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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 Third Quarter of 2016 and Outlook for the Fourth 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 July 2016 to 30 September 2016 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE THIRD QUARTER OF 2016

In this quarter, the international oil price volatility continued, the market was gradually showing signs of recovery. In terms of orders, domestically, the Group performed well in the unconventional market, won fracturing equipment services, rotary steering services and proppants projects in the shale gas market, acquired general drilling project in the Guizhou coal-bed methane market, and also won drilling rig services project in Erdos market. Overseas, the Group continued to expand its cooperation with international oil companies and achieved a breakthrough in new customers in the Iraqi market, successfully won an order for providing pipeline maintenance services for an international oil company. In the traditional markets, the Group obtained production operation and maintenance services and testing projects. In the Central Asia and Africa markets, the Group acquired completion tools orders in Pakistan and acquired directional drilling and completion tools projects in Kazakhstan. In terms of order fulfillment, domestically, work volume increased significantly in the Erdos market, but some projects in other markets proceed slower than expected. In the Iraqi market, oil production maintenance project successfully launched, fracturing services and general workover and well completion projects had

received the notice of commence from customers. In Central Asia and Africa, overall projects were processed faster, the fracturing project began its first well construction in Pakistan. In the area of management, the Iraqi business transaction project had received the first payment in this quarter.

ORDERS IN THE THIRD QUARTER OF 2016

During this Quarter, the Group was awarded new orders worth approximately RMB393.3 million, of which approximately RMB 256.1 million from new domestic orders and approximately RMB137.2 million from new overseas orders.

Domestically, the Group delivered its integrated capacity and advantages on unconventional projects, secured orders with a contract value of approximately RMB71.0 million for general drilling projects in coal-bed methane market in Guizhou, and orders valued approximately RMB20.0 million for general drilling projects in the Erdos market. In the shale gas market in southwest, the Group won fracturing service projects valued approximately RMB25.0 million, and also obtained rotary steering projects valued approximately RMB 15.0 million. In Xinjiang, the Group generated new orders of drilling tools rent services valued approximately RMB27.0 million.

Overseas, the Group continued to win long-term orders at its dominate markets. In Iraq, the Group secured orders for providing an annual services of oil production operation and management, with projects value of approximately RMB 56.2 million. In Kazakhstan, the Group obtained directional drilling services projects valued approximately RMB 7.2million.

As of 30 September 2016, the order backlog of the Group was worth approximately RMB 3,599.9 million, of which the order backlog in the domestic market was approximately RMB 1,033.6 million and the order backlog in the overseas market was approximately RMB2, 566.3 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 2016

In terms of order fulfilment, the market was gradually showing recovery and regional work volume increased. Domestically, the workload in the Erdos market increased significantly, the operation of drilling rig projects, fracturing projects and well completion tools projects were speed up. In Xinjiang, the integration project came into the fracturing process, and progressed well. Workover projects, testing projects and drilling fluid projects commenced on schedule. Some project in other markets failed to achieve the expected construction schedule. In Iraq, the oil production maintenance project successfully launched. In addition, the Group had received the notice of commence of several key projects from customers, the fracturing projects and general workover and well completion projects were prepared on schedule. In Central Asia and Africa, the cementing projects, drilling fluid projects and workover projects moved steadily in the Ethiopian market, and the fracturing project began its first well construction in Pakistan market.

CAPITAL INVESTMENT AND MANAGEMENT PROGRESS IN THE THIRD QUARTER OF 2016

In this quarter, the Group continued to focus on promoting technology development, strengthened the cultivation and popularization of new technologies, and had published more than 10 series of new technologies, including proprietary completion tools, sand and water control technology, testing technology, coiled tubing technology and rotary steering technology and so on. Some of the related new technology products had begun to put into market application.

On financial management, the Group maintained a stable cash flow through expanding its financing channels, strengthening the collection of accounts receivable, and its strict on cash control. And the Group had finished the repayment of matured RMB200.0 million medium-term notes in August.

On capital management, the Iraqi business transaction project proceeded on schedule, the first payment had been received in the late July of this quarter.

OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2016

In terms of market development, domestically, the Group will capture the opportunity of the recovery growth from regional markets, focus on the Erdos market and Xinjiang market opportunities for acquiring more integrated technology projects, general fracturing and general drilling projects, and the Group will continue to strengthen the new technology promotion and promote the application of new technology products in the domestic markets. Overseas, with the gradual recovery of oil prices, the Group will push forward to enhance the coverage in the areas where Chinese companies have advantages, and to capture the opportunities of Chinese independent oil companies' developing in the overseas oilfields, focus on customers' new investments. In the Iraqi market, the Group will consolidate the advantages of the traditional market and the traditional project, and actively explore new markets and new customers, strengthen cooperation with the international oil companies. In Central Asia and Africa, the Group will further tap the market potential of Ethiopia market. In Americas, the Group will continue to promote proprietary completion tools sales.

In terms of order fulfilment, the fourth quarter is the peak period of operation, the Group will strengthen the projects operation management and risk control. Domestically, the Group will focus on the coal-bed methane projects both in Shanxi and Guizhou and also the fulfillment of the drilling rig projects. In the Iraqi market, the Group will focus on the preparation and operation of the fracturing project as well as the general workover and completion project. In Central Asia and Africa, the Group will promote the fulfillment of workover projects and cementing projects, and focus on the operation quality of the fracturing project in Pakistan.

In terms of operations, the Group will continue to improve efficiency and its strict cost control, enhance technology innovation, and improve business profitability through new technology application in the current market environment. Furthermore, the Group will strengthen capital operation, strictly manage the cash budget to ensure cash safety. Besides, the Group will focus on the completion of the Iraq business transaction project.

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, 18 October 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.