ANTON 安東

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Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

MAJOR TRANSACTION

The Board announces that 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.

DMCC is a wholly-owned subsidiary of the Group which is principally engaged in the provision of oilfield services in Iraq. After completion of the Transaction, DMCC will be held as to 60% by Anton International and as to 40% by the Purchaser.

The Transaction constitutes a major transaction for the Company and is subject to the approval by the shareholders at the Extraordinary General Meeting. A circular containing, amongst others, details of the Agreement and the notice for the Extraordinary General Meeting to approve the Agreement will be sent to the Shareholders on or before 6 June 2016.

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

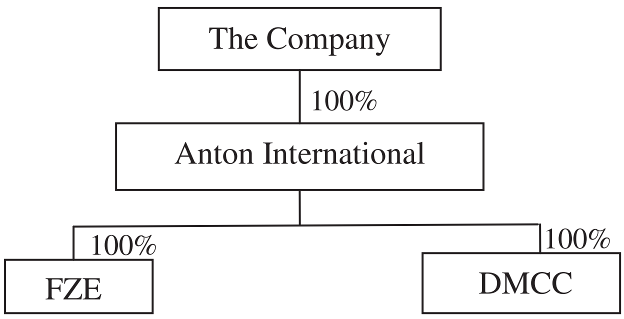
The Vendor is a wholly-owned subsidiary of the Group and is the beneficial owner and immediate holding company of 100% of the issued share capital of DMCC and FZE. DMCC and FZE are wholly-owned subsidiaries of the Group established in the United Arab Emirates. They are principally engaged in the provision 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. Upon completion of such restructuring, the Vendor will transfer 40% of the equity interest in DMCC to the Purchaser for RMB700,000,000.

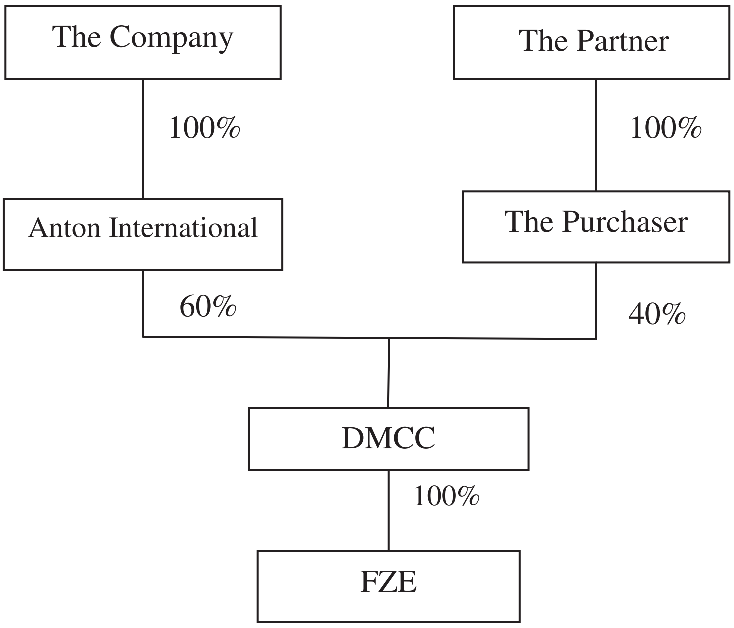
After completion of the Transaction, the Purchaser will be interested in 40% of the equity interest in DMCC and Anton International will be interested in 60% of the equity interest in DMCC. DMCC will be accounted for as a non-wholly owned subsidiary of the Company.

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

As at the date of this announcement



Upon completion of the restructuring and Disposal



The purpose of the Transaction is to allow the parties to cooperate on the Iraqi business. Non-Iraqi business will be accounted for independently and will gradually be disposed of by DMCC and will be taken up by the other subsidiaries or branches of the Company established in other countries or territories for development.

The net asset value of the Iraqi business was approximately 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:

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

The Directors currently intend to apply the proceeds from the transfer of the Sale Shares to the Purchaser 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 value of the Iraqi business as determined by the parties 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 but in any case shall not be later than 30 June 2016 (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**").

(iii) the Purchaser shall pay RMB5,000,000 out of the First Instalment of Consideration to Anton International before 15 June 2016 as advance payment.

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;

(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.

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 will guarantee that the net profits of DMCC (in respect of its business in Iraq) will not be less than:

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

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 is 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.

(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.

(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 32.35% 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 EPC projects in respect of surface engineering. The cooperation will allow the parties to fully exert synergies, realize complementary advantages and obtain their one-stop services capabilities from drilling, well completion to EPC construction for surface engineering and the follow-on oil production operation management services.

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.

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 of the Company 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.

A circular containing, amongst others, details of the Agreement and the notice for the Extraordinary General Meeting to approve the Agreement will be sent to the Shareholders on or before 6 June 2016.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"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;
"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 Framework Agreement;
"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;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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 Shenzen 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;
"Sale Shares"	40% of the issued share capital of DMCC;
"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;
"Transaction"	the proposed joint venture with the Partner and the transfer of the Sale Shares to the Partner as contemplated under the Framework Agreement; and
"%"	per cent.

By order of the Board
Anton Oilfield Services Group
Luo Lin
Chairman

16 May 2016

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. WU Di and Mr. PI Zhifeng, and the independent non-executive Directors of the Company are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WANG Mingcai.