THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Anton Oilfield Services Group, you should at once hand this document to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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)

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF 40% INTEREST IN DMCC

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A notice convening the EGM to be held at 10:00 a.m. on Friday, 20 July 2018 at No. 8 Pingcui West Road, Chaoyang District, Beijing, China is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment if they so wish.

29 June 2018

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of 40% interest in DMCC as contemplatetd under the Agreement;
"Agreement"	the agreement dated 22 December 2017 between the Company, Anton International, DMCC, Huihua and HBP in relation to the Acquisition;
"Anton International"	Anton Oilfield Services International Company Limited, a company incorporated in Hong Kong, a wholly owned subsidiary of the Company;
"Board"	the board of directors of the Company;
"Company"	Anton Oilfield Services Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	an aggregate of 334,224,599 Shares to be issued by the Company to HBP to partly satisfy the consideration for the Acquisition;
"Director(s)"	the director(s) of the Company;
"DMCC"	Anton Oilfield Services DMCC, a company incorporated in the United Arab Emirates, an indirect non wholly-owned subsidiary of the Company;
"Enlarged Group"	the Group immediately upon completion of the Acquisition;
"EGM"	an extraordinary general meeting to be convened by the Company at No. 8 Pingcui West Road, Chaoyang District, Beijing, China, on Friday, 20 July 2018 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the Agreement and the Acquisition contemplated thereunder;
"Group"	the Company and its subsidiaries;
"HBP"	華油惠博普科技股份有限公司 (China Oil HBP Science & Technology Co., Ltd.) a company incorporated in the PRC, the shares of which are listed on the Shenzen Stock Exchange (stock code: SZ002554);
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;

"Huihua"	Hong Kong Huihua Global Technology Limited (香港惠華環球科技有限公司), a company incorporated in Hong Kong, a wholly owned subsidiary of HBP;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the terms of the Acquisition;
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition;
"Independent Shareholders"	Shareholders other than HBP and its associates;
"Issue Price"	HK$1.014;
"Latest Practicable Date"	27 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Noteholder(s)"	holder(s) of the high-yield notes of the Company;
"Noteholders' Meeting"	general meeting of the Noteholders to be convened to approve the Acquisition;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance;
"Shares"	shares of nominal value of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Specific Mandate"	the specific mandate proposed to be obtained from the Independent Shareholders at the EGM to allot and issue the Consideration Shares at the Issue Price;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"USD"	United States dollar, the lawful currency of the United States of America; and
"%"	per cent.

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)

Executive Directors:
Mr. Luo Lin
Mr. Wu Di
Mr. Pi Zhifeng

Non-executive Director:
Mr. John William Chisholm

Independent Non-executive Directors:
Mr. Zhang Youngyi
Mr. Zhu Xiaoping
Dato Wee Yiaw Hin

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
18/F Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

29 June 2018

To: the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 40% INTEREST IN DMCC

INTRODUCTION

Reference is made to the announcement of the Company dated 22 December 2017 in relation to the Agreement and the Acquisition contemplated thereunder.

The purpose of this circular is to provide you with information in respect of, among other things, (i) the details of the Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) the notice convening the EGM.

THE AGREEMENT

Date:

22 December 2017

Parties to the Agreement:

(1) the Company;

(2) Anton International, a wholly-owned subsidiary of the Company;

(3) DMCC, an indirect non-wholly owned subsidiary of the Company;

(4) Huihua, which is a substantial shareholder of DMCC holding 40% of the share capital of DMCC as at the Latest Practicable Date; and

(5) HBP, the holding company of Huihua.

The Acquisition

Huihua will transfer its 40% holding in DMCC to the Group, of which 24.5% will be transferred to Anton International and 15.5% will be transferred to the Company. Upon completion of the Acquisition, the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company.

Consideration

The consideration for the 40% interest in DMCC is RMB735,000,000. The consideration was determined after arm's length negotiations between the parties with reference to among other things, (i) the net asset value of DMCC as at 30 June 2017 of approximately RMB1,040,519,416; (ii) the current operations of DMCC, which has experienced a growth in revenue as a result of market recovery and an increased market share in the Iraqi oilfield services market; and (iii) the business prospects of the oilfield services market in Iraq, in which the Iraqi Government has planned to expand oil production from the current approximately 4.3 million barrels per day to approximately 9.0 million barrels by 2030. The increase in oil production will likely lead to higher demand for oilfield services.

Notwithstanding that the consideration represents a premium over the net asset value of DMCC as at 30 June 2017, given the recovery in the oil market and the ability to capture all of the income of DMCC upon completion of the Acquisition, the Directors consider that the consideration for the Acquisition of RMB735 million, which is approximately 5% premium over what Huihua has purchased the 40% interest in DMCC from the Group in 2016 and provide Huihua a fair return on its investment in DMCC, is fair and reasonable under the current market conditions and the Acquisition is in the interest of the Company and the Shareholders as a whole.

The consideration will be payable by the Group through a combination of cash and the issue of the Consideration Shares.

The consideration in the amount of RMB735,000,000 will be settled as to RMB450,000,000 by cash and as to RMB285,000,000 by the Company issuing to HBP, the holding company of Huihua, an aggregate of 334,224,599 new Shares at the issue price of HK$1.014 per Share. The partial settlement of the consideration for the Acquisition by the issue of the Consideration Shares will enable the Company to free up its cash resources and also allow HBP to increase its shareholding in the Company, thereby foster greater co-operation between HBP and the Group in future. The Directors are of the view that the method for settling the consideration through a combination of cash and the issue of the Consideration Shares is in the interests of the Company and the Shareholders as a whole.

The consideration will be payable in accordance with the following schedule:

(i) the equivalent of RMB300,000,000 in USD will be payable by Anton International to Huihua within 5 Business Days of the Agreement becoming effective;

(ii) the equivalent of RMB75,000,000 in USD will be payable by Anton International to Huihua within 15 Business Days after the Independent Shareholders have approved the Acquisition in the EGM;

(iii) the equivalent of RMB285,000,000 will be settled by the Company issuing to Huihua the Consideration Shares at the Issue Price within 25 business days upon the Independent Shareholders having approved the Acquisition at the EGM and the Listing Committee having granted approval for the listing of and permission to deal in the Consideration Shares; and

(iv) the balance of the consideration in the amount of RMB75,000,000 will be paid by Anton International to Huihua before 30 June 2019.

As at the Latest Practicable Date, the equivalent of RMB300,000,000 in USD, being the first payment of the consideration for the Acquisition, had been paid by Anton International to Huihua.

Consideration Shares

An aggregate of 334,224,599 Shares will be issued to HBP to settle part of the consideration. The Consideration Shares represent (i) approximately 12.54% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.15% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Based on the closing price of the Shares of HK$0.84 per Share on 22 December 2017, the date of the Agreement, the Consideration Shares have a market value of HK$280.75 million and an aggregate nominal value of HK$33,422,459.90. After deducting expenses relating to the issue of the Consideration Shares, the net price per Consideration Share is approximately HK$1.013.

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Issue Price

The Issue Price of HK$1.014 per Consideration Share was arrived at after arm's length negotiation between the parties with reference to the prevailing market price of the Shares.

The Issue Price represents:

(i) a premium of approximately 20.71% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange on 22 December 2017, the date the Agreement;

(ii) a premium of approximately 25.81% to the average closing price of HK$0.806 per Share as quoted on the Stock Exchange for the last five trading days up to and including 21 December 2017, the date immediately preceding the date of the Agreement;

(iii) a premium of approximately 28.03% to the average closing price of HK$0.792 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 21 December 2017; and

(iv) a discount of approximately 2.5% to the closing price of HK$1.040 as quoted on the Stock Exchange on the Latest Practicable Date.

With the recovery of the oilfield services market, the Company was of the view that the price of the Shares has not reflected the recovery. As such, through arm's length negotiations, the Issue Price was determined at a premium of approximately 28.03% to the average closing price of the Shares for the ten trading days immediately prior to the signing of the Agreement. Given that the Issue Price was set at a premium to the then market price of the Shares, the Directors consider that the Issue Price is fair and reasonable under the present market conditions.

Ranking of the Consideration Shares

The Consideration Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the date of issue of the Consideration Shares, including the right to any dividends or distribution declared on or after the date of the issue.

Application for listing of the Consideration Shares

An application will be made to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Consideration Shares.

Change in the shareholding structure of the Company

Assuming there is no change to the issued share capital of the Company between the Latest Practicable Date and the date of the issue of the Consideration Shares, the effect on the shareholding structure of the Company as a result of the issue of the Consideration Shares will be as follows:

	Shareholding as at the Latest Practicable Date		Shareholding after completion of the issue of the Consideration Shares	
	Shares	% of shareholding	Shares	% of shareholding
Pro-development	605,580,740	22.73%	605,580,740	20.19%
HBP	106,377,410	3.99%	440,602,009	14.69%
Other public shareholders	1,952,691,772	73.28%	1,952,691,772	65.12%
Total	2,664,649,922	100.00%	2,998,874,521	100.00%

Conditions Precedent

Completion will be conditional upon the satisfaction of the following conditions:

(a) the Independent Shareholders having approved the Acquisition in a general meeting of the Company held in compliance with the Listing Rules;

(b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares; and

(c) Anton International having paid the first installation of the consideration of RMB300,000,000 to Huihua in accordance with the terms of the Agreement.

None of the conditions to the Agreement can be waived. If the above conditions are not fulfilled, Huihua may terminate the Agreement by written notice. Upon such termination, Huihua will refund all and any part of the consideration already paid by the Group within 5 days of the termination of the Agreement.

As at the Latest Practicable Date, condition (c) has been satisfied.

INFORMATION ON DMCC

DMCC is a company established in the United Arab Emirates. As at the Latest Practicable Date, DMCC is held as to 60% by Anton International and as to 40% by Huihua. The 40% interests in DMCC held by Huihua was acquired by Huihua from the Group in July 2016 for a consideration of RMB700,000,000. DMCC and its subsidiary are primarily involved in the provision of oilfield services in Iraq.

The Group sold the 40% interest in DMCC to Huihua in 2016 when the oil market was at one of its lowest points. Given the then adverse market condition and the Company's need for fund, and that HBP has expertise in engineering, procurement and construction ("**EPC**") projects in particular in respect of surface engineering, the Group sold the 40% interest in DMCC in its quest for fund and the ability to foster greater cooperation with HBP.

Since the transfer of the 40% interest in DMCC to Huihua and the cooperation with HBP, the parties has established good rapport and execution in Iraqi projects, with a marked increase in the number of projects contracted by DMCC, partly as a result of market recovery. The development of DMCC was in line with the development plan of the parties and the results of DMCC for 2016 has met the profit requirement as guaranteed by the Company at the time when the 40% interest in DMCC was transferred to Huihua. The profit after tax of DMCC for the year ended 31 December 2017 was approximately RMB296 million, which was short of the profit guarantee of RMB338 million for the year by approximately RMB42 million and has been reflected in the final results of the Group for the year ended 31 December 2017. Pursuant to the terms of the Agreement, upon the Agreement becoming effective, the profit guarantee provisions under the original terms of the agreement dated 16 May 2016 in respect of the transfer of the 40% interest in DMCC to Huihua will cease to have any further effect from 1 January 2018.

Given the recovery in the oilfield services market and the expected growth in demand for oilfield services in Iraq and that the cooperation between the Group and HBP has expanded to other emerging markets, the Directors are of the view that it would be beneficial to the Company and the Shareholders for the Group to repurchase the 40% interest in DMCC. Upon completion of the Acquisition, the Company would be able to exercise complete control over DMCC and capture all of its profit. It is expected that the profit attributable to the Shareholders as a result of the Acquisition will increase. As such, the Directors are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The net asset value of DMCC was approximately RMB767,512,701 as at 31 December 2017. The financial results of DMCC for the three years ended 31 December 2015, 2016 and 2017 are as follows:

	For the year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	213,619	312,790	355,354
Profit after tax	181,276	268,814	295,701

Upon completion, the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company and DMCC's financial results will continue to be consolidated into the consolidated financial statements of the Company.

REASONS FOR THE ACQUISITION

The Company and HBP are both oilfield technical services providers. The two parties had achieved good execution on the Iraqi cooperation and established solid strategic partnership with mutual trust. Besides, the two parties had expanded the cooperation to several other emerging markets along the "Belt and Road" region. The Company had achieved high business growth this year along with the global oil and gas industry recovery. As significant Iraqi business growth as well as other "Belt and Road" emerging markets' growth are expected to be seen; the two parties decided to further optimize the cooperating structure. Through this transaction, the Company will take back 40% of the equity in the Iraqi business and realize a complete control over DMCC. At the same time, the issue of the consideration shares to HBP will make HBP a substantial Shareholder and thereby deepening two parties' global strategic cooperation.

The Directors (including the independent non-executive Directors) consider that the Agreement was concluded after arm's length negotiations under normal commercial terms, and will enhance the partnership between the Group and HBP which will foster greater cooperation between the parties in the oilfield services market. The Directors also consider that the terms of Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is an oilfield services provider.

Anton International is a wholly-owned subsidiary of the Company incorporated in Hong Kong. It is the holding company for the Group's overseas subsidiaries.

Huihua is a company incorporated in Hong Kong and is a wholly-owned subsidiary of HBP. It is principally engaged in the business of investment holding.

HBP is a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002554). HBP is an oilfield services provider.

FINANCIAL EFFECTS OF THE TRANSACTION

Assets and liabilities

Based on the unaudited pro forma financial information set out in Appendix IV to this circular, the total assets of the Group as at 31 December 2017 would decrease from approximately RMB7,747,475,000 to approximately RMB7,369,546,000, and its total liabilities as at 31 December 2017 would increase from approximately RMB4,800,483,000 to approximately RMB4,875,483,000, as a result of the Acquisition.

Earnings

Upon completion of the Acquisition, the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company with its financial information continue to be included in the consolidated financial statements of the Group. In light of the potential future prospects offered by the Acquisition as illustrated in the section headed "Reasons for the Acquisition" in this letter from the Board, the Directors are of the view that the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of DMCC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Huihua is a substantial shareholder of a non-wholly owned subsidiary of the Group, it is a connected person of the Company at the subsidiary level and the Acquisition also constitute a connected transaction for the Company.

GENERAL

As at the Latest Practicable Date, HBP was interested in 106,377,410 Shares, representing approximately 3.99% of the issued share capital of the Company. HBP is considered to be interested in the transaction, it will abstain from voting at the EGM for the resolution proposed to approve the Acquisition.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition.

Members of the Independent Board Committee (namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Dato Wee Yiaw Hin), who have taken into account the terms of the Acquisition, the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in the "Letter From Gram Capital" of this circular, considered that (i) the Acquisition is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Agreement, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee is interested in the Acquisition.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition. Their letter of advice is set out in the "Letter from Gram Capital" of this circular.

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

CLOSURE OF THE SHAREHOLDERS' REGISTER

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Tuesday, 17 July 2018 to Friday, 20 July 2018. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 16 July 2018.

RECOMMENDATIONS

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolution proposed at the EGM to approve the Agreement. Your attention is also drawn to the additional information set out in the appendices of this circular.

Yours faithfully,
By order of the Board of
ANTON OILFIELD SERVICES GROUP
LUO Lin
Chairman

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)

29 June 2018

To the Independent Shareholders

MAJOR TRANSACTION
ACQUISITION OF 40% INTEREST IN DMCC

Dear Sir or Madam,

We refer to the circular of the Company dated 29 June 2018 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter of advice from Gram Capital. Details of the advice of Gram Capital, together with the principal factors and reasons it has taken into consideration, are set out on pages 14 to 25 of the Circular; and (ii) the letter from the Board as set out on pages 3 to 11 of the Circular.

Having considered the terms of the Acquisition and the principal factors and reasons considered by and the opinion of Gram Capital as set out in its letter of advice, we consider that the Acquisition is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We consider the entering into of the Agreement, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution to approve the Acquisition (including the allotment of the Consideration Shares) at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Zhang Youngyi	**Mr. Zhu Xiaoping**	**Dato Wee Yiaw Hin**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

29 June 2018

To: The independent board committee and the independent shareholders of Anton Oilfield Services Group

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF 40% INTEREST IN DMCC

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 29 June 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 December 2017, the Company, Anton International and DMCC entered into the Agreement with Huihua and HBP pursuant to which the Group will acquire from Huihua 40% of the issued share capital of DMCC for the consideration of RMB735,000,000.

The consideration for the Acquisition in the amount of RMB735,000,000 will be settled as to RMB450,000,000 by cash and as to RMB285,000,000 by the Company issuing to Huihua an aggregate of 334,224,599 new Shares at the issue price of HK$1.014 per Share.

With reference to the Board Letter, the Acquisition constitutes major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules, and also constitutes connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Dato Wee Yiaw Hin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Anton International, DMCC, Huihua, HBP or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. **Background of and reasons for the Acquisition**

Business overview of the Group

With reference to the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), the Company is a leading independent integrated oilfield services provider. The Group provides products and services for the entire process of oil and gas development and production, including reservoir management, drilling technology, well completion, down-hole operations, oil production as well as tubular service.

Set out below are the consolidated audited financial information of the Group for the two years ended 31 December 2017 as extracted from the 2017 Annual Report:

	For the year ended 31 December 2017	For the year ended 31 December 2016	Change from 2016 to 2017
	RMB'000	*RMB'000*	*%*
Revenue	2,202,702	1,617,675	36.16
- Drilling technology	*959,201*	*437,451*	*119.27*
- Well completion	*564,450*	*751,129*	*(24.85)*
- Oil production services	*679,051*	*429,095*	*58.25*
Gross profit	829,740	543,891	52.56
Profit/(loss) for the year	171,274	(97,672)	N/A

As depicted from the above table, the Group's revenue for the year ended 31 December 2017 ("**FY2017**") increased by approximately 36.16% as compared to those for the year ended 31 December 2016 ("**FY2016**"). With reference to the 2017 Annual Report, the aforesaid increase in the Group's revenue was mainly due to the recovering of both domestic and overseas markets, and the full commencing of operation of ample orders on hand. The Group recorded approximately RMB171.27 million profit for FY2017 as compared to the loss position for FY2016. This turnaround was mainly due to significant increase in the Group's revenue and gross profit.

Information on Anton International

With reference to the Board Letter, Anton International is a wholly-owned subsidiary of the Company incorporated in Hong Kong. It is the holding company for the Group's overseas subsidiaries.

Information on Huihua

With reference to the Board Letter, Huihua is a company incorporated in Hong Kong and is a wholly-owned subsidiary of HBP. It is principally engaged in the business of investment holding.

Information on HBP

With reference to the Board Letter, HBP is a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002554). HBP is an oilfield services provider.

Information on DMCC

With reference to the Board Letter, DMCC is a company established in the United Arab Emirates. As at the Latest Practicable Date, DMCC is held as to 60% by Anton International and as to 40% by Huihua. DMCC and its subsidiary (the "**DMCC Group**") are primarily involved in the provision of oilfield services in Iraq.

With reference to the Board Letter, the Group sold the 40% interest of DMCC to Huihua in 2016 when the oil market was at one of its lowest points. Given the then adverse market condition and the Company's need for fund, and that HBP has expertise in EPC projects in particular in respect of surface engineering, the Group sold the 40% interest of DMCC in its quest for fund and the ability to foster greater cooperation with HBP. Since the transfer of the 40% interest in DMCC to Huihua and the cooperation with HBP, the parties has established good rapport and execution in Iraqi projects, with a marked increase in the number of projects contracted by DMCC, partly as a result of market recovery. The development of DMCC was in line with the development plan of the parties and the results of DMCC for 2016 has met the profit requirement as guaranteed by the Company at the time when the 40% interest in DMCC was transferred to Huihua. The profit guarantee shortfall for the year ended 31 December 2017 was reflected in the final results of the Group for the year ended 31 December 2017. Pursuant to the terms of the Agreement, upon the Agreement becoming effective, the profit guarantee provisions under the original terms of the agreement dated 16 May 2016 in respect of the transfer of the 40% interest in DMCC to Huihua will cease to have any further effect from 1 January 2018.

With reference to the Board Letter, given the recovery in the oilfield services market and the expected growth in demand for oilfield services in Iraq and that the cooperation between the Group and HBP has expanded to other emerging markets, the Directors are of the view that it would be beneficial to the Company and the Shareholders for the Group to repurchase the 40% interest in DMCC. Upon completion of the Acquisition, the Company would be able to exercise complete control over DMCC and capture all of its profit.

The audited financial results of DMCC Group for the three years ended 31 December 2017 are set out below:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the year ended 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	563,282	628,230	880,918
Gross profit	261,116	334,503	455,046
Profit before tax	213,619	312,790	355,354
Profit after tax	181,276	268,814	295,701

As depicted from the above table, the DMCC Group's revenue, gross profit and profit after tax improved for two consecutive years ended 31 December 2017.

Upon completion of the Acquisition (the "**Completion**"), the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company and DMCC's financial results will continue to be consolidated into the consolidated financial statements of the Company.

Reasons for and benefits of the Acquisition

With reference to the Board Letter, the Company and HBP are both oilfield technical services providers. The two parties had achieved good execution on the Iraqi cooperation and established solid strategic partnership with mutual trust. Besides, the two parties had expanded the cooperation to several other emerging markets along the "Belt and Road" region. The Company had achieved high business growth this year along with the global oil and gas industry recovery. As significant Iraqi business growth and other "Belt and Road" emerging markets' growth are expected to be seen; the two parties decided to further optimize the cooperating structure. Through this transaction, the Company will take back 40% of the equity in the Iraqi business and realize a complete control over DMCC. At the same time, the issue of consideration shares to HBP will make HBP a substantial Shareholder and thereby deepening two parties' global strategic cooperation.

With reference to the 2017 Annual Report, the Iraqi market is still the centerpiece of the Company's overseas market in FY2017. According to the geographical segment information disclosed in the 2017 Annual Report, the Group recorded revenue of approximately RMB855.3 million in Iraq for FY2017, representing approximately 38.83% of the Group's revenue. According to《對外投資合作國別（地區）指南 - 伊拉克》(Countries (districts) guide regarding foreign investment/cooperation with Iraq*) issued by the Ministry of Commerce of the PRC in 2017, (i) oil industry is the pillar industry of Iraq and takes up 45% of its gross domestic product in 2016; (ii) PRC is the largest trade partner of Iraq with a total trading volume of US$18.2 billion for 2016; (iii) as the largest purchaser of Iraq's crude oil, PRC imported 36.21 million tons of crude oil from Iraq in 2016, representing a year-over-year increase of 12.8%; and (iv) majority of PRC's large-scale engineering projects currently under construction in Iraq are oil-field services projects. These indicated the potential opportunities for PRC companies in oil-field services industry in Iraq.

In light of the above and having taken into account (i) the background of DMCC as set out under the section headed "Information on DMCC"; and (ii) that the DMCC Group's revenue, gross profit and profit after tax improved for two consecutive years ended 31 December 2017, we concur with the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. **The Acquisition**

Principal terms of the Agreement

Summarised below are the major terms for the Agreement, details of which are set out under the section headed "THE AGREEMENT" of the Board Letter.

Date:

22 December 2017

Parties to the Agreement:

(i) the Company;

(ii) Anton International, a wholly-owned subsidiary of the Company;

(iii) DMCC, an indirect non-wholly owned subsidiary of the Company;

(iv) Huihua, which is a substantial shareholder of DMCC holding 40% of the share capital of DMCC as at the Latest Practicable Date; and

(v) HBP, the holding company of Huihua.

The Acquisition

Huihua will transfer its 40% holding in DMCC to the Group, of which 24.5% will be transferred to Anton International and 15.5% will be transferred to the Company. Upon Completion, the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company.

Consideration

The consideration for the 40% interest in DMCC is RMB735,000,000 (the "**Consideration**"). The consideration was determined after arm's length negotiations between the parties with reference to, among other things, (i) the DMCC's net asset value of approximately RMB1,040.5 million as at 30 June 2017; (ii) the current operations of DMCC, which experienced growth in revenue as a result of market recovery and an increased market share in the Iraqi oilfield services market; and (iii) the business prospects of the oilfield services market in Iraq in which the Iraqi Government has planned to expand oil production from the current approximately 4.3 million barrels per day to approximately 9.0 million barrels by 2030. The increase in oil production will likely lead to higher demand for oilfield services. The consideration will be payable by the Group through a combination of cash and the issue of the Consideration Shares.

The consideration in the amount of RMB735,000,000 will be settled as to RMB450,000,000 by cash and as to RMB285,000,000 by the Company issuing to HBP, the holding company of Huihua, an aggregate of 334,224,599 new Shares at the issue price of HK$1.014 per Share.

Comparison with other comparable companies

For the purpose of assessing the fairness and reasonableness of the consideration, we performed a trading multiples analysis which includes the price to earnings ratio ("**PER**") and the price to book ratio ("**PBR**"). We searched for Hong Kong listed companies which are involved in similar line of business as DMCC, being the provision of oilfield services, for comparison. To the best of our knowledge and endeavor, we found 9 listed companies which met the said criteria (the "**Market Comparables**") and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of DMCC are not the same as the Market Comparables.

Set out below are the PERs and PBRs of the Market Comparables based on their respective share closing prices and their respective published financial information (i.e. annual/interim results) as at the date of the Agreement (i.e. 22 December 2017):

Company name (Stock code)	**Principal business**	**Year-end date**	**As at the date of the Agreement PERs**	**PBRs**
Sinopec Oilfield Service Corp. (1033)	Integrated oil and gas engineering and technical services businesses.	31 December 2016	N/A *(Note 1)*	2.90
SPT Energy Group Inc. (1251)	Provision of integrated oilfield services. The company is also engaged in the trading and manufacturing of oilfield services related products.	31 December 2016	N/A *(Note 1)*	0.78

Company name (Stock code)	Principal business	Year-end date	As at the date of the Agreement PERs	As at the date of the Agreement PBRs
Hilong Holding Ltd. (1623)	Manufacture and distribution of oil and gas drilling equipment and the provision of oilfield and offshore engineering services.	31 December 2016	12.06	0.46
Petro-King Oilfield Services Limited (2178)	Provision of oilfield technology and oilfield services, including drilling, well completion and production enhancement.	31 December 2016	N/A *(Note 1)*	0.56
China Oilfield Services Limited (2883)	The company is a comprehensive oilfield service provider mainly engaged in the provision of oilfield drilling services, oilfield technical services, seismic prospecting and engineering exploration services and the transportation of supplies.	31 December 2016	N/A *(Note 1)*	1.22
Jutal Offshore Oil Services Limited (3303)	Fabrication of oil and gas facilities and oil and gas processing skid equipment business. The company is also engaged in the provision of technical support and related services for oil and gas industry and technical support services for shipbuilding industry and the sales of related equipment and materials.	31 December 2016	250.54	1.41
Honghua Group Limited (196)	Manufacture of drilling rigs and provision of oil and gas engineering services.	31 December 2016	N/A *(Note 1)*	0.58
TSC Group Holdings Limited (206)	Oilfield engineering-related businesses, including design, manufacture and installation of land and offshore rigs; manufacture and trading of oilfield expendables and supplies; and provision of engineering services.	31 December 2016	N/A *(Note 1)*	0.83

Company name (Stock code)	Principal business	Year-end date	As at the date of the Agreement PERs	As at the date of the Agreement PBRs
United Energy Group Limited (467)	Petroleum and natural gas businesses which include, amongst others, provision of oilfield support services by using patented technology and related businesses.	31 December 2016	16.33	1.43
Maximum			**250.54**	**2.90**
Minimum			**12.06**	**0.46**
The Acquisition			**6.21** ***(Note 2)***	**2.39** ***(Note 2)***

Notes:

1. The company made loss for the full financial year concerned.

2. The implied PER of the Acquisition is calculated based on the Consideration of RMB735,000,000 and 40% of the profit after tax of DMCC for the year ended 31 December 2017 (i.e. RMB 118,280,400). The implied PBR of the Acquisition was calculated based on the Consideration of RMB735,000,000 and 40% of the net asset value of DMCC as at 31 December 2017 (i.e. RMB307,005,200).

We noticed from the above table that the implied PER of the Acquisition is lower than the PERs of all the Market Comparables.

We also noticed from the above table that the PBRs of the Comparable Companies ranged from approximately 0.46 times to 2.90 times. The implied PBR of the Acquisition is within the said PBR range of the Market Comparables.

Having considered that (i) the implied PER of the Acquisition is lower than the PERs of all the Market Comparables; and (ii) the implied PBR of the Acquisition is within the PBR range of the Market Comparables, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Consideration Shares

An aggregate of 334,224,599 Shares will be issued to HBP to settle part of the consideration. The Consideration Shares represent (i) approximately 12.54% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.15% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As aforementioned, the issue of Consideration Shares to HBP will make HBP a substantial Shareholder and thereby deepening two parties' global strategic cooperation. In addition, the Company can reduce its cash outflow for Consideration settlement by issuing the Consideration Shares.

With reference to the Board Letter, the Issue Price of HK$1.014 per Consideration Share was arrived at after arm's length negotiation between the parties with reference to the prevailing market price of the Shares. The Issue Price represents:

(i) a discount of approximately 2.50% to the closing price of HK$1.040 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

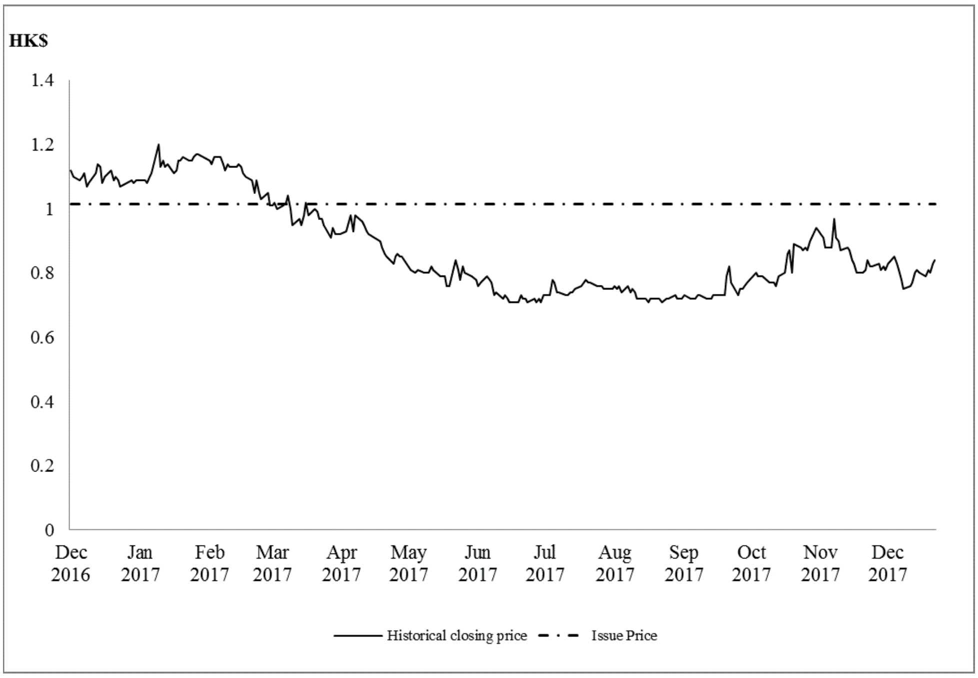
(ii) a premium of approximately 20.71% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange on 22 December 2017, the date of the Agreement;

(iii) a premium of approximately 25.81% to the average closing price of HK$0.806 per Share as quoted on the Stock Exchange for the last five trading days up to and including 21 December 2017, the date immediately preceding the date of the Agreement; and

(iv) a premium of approximately 28.03% to the average closing price of HK$0.792 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 21 December 2017.

The diagram below demonstrates the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2016 up to and including the date of the Agreement (the "**Review Period**") (being a period of approximately one year prior to and including the date of the Agreement, which is commonly used for analysis purpose):

Historical daily closing price per Share



Source: the Stock Exchange's website

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$1.20 per Share recorded on 1 September 2017 and HK$0.71 per Share recorded on 15 June 2017, 16 June 2017, 19 June 2017, 23 June 2017, 27 June 2017, 29 June 2017, 16 August 2017 and 22 August 2017. The Issue Price of HK$1.014 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period. Besides, the Issue Price was higher than the closing prices of the Shares as quoted on the Stock Exchange from 21 March 2017 up to the date of Agreement (i.e. 22 December 2017).

Having considered that (i) the Issue Price of HK$1.014 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (ii) the Issue Price was higher than the closing prices of the Shares as quoted on the Stock Exchange from 21 March 2017 up to the date of Agreement (i.e. 22 December 2017); and (iii) the Issue Price represented a premium of approximately 20.71% to the closing price of the Shares of HK$0.840 per Share as quoted on the Stock Exchange on the date of Agreement, we are of the opinion that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the principal terms of the Agreement, we are of the opinion that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed "Change in the shareholding structure of the Company" of the Board Letter, upon issuance of the Consideration Shares, the shareholding interests of the existing public Shareholders would be diluted by approximately 8.16 percentage points. In view of (i) the reasons for and benefits of the Acquisition to the Company; and (ii) the terms of the Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Possible financial effects of the Acquisition

With reference to the Board Letter, upon completion, the Group will hold 100% of the issued share capital of DMCC and DMCC will become an indirect wholly-owned subsidiary of the Company. DMCC's financial results will continue to be consolidated into the consolidated financial statements of the Company.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

As extracted from the 2017 Annual Report, the audited consolidated total assets and total liabilities of the Group were approximately RMB7.75 billion and RMB4.80 billion respectively as at 31 December 2017. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately RMB7.37 billion and RMB4.88 billion respectively as if the Acquisition had been completed on 31 December 2017.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the completion of the Acquisition.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017

Financial information of the Group for the three years ended 31 December 2015, 2016 and 2017 are disclosed on pages 63 to 130 of the annual report of the Company for the year ended 31 December 2015 and pages 84 to 156 of the annual report for the year ended 31 December 2016, and pages 79 to 162 of the annual report for the year ended 31 December 2017, all of which are published on the website of the Stock Exchange at http://www.hkexnews.hk/, and the website of the Company at http://www.antonoil.com. Quick links to the annual reports of the Company are set out below:

annual report of the Company for the year ended 31 December 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0425/LTN20160425223.pdf

annual report of the Company for the year ended 31 December 2016:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0424/LTN20170424821.pdf

annual report pf the Company for the year ended 31 December 2017:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427848.pdf

II. INDEBTEDNESS

Statement of indebtedness

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of the Circular, the Group had total issued debts of RMB2,995,607,000. Details of which are as follows:

	RMB'000
Bank borrowings	
- Secured (Note i) and unguaranteed	448,320
- Secured (Note i) and guaranteed (Note ii)	80,000
- Unsecured and guaranteed (Note ii)	51,957
- Unsecured and unguaranteed	360,000
	940,277
Other borrowings	
- Secured (Note i) and unguaranteed	88,335
- Unsecured and unguaranteed	100,000
	188,335

	RMB'000
Long-term bonds	
- Unsecured and unguaranteed (Note iii)	1,836,495
Other payables to third parties	
- Unsecured and unguaranteed	30,500
	2,995,607

Notes:

(i) All securities including property, plant and equipment, the rights on trade receivable, and restricted bank deposits pledged for the indebtedness are owned by the Group.

(ii) Bank borrowings of RMB80,000,000 are guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd., a third party of the Group and RMB51,957,000 are guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder.

(iii) The balance represents certain long-term bonds issued by the Group, which are unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities and normal trade and notes payables in the ordinary course of the business, as at the close of business on 30 April 2018, the Group did not have other debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or material contingent liabilities.

III. WORKING CAPITAL

Taking into account the Acquisition and the financial resources available to the Group, including the internally generated funds and available banking facilities, the Directors are of the opinion that the Group has sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

V. OUTLOOK AND PROSPECTS

In 2018, it is expected that major oil producing countries in the Middle East will maintain their restrictions on oil production, global oil and gas market will achieve a supply-demand balance, and the industry will face full recovery. Upstream E&P Capex from oil companies in major domestic and overseas markets of the Group will continue to grow significantly, with large amount of market opportunities appearing. Meanwhile, benefitting from the full commencement of operation and the abundant orders on hand, the Group is fully confident with the growth in 2018.

Market-wise, with the strong market recovery, the Group expects to see a very active overall market with large growth opportunities in 2018. The Group will focus on a further customer high-grade, and aim for long-term orders with strong cash flow generating ability, high margin and larger scale per operation, in order to lay a solid foundation of orders for the rapid growth in 2019 and onwards. In Iraq, on 13 April 2018, the Group has signed a contract with Iraq national oil company, taking charge of an integrated field management service (IFMS) project at a large-scale oilfield in south Iraq with a contract value of approximately US$100 million per annum. Which helped the Group achieved a new business model of “asset-light”, “large-scale” and “integrated operation and management”. On 3 May 2018, the Group entered into a strategic cooperation agreement on the development of oil and gas fields in Iraq with its strategic partner Geo-Jade, under which, the Group will provide all-rounded support for the development of its oilfields in Iraq, further laid foundation for the future scale development of the market. In other overseas markets, the Group further strengthens its cooperation with existing strategic partners, currently contending for multiple large-scale turn-key projects in Kazakhstan and Albania. Apart from that, supported by the Belt and Road policy and financing from national policy financial institutions, the Group “combines industry with financing”, and is in discussion with some other independent Chinese oil companies along the Belt and Road countries, including Ethiopia, Pakistan and other Southeast Asia and African markets, regarding multiple turn-key projects. The market has great potential for growth. Regarding the domestic market, in 2018, major domestic customers of the Group will push the pedal to the metal in the natural gas market, and especially development of Southwest shale gas, providing incremental opportunities for the Group’s domestic growth. The Group will leverage its technical advantages in domestic unconventional resource development as well as outstanding track record, and further contend for more unconventional development services projects.

Regarding project execution, In Iraq, multiple large projects of the Group, including the general production operation maintenance project, integrated drilling project and general workover and completion project, continue to maintain full work. The Group is actively promoting the takeover of its newly-acquired IFMS project for large-scale oilfields. It is expected to be officially launched in July. In other overseas markets, the Group’s workover and completion projects in Ethiopia, integrated drilling project in Kazakhstan, and pressure pumping projects in Pakistan are under full construction. Domestically, the Group won multiple projects in Sichuan shale gas market, which are beginning to commence implementation. The Group will continue to strictly control operating quality to guarantee high-quality high-efficiency execution of all domestic and overseas projects.

In terms of product and technology, the Group will focus on practical application demands during the development of oil and gas fields, strengthen researching, introducing, promoting and application of new technology. It will enhance cooperation with industry-leading technological companies, and in particular, new technologies emphasizing on production promoting and reducing cost. It will further improve its integrated production-increasing and cost saving service capability. In 2018, the Company will focus on promoting biosynthesis-based mud technology in shale gas market in southwest China, and the nano-chemical material stimulation technology.

In terms of strategic resources alignment, the Group will continue to strictly control incremental Capex, reallocate existing equipment, strengthen inventory management and cooperation with suppliers, increase resource utilization efficiency, increase integration of resources from partners, and reduce capital occupation from alignment of resources.

Regarding human resources, the Group will focus on internationalization of its talent structure, promote internationalization of management team and localization of international businesses, increase the percentage of local employees in overseas market, and achieve a majority of local employees on conventional services and operations posts. It will take the view of introducing leading talents in the industry, leaping development of outstanding talents and training management. In terms of remuneration, the Group will continue to strengthen its incentive measures, and establish and continue to refine a salary system that fits the industry characteristics and global development.

In terms of financial management, in 2018, the Group will take cash flow management as its coretask, It will increase the effort of combining industry and financing, speed up deepened cooperation with national policy financial institutions, collaborate with clients and national policy financial institutions to reduce risks, lower working capital pressure, and use it as the leverage for grabbing market share from international oil services companies in the overseas market.

Overall, through the sufficient adjustment and preparations during the industry trough, the Group now possesses a much more optimized market, client and cost structure. Its operation is more versatile to swiftly seize opportunities as the industry recovers to achieve growth. In 2017, the Group has successfully returned to a fast track of growth. It will continue to welcome its growth in 2018 and in the following years with profound confidence basing on a great start and continue to expand new markets while enhancing internal management. It will be more focused on managing cash flow, optimizing debt structure, and make the Group back to healthy and high speed growth, and steadily step forward to its long-term strategic goal of becoming a "world-leading oilfield technical services company with a strong foot-hold in China".

VI. LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group's cash and bank deposits amounted to approximately RMB1,548.2 million (including: restricted bank deposits, term deposits with initial terms of over three months, cash and cash equivalents), representing an increase of RMB648.6 million as compared to 31 December 2016.

As at 31 December 2017, the Group's outstanding short-term loans amounted to RMB880.3 million. Credit facilities granted to the Group by banks amounted to RMB1,380.0 million, of which approximately RMB261.0 million were not used.

As at 31 December 2017, the liability-to-asset ratio (total liabilities divided by total assets) of the Group was 62.0%, representing a decrease of 8.3 percentage points from the liability-to-asset ratio of 70.3% as at 31 December 2016. As at 31 December 2017, the gearing ratio of the Group was 58.1%, representing a decrease of 5.0 percentage points from the gearing ratio of 63.1% of last year. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds and trade and notes payables, as shown in the consolidated statement of financial position. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total borrowings.

The equity attributable to equity holders of the Company increase from RMB1,544.9 million as at 31 December 2016 to RMB2,558.0 million as at 31 December 2017.

VII. EXCHANGE RISK

The Group mainly uses RMB as its operating currency with certain imported goods settled in foreign currency. The Group believes the exchange risk from foreign currency-denominated settlements is limited. The exchange risk of the Group mainly arises from its foreign currency deposits and trade receivables denominated in foreign currencies. Any fluctuations in RMB exchange rate against the US dollar may have a negative impact on the Group's operating results and financial position.

VIII. HUMAN RESOURCES

In 2017, in response to its strategic development goal and to support rapid development of its overseas business, the Group focused on improving internationalization of its workforce, adjusted talent distribution, raised proportion of internationalized talents, and introduced high-end internationalized talents. Major adjustments in 2017 include:

— In order to support overseas development, the Group added new overseas employees, resulting in a small increase in total headcount. As at the date of the announcement, total headcount of the Group is 2,591, an increase of 28.2% from 2016, while the number of overseas employees increased 72.8% to 1,040, accounted to 40.1% of the total workforce. Meanwhile, the Company strengthened its training programme to improve overall internationalization and provide talents for the rapid growth overseas.

— Remuneration structure was refined further during the year. The Group adjusted its incentive mechanism to increase floating incentives linked to performance assessment and enhanced employee motivation. Labour cost amounted to a smaller percentage of revenue despite an increase in headcount. In 2017, Labour cost amounted to 17.1% of total revenue, down 5.9 percentage points from 23.0% in 2016.

— The Company has continued to adopt long-term incentive mechanism with share options to encourage employees to work with the Group in the long run.

The following is the text of a report set out on pages II-1 to II-40, received from the Company's reporting accountants, Asiapac CPA & Company, Certified Public Accountants, for the purpose of incorporation in this circular.

ASIAPAC CPA & COMPANY CERTIFIED PUBLIC ACCOUNTANTS
亞太會計師事務所

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ANTON OILFIELD SERVICES DMCC IRAQI BUSINESS TO THE DIRECTORS OF ANTON OILFIELD SERVICES GROUP

INTRODUCTION

We report on the historical financial information of the business of Iraq (the "DMCC Iraqi Business") of Anton Oilfield Services DMCC and its subsidiary (the "DMCC Group") set out on pages II-3 to II-40, which comprises the combined statements of financial position of DMCC Iraqi Business as at 31 December 2015, 2016 and 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-3 to II-40 forms an integral part of this report, which has been prepared for inclusion in the circular of Anton Oilfield Services Group (the "Company") dated 29 June 2018 (the "Circular") in connection with the proposed acquisition of 40% interest of DMCC Iraqi Business by the Company (the "Proposed Acquisition").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of combined financial position of DMCC Iraqi Business as at 31 December 2015, 2016 and 2017 and of its combined financial performance and its combined cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to note 7 to the Historical Financial Information which stated that no dividends have been paid by DMCC Iraqi Business in respect of the Relevant Periods.

Asiapac CPA & Company
Certified Public Accountants
Hong Kong
29 June 2018

HISTORICAL FINANCIAL INFORMATION OF DMCC IRAQI BUSINESS

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Asiapac CPA & Company, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	4	563,282	628,230	880,918
Cost of sales		(302,166)	(293,727)	(425,872)
Gross profit		261,116	334,503	455,046
Selling expenses		(34,068)	(39,459)	(78,350)
Administrative expenses		(10,775)	(4,468)	(326)
Operating profit		216,273	290,576	376,370
Finance costs	5(a)	(2,597)	22,159	(23,737)
Non-operating income		971	55	2,731
Non-operating expenses		(1,028)	—	(10)
Profit before taxation	5	213,619	312,790	355,354
Income tax	6(b)	(32,343)	(43,976)	(59,653)
Profit for the year		181,276	268,814	295,701
Other comprehensive income, net of tax: Item that may be reclassified to profit or loss				
Currency translation differences		33,773	58,924	(66,211)
Other comprehensive income, net of tax		33,773	58,924	(66,211)
Total comprehensive income for the year		215,049	327,738	229,490

The accompanying notes form part of this Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	11	414,857	493,634	569,678
		414,857	493,634	569,678
Current assets				
Inventories	12	184,908	202,804	272,179
Trade receivables	13	151,333	385,770	581,226
Prepayments and other receivables	14	248,004	432,138	313,334
Cash and cash equivalents	15 (a)	105,741	52,063	39,698
Restricted bank deposits	15 (c)	127,546	197,649	226,193
Prepaid rent and others		2,211	1,925	1,490
Total assets		1,234,600	1,765,983	2,003,798
Current liabilities				
Trade payables	16	306,075	482,655	519,640
Accruals and other payables	17	123,687	278,497	685,552
Current income tax liabilities	18	3,813	16,819	31,093
Total current liabilities		433,575	777,971	1,236,285
Net assets		801,025	988,012	767,513
Total equity		801,025	988,012	767,513

The accompanying notes form part of this Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	**Amount**
		RMB'000
Balance as at 1 January 2015		585,976
Net profit for the year		181,276
Other comprehensive income		33,773
Total comprehensive income for the year		215,049
Balance as at 31 December 2015		801,025
Net profit for the year		268,814
Other comprehensive income		58,924
Total comprehensive income for the year		327,738
Distributions of dividend to owners	7	(140,751)
Balance as at 31 December 2016		988,012
Net profit for the year		295,701
Other comprehensive income		(66,211)
Total comprehensive income for the year		229,490
Others		11
Distributions of dividend to owners	7	(450,000)
Balance as at 31 December 2017		767,513

The accompanying notes form part of this Historical Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before taxation	213,619	312,790	355,354
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	21,516	21,961	48,317
Gain from disposal of fixed assets	—	(24)	—
Finance charges	2,597	(22,159)	23,737
Inventory decreased / (increased)	7,757	(17,896)	(69,375)
Accounts and other receivable increased	(76,612)	(418,547)	(84,636)
Accounts and other payable (decreased) / increased	(21,549)	134,175	(116,532)
Income tax paid	(38,042)	(30,970)	(45,379)
Net cash flows from / (used in) operating activities	**109,286**	**(20,670)**	**111,486**
Cash flows from investing activities			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	—	51	—
Sub-total of cash inflows from investing activities	—	51	—
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	49,970	33,093	122,511
Cash paid up relating to other investing activities	—	—	206
Sub-total of cash outflows	49,970	33,093	122,717
Net cash flows used in investing activities	**(49,970)**	**(33,042)**	**(122,717)**
Cash flows from financing activities			
Cash paid relating to other financing activities	5,513	—	—
Sub-total of cash outflows	5,513	—	—
Net cash flows used in financing activities	**(5,513)**	**—**	**—**
Effect of foreign exchange rate changes on cash and cash equivalents	**(513)**	**34**	**(1,134)**
Net increase / (decrease) in cash and cash equivalents	**53,290**	**(53,678)**	**(12,365)**
Add: Cash and cash equivalents at beginning of the period	52,451	105,741	52,063
Cash and cash equivalents at end of the period	105,741	52,063	39,698

NOTES TO HISTORICAL FINANCIAL INFORMATION OF DMCC IRAQI BUSINESS

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

(a) Background

DMCC was incorporated in United Arab Emirates on 20 September 2010 with limited liability and domiciled in the Dubai Multi Commodities Centre Authority. Its registered address is located at the Dubai Multi Commodities Centre Authority.

The principal activities of DMCC and its subsidiary (collectively, the "DMCC Group") are drilling technology, well completion and oil production service. DMCC Iraqi Business refers to the principal activities of DMCC Group in Iraq.

China Oil HBP Science and Technology Co., Limited ("HBP") and its wholly owned subsidiary, Hong Kong HuiHua Technology Co., Limited ("HuiHua"), signed agreement dated 16 May 2016 about Anton Oilfield Services DMCC ("Agreement") with Anton Oilfield Services International Co., Ltd. ("Anton International") and DMCC. HuiHua acquired, by cash, 40% interest in DMCC Iraqi Business owned by Anton International.

On 22 December 2017, the Company, Anton International, DMCC, Huihua and HBP signed an agreement in relation to the proposed buyback acquisition of 40% interest in DMCC Iraqi Business. Upon completion of the acquisition, the Group will hold 100% interest of DMCC Iraqi Business.

(b) Basis of presentation

No separate legal entity has been formed for DMCC Iraqi Business. During the Relevant Periods, most of the assets and liabilities attributable to DMCC Iraqi Business were included in legal entities within DMCC Group that also operated other businesses and functions. Besides, during the Relevant Periods, DMCC Group made no capital injection.

Historical Financial Information has been prepared for DMCC Iraqi Business to present the combined statements of financial position as at 31 December 2015, 2016 and 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, the combined cash flows statements for each of the years ended 31 December 2015, 2016 and 2017 and accompanying notes. This Historical Financial Information has been prepared by the directors of DMCC Iraqi Business to include the net assets and operating results of DMCC Iraqi Business. For the purpose of this report, the net assets and operating results of DMCC Iraqi Business included in this Historical Financial Information are as follows:

(i) All revenues and expenses specifically related to DMCC Iraqi Business were identified and included in the combined statement of profit or loss and other comprehensive income.

- All other expenses not directly related to DMCC Iraqi Business were apportioned by a number of different methods such as usage, user and pre-agreed ratio.

- Finance costs were mainly guarantee costs incurred by DMCC Iraqi Business. Thus, they are all included in DMCC Iraqi Business.

(ii) The assets and liabilities specifically related to DMCC Iraqi Business were identified and included in the combined statement of financial position. Certain assets and liabilities, which are not specifically identifiable as being part of any business under DMCC Iraqi Business, were allocated in accordance with the following allocation criteria to the combined statement of financial position:

- Property, plant and equipment mainly include the property, plant and equipment of the two companies in Iraq and property, plant and equipment of the two companies in Dubai with respect to DMCC Iraqi Business.

- Inventories mainly include the inventories of the two companies in Iraq and inventories of the two companies in Dubai with respect to DMCC Iraqi Business.

- Trade receivables mainly include the trade receivables of the two companies in Iraq and trade receivables of the two companies in Dubai with respect to DMCC Iraqi Business.

- Prepayments and other receivables mainly include the prepayments and other receivables of the two companies in Iraq and prepayments and other receivables of the two companies in Dubai with respect to DMCC Iraqi Business.

- Trade payables mainly include the trade payables of the two companies in Iraq and trade payables of the two companies in Dubai with respect to DMCC Iraqi Business.

- Accruals and other payables mainly include accruals and other payables of the two companies in Iraq and accruals and other payables of the two companies in Dubai with respect to DMCC Iraqi Business.

(iii) Equity is the difference between the assets and liabilities allocated to DMCC Iraqi Business as per the combined figures and the allocation criteria described above;

(iv) As the Historical Financial Information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 “Earnings per Share” to disclose earnings per share has not been complied with;

(v) All inter-company transactions, balances and unrealised gains/losses on transactions and balances within DMCC Iraqi Business have been eliminated on combination.

(c) **Basis of preparation**

DMCC Iraqi Business’s management considers that the above method of allocation and presentation provides a fair and reasonable approximation of the amounts attributable to DMCC Iraqi Business. However, the amounts allocated to DMCC Iraqi Business are not necessarily representative or indicative of the financial position, results of operations or cash flows, which would have occurred if DMCC Iraqi Business had been a separate stand-alone entity. Additionally, the amounts allocated to DMCC Iraqi Business are not necessarily representative or indicative of future results of DMCC Iraqi Business. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except as set out in the accounting policies hereunder.

The Historical Financial Information set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, DMCC Iraqi Business has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 22.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand ("RMB'000"), except as otherwise stated herein. The measurement basis used in the preparation of Historical Financial Information is historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the costs of construction, machinery and other expenditures necessary for the purpose of preparing the construction in progress for its intended use and those borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction in progress is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to DMCC Iraqi Business and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method except for drill pipes are depreciated using unit-of-production method, to allocate their costs to their residual values over their estimated useful lives, as follows:

	Estimated useful life
Buildings	5-50 years
Machinery and equipment	5-10 years
Motor vehicles	5-10 years
Furniture, fixtures and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 (d)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gain, net", in the combined statement of profit or loss and other comprehensive income.

(d) **Impairment of non-financial assets**

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

(e) **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are offset with the net amount reported in the combined statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) ***Financial assets***

Initial recognition and measurement. Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification of financial assets is determined at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which DMCC Iraqi Business commits to purchase or sell the asset.

Impairment of financial assets. DMCC Iraqi Business assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation. Evidence of impairment may also include cases where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The subsequent measurement and impairment of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the combined statement of profit or loss. The receivable balance consists of trade receivables from direct customers and distributors and loans issued. DMCC Iraqi Business maintains an allowance for bad accounts for potential credit losses based on the estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. DMCC Iraqi Business writes off uncollectible accounts against the allowance when all reasonable collection efforts have been exhausted. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to us. The losses arising from impairment are recognised in the combined statement of profit or loss in cost of sales or other operating expenses for receivables. Refer to Note 13 "Trade receivables" for further information.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or

- DMCC Iraqi Business has transferred the rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement, and either (a) DMCC Iraqi Business has transferred substantially all the risks and rewards of the asset, or (b) DMCC Iraqi Business has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When DMCC Iraqi Business has transferred rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When DMCC Iraqi Business has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, DMCC Iraqi Business also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that DMCC Iraqi Business has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that DMCC Iraqi Business could be required to repay.

DMCC Iraqi Business enters into sale of trade receivables through factoring transactions. The trade receivables that are sold without recourse are derecognised only if such sale transfers substantially all risks and rewards associated with owning the receivables, as required by IAS 39. In other cases of non-recourse sales or with-recourse sales, the receivables continue to be recognised within current assets in the combined statement of financial position, and the advances received for such receivables are recorded in "Trade and other payables". Refer to Note g "Trade and other receivables" for a detailed description.

(ii) ***Financial liabilities***

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank debt), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. Financial liabilities include trade and other payables, loans and bank debt including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by DMCC Iraqi Business that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held-for-trading are recognised in the combined statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liabilities at fair value through profit or loss.

Loans and borrowings (bank debt). After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the combined statement of profit or loss when the liabilities are derecognised, as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the combined statement of profit or loss.

Financial guarantee contracts. Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs, because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, and then adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition. A financial liability is derecognised when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the combined statement of profit or loss.

Derivative financial instruments and hedge accounting. DMCC Iraqi Business uses currency exchange rate derivative contracts and interest rate derivative instruments to manage the impact of currency exchange and interest rate changes on the combined statement of profit or loss and the combined cash flows statement. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. DMCC Iraqi Business evaluates hedge effectiveness at inception and on an ongoing basis.

If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the combined statement of profit or loss. Cash flows from derivative contracts are reported as operating activities in the combined cash flows statement.

When a hedging instrument expires, is sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised when the forecast transaction is ultimately recognised in the combined statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to profit or loss.

(f) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories are reviewed for impairment whenever events or changes in circumstances cause their carrying amounts to exceed their recoverable amounts. The determination of recoverable amount of the inventories requires the use of estimates. DMCC Iraqi Business management determined the recoverable amount of inventories.

(g) **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts. Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of DMCC Iraqi Business about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When DMCC Iraqi Business is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(h) **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(i) **Accruals and other payables**

Accruals and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) **Employee benefits**

(i) ***Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) ***Termination benefits***

Termination benefits are recognised at the earlier of when DMCC Iraqi Business can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(l) **Income tax**

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(m) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when DMCC Iraqi Business has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value-added tax, returns, rebates and discounts.

DMCC Iraqi Business recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to DMCC Iraqi Business and specific criteria have been met for each of DMCC Iraqi Business's activities as described below. DMCC Iraqi Business bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) ***Sales of goods***

Revenue associated with the sales of goods is recognised when the title to the goods, such as drilling tools, tubing and casing, has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(ii) ***Sales of services***

Sales of services are recognised in the accounting period in which the services are rendered.

(o) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(p) **Related parties**

(i) A person, or a close member of that person's family, is related to DMCC Iraqi Business if that person:

- has control or joint control over DMCC Iraqi Business;
- has significant influence over DMCC Iraqi Business; or
- is a member of the key management personnel of DMCC Iraqi Business or DMCC Iraqi Business's holding company.

(ii) An entity is related to DMCC Iraqi Business if any of the following conditions applies:

- The entity and DMCC Iraqi Business are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either DMCC Iraqi Business or an entity related to DMCC Iraqi Business.
- The entity is controlled or jointly controlled by a person identified in (i).
- A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to DMCC Iraqi Business or to DMCC Iraqi Business's holding company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to DMCC Iraqi Business's most senior executive management for the purposes of allocating resources to, and assessing the performance of, DMCC Iraqi Business's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(r) **Foreign currencies**

The financial statements of all the entities included in the scope of combination are measured using the currency of the primary economic environment in which the entity operates (functional currency). The RMB is the presentation currency of this Historical Financial Information. Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation into the functional currency at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statement of profit or loss, except when deferred in other comprehensive income (loss) as qualifying cash flow hedges.

Foreign currency differences arising from translation are recognised in the combined statement of profit or loss, except for available-for-sale equity investments which are recognised in other comprehensive income (loss), unless regarding an impairment, in which case foreign currency differences that have been recognised in other comprehensive income (loss) are reclassified to the combined statement of profit or loss.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

DMCC Iraqi Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) **Impairment of property, plant and equipment**

Property, plant and equipment are stated at cost or cost less depreciation or amortisation. The carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Except for some very special cases, it's incredibly difficult for DMCC Iraqi Business to estimate an asset's fair value less costs of disposal, which made DMCC Iraqi Business accept value in use as the recoverable amount. In estimating the recoverable amounts of assets, various assumptions, including future cash flow projections to be associated with forecast revenue, forecast gross margin and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on DMCC Iraqi Business's financial position and results of operations.

4 REVENUE AND SEGMENT REPORTING

The chief executive officer, executive vice presidents and directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the chief operating decision makers for the purposes of allocating resources and assessing performance.

DMCC Iraqi Business's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision makers make decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the chief operating decision makers.

The chief operating decision makers assess performance of three reportable segments: drilling technology, well completion and oil production services.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers evaluate the performance of the operating segments based on profit or loss before income tax expense, depreciation and amortisation, interest income and finance expenses ("EBITDA"). The corporate overheads and corporate assets are the general management expenses and assets incurred and held by the headquarters of DMCC Iraqi Business.

	Drilling technology	**Well completion**	**Oil production services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015				
Revenue (Note)	73,881	244,260	245,141	563,282
EBITDA	18,021	119,356	100,355	237,732
Depreciation and amortisation	3,323	12,661	5,532	21,516
Finance expenses, net	341	1,126	1,130	2,597
Income tax expense	4,242	14,025	14,076	32,343
For the year ended 31 December 2016				
Revenue (Note)	71,181	337,430	219,619	628,230
EBITDA	22,691	168,480	121,421	312,592
Depreciation and amortization	3,675	17,026	1,260	21,961
Finance expenses, net	(1,753)	(8,308)	(12,098)	(22,159)
Income tax expense	3,573	16,936	23,467	43,976
For the year ended 31 December 2017				
Revenue (Note)	185,034	154,237	541,647	880,918
EBITDA	80,419	68,870	278,119	427,408
Depreciation and amortization	21,351	20,337	6,629	48,317
Finance expenses, net	4,986	4,156	14,595	23,737
Income tax expense	12,530	10,444	36,679	59,653

Note: Sales between segments are carried out at terms mutually agreed between relevant Group entities. The revenue from external parties reported to the chief operating decision makers is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

	Drilling technology	Well completion	Oil production services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015 Total assets	408,927	203,528	135,247	747,702
Total assets include: Capital expenditures	7,764	41,935	271	49,970
As at 31 December 2016 Total assets	462,218	411,372	234,489	1,108,079
Total assets include: Capital expenditures	12,458	14,514	6,111	33,083
As at 31 December 2017 Total assets	494,197	411,372	234,489	1,140,058
Total assets include: Capital expenditures	30,249	48,624	43,638	122,511

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

A reconciliation of total EBITDA to total profit before income tax is provided as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
EBITDA for reportable segments	237,732	312,592	427,408
Depreciation	(21,516)	(21,961)	(48,317)
Finance expenses, net	(2,597)	22,159	(23,737)
Profit before income tax	213,619	312,790	355,354

Reportable segments' assets are reconciled to total assets as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Assets for reportable segments	747,702	1,108,079	1,140,059
Total Assets	1,234,600	1,765,983	2,003,798

DMCC Iraqi Business allocates revenue on the basis of the location in which the sales are originated.

Geographical Information

This report represents DMCC Iraqi business. During the Relevant Periods, with all of its results derived from its operation in Iraq. Accordingly, no geographical information is presented.

Client information

For the year end 31 December 2015, revenues of approximately RMB 429,758,000 were derived from Petro China International Iraq FZE Iraq Branch and AI WAHA Petroleum Co., Ltd., which contributed 51.55% and 24.74% to the total revenue respectively.

For the year end 31 December 2016, revenues of approximately RMB 419,940,000 were derived from Petro China International Iraq FZE Iraq Branch and AI WAHA Petroleum Co., Ltd., which contributed, 45.56% and 21.28% to the total revenue respectively.

For the year end 31 December 2017, revenues of approximately RMB 634,017,000 were derived from Petro China International Iraq FZE Iraq Branch and Lukoil Mid-East Limited, which contributed, 43.58% and 28.42% to the total revenue respectively.

These revenues were mainly attributable to drilling technology and oil production services segments.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Year ended 31 December	
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance cost:			
Net exchange gains and losses	512	(26,172)	15,239
Bank charges	2,085	4,013	8,498
Total	2,597	(22,159)	23,737
(b) Staff cost:			
Salaries, wages and other benefits	31,809	28,311	57,431
(c) Other items:			
Materials and services purchased	137,313	133,761	202,612
Depreciation	21,516	21,961	48,317

6 INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) **Income tax in the statements of profit or loss and other comprehensive income represents:**

The corporate income tax of Iraq is levied at 7% on the total turnover.

(b) **Reconciliation between income tax expense and accounting profit at applicable tax rates:**

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	213,619	312,790	355,354
Notional corporate income tax by reference to total turnover (per note 6(a))	(39,430)	(43,976)	(61,664)
Tax effect of non-taxable income	7,087	—	2,011
	(32,343)	(43,976)	(59,653)

7 DIVIDEND

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Dividend	—	140,751	450,000

No dividend has been paid by DMCC Iraqi Business for the years ended 31 December 2015, 2016 and 2017. For the purpose of this report, the dividend for the years ended 31 December 2016 and 2017 represented dividend declared by DMCC Iraqi Business to its then owners.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regards to the purpose of this Historical Financial Information.

8 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9 DIRECTORS' REMUNERATION

During the Relevant Periods, the directors of DMCC Iraqi Business did not receive any fee or other emoluments in respect of their services provided to DMCC Iraqi Business. In addition, no emoluments paid or payable by DMCC Iraqi Business were waived and no emoluments were paid by DMCC Iraqi Business to the directors of DMCC Iraqi Business as an inducement to join or upon joining DMCC Iraqi Business or as compensation for loss of office during the Relevant Periods.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other short-term employee benefits	3,818	4,484	5,954
Pension scheme	150	147	165
	3,968	4,631	6,119

The emoluments fell within the following bands:

	Number of individuals		
	2015	**2016**	**2017**
Emoluments bands			
RMB Nil - RMB1,000,000	4	4	4
RMB1,000,000 - RMB1,500,000	1	1	2
	5	5	6

During the Relevant Periods, no Key management of DMCC Iraqi Business waived any emoluments and no emoluments were paid by DMCC Iraqi Business to any of the Key management of DMCC Iraqi Business as an inducement to join or upon joining DMCC Iraqi Business or as compensation for loss of office.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor Vehicles	Furniture, Fixtures and others	Construction in process	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2015						
Cost	19,630	199,002	4,451	2,301	34,771	260,155
Accumulated depreciation	(1,992)	(46,443)	(1,152)	(453)	—	(50,040)
Net book value	17,638	152,559	3,299	1,848	34,771	210,115
Year ended 31 December 2015						
Opening net book value	17,638	152,559	3,299	1,848	34,771	210,115
Additions	—	23,807	1,996	3,234	177,450	206,487
Depreciation charge	(949)	(18,411)	(1,249)	(907)	—	(21,516)
Currency translation differences	1,040	8,663	234	211	9,623	19,771
Closing net book value	17,729	166,618	4,280	4,386	221,844	414,857
As at 31 December 2015						
Cost	20,832	235,997	6,804	5,812	221,844	491,289
Accumulated depreciation	(3,103)	(69,379)	(2,524)	(1,426)	—	(76,432)
Net book value	17,729	166,618	4,280	4,386	221,844	414,857
Year ended 31 December 2016						
Opening net book value	17,729	166,618	4,280	4,386	221,844	414,857
Additions	314	36,248	—	261	53,315	90,138
Transfer in / (out)	—	766	—	—	(766)	—
Depreciation charge	(1,023)	(18,749)	(1,106)	(1,083)	—	(21,961)
Disposals	—	(24)	—	—	—	(24)
Currency translation differences	1,187	(7,949)	231	272	16,883	10,624
Closing net book value	18,207	176,910	3,405	3,836	291,276	493,634
As at 31 December 2016						
Cost	22,579	265,754	6,869	6,478	291,276	592,956
Accumulated depreciation	(4,372)	(88,844)	(3,464)	(2,642)	—	(99,322)
Net book value	18,207	176,910	3,405	3,836	291,276	493,634

	Buildings	Machinery and equipment	Motor Vehicles	Furniture, Fixtures and others	Construction in process	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Opening net book value	18,207	176,910	3,405	3,836	291,276	493,634
Additions	1,863	—	178	3,084	151,130	156,255
Transfer in / (out)	—	331,437	—	—	(331,437)	—
Depreciation charge	(2,267)	(43,962)	(674)	(1,414)	—	(48,317)
Currency translation differences	(2,241)	(17,567)	(183)	(379)	(11,524)	(31,894)
Closing net book value	15,562	446,818	2,726	5,127	99,445	569,678
As at 31 December 2017						
Cost	21,879	573,152	6,643	8,988	99,445	710,107
Accumulated depreciation	(6,317)	(126,334)	(3,917)	(3,861)	—	(140,429)
Net book value	15,562	446,818	2,726	5,127	99,445	569,678

During the year ended 31 December 2015, the depreciation charges were recorded in cost of sales with an amount of RMB 19,763,000, selling, general and administrative expenses with an amount of RMB 1,734,000, cost of inventories which remained unsold as at year end with an amount of RMB 19,000 respectively.

During the year ended 31 December 2016, the depreciation charges were recorded in cost of sales with an amount of RMB 20,450,000, selling, general and administrative expenses with an amount of RMB 874,000, cost of inventories which remained unsold as at year end with an amount of RMB 637,000 respectively.

During the year ended 31 December 2017, the depreciation charges were recorded in cost of sales with an amount of RMB 46,591,000, selling, general and administrative expenses with an amount of RMB 1,726,000 respectively.

12 INVENTORIES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	30,139	51,283	157,459
Work- in progress	—	7,575	87,320
Finished goods	154,769	123,242	12,081
Goods shipped in transit	—	—	7,363
Revolving materials	—	20,704	7,956
	184,908	202,804	272,179

13 TRADE RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables, net - Note (a)			
— from related parties (Note 21(b))	—	45,657	95,141
— others	151,333	340,113	486,085
	151,333	385,770	581,226

Note:

(a) Ageing analysis of gross trade receivable at the end of each Relevant Period is as follows:

	As at 31 December 2015
	Carrying amount
	RMB'000
1 - 6 months	89,642
6 months - 1 year	52,580
1 - 2 years	5,634
2 - 3 years	3,477
	151,333

	As at 31 December 2016
	Carrying amount
	RMB'000
1 - 6 months	350,754
6 months - 1 year	8,974
1 - 2 years	26,042
2 - 3 years	—
	385,770

	As at 31 December 2017
	Carrying amount
	RMB'000
1 - 6 months	367,639
6 months - 1 year	80,855
1 - 2 years	126,206
2 - 3 years	6,526
	581,226

(i) As at 31 December 2017, trade receivable amounting to RMB448,494,000.00 (31 December 2016: RMB359,728,000.00; 31 December 2015: RMB142,222,000.00) aged within one year, which were neither past due nor impaired according to DMCC Iraqi Business credit policy.

(ii) DMCC Iraqi Business past-due trade receivables were those receivable aged over one year. As at 31 December 2017, trade receivable with carrying value of RMB132,732,000.00 (31 December 2016: RMB 26,042,000.00; 31 December 2015: RMB9,111,000.00) were past due but not impaired. For the past-due trade receivables without impairment, management considered such long ageing items were receivable from customers with good cooperation and no default history, therefore the risk of impairment was low.

(b) Trade and notes receivables were denominated in the following currencies:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	33,424	49,063
US$	151,333	352,346	532,163
	151,333	385,770	581,226

14 PREPAYMENTS AND OTHER RECEIVABLE

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Advances to suppliers	44,760	82,057	85,642
Other receivables - from related parties (Note 21(b))	191,398	336,869	219,775
Other receivables - others	11,846	13,212	7,917
	248,004	432,138	313,334

Ageing analysis of prepayments and other receivables at the end of each Relevant Period was disclosed:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
1 - 6 months	10,565	17,416	197,907
6 months - 1year	151,661	229,450	16,692
1 - 2 years	55,700	164,226	29,556
2 - 3 years	30,078	5,074	50,189
Over 3 years	—	15,972	18,990
Prepayments and other receivables	248,004	432,138	313,334

15 CASH AND CASH EQUIVALENTS

(a) **Cash and cash equivalents comprise:**

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	1,013	1,594	7,746
Cash at bank	104,728	50,469	31,952
	105,741	52,063	39,698

(b) **Reconciliation of profit before taxation to cash generated from operations:**

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	213,619	312,790	355,354
Adjustments for:			
Depreciation	21,516	21,961	48,317
Gain from disposal of fixed assets	—	(24)	—
Finance costs	2,597	(22,159)	23,737
Decreased / (Increased) in inventory	7,757	(17,896)	(69,375)
Operating receivables increased	(76,612)	(418,547)	(84,636)
(Decreased) / Increase of operational accounts payable	(21,549)	134,175	(116,532)
Income tax paid	(38,042)	(30,970)	(45,379)
Net cash flow from / (used in) operating activities	109,286	(20,670)	111,486

(c) **Restricted bank deposits**

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits (Note a)	127,546	197,649	226,193

Notes:

(a) As at 31 December 2017, bank deposits of DMCC Iraqi Business amounting to RMB 226,193,000 (31 December 2016: RMB 197,649,000 and 31 December 2015 RMB 127,546,000 respectively were held as securities for letter of guarantee.

16 TRADE PAYABLES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— from related parties (Note 21(b))	306,075	461,131	464,464
— others	—	21,524	55,176
	306,075	482,655	519,640

Ageing analysis of trade payables at the end of Relevant Period is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	169,217	240,932	246,325
1 — 2 years	71,620	168,168	111,960
2 — 3 years	65,238	54,524	108,510
Over 3 years	—	19,031	52,845
	306,075	482,655	519,640

Trade payables were denominated in the following currencies:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
RMB	233,376	404,014	392,204
US$	72,699	78,641	127,436
	306,075	482,655	519,640

17 ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	824	14,331	13,479
Dividend payable	—	145,399	586,956
Other payables - from related parties (Note 21(b))	110,986	105,497	70,878
Other payables - others	11,877	13,270	14,239
	123,687	278,497	685,552

18 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

Current taxation in the statements of financial position represents:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Balance as at 31 December	3,813	16,819	31,093

19 DEFERRED TAXATION NOT RECOGNISED

DMCC Iraqi Business has no material deferred tax assets and liabilities as at 31 December 2015, 2016 and 2017.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of DMCC Iraqi Business's business. DMCC Iraqi Business's exposure to these risks and the financial risk management policies and practices used by DMCC Iraqi Business to manage these risks are described below.

(a) Credit risk

DMCC Iraqi Business's credit risk is primarily attributable to cash at bank, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In order to minimise the credit risk on trade and other receivable, DMCC Iraqi Business reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of DMCC Iraqi Business consider that DMCC Iraqi Business's credit risk is significantly reduced.

A considerable portion of sales were made to several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of DMCC Iraqi Business had concentration risk but without significant credit risk.

Most of the cash and cash equivalents of DMCC Iraqi Business were placed with banks with high credit ratings and the relevant credit risk is relatively low.

DMCC Iraqi Business does not provide any guarantees which would expose DMCC Iraqi Business to credit risk.

(b) **Liquidity risk**

DMCC Iraqi Business's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves.

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as they are with maturities within one year or has no fixed terms of repayment at the end of each of the reporting period.

(c) **Interest rate risk**

DMCC Iraqi Business has no significant interest-bearing assets and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates.

(d) **Currency risk**

Certain revenues, expenses, financial assets and liabilities are denominated in relatively fluctuated currency (United States Dollar). To minimize the currency risk, the management keeps track its exchange rate on an ongoing basis and uses currency exchange rate derivative contracts (if necessary) to manage the impact of currency exchange changes.

(e) **Fair values of financial instruments carried at fair value**

The carrying amounts of DMCC Iraqi Business's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015, 2016 and 2017.

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the directors of DMCC Iraqi Business are of the view that related parties of DMCC Iraqi Business include the following:

Name of related party	**Relationship with DMCC Iraqi Business**
Anton Oilfield Services International Company Ltd	The immediate holding company
Rockwell Energy Services Corporation	The company controlled by the ultimate holding company
Anton Oilfield Services Company Limited	The company controlled by the ultimate holding company
Anton Oilfield Services (Group) Ltd	The company controlled by the ultimate holding company
Anton Energy Holding Ltd.	The company controlled by the ultimate holding company

Name of related party	Relationship with DMCC Iraqi Business
Wabolt Petroleum Ltd.	The company controlled by the ultimate holding company
United Engineering and Construction Company Limited	The company controlled by the ultimate holding company
Anton Oilfield Technology Inc.	The company controlled by the ultimate holding company
Anton Oil Technical Group Intl Ltd.	The company controlled by the ultimate holding company
T&C Intl Trading Ltd.	The company controlled by the ultimate holding company
Anton Oilfield Services Mexico. S.A.de C.V	The company controlled by the ultimate holding company
Roxxon Industry Group	The company controlled by the ultimate holding company
Andes Petrol Company S.A.S	The company controlled by the ultimate holding company
Anton Oilfield Services Intl Ltd. Aktobe Branch	The company controlled by the ultimate holding company
Anton Oil & Gas Holding Ltd.	The company controlled by the ultimate holding company
Antonoil Service Company S.A	The company controlled by the ultimate holding company
Tianjin Anton Import And Export Trading Co. Ltd	The company controlled by the ultimate holding company
Anton Bolin Petroleum Technology (Beijing) Co. Ltd.	The company controlled by the ultimate holding company
Xinjiang Anton Oilfield Services Co., Ltd.	The company controlled by the ultimate holding company
Beijing Anton Software Technology Co. Ltd.	The company controlled by the ultimate holding company
Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.	The company controlled by the ultimate holding company

Name of related party	Relationship with DMCC Iraqi Business
Beijing Tongsheng Will Engineering Technology Co. Ltd.	The company controlled by the ultimate holding company
Sichuan Anton Oil Gas Engineering and Technology Services Co., Ltd.	The company controlled by the ultimate holding company
Tian Jin Anton Oil Import & Export Trade Co., Ltd.	The company controlled by the ultimate holding company
Tianjin Anton Petroleum Machinery Manufacturing Co. Ltd.	The company controlled by the ultimate holding company
Jilin Dongxin Petroleum Engineering Technology Co. Ltd.	The company controlled by the ultimate holding company
Shandong Presde Petroleum Technology Co. Ltd.	The company controlled by the ultimate holding company
Shanshan Anton Petroleum Technology Service Co. Ltd.	The company controlled by the ultimate holding company
Karamay Anton Oil Technology Services Co. Ltd.	The company controlled by the ultimate holding company
Anton Environmental Protection Technology Co. Ltd.	The company controlled by the ultimate holding company
Qingdao Priested Petroleum Technology Co. Ltd.	The company controlled by the ultimate holding company
Research Center For Sand Control Engineering Technology	The company controlled by the ultimate holding company
Anton De Suramerica.C.A	The company controlled by the ultimate holding company
Anton Tong'ao Technology Industry Co. Ltd.	The company controlled by the ultimate holding company
Sichuan Tongsheng Drilling Technology Co., Ltd.	The company controlled by the ultimate holding company
Xinjiang Tong'ao Oilfield	The company controlled by the ultimate holding company
Xinjiang Foyou Petroleum Engineering Construction Co.. Ltd.	The company controlled by the ultimate holding company

Name of related party	Relationship with DMCC Iraqi Business
Anton Testing Co. Ltd.	The company controlled by the ultimate holding company
Anton Instrumentation Testing Co. Ltd.	The company controlled by the ultimate holding company
Anton Tong'ao Intl Co., Ltd.	The company controlled by the ultimate holding company
Too Petrotech Services KZ	The company controlled by the ultimate holding company
Anton Energy Services Corporation	The company controlled by the ultimate holding company
Anton Oilfield Services Africa Co.,Ltd.	The company controlled by the ultimate holding company
Anton Oilfield Services Oversea Kish LLC	The company controlled by the ultimate holding company
Anton Oilfield Services Sucursal Colombia	The company controlled by the ultimate holding company
Anton Oilfield Services KZ	The company controlled by the ultimate holding company
Anton Oilfield Services South America Co., Ltd.	The company controlled by the ultimate holding company
Xinjiang Pengan Energy Technology Co. Ltd.	The joint venture company of the ultimate holding company

(b) Transactions with related parties

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of fixed assets, goods or services			
Anton Oilfield Services (Group) Ltd	57,083	104,924	206,538
Beijing Tongsheng Will Engineering Technology Co., Ltd.	4,740	4,859	21,298
Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd	15,571	2,004	8,221
Tianjin Anton Petroleum Machinery Manufacturing Co., Ltd.	10,091	5,588	12,112
Tian Jin Anton Oil Import & Export Trade Co., Ltd.	135,964	137,256	139,105
Sichuan Anton Oil and Gas Engineering Services Co., Ltd	22,098	32,041	30,290
Sichuan Tongsheng Drilling Engineering Co., Ltd	15,728	2,274	30,784
Anton Testing Co., Ltd	—	11	334
Anton Instrument Testing Co., Ltd	—	—	449
Anton Environmental Protection Technology Co., Ltd	—	—	311
Anton New Material (Suining) Co., Ltd	10,133	—	27
Beijing Anton Software Technology Co., Ltd	—	—	526
Anton Tongao Technology Industry Co., Ltd	205	—	387
Xinjiang Tong'ao Oilfield Technology Services Co., Ltd	1,838	108	3,184
Xinjiang Foyou Petroleum Engineering Construction Co. Ltd	—	12	12
Xinjiang Anton Petroleum Technology Service Co. Ltd	—	926	1,534
Shanshan Anton Petroleum Technology Services Co. Ltd.	—	25	1,941
Shandong Presde Petroleum Technology Co.Ltd	3,992	—	—
Anton Oilfield Services Co. Ltd	—	3,368	8,996
Anton Oilfield Services International Co. Ltd	22,595	—	—
Anton Oilfield Technology, Inc.	96,160	31	—
Anton Oilfield Services Group	15,881	7	—
	412,079	293,434	466,049

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
Anton Oilfield Services (Group) Ltd	—	36,189	59,362
Beijing Tongsheng Will Engineering Technology Co., Ltd.	—	90	28,566
Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd	—	53	1,022
Tianjin Anton Petroleum Machinery Manufacturing Co. Ltd.	—	—	1,438
Tian Jin Anton Oil Import & Export Trade Co., Ltd.	—	33	1,149
Sichuan Anton Oil And Gas Engineering Services Co., Ltd	—	8,762	4,736
Sichuan Tongsheng Drilling Engineering Co., Ltd	—	622	1,024
Anton Testing Co., Ltd	—	—	6
Anton Instrument Testing Co., Ltd	—	—	116
Anton Environmental Protection Technology Co.,Ltd	—	—	27
Anton Tongao Technology Industry Co., Ltd	—	4	—
Xinjiang Tong'ao Oilfield Technology Services Co., Ltd	—	1	230
Xinjiang Foyou Petroleum Engineering Construction Co. Ltd	—	12	12
Xinjiang Anton Petroleum Technology Service Co. Ltd	—	23	168
Shanshan Anton Petroleum Technology Services Co. Ltd.	—	—	406
Anton Oilfield Services Co. Ltd	—	3,368	—
	—	49,157	98,262

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in this Historical Financial Information. These include the following which may be relevant to DMCC Iraqi Business.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

DMCC Iraqi Business has considered that the new standards will have no significant impact on the Historical Financial Information. DMCC Iraqi Business does not intend to early adopt any of these amendments or new standards.

23 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by DMCC Iraqi Business in respect of any period subsequent to 31 December 2017.

The Group entered the Iraqi market in 2009. Back then, it has adopted the strategy of ‘following-up’ in this market, following Chinese national oil companies and provide operational services for Iraqi oilfields. In 2014, the catastrophic drop in international oil price and the oil and gas industry slumped. Domestic market, which took about 66.6% of the Group’s revenue back then, witnessed a significant drop in capital expenditure of oil and gas exploration, which had a severe impact on the Group’s businesses. Faced with such difficult market environment, the Group swiftly adjusted its market strategy and focused on developing its overseas businesses, among which was the major overseas market of Iraq. Thanks to its premium track record and service branding from years of hard work in this market as well as its competitive edge as a Chinese service company under the backdrop of a weak oil price, the Group has achieved rapid growth of its businesses in this market. Regarding revenue, starting from 2014, and the Group’s Iraqi businesses has achieved compound annual growth rate, or CAGR, of 14.7%, and recorded revenue of RMB855.3 million in 2017, or 38.8% of the total revenue of the Group. Regarding its customer base, the Group has achieved breakthrough from its previous ‘following-up’ strategy, and expanded beyond Chinese national oil company customers to large international oil companies, and is gradually taking the place of international oilfield services companies, who used to provide services for these international oil company clients. The Group has therefore gained an ever-increasing portion of market share. Currently, orders from non-Chinese customers have reached 72.0% of total orders in the Iraqi market. Besides, high-quality projects coming from the Iraqi market also help the Group to improve its overall margin and cash flow situation.

In 2018, the Group will continue to push forward a globalized approach to development, with its key target being playing out its advantages as a leading Chinese integrated technical services company, and achieving an upgraded asset-light integrated turn-key service model. The Iraqi market will be its first-pick trial site for promoting such business model. On 13 April 2018, the Group announced winning of integrated oilfield management services project for a large oilfield in southern Iraq. It will provide comprehensive integrated management of such oilfield as a ‘general contractor’ for the Iraq National Oil Company. Such project has a ‘2+1’ model, meaning a two-year term since official commencement of operation, and an option for both parties to renew for one more year depending on execution of the project, and is worth close to USD100 million per year. It has an ‘asset-light large-project-oriented integrated turn-key operational service’ model, depending mainly on human resources, technology and the ability to allocate resources driven by ones market influence, without requiring investment in equipment. Also, the Group plays a ‘top-level role’ in the oilfield technical services industry chain under such business model, gaining greater initiative to persuade other capex projects apart from covering all daily operational expenditure projects of the oilfield. It would further help the synergy of the Group’s conventional businesses, and achieve a head-to-head growth of both conventional businesses and the new service model business. On 26 April 2018, in the fifth round of oil and gas block tendering in Iraq, Geo-Jade, the Group’s strategic cooperation partner, won the bid of exploration and development rights of such oil and gas fields. On 3 May, the Group signed a strategic partnership agreement with Geo-Jade and HBP for the aforementioned development of Iraqi oil and gas fields. According to such agreement, the Group will work with HBP as partners of Geo-Jade in Iraq, and provide comprehensive support for its oilfield development projects, including technical support, engineering services, operational management support, human resources, etc. Such cooperation will help the Group continue to obtain long-term stable order backlog in Iraq and further expand its businesses. Apart from the projects mentioned above with service contracts signed, the Group expects more similar opportunities in Iraq with the new service model, which may further provide leap-and-bound growth for the Group's businesses both in the region and worldwide.

The Group has announced its first quarterly operational update on 22 April 2018, announcing its orders on hand as at 31 March 2018. Among which, RMB2,594.6 million came from Iraq, accounting for 60.7% of total order backlog of the Group. As the aforementioned order regarding the large oilfield was signed in April, it was not included in the first quarterly operational update. Combined, orders on hand of the Group in Iraq would have been RMB3,863.6 million, or 69.7% of total order backlog of the Group. The management team of the Group believes that, based on its orders on hand, it expects foreseeable rapid growth in the next three years in this region. The Group will continue to expand for high-quality large international oil company businesses on top of the solid market foundation already laid, and continue to work for long-term large-scale premium orders to safeguard a continued strong growth of the region in the future, and to contribute to the overall growth of the Group as well as the best interests of our shareholders.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, DMCC's cash and bank deposits amounted to approximately RMB265.9 million (of which, restricted bank deposits amounted to RMB 226.2 million, cash and cash equivalents amounted to RMB 39.7 million), representing an increase of RMB16.2million as compared to 31 December 2016.As at 31 December 2017, DMCC has no bank loans.

As at 31 December 2017, the liability-to-asset ratio (total liabilities divided by total assets) of DMCC was 61.7%, representing an increase of17.6 percentage points from the liability-to-asset ratio of 44.1% as at 31 December 2016. As at 31 December 2017, the gearing ratio of DMCC was 40.4%, representing an increase of 7.5 percentage points from the gearing ratio of 32.8% of last year. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds and trade and notes payables, as shown in the consolidated balance sheet. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus total borrowings.

The equity attributable to equity holders of DMCC decrease from RMB988.0 million as at 31 December 2016 to RMB767.5 million as at 31 December 2017.

HUMAN RESOURCES

In 2017, to support rapid development of its business, DMCC focused on improving internationalization of its workforce, raised proportion of internationalized talents, and introduced high-end internationalized talents. As at 31 December 2017, total headcount of DMCC is 830, an increase of 54.3% from 2016, of which the number of Chinese employees is 399, accounted to 48.1% of the total workforce of DMCC, the number of local employees is 324, accounted to 39.0% of the total workforce of DMCC, the number of international employees is 107, accounted to 12.9% of the total workforce of DMCC. Meanwhile, DMCC further refined its remuneration structure during the year, adjusted its incentive mechanism to increase floating incentives linked to performance assessment and enhanced employee motivation.

EXCHANGE RISK

DMCC mainly uses USD as its operating currency. The exchange risk of DMCC mainly arises from its RMB deposits and trade receivables denominated in RMB currencies. DMCC believes the exchange risk involved in payment settled in RMB is not significant.

CONTINGENT LIABILITIES

As at 31 December 2017, DMCC did not have any material contingent liabilities or guarantees.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") which is prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 31 December 2017. The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its nature, the Unaudited Pro Forma Financial Information may not give a true picture of the Enlarged Group's financial position upon the completion of the Acquisition.

The Unaudited Pro Forma Financial Information of the Group upon completion of the Acquisition is based on the audited consolidated financial statements of the Group for the year ended 31 December 2017, which has been extracted from the annual report of the Company for the year ended 31 December 2017, after making pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities as at 31 December 2017

	The Group	**Pro forma adjustment**	**Pro forma adjustment**	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-current assets				
Property, plant and equipment	2,331,571	—	—	2,331,571
Prepaid lease payments	77,567	—	—	77,567
Goodwill	242,004	—	—	242,004
Intangible assets	224,285	—	—	224,285
Interest in a joint venture	2,691	—	—	2,691
Prepayments and other receivables	121,063	—	—	121,063
Other non-current assets	304,844	(299,229)	—	5,615
Deferred income tax assets	63,743	—	—	63,743
	3,367,768	(299,229)	—	3,068,539

	The Group	Pro forma adjustment	Pro forma adjustment	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
Current assets				
Inventories	597,233	—	—	597,233
Prepaid lease payments	1,932	—	—	1,932
Trade and notes receivables	1,760,358	—	—	1,760,358
Prepayments and other receivables	467,029	—	—	467,029
Current portion of other non-current assets	4,923	—	—	4,923
Restricted bank deposits	415,135	—	—	415,135
Cash and cash equivalents	1,133,097	(75,000)	(3,700)	1,054,397
	4,379,707	(75,000)	(3,700)	4,301,007
Total assets	7,747,475	(374,229)	(3,700)	7,369,546
LIABILITIES				
Non-current liabilities				
Long-term bonds	1,885,824	—	—	1,885,824
Long-term borrowings	36,217	—	—	36,217
Deferred income tax liabilities	10,661	—	—	10,661
	1,932,702	—	—	1,932,702
Current liabilities				
Short-term borrowings	880,320	—	—	880,320
Current portion of long-term bonds	461,588	—	—	461,588
Current portion of long-term borrowings	141,105	—	—	141,105
Trade and notes payables	685,147	—	—	685,147
Accruals and other payables	658,224	75,000	—	733,224
Current income tax liabilities	41,397	—	—	41,397
	2,867,781	75,000	—	2,942,781
Total liabilities	4,800,483	75,000	—	4,875,483
Net assets	2,946,992	(449,229)	(3,700)	2,494,063

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The audited consolidated statement of financial position of the Group as at 31 December 2017 is extracted from the annual report of the Company for the year ended 31 December 2017.

2. Pursuant to the Agreement, the consideration for the Acquisition in the amount of RMB735,000,000, determined by reference to 40% of the net assets value of DMCC as at 31 December 2017, will be settled as to RMB450,000,000 by cash and as to RMB285,000,000 by the issuance of an aggregate of 334,224,599 new shares of the Company at the issue price of HK$1.014 per share. The first instalment of the cash consideration amounting to RMB300,000,000 has been paid on 15 December 2017 in accordance with the terms of the Agreement and presented as "other non-current assets" in the consolidated statement of financial position of the Group as at 31 December 2017 (the difference between the first instalment of RMB300,000,000 and the pro forma adjustment of RMB299,229,000 being caused by foreign currency translation at the closing date at 31 December 2017). The adjustment of "accruals and other payables" in the amount of RMB75,000,000 represents the cash consideration which will be paid before 30 June 2019. The directors of the Company consider the consideration payable of RMB75,000,000 is to be settled within twelve months after the expected completion date of the Acquisition, and accordingly, the amount is presented as current liabilities for the purpose of the Unaudited Pro Forma Financial Information.

3. The adjustment represents estimated transaction costs, including legal and professional fees paid by the Group.

4. No adjustment has been made to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2017.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Anton Oilfield Services Group

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Anton Oilfield Services Group (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017 and related notes as set out on pages IV-1 to IV-3 of the circular issued by the Company dated 29 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition (as defined in the Circular) on the Group's financial position as at 31 December 2017 as if the Acquisition had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2017, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 29 June 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

Authorised share capital

Shares		*HK$*
Ordinary shares of HK$0.10 each		
3,500,000,000		350,000,000.00

Issued and fully paid up (or to be issued and fully paid up) share capital

Shares		*HK$*
Ordinary shares of HK$0.10 each		
2,664,649,922	(as at the Latest Practicable Date)	266,464,922.20
334,224,599	(Consideration Shares to be allotted and issued upon Completion)	33,422,459.90
2,998,874,521	**(total)**	**299,887,452.10**

All the Shares in issue and the Consideration Shares to be issued will (when allotted and fully paid or credited as fully paid) rank pari passu in all respects with each other as regards dividends, voting rights and return of capital. The holders of the Consideration Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Consideration Shares.

Since 31 December 2017 (being the end of the last financial year of the Company) and up to and including the Latest Practicable Date, no new Shares had been issued by the Company and as at the Latest Practicable Date, save for the 269,989,334 outstanding options under the share option schemes of the Company, the Company did not have any outstanding options, warrants or securities which will be convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**") were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	*Note*	Capacity	Number of ordinary shares	Number of share options	Total	Approximate percentage of shareholdings
Luo Lin	1	Founder of a discretionary trust and beneficial owner	614,635,408	3,454,000	618,089,408	23.20%
Wu Di		Beneficial owner	—	2,500,000	2,500,000	0.09%
Pi Zhifeng		Beneficial owner	448,000	6,000,000	6,448,000	0.24%
Zhang Yongyi		Beneficial owner	440,000	1,600,000	2,040,000	0.08%
Zhu Xiaoping		Beneficial owner	—	1,600,000	1,600,000	0.06%
John William Chisholm		Beneficial owner	—	700,000	700,000	0.03%
Wee Yiaw Hin		Beneficial owner	—	700,000	700,000	0.03%

Note:

1. Mr. Luo Lin is the founder of the Loles Trust, which is indirectly interested in the entire issued share capital of Pro Development Holdings Corp., which in turn is interested in 605,580,740 shares of the Company. Mr. Luo Lin and his family members are the beneficiaries of the Loles Trust. Mr. Luo Lin also holds 9,054,668 shares of the Company in the capacity of a beneficial owner.

(b) **Substantial Shareholders**

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders other than Directors or chief executive of the Company who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares or underlying shares of the Company

Name	*Note*	**Capacity**	**Number of ordinary shares**	**Approximate percentage of shareholdings**
Credit Suisse Trust Limited	1	Trustee	605,580,740	22.73%
Seletar Limited	1	Trustee	605,580,740	22.73%
Serangoon Limited	1	Trustee	605,580,740	22.73%
Avalon Assets Limited	1	Trustee	605,580,740	22.73%
Pro Development Holdings Corp	1	Beneficial owner	605,580,740	22.73%

Notes:

1. The 605,580,740 shares referred to the same batch of shares.

Mr. Luo Lin, an executive Director, is a director of Pro Development Holdings Corp. Save as disclosed, no Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was beneficially interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be material:

(a) the agreement dated 16 May 2016 entered into between the Company, Anton International, DMCC, HBP and Huihua pursuant to which Anton International agreed to form a joint venture with HBP and transferred 40% of the equity interest in DMCC to HBP at a consideration of RMB700,000,000;

(b) the shareholders' agreement dated 16 May 2016 entered into between the Company, Anton International, HBP, Huihua and Mr. Luo Lin in relation to the management of DMCC; and

(c) the Agreement.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of each of the experts who has provided advice for inclusion in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) (regulated activity under the SFO)
Asiapac CPA & Company	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants.

(collectively, the "**Experts**")

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

(c) The company secretary of the Company is Dr. Ngai Wai Fung, *FCIS, FCS (PE), CPA, FCCA*.

(d) The registered office of the Company is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(e) The principal place of business of the Company in Hong Kong is18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) The share registrars of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(g) The principal share registrars of the Company is SMP Partners (Cayman) Limited.

(h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Hong Kong is 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the annual reports of the Company for years ended 31 December 2016 and 2017;

(c) each of the material contracts set out under the paragraph headed "Material Contracts" in this appendix; and

(d) the accountants' report on DMCC, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the letters of consent from the expect identified in the section headed "Qualification and Consent of Expects" above in this appendix; and

(g) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Anton Oilfield Services Group (the "**Company**") will be held at 10:00 a.m. on Friday, 20 July 2018 at No. 8 Pingcui West Road, Chaoyang District, Beijing, China for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the agreement dated 22 December 2017 (the "**Agreement**") entered into between the Company, Anton Oilfield Services International Company Limited, a wholly-owned subsidiary of the Company, Anton Oilfield Services DMCC ("**DMCC**"), an indirect non-wholly owned subsidiary of the Company, 華油惠博普科技股份有限公司(China Oil HBP Science & Technology Co., Ltd.) and Hong Kong Huihua Global Technology Limited (香港惠華環球科技有限公司) ("**Huihua**"), a copy of which is tabled at the meeting and marked "**A**" and initialized by the chairman of the meeting for identification purposes, pursuant to which Huihua agreed to transfer its 40% holding in DMCC (the "**Acquisition**"), out of which 24.5% will be transferred to Anton International and 15.5% will be transferred to the Company at a consideration of RMB735,000,000, to be satisfied as to RMB450,000,000 by cash and as to RMB285,000,000 by the Company issuing 334,224,599 new shares of the Company (the "**Consideration Shares**") at the issue price of HK$1.014 per Consideration Share, be and is hereby approved, confirmed and ratified;

(b) the grant of specific mandate to allot and issue the Consideration Shares to be sought from the shareholders of the Company other than those considered to be materially interested in the Acquisition to satisfy the consideration of the Acquisition (the "**Specific Mandate**") to the directors of the Company (the "**Directors**") to exercise all the powers of the Company to allot and issue the Consideration Shares at the issue price of HK$1.014 per Share be and is hereby approved, and any one Director be and is authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to any matter relating to or incidental to the Specific Mandate; and

(c) any one of the directors of the Company be and is hereby authorised to sign, execute, perfect, deliver, negotiate, agree and do all such documents, deeds, acts, matters and things, as the case may be, as he or she may, in his or her opinion or discretion, consider reasonable, necessary, desirable or expedient to implement and/or give effect to the Agreement and all the transactions contemplated thereunder with any changes as such director may consider reasonable, necessary desirable or expedient."

By Order of the Board
Anton Oilfield Services Group
LUO Lin
Chairman

Hong Kong, 29 June 2018

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Tuesday, 17 July 2018 to Friday, 20 July 2018. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 16 July 2018.

5. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

6. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.

7. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Board comprises Mr. Luo Lin, Mr. Wu Di and Mr. Pi Zhifeng as executive directors; Mr. John William Chisholm as non-executive director and Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Dato Wee Yiaw Hin as independent non-executive directors.