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 2017 and Outlook for the First 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 October to 31 December 2017 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE FOURTH QUARTER OF 2017

During this Quarter, with the steady climbing of international oil price, the industry's recovery is becoming increasingly evident. New orders of the Group almost doubled as compared with the same period last year. The Group performed spectacularly in domestic shale gas market, successfully won the tender of an integrated shale gas project for about RMB150.0 million. This is the first time that an independent service company wins the integrated general contracting share gas project from the client, and it has entered into the preparation stage. On the aspect of operation, with the fourth quarter being a peak period of operations, execution of the order backlog picked up pace across the board. The growth in Iraq is delightful, workload has maintained an accelerated growth from multiple large-scale projects that have commenced operations at the beginning of this year, and has increased significantly as compared with the same period last year. Key projects, including the integrated drilling project, workover and completions project as well as the production operations project, maintained full workload. Regarding corporate management, the Group has completed issuance of the new USD300.0 million bond on 5 December, successfully eliminated its short-term debt repayment risk and obtained a rise on credit rating. It has removed the greatest hurdle of the Group's development at the current stage. On 22 December, the Group has signed an equity buyback agreement with China Oil HBP Science & Technology Co., Ltd., repurchasing 40% equity interest in its Iraq business with a consideration of RMB735.0 million, pending approval from the Group's extraordinary general meeting for final settlement. On finance, with the fourth quarter being a peak period for collecting receivables, the operating net cash flow of the Group has improved dramatically. The Group has made material progress in its cooperation with policy financial institutions, obtained specific insurance of approximately USD15.0 million in the Kazakhstan market.

ORDERS IN THE FOURTH QUARTER OF 2017

During this Quarter, the Group was awarded new orders worth approximately RMB647.8 million, of which approximately RMB298.8 million from new orders in China, approximately RMB318.2 million from new orders in Iraq, and approximately RMB30.8 million from new orders in other markets.

In China, new orders mainly reside in the Sichuan shale gas market.the Group wona tender for an integrated shale gas platform project of about RMB100.0 million, as well as a shale gas ultra-long horizontal well project of about RMB50,0 million. In the Erdos market, the Group won drilling services project, valued about RMB24.0 million.

In Iraq, product lines with a leading edge maintained steady growth, won about RMB138.0 million worth of production operations project, about RMB56.0 million worth of directional drilling project, and about RMB70.0 million worth of completion tools project.

In accordance with the Group's latest management requirement of "take cash generation as the prioritized consideration in operation", the Group has reviewed its order backlog of Chinese market won before fourth quarter 2017. For the orders which were subcontracted from service companies with large working capital occupation and has not entered in construction, the Group renegotiated with the customers on certain commercial terms. For those can't reach its operational goal, the Group chose to given up on the basis of the consent from the customer. The Group reduced approximately RMB150.0 million of its order backlog in China accordingly. In Ethiopia, the client allotted new workload in the fourth quarter based on existing orders, covering workover, completion tools and drilling fluid services, and the Group has increased approximately RMB34.0 million of its order backlog accordingly.

As of 31 December 2017, the order backlog of the Group was worth approximately RMB3,508.7 million, of which approximately RMB866.2 million in China, approximately RMB2,546.1 million in Iraq, and approximately RMB96.4 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 2017

On order fulfillment, the fourth quarter is a peak period of operations, and order execution in all markets picked up pace, with workload increased significantly as compared with the same period last year. In Iraq, multiple key projects, including integrated drilling project, workover turnkey project and the production operations project, maintained full workload. Workload of the directional drilling project and coiled tubing project has also increased significantly as compared with the same period last year. In Belt and Road markets, projects are under execution according to the plan, with workover, completion tools and drilling fluid projects in Ethiopia won new projects after completing existing workload. The Pakistan fracturing project, Kazakhstan integrated drilling project and directional drilling project have experienced full workload execution. In China, multiple projects in Erdos and Southwest shale gas market picked up pace of execution. The Group has achieved impressive results in introducing new technologies, with the bio-synthesized drilling fluid recording success in the Sichuan shale gas market. The new product can be used to replace the ordinary oil-based mud with higher drilling efficiency and better environmental protective performance. The Group expects the product to have satisfactory potentials in the fast-growing shale gas market in the future.

MANAGEMENT UPDATE IN THE FOURTH QUARTER OF 2017

On capital operations, the Group has completed issuance of USD300.0 million of new bonds on 5 December with a coupon rate of 9.75% and mature date of 5 December 2020. About USD176.0 million of which was issued to existing investors for exchange of existing bond due on 6 November 2018, and the other approximately USD124.0 million was issued to new investors. The successful issuance eliminated the Group's short-term debt risks, improved liquidity and achieved a rise on credit rating. It has removed the greatest hurdle of the Group's development at the current stage, and provided strong support to business recovery. In order to lower its leverage and financial costs, on 11 January 2018, the Group redeemed approximately USD70.0 million of remaining bond due on 6 November 2018. In order to improve overall profitability and deepen its cooperation with strategic partners, the Group signed an equity buyback agreement with China Oil HBP Science & Technology Co., Ltd., repurchasing 40% equity interest in its Iraq business（DMCC）with a consideration of RMB735.0 million, RMB450.0 million of which will be paid in batches by cash. RMB300.0 million had been paid in 2017, RMB75.0 million will be paid after the extraordinary general meeting in 2018, and the rest RMB75.0 million will be paid in 2019. RMB285.0 million of the consideration will be paid by shares of the Group, the Group will issue approximately 334,224,599 shares to HBP with a price of HKD1.014 per share. Pursuit to the agreement, starting from 1 January 2018, there will be no further distribution of minority interest of DMCC. On finance, with the fourth quarter being a peak period for collecting receivables, the operating net cash flow of the Group has improved dramatically. The Group has made material progress in its cooperation with a policy financial institution, obtaining specific insurance of approximately USD15.0 million in the Kazakhstan market. Such institution provides insurance for the Group in the Kazakhstan market against political and commercial risks of projects, and based on which, the Group will be able to recover cash in advance via factoring. This financial institution provides insurance against political and commercial risks in projects in the Belt and Road market, the Group is actively promoting further cooperation with this institution to expand the scale and diversify the forms to solve the overseas risks and capital occupation of performance bond.

OUTLOOK FOR OPERATIONS IN THE FIRST QUARTER OF 2018

In the first quarter, the Group will focus on cash flow management and business quality to help its business get back on a healthy track of growth. At the same time, the Group will continue to optimize market structure, improve client level, and contest for market shares of large international oil companies and long-term large-scale service projects to provide foundation for its long-term growth. The Group will continue to strengthen combination of project operation and financing, pick up pace of deepening cooperation with policy financial institutions to reduce working capital allocation of overseas projects and support the large-scale development of the overseas market.

On operations, the Group will focus more on execution quality of order backlog and cash flow management of operation projects. The Group will advocate fair allocation of its inventory to reduce procurement needs of new equipment and raw material. Key tasks of the Group include the operation safety of multiple large-scale projects in Iraq as well as the preparations for the Sichuan shale gas project.

With an increasingly clear signal of recovery from the market, the Group will participate in bidding in numerous markets to fight for more high-quality service projects. In Iraq, the Group aims to fully participate in large-scale projects of international oil companies. At the same time, Geo-Jade Petroleum, the strategic partner of the Group, has obtained operation qualification of Iraqi oil and gas fields in January 2018. The Group will continue to utilize the advantages of alliance among HBP, Geo-Jade Petroleum and itself to promote its large-scale development in Iraq. Regarding the Belt and Road market, the Group is currently contesting for multiple large-scale integrated services projects and expects material progress in the first quarter. In the domestic market, benefiting from the accelerated growth of the shale gas market, the Group will continue to grab the opportunity for independent oil services companies to enter the market on a large scale, and compete for more integrated project opportunities.

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, 22 January 2018

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