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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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# **ANTON 安東**

安東油田服務集團  
**Anton Oilfield Services Group**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

## **MAJOR TRANSACTION JOINT VENTURE FOR IRAQI BUSINESS**

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A notice convening the Extraordinary General Meeting of the Company to be held at 10 a.m. on Tuesday, 26 July 2016 at No. 8 Pingcui West Road, Donghuqu, Chaoyang District, Beijing is set out on pages 22 to 23 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

Whether or not you are able to attend the Extraordinary General Meeting, 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 Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Extraordinary General Meeting or any adjournment if they so wish.

11 July 2016

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## DEFINITIONS

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

“Agreement”	the agreement dated 16 May 2016 between the Company, Anton International, DMCC, the Partner and the Purchaser in relation to the Transaction;
“Anton International” or “Vendor”	Anton Oilfield Services Company International Limited, a company incorporated in Hong Kong, a wholly owned subsidiary of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“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;
“Director(s)”	the director(s) of the Company;
“DMCC”	Anton Oilfield Services DMCC, a company incorporated in the United Arab Emirates, an indirect wholly-owned subsidiary of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting to be convened to approve the Agreement and the transactions contemplated thereunder;
“FZE”	Anton International FZE, a company incorporated in the United Arab Emirates, an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	7 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Partner”	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 Shenzhen Stock Exchange (stock code: SZ002554);
“Purchaser”	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 the Partner;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Sale Shares”	40% of the issued share capital of DMCC;
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Shareholders’ Agreement”	the shareholders’ agreement dated 16 May 2016 entered into between the Company, Anton International, the Purchaser and Mr. Luo Lin in relation to the management of DMCC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Transaction”	the proposed joint venture with the Partner and the transfer of the Sale Shares to the Partner as contemplated under the Agreement; and
“%”	per cent.

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LETTER FROM THE BOARD

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# ANTON 安東

安東油田服務集團

Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

*Executive Directors:*

Mr. Luo Lin

Mr. Wu Di

Mr. Pi Zhifeng

*Registered Office:*

P.O. Box 309, Uglan House

Grand Cayman KY1-1104

Cayman Islands

*Independent Non-executive Directors:*

Mr. Zhang Youngyi

Mr. Zhu Xiaoping

Mr. Wang Mingcai

*Principal place of business in*

*Hong Kong:*

Unit 2109 Cosco Tower

183 Queen's Road Central

Hong Kong

11 July 2016

*To: the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION JOINT VENTURE FOR IRAQI BUSINESS

### INTRODUCTION

The Board announced on 16 May 2016, the Company, Anton International and DMCC entered into the Agreement with the Purchaser and the Partner pursuant to which the Company will through the transferring of 40% of the issued share capital of DMCC introduce a joint venture partner for the Iraqi business. The consideration for the Transaction is RMB700,000,000.

The Transaction constitutes a major transaction for the Company and is subject to the approval by the shareholders at the Extraordinary General Meeting.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Agreement, and the notice convening the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### THE AGREEMENT

**Date:** 16 May 2016

**Parties to the Agreement:**

- (1) The Company, as the guarantor of Anton International and DMCC;
- (2) Anton International, a wholly owned subsidiary of the Company, as the Vendor;
- (3) DMCC, an indirect wholly owned subsidiary of the Company;
- (4) 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 the Partner, as the purchaser; and
- (5) 華油惠博普科技股份有限公司 (China Oil HBP Science & Technology Co., Ltd.), as the guarantor of the Purchaser.

The Partner is a company incorporated in the PRC and is principally engage in the EPC business. To the best knowledge of the Directors, having made all reasonable enquiries, the Purchaser and the Partner and their ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

The parties have not entered into any transactions in the past 12 months that would need to be aggregated with the Agreement pursuant to Rule 14.22 of the Listing Rules.

### The Transaction

The Vendor is a wholly-owned subsidiary of the Group and is the beneficial owner and immediate holding company of 100% of the issued share capital of DMCC and FZE. Both DMCC and FZE are wholly-owned subsidiaries of the Group and were established in the United Arab Emirates in March 2011 and April 2009, respectively. Both DMCC and FZE are principally engaged in the provision of oilfield services in Iraq.

Pursuant to the Agreement, the Vendor will transfer its 100% holding in FZE to DMCC before 31 December 2016 such that DMCC will become the beneficial owner and holding company of FZE. The restructuring is to streamline the shareholding structure of the Group in DMCC and FZE to facilitate the cooperation with the Purchaser. Upon completion of such restructuring, the Vendor will transfer 40% of the equity interest in DMCC to the Purchaser for RMB700,000,000.

After completion of the Transaction, the Purchaser will be interested in 40% of the equity interest in DMCC and Anton International will be interested in 60% of the equity interest in DMCC. DMCC will be accounted for as a non-wholly owned subsidiary of the Company.

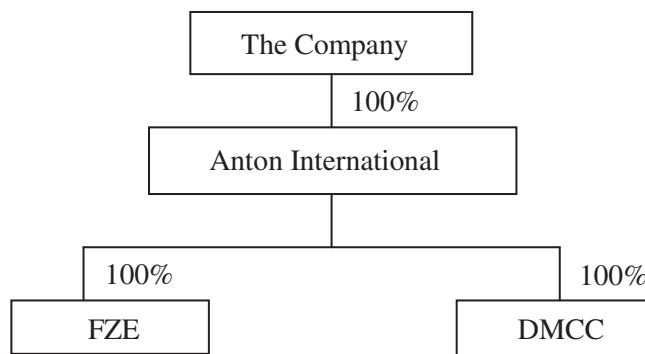
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## LETTER FROM THE BOARD

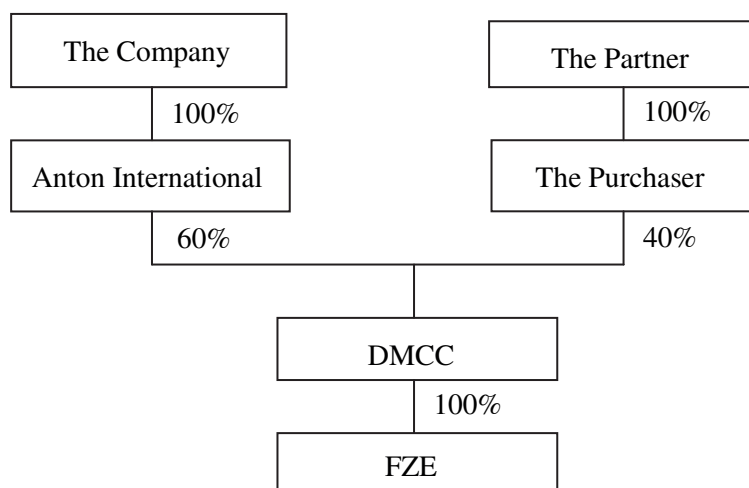
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The simplified shareholding structure before and after the Transaction is as follows:

As at the Latest Practicable Date:



Upon completion of the restructuring and Disposal:



The purpose of the Transaction is to allow the parties to cooperate on the provision of oilfield services in Iraq (the “**Iraqi Business**”). Businesses of the Group in the Middle East other than Iraq (the “**Non-Iraqi Business**”) accounted for less than 30% of the revenue of DMCC and will be accounted for independently. The Non-Iraqi Business will gradually be disposed of by DMCC prior to 31 December 2016 and will be taken up by the other subsidiaries or branches of the Company established in other countries or territories for development.

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## LETTER FROM THE BOARD

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The net asset value of DMCC and FZE as at 31 December 2014 and 31 December 2015, and the net profit of DMCC and FZE for the two years immediately preceding the date of the Agreement are as follows:

<b>Net asset value</b>	<b>As at 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
DMCC	368,655	524,443
FZE	619,431	695,044

<b>Net profit</b>	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
DMCC	42,506	127,699
FZE	101,207	35,131

The net asset value of the Iraqi Business was approximately RMB 802,497,000 as at 31 December 2015. The financial results of the Iraqi Business for the two years immediately preceding the date of the Agreement are as follows:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	189,507	213,993
Net profit after tax	154,355	182,689

Of the proceeds of RMB700 million, the Directors currently intend to apply such proceeds for the following purposes:

- (i) as to RMB200 million to develop new business overseas, which will primarily be used for business development expenses for expanding the existing market in Iraq and the neighbouring countries in the Middle East where the Company is targeting to develop the full range of oilfield services, and developing new market in Ethiopia where the Company



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## LETTER FROM THE BOARD

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will focus on both drilling and well completion services, and continue with the Company's development effort in Pakistan and South America for well completion services. As at the Latest Practicable Date, the Company is evaluating the various markets and developing a detailed marketing plan.

- (ii) as to RMB200 million to repay part of the indebtedness of the Group in the PRC; and
- (iii) the remaining RMB300 million as general working capital of the Company.

### Consideration

The consideration for the Iraqi Business transaction is RMB700,000,000. The consideration was determined after arm's length negotiations between the parties with reference to the net asset value of the Iraqi Business, the prospect of the Iraqi Business and the potential synergies that might be created between the Group and the Partner as a result of having the Partner as a strategic partner for the Group's business in the Iraqi market.

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

- (i) 51% of the consideration, equivalent to RMB357,000,000, will be payable by the Purchaser to Anton International within 10 Business Days after the conditions precedent to the Agreement have been fulfilled (the "**First Instalment of Consideration**"); and
- (ii) the balance 49% of the consideration, equivalent to RMB343,000,000, will be payable by the Purchaser to Anton International within 10 Business Days after the conditions precedent to the Agreement have been fulfilled but in any case shall not be later than 31 December 2016 (the "**Second Instalment of Consideration**");

Given that the consideration of RMB700,000,000 for the 40% equity interest in DMCC is at a premium of approximately RMB379,500,000 to the net asset value of such equity interest and represents approximately 2.2 times of the price-to-book ratio of the Iraqi Business, the Directors are of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Conditions

The Transaction is conditional upon the satisfaction of the following conditions:

- (a) the Purchaser and Anton International having executed the revised articles of association of DMCC which reflect the transactions contemplated by the parties under the Agreement and the Shareholders' Agreement, and other policy documents;
- (b) the representations and warranties provided by Anton International under the Agreement remaining true, accurate, complete and effective in all material respects;

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## LETTER FROM THE BOARD

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- (c) there has been no incident of default under the Agreement by Anton International;
- (d) the management personnel of the Iraqi Business identified by the Group remaining in employment with the Group and have respectively entered into non-competition agreement and service agreement with the Group;
- (e) completion of due diligence on the Iraqi Business by the Purchaser and there does not exist any material adverse event that would impact on the transactions contemplated under the Agreement;
- (f) the Purchaser having received the audited financial statements of the Iraqi Business with the combined profits of such companies being not less than RMB190,000,000 for the year ended 31 December 2015 (with 10% deviation allowed by the Purchaser);
- (g) the restructuring of the shareholding of FZE as contemplated under the Agreement having been completed;
- (h) the procedures for transferring the Sale Shares to the Purchaser and the changes in the directors, supervisors and senior management of the companies concerned as contemplated under the Agreement having been filed with and accepted for processing by the relevant authorities in the United Arab Emirates;
- (i) the Shareholders and the bondholders of the Company having approved the transactions contemplated under the Agreement; and
- (j) the Partner having obtained approvals from its board of directors and shareholders on the transactions contemplated under the Agreement.

The parties will use their respective best endeavours to complete the above conditions. If the above conditions are not satisfied or waived by 31 December 2016, the long stop date may be extended for a further three months, and if the conditions are still not satisfied or waived by then, the Purchaser may by notice terminate the Agreement.

As at the Latest Practicable Date, items (a)(b)(c)(d)(e)(f)(j) of the conditions precedent have been fulfilled.

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## LETTER FROM THE BOARD

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### Profit Guarantee

At the same time of the signing of the Agreement, the Company, Anton International and Mr. Luo Lin, an executive Director, have entered into the Shareholders' Agreement with the Purchaser on the governance of DMCC. Under the Shareholders' Agreement, the Company has provided a guarantee that the after tax net profits of DMCC (in respect of its business in Iraq) as audited in accordance with the International Financial Reporting Standards will not be less than:

Year	Profit
2016	: RMB260,000,000
2017	: RMB338,000,000
2018	: RMB416,000,000

The profit guarantee was one of the conditions stipulated by the Purchaser for entering into the Transaction and is being provided to induce the Purchaser in entering into the Transaction. The level of profits was determined by the Purchaser based on its expected return on investment and the Company is not privy to the basis on which the Purchaser calculated its return. As the Company is in urgent need of fund and considered that any delay in entering and completing the Transaction may have an adverse effect on the operation and financial positions of the Group, the Company agreed to the profit guarantee after consultation and arm's length negotiations with the level of profit being fixed at a level that is acceptable to both parties.

Given the adverse market condition and the Company's need for fund, the Company considers that this arrangement which provide the Company with a higher consideration for the Disposal can maximise the benefits of the Shareholders given the uncertainties in the oil industry. The Company is also of the view that the profit guarantee is not an indication of future profit level, but rather a mere reflection of the price adjustment mechanism under the Agreement.

Under the terms of the Shareholders' Agreement, the Company will compensate the Purchaser for any shortfall in profits in accordance with the following formula:

- (i) If the net profit of DMCC in any given guaranteed year is more than the guaranteed target profit amount, the excess portion will be accounted in an excess profits pool, which may be used to set off any shortfall in profits in subsequent guaranteed years until such sum is reduced to zero.
- (ii) If the net profit of DMCC in any given year is less than the guaranteed target profit amount and the shortfall is less than 10%, no compensation would need to be paid to the Purchaser and the shortfall amount will be carried forward to the subsequent year; notwithstanding such arrangement, the Group undertakes to pay the Purchaser in 2019 the accumulate shortfall in profits for the three years of 2016, 2017 and 2018 to enable the Partner to have an accumulated profit of RMB405,600,000.

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## LETTER FROM THE BOARD

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- (iii) If the net profit is less than 90% of the target profit amount for the years of 2016, 2017 and 2018, the Company will have the discretion to elect to compensate the Purchaser for any shortfall either in cash or transfer up to 9% of the equity interest in DMCC to the Purchaser. Should the Company elect to transfer the equity interest in DMCC to the Purchaser as compensation for any shortfall in profit, the Company will comply with the requirements of the Listing Rules in respect of notifiable transaction and connected transaction.
- (iv) If the net profit of the Iraqi Business is less than 50% for any given guaranteed year, it will be regarded as a material adverse change. In such a case, the Purchaser shall have the right to unilaterally rescind the Shareholders' Agreement and the Agreement. Upon such recession becoming effective, the Purchaser shall have the right to require the Company to refund the consideration paid in respect of the Sale Shares with interest of 10% per annum.
- (v) If upon the expiry of the guaranteed period the accumulated profits of the Purchaser is more than RMB414,960,000, 50% of the surplus will be payable by the Purchaser to the Company as a bonus in cash.

Mr. Luo Lin, the chairman of the Company and controlling shareholder holding approximately 32.39% of the issued share capital of the Company has undertaken in the Shareholders' Agreement that he will remain in control of the Company and DMCC within the meaning of PRC law up to at least 31 December 2018. Mr. Luo has further undertaken to continue to serve the Company for not less than five years from the effective date of the Shareholders' Agreement.

### **Corporate governance**

DMCC will set up a five-member board, which the Group will have the right to appoint three directors and the Purchaser will have the right to appoint two directors. The management team of DMCC will comprise one general manager, four deputy general managers, one finance director and one finance manager, of which the Purchaser will have the right to appoint a deputy general manager and a finance manager.

### **REASONS FOR THE TRANSACTION AND SUBSEQUENT COOPERATION**

The Company and the Purchaser are both oilfield technical services providers and both have good business development in the Iraqi market. The Company has rich experience and strong technical strength in drilling, well completion and oil production services. The Purchaser has completed qualifications and strong design and management ability on engineering, procurement and construction ("EPC") projects in particular in respect of surface engineering. The cooperation will allow the parties to fully exert synergies, realize their respective strengths and complement each other in providing one-stop services capabilities from drilling, well completion to EPC construction for surface engineering and the follow-on oil production operation management services to customers.

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## LETTER FROM THE BOARD

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Through the one-stop services capabilities and the rich experience of the parties in providing oilfield services and EPC construction, the Group will be able to offer better services to oil companies and thereby increasing the Group's involvement in more projects in Iraq and the Middle East.

The ultimate goal for the Partner to conduct this equity transaction involving the overseas project company is to control the Company's EPC and oil production operation and maintenance businesses in Iraq. For this purpose, the parties have established transitional arrangements as follows:

- (1) DMCC shall establish a new EPC and oil production operation and maintenance company in Iraq. The new company will sign all new contracts in respect of EPC and operation and maintenance businesses made in Iraq, and existing contracts will be kept in the overseas project company until execution is finished. Meanwhile, the Partner agrees that the new company will undertake all of the Purchaser's new operation and maintenance projects in Iraq.
- (2) Within 3 years after the establishment of the aforesaid new company, the Company and the Partner will have the right to propose a motion to replace all or part of the minority interests held by the Partner in DMCC with not less than 51% of the equity interest in the aforesaid new company. Both companies will be valued using the equivalent P/E multiples (the valuation basis will be based on the audited net profits for the year prior to the replacement). If any difference arises, the undervalued party will make cash payment to the other party to make up the consideration.
- (3) The aforesaid equity interest replacement requires the approval of the respective competent authorities.

In the future, the Company will focus more on sub-surface technology oriented drilling, well completion and oil production services in the Iraqi market, while the potential Partner will focus on the surface engineering and services oriented EPC and oil production operation management services through the new company.

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 create a partnership between the Group and the Purchaser which will foster greater cooperation between the parties thereby enabling the Group to be involved in more projects in Iraq and the Middle East 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.

### FINANCIAL EFFECTS OF THE TRANSACTION

Upon completion of the Transaction, each of DMCC and FZE will become a non-wholly owned subsidiary of the Group and the financial information of DMCC and FZE will continue to be included in the consolidated financial statements of the Group.

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## LETTER FROM THE BOARD

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### *Effect on the Group's earning, assets and liabilities*

As noted above, the Company expects that through the Transaction and the Partner's interest in DMCC, it will foster greater cooperation between the parties and thereby increasing both the scope of services and market share of the Group in the Iraqi market.

As the Company will retain control over DMCC after the Transaction, the Purchaser will become a non-controlling interest to the Group. The Transaction is therefore regarded as a transaction with non-controlling interests. It is an equity transaction and the gain on disposal of the non-controlling interest, including estimated transaction costs totaling approximately RMB10 million, will be recognized directly in equity. "The gain will be determined based on the net assets upon completion of the Transaction. Based on the net assets of DMCC and FZE as at 31 December 2015, the gain was approximately RMB225 million". The relevant amounts of the Transaction will be primarily recorded in assets, liabilities and equity attributable to the owners of the Company and non-controlling interests. Accordingly, no material impact on net profit and net assets is expected.

As a result of the Transaction, the total assets of the Group will be increased by approximately RMB700 million, representing receipt of consideration. At the same time, the total liabilities of the Group will be increased by recognising a financial liability of approximately RMB700 million, representing recognition of the "put option" granted to the Purchaser of conditional buy-back of its 40% equity as stipulated in the Agreement. There will be also increase in non-controlling interest and decrease in equity attributable to the owners of the Company of the same amount being 40% of the book value of DMCC's net assets, respectively, resulting in no material impact on the total equity.

### **GENERAL**

The Transaction constitutes a major transaction for the Company and is subject to the approval by the Shareholders in the Extraordinary General Meeting. To the best knowledge of the Directors, after reasonable enquiry, no Shareholder is interested in the Transaction. Accordingly, no Shareholder is required to abstain from voting for the resolution to be proposed at the Extraordinary General Meeting to approve the Agreement.

### **EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT**

The notice of the Extraordinary General Meeting is set out on pages 22 to 23 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you are able to attend the Extraordinary General Meeting, 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 Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

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## LETTER FROM THE BOARD

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### CLOSURE OF THE SHAREHOLDERS' REGISTER

For the purpose of determining the list of shareholders who are entitled to attend and vote at the Extraordinary General Meeting, the shareholders' register of the Company will be closed from Thursday, 21 July 2016 to Tuesday, 26 July 2016, both days inclusive. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the Extraordinary General Meeting, 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 Wednesday, 20 July 2016.

### RECOMMENDATIONS

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolution proposed at the Extraordinary General Meeting 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*

**I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2015**

Financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 are disclosed on pages 73 to 138 of the annual report of the Company for the year ended 31 December 2013, pages 69 to 140 of the annual report of the Company for the year ended 31 December 2014 and pages 63 to 130 of the annual report of the Company for the year ended 31 December 2015, 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 2013:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0428/LTN201404281248.pdf>

annual report of the Company for the year ended 31 December 2014:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN20150423412.pdf>

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

**II. INDEBTEDNESS****Borrowings**

As at 31 May 2016, the Group had unsecured short-term bank borrowings totalling approximately RMB130.0 million, secured short-term bank borrowings totalling approximately RMB304.8 million and other secured short-term borrowings totalling approximately RMB260.0 million. Included in secured short-term bank borrowings was an amount of RMB80.0 million which was guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co. Ltd., a third party, with the Group's certain buildings as counter-guarantee.

As at 31 May 2016, the Group also had medium term notes of RMB200.0 million maturing in August 2016, and senior notes of US\$248.0 million (equivalent to approximately RMB1,631.6 million) maturing in October 2018.

**Pledge of assets**

As at 31 May 2016, the Group's pledge of assets included property, plant and equipment with a net book value of approximately RMB558.4 million, and accounts receivable with a net book value of approximately RMB106.9 million.

**Contingent liabilities and guarantees**

At the close of business on 31 May 2016, the Group had no material contingent liabilities or guarantees.



Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have, as at 31 May 2016, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the exchange rates prevailing at the close of business on 31 May 2016.

### **III. WORKING CAPITAL**

Taking into account the Transaction and the financial resources available to the Group, including the internally generated funds and available financing facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 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 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

### **V. OUTLOOK AND PROSPECTS**

Looking ahead to 2016, the market overall remains grim. Despite showing an incipient recovery, international oil prices still face uncertainties. Excess capacity in the oilfield services (“OFS”) sector is likely to persist. While major oil-producing countries compete for market shares, cost remains one of the most critical differentiators on their checklist. For OFS companies globally, how to readapt their strategy proactively, implement management and technology innovation, maximize the efficiency of allocating assets and human resources, improve competencies and risk preparedness thus become the most important questions.

With respect to market strategy, the Group continues to adopt an internationalization approach and prioritizes overseas markets with a view to increasing the share of overseas revenue to approximately 50% of total Group revenue for 2016. In light of the market condition, the persistently low oil prices have caused tremendous difficulties for the development activities of most oil-producing countries. At the same time, these countries continue to compete with each other in order to gain market share. In times of depressed oil prices, international oil companies put more emphasis on cost saving as a source of competitiveness. By this metric, Chinese OFS firms enjoy a clear comparative advantage in terms of value for money and responsiveness and are increasingly preferred partners for international customers. Currently in Iraq and Iran and South America, Chinese OFS companies are fast displacing their international peers. Among the various independent OFS companies in China, the Group clearly outperforms on brand and technology and has a long track

record of excellence. It is a distinct market leader in terms of QHSE (Quality, Health, Safety and Environment) management. On the other hand, the Chinese government is advancing the Belt and Road Initiative and leading the way with financial capital with the goals of acquiring resources essential for China's growth and for exporting domestic capacity. Amid low oil prices, more Chinese companies are venturing abroad and investing in overseas oilfield assets. This has presented opportunities for large lump-sum contracts for Chinese OFS firms. The Group's market priorities are highly aligned with the Belt and Road Initiative and its services are now available in more than 20 countries in the Middle East, Central Asia, Africa and South America covered by the initiative.

Domestically, industry restructuring is still ongoing. Oil companies will continue to rein in capex, competition is intensifying and the market remains challenging. The Group remains committed to natural gas and unconventional as the two prongs of its strategy. It is proactively coping with the formidable industry headwinds and further solidifying and strengthening its championship in the independent OFS space. Meanwhile, the Group still believes in domestic market opportunities. On the one hand, unconventional technologies and solutions are fully deployed in the market under the new circumstances in order to save cost and improve efficiency for the customers. As a result, the demand for unconventional-related OFS has expanded. The comparative advantage of the Group on cost and technology and its winning formula of integrated services will help the Group gain steady growth. Its success in the unconventional space such as tight gas, tight oil and shale gas development will help the Group maintain its market footing. On the other hand, the State Council has introduced a master strategy for SOE reform in 2015, calling for 'faithfully eliminating institutional barriers and improving the modern enterprise system and the administration of state-owned assets'. Against this backdrop, the trend of deepening the comprehensive reform of Chinese national oil companies for cost-efficiency and the disposal of non-essential business such as OFS will likely prevail. This will create opportunities for Chinese independent OFS firms with reputable brands to thrive. The Group previously succeeded in its joint pilot of oil production service in Northwest China in partnership with oil companies and won serial orders for the next three years. The Group expects that in 2016, by riding on the wave of further deepening reform of NOCs and the successful pilot, the Group is likely to gain bigger opportunities for leap-frog growth under the SOE reform program.

On product, the Group remains committed to a light-asset strategy, featuring higher equipment utilization and stronger proprietary capacity and technological competency. It will increase the revenue share of proprietary technologies and tools, reduce costs across the board and increase the profit margin on products and technologies. At the same time, it will continue to optimize its industry configuration by vigorously developing oil production service. It will encourage the development and adoption of new technologies and featured technologies and closely tie technology dissemination with regional technological needs so as to maximize the gains on its winning technologies.

On human resource, having completed a massive workforce redeployment program in early 2015, the Group expects overhead savings of RMB150 million in 2016. The Group will further fine-tune its organizational structure to enable globalized management. It will further streamline the workforce, reduce the management hierarchy and consolidate positions. It will reconfigure its talent pool to increase the share of internationally deployable talent to over 50%. At the same time, it will redefine the compensation scheme, cut overheads, reduce base salary and increase variable pay linked to stronger performance-based incentives to hold the employees accountable for their performance.

On financial management, the Group adopts the principles of growing revenue, saving costs, improving productivity and optimizing management. It manages marketing campaigns based on cash flows, implements effective financial management and strictly contains expenses within its budgetary framework. Meanwhile, it lowers financial costs throughout the business and closely monitors such metrics as leverage ratio. It diversifies funding channels including bank loan, financial lease, equity financing and project financing, improves access to external funding and maintains cash flow security. On the whole, the Group now operates on a solid foundation and is fully prepared for the new industrial landscape in 2016 after sweeping changes were made throughout 2015. Guided by the strategy of ‘light-asset’ and ‘internationalization’, the Group will continue to expand into overseas markets while defending its domestic market share so as to come back on the track of revenue growth. At the same time, it will reduce costs in all aspects, set profit turnaround despite low oil prices as its primary objective and overtake its domestic competitors on all fronts.

## 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. 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 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	717,012,818	882,667	717,895,485	32.39%
Wu Di		Beneficial owner	—	1,900,000	1,900,000	0.09%
Pi Zhifeng		Beneficial owner	448,000	4,000,000	4,448,000	0.2%
Wang Mingcai		Beneficial owner	550,000	900,000	1,450,000	0.07%
Zhang Yongyi		Beneficial owner	440,000	900,000	1,340,000	0.06%
Zhu Xiaoping		Beneficial owner	—	900,000	900,000	0.04%

*Note:*

- 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 707,958,150 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*

<b>Name</b>	<b>Note</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of shareholdings</b>
Credit Suisse Trust Limited	1	Trustee	707,958,150	31.94%
Seletar Limited	1	Trustee	707,958,150	31.94%
Serangoon Limited	1	Trustee	707,958,150	31.94%
Avalon Assets Limited	1	Trustee	707,958,150	31.94%
Pro Development Holdings Corp	1	Beneficial owner	707,958,150	31.94%
Schlumberger NV	2	Interest of controlled corporation	423,361,944	19.10%

*Notes:*

1. The 707,958,150 shares referred to the same batch of shares.
2. Schlumberger Far East, Inc. directly holds 423,361,944 shares of the Company. Schlumberger Far East, Inc. is a wholly-owned subsidiary of Schlumberger Holding Limited. Schlumberger Holding Limited is a wholly-owned subsidiary of Schlumberger Oilfield Holding Limited. Schlumberger Oilfield Holding Limited is a wholly-owned subsidiary of Schlumberger NV.

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.

### **3. 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).

### **4. 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.

### **5. 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 framework agreement dated 28 April 2016 entered into between 安東石油技術(集團)有限公司 (Anton Oilfield Services (Group) Co., Ltd.) (“Anton Oil”), a wholly-owned subsidiary of the Group, and 寧波恒信潤成投資合夥企業(有限合夥) (Ningbo Hengxin Runcheng Investment LP) pursuant to which Anton Oil agreed to sell to the purchaser 80% of the equity interest in 新疆通奧油田技術服務有限公司(Xinjiang Tong’Ao Oilfield Services Co., Ltd.) for RMB160,000,000;
- (b) the Agreement; and
- (c) the Shareholders’ Agreement.

### **6. 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.

### **7. 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 2015, 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 is Unit 2109, Cosco Tower, 183 Queen's Road Central, 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 Royal Bank of Canada Trust Company (Cayman) Limited.
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## **8. 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 Unit 2109, Cosco Tower, 183 Queen's Road Central, 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 Extraordinary General Meeting:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for years ended 31 December 2014 and 2015;
- (c) each of the material contracts set out under the paragraph headed "Material Contracts" in this appendix;
- (d) the circular dated 11 May 2016 on the renewal of the annual caps of continuing connected transactions; and
- (e) this circular.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

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# ANTON 安東

## 安東油田服務集團 Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3337)

### 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 a.m. on Tuesday, 26 July 2016 at No. 8 Pingcui West Road, Donghuqu, Chaoyang District, Beijing 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 16 May 2016 (the “**Agreement**”) entered into between the Company, Anton International Services Company International Limited, a wholly-owned subsidiary of the Company, Anton Oilfield Services DMCC (“**DMCC**”), an indirect 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), 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 the Company will through the transferring of 40% of the issued share capital of DMCC introduce a joint venture partner for the Iraqi business for a consideration of RMB700,000,000, be and is hereby approved, confirmed and ratified; and
- (b) 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, 11 July 2016



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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. 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.
5. 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.
6. 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; and Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai as independent non-executive directors.*