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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 2018 and Outlook for the First 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 October to 31 December 2018 (the “**Quarter**”).

OPERATIONAL OVERVIEW OF THE FOURTH QUARTER OF 2018

Despite the significant fluctuation in the oil price during the Quarter, the Group’s project implementation reached a new annual record high, since the short-term fluctuation in the oil price did not affect the decisions and progress of the Group’s customers to push forward the production capacity building as a result of the shortage of production capacity in the upstream market.

In terms of market, lots of project opportunities sprung out in this Quarter. In domestic market, large project opportunities arose in Xinjiang natural gas markets and Sichuan shale gas markets under the new market situation led by China’s emphasize on energy security. The Group participated in the bidding and won natural gas project in Xinjiang province and is also in negotiation with the customer on scaled platform wells development cooperation in Sichuan shale gas markets. In Iraq, each oilfield was in intense preparation for new capacity building under the call of Iraqi government. The Group participated in several large scale project bidding, and part of them had entered the process of business negotiation. Meanwhile, the

management of Majnoon oilfield had got highly praised by the customer, the oilfield's capacity building plan of the following years had been made together with the customer. Along with the continuous growing with the production capacity, the Group's orders from this project are increasing. Besides that, it also showed the prominent to lead further growing of the Group's other traditional technical services. In general, strong service demands in Iraq is showed, the amount of projects in bidding largely exceeded that in the same period last year. In other global emerging markets, the Group tightened its risk control on the projects of the independent oil companies and obtained new drilling and completion orders on the premises of ensuring fund safety.

ORDERS IN THE FOURTH QUARTER OF 2018

During this Quarter, the Group was awarded new orders worth approximately RMB426.3 million, of which approximately RMB220.7 million from China, approximately RMB14.3 million from Iraq, and approximately RMB191.3 million from new overseas market.

As of 31 December 2018, the order backlog of the Group was worth approximately RMB4,350.3 million, of which approximately RMB1,013.4 million in China, approximately RMB3,109.8 million in Iraq, and approximately RMB227.1 million in other markets.

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 2018

In terms of order fulfillment, during the Quarter, the Group's order fulfillment reached its peak in different markets. The Group created the shortest drilling cycle record at a drilling region in Changning, the Southwest shale gas market, which was helpful for the client to control costs and enhance development efficiency; in the northwest region, in December 2018, it was announced that, as a significant breakthrough, the major risk exploratory well - Zhong Qiu No.1 at Kuqa area of Tarim oilfield in Xinjiang discovered a condensate gas reservoir with a reserve of over 100 billion cubic meters, marking a new area abundant of oil and gas in Kuqa,

where the Group provided two important technical services for this major risk exploratory well and assist the client to increase its efforts in the natural gas exploration at Kuqa and fulfill its historical mission to increase production at Xinjing region. As for the overseas market, in Iraq, under smooth operation of the Majnoon oilfield, the Group helped customers increase their production and was highly appraised for this, and other traditional projects were operating efficiently through high quality management. In other overseas markets, the Group's new business in the new African markets was quickly launched and was under smooth operation.

MANAGEMENT UPDATE IN THE FOURTH QUARTER OF 2018

In terms of management, leveraging on the state supporting policies on the private economy, the Group expedited the collection of receivables due from domestic oil companies, and also increased its efforts in collecting receivables from independent oil company. It achieved good collection results during the Quarter. On an annual basis, as the Group's overall control centering on "cash flow" proved highly successful, the Group not only achieved remarkable lift of operating cash flow, but also had a very good control on its capital expenditure, which significantly improved the overall cash flow status and primarily meet the objective of lifting business quality.

In terms of human resources, the Group continued to promote the "Internationalization" of its talent team, and fully adopted flexible project employment system to maintain a light asset structure in response to the increasing demands for human resources resulting from the increase in the number of projects. Moreover, the Group carried on fostering the corporate culture of "Hard Struggle" actively inside the Group and actively developed its core competitiveness in talents as an oil company in China.

OUTLOOK FOR OPERATIONS IN THE FIRST QUARTER OF 2019

In terms of market, overseas, the Group will continue to explore large-order opportunities in the Iraqi market. For the Majnoon oilfield project the Group took over in July 2018, due to its good operating conditions, the customer has proposed to further expand its production in 2019, and the management workload of the Group is also expected to increase. Besides, it will further lead the growth of traditional technical services in Iraq. Meanwhile, the Group has gained cooperation intentions from new customers in the Iraqi market and is designing integrated solutions for such customers. It is also actively negotiating with partners to maintain the Group's light asset structure. In other overseas markets, the Group will continue to promote its

progress of “integration of projects and financing”. Under the premise of controlling risks, the Group will rely on its talent resource advantage as a Chinese service company and “integrated services” advantage to further explore the “Belt and Road” markets. In the Chinese market, the Group will seize the opportunity of large-scale new capacity building in the Tarim basin as well as shale gas project opportunities in Southwest China and tight gas development opportunities in Erdos, and continue to leverage on the advantages of the Group in natural gas and non-conventional projects, focusing on high-quality non-conventional business project order opportunities.

In terms of operations, in overseas markets, the Group’s key projects will maintain smooth operations. In the domestic market, under the influence of the national accelerated oil and gas resources development policy, most of the projects will continue to operate during the previous “Winter Break” period. The Group will continue to pay close attention to quality and safety of operations, to improve operational efficiency, and to ensure that projects achieve a good level of profitability and cash flow.

In terms of service capacity building, the Group will further strengthen the cooperation with strong state-owned supplier on both material purchase and payment, as well as the strategic cooperation with financial institutions on the providing of business needed assets, and continue its tight control on investment.

In the face of fluctuating oil prices, the Group proposes the operation strategy of “cross the cycle and achieve leap-forward healthy development”, building core competitiveness including culture and talent mechanism, service management system and integrated technology, and realizing values for its customers with more cost intensive, more efficient and simpler manners, continuing to replace the market share of its competitors, so as to cross the different cycles of the industry and achieve leap-forward healthy development.

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.*
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By order of the Board
Anton Oilfield Services Group
LUO Lin
Chairman

Hong Kong, 21 January 2019

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 Yaw Hin.