Group considers that the recovery of international oil price will be slow, oil companies will continue to strictly control their capital expense and operational costs, and the Group anticipates that the domestic and international oil service sector will remain in a weak position in the first quarter of 2016. Domestically, in view of a tense competition in the industry and strong protection of the market, the Group will continue to capture the hotspot market, focusing on unconventional energy sources development projects, state-owned enterprises reform projects and the market opportunities arising from the participation by non-oil enterprises in the development of oil and gas resources. Overseas, under the low oil price environment, the oil companies will pay more attention to the cost due to the increasing pressure of production, as a Chinese company, the Group will seize market share by playing up its cost advantage in combination with its brand effect from constant supply of high-quality service. The Group will focus on the market in Middle East, project opportunities from the policy of "One Belt and One Road" in Central Asia and Africa markets and the overseas oil fields development projects of Chinese investors.

In terms of order fulfillment, domestically, the overall work volume in the first quarter will partially decrease due to the conventional suspensions during winter in several areas of operation. Overseas, the work volume will remain stable, and the Group will continue to push projects in major markets such as Iraq and Ethiopia.

In terms of strategic management and control, the Group will comprehensively carry on the "asset-light" strategy and "internationalization" strategies by taking the construction of technical ability as the core, to promote the management of technology by all efforts so as to enhance the profitability of products and technology and strengthen the ability of refined operation for projects. Meanwhile, the Group will continue to keep its investment demand under strict control; improve the utilization of the existing equipment by global deployment to further facilitate the optimization of the company composition and the adjustment of the remuneration structure, to lower the remuneration cost and cope with the challenges brought about by the industry adjustments.

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, 14 January 2016

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. WU Di and Mr. PI Zhifeng; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai.