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安東油田服務集團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

DISCLOSEABLE TRANSACTION AND RESUMPTION OF TRADING

The Board wishes to announce that on 14 May 2012, Anton Oil, a wholly-owned subsidiary of the Company, the Vendors and the Bazhou Companies have entered into the Acquisition and Cooperation Agreement pursuant to which the parties will through the establishment of the Target Company acquire the entire interests in the Bazhou Companies. The Target Company will be held as to 55% by Anton Oil and as to 45% by the Vendors.

The transactions contemplated under the Acquisition and Cooperation Agreement constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 1:00 p.m. on 14 May 2012. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 15 May 2012.

THE ACQUISITION AND COOPERATION AGREEMENT

Anton Oil, a wholly-owned subsidiary of the Company, the Vendors and the Bazhou Companies have entered into the Acquisition and Cooperation Agreement pursuant to which the parties will through the establishment of the Target Company acquire the entire interests in the Bazhou Companies.

Date of the agreement

14 May 2012

Parties to the agreement

- (1) the Vendors;
- (2) the Bazhou Companies; and
- (3) Anton Oil.

The Vendors are three individuals, who own and control the Bazhou Companies, which are principally engaged in the supply of materials and the provision of technical services for drilling fluid services. To the best knowledge of the Directors, having made all reasonable enquiry, each of the Vendors and the Bazhou Companies is independent of and not connected with the Company or its connected persons.

The Company, the Vendors and the Bazhou Companies have not entered into any transactions of a similar nature in the past 12 months that would need to be aggregated with the Acquisition and Cooperation Agreement pursuant to Rule 14.22 of the Listing Rules.

The Target Company

Pursuant to the terms of the Acquisition and Cooperation Agreement, Anton Oil and the Vendors will establish a limited liability company in the PRC to supply materials and provide technical services for drilling fluid services in the PRC and overseas. The Target Company will be held as to 55% by Anton Oil and as to 45% by the Vendors upon establishment.

The Vendors own and operate the Bazhou Companies, which are principally engaged in the supply of materials and the provision of technical services for drilling fluid services. Pursuant to the Acquisition and Cooperation Agreement, the Vendors will inject their interests in the Bazhou Companies into the Target Company. The Bazhou Companies for the purpose of the injection into the Target Company will be valued at RMB50,000,000 (equivalent to HK\$61,545,000), which was based on the net asset value of the Bazhou Companies as at 30 April 2012 of RMB30,000,000 (equivalent to HK\$36,927,000) (as adjusted by deducting the assets unrelated to the drilling fluid business from the balance sheet), plus a premium of RMB20,000,000. Anton Oil will invest cash in the amount of RMB61,110,000 (equivalent to HK\$75,220,299) into the Target Company.

The consideration was determined after arm's length negotiation between the parties with reference to the net asset value of the Bazhou Companies, and taking into consideration the future prospect of the Target Company.

The cash investment of Anton Oil into the Target Company will be funded by the internal resources of the Group, and is payable in the following manner:

- RMB50,000,000 (equivalent to HK\$61,545,000) will be payable within three business days upon the satisfaction of the following conditions:
 - (i) the execution of the Acquisition and Cooperation Agreement by the parties;
 - (ii) the parties having obtained their respective internal approvals with respect to the execution of the Acquisition and Cooperation Agreement; and
 - (iii) the controlling shareholder, the senior management, the key production and technical staff and the key research and technical personnel of the Bazhou Companies (the “**Key Personnel**”) having entered into service contracts for a term of not less than five years with the Target Company.

The parties agreed that the first payment by Anton Oil may only be used by the Bazhou Companies for the payment of outstanding taxes and as general working capital.

- the balance in the amount of RMB11,110,000 (equivalent to HK\$13,675,299) will be payable within five business days of the satisfaction of the following conditions:
 - (i) completion of the registration of the Target Company as the sole shareholder of the Bazhou Companies;
 - (ii) the transfer of the patents and proprietary information of the Bazhou Companies and the Vendors to the Target Company;
 - (iii) the receipt of the outstanding accounts receivable as at 30 April 2012 of the Bazhou Companies or the payment of any shortfall by the Vendors;
 - (iv) the Vendors having executed the security documents to pledge their equity interests in the Bazhou Companies to Anton Oil prior to completion; and
 - (v) completion of registering the land use rights of the Bazhou Companies with the relevant governmental authorities in the PRC.

Profit Target

Pursuant to the terms of the Acquisition and Cooperation Agreement, the Vendors and the Bazhou Companies have undertaken to Anton Oil that the consolidated after-tax profits of the Target Company for the period between 1 May 2012 and 31 December 2012 and the two years ending 31 December 2013 and 31 December 2014 will not be less than RMB22,000,000, RMB34,000,000 and RMB44,000,000, respectively. Such targets have been agreed through arm's length negotiations based on the business prospects of the Target Company as a result of the synergies created between the Bazhou Companies and the Group.

If the after-tax profit for the Target Company for the period from 1 May 2012 to 31 December 2012 exceeds, or falls short of, the profit target of RMB22,000,000, the parties have agreed to:

- (a) If the profit exceeds RMB22,000,000, Anton Oil agrees to assign the dividend right to the first 20% of the surplus amount to the Vendors.
- (b) If the profit falls short of RMB22,000,000, the Vendors have to transfer part of their interest in the Target Company to Anton Oil for RMB1.00 to be determined as follows:

$$\% \text{ interest in the Target Company to be transferred by the Vendors} = Y - \{(\text{Injection of the Vendors in dollar amount to the Target Company} - X1) \div (\text{Injection of the Vendors in dollar amount to the Target Company} + \text{Investment of Anton Oil in dollar amount to the Target Company} - X1)\} \times 100\%$$

Where Y = 45% (or such lower percentage as may be adjusted by the final valuation of the Bazhou Companies)

X1 = the amount of shortfall from the profit target of RMB22,000,000 (where the shortfall is more than RMB4,400,000, RMB4,400,000 will be used as X1).

If the after-tax profit for the Target Company for the year ending 31 December 2013 exceeds, or falls short of, the profit target, the parties have agreed to:

- (a) If the profit exceeds RMB34,000,000, Anton Oil agrees to assign the dividend right to the first 20% of the surplus amount to the Vendors.

- (b) If the profit falls short of RMB34,000,000, the Vendors have to transfer part of their interest in the Target Company to Anton Oil for RMB1.00 to be determined as follows:

$$\% \text{ interest in the Target Company to be transferred by the Vendors} = Y - \{(\text{Injection of the Vendors in dollar amount to the Target Company} - X1 - X2) \div (\text{Injection of the Vendors in dollar amount to the Target Company} + \text{Investment of Anton Oil in dollar amount to the Target Company} - X1 - X2) \} \times 100\%$$

Where Y = 45% (or such lower percentage as may be adjusted by the final valuation of the Bazhou Companies)

X1 = the amount of shortfall from the profit target of RMB22,000,000 (where the shortfall is more than RMB4,400,000, RMB4,400,000 will be used as X1)

X2 = the amount of shortfall from the profit target of RMB34,000,000 (where the shortfall is more than RMB6,800,000, RMB6,800,000 will be used as X2).

If the after-tax profit for the Target Company for the year ending 31 December 2014 exceeds, or falls short of, the target profit, the parties have agreed to:

- (a) If the profit exceeds RMB44,000,000, the parties will distribute the profit in accordance with their respective shareholding in the Target Company.
- (b) If the profit target falls short of RMB44,000,000, the Vendors have to transfer part of their interest in the Target Company to Anton Oil for RMB1.00 to be determined as follows:

$$\% \text{ interest to be transferred by the Vendors} = Y - \{(\text{Injection of the Vendors in dollar amount to the Target Company} - X1 - X2 - X3) \div (\text{Injection of the Vendors in dollar amount to the Target Company} + \text{Investment of Anton Oil in dollar amount to the Target Company} - X1 - X2 - X3) \} \times 100\%$$

Where Y = 45% (or such lower percentage as may be adjusted by the final valuation of the Bazhou Companies)

X1 = the amount of shortfall from the profit target of RMB22,000,000 (where the shortfall is more than RMB4,400,000, RMB4,400,000 will be used as X1)

X2 = the amount of shortfall from the profit target of RMB34,000,000 (where the shortfall is more than RMB6,800,000, RMB6,800,000 will be used as X2)

X3 = the amount of shortfall from the profit target of RMB44,000,000 (where the shortfall is more than RMB8,800,000, RMB8,800,000 will be used as X3).

The Bazhou Companies

The Bazhou Companies comprise Bazhou Chang Xiang, which is owned as to 97.5% by Mr. Li Ming and as to 2.5% by Ms. Guzainuer Shate, and Bazhou Cheng Xi, which is owned as to 99.9% by Mr. Li Ming and as to 0.1% by Mr. Deng Tao. The Bazhou Companies are principally engaged in the supply of materials and the provision of technical services in the drilling fluid area. Based on the respective unaudited accounts of Bazhou Chang Xiang and Bazhou Cheng Xi, as compiled by PRC GAAP, the combined profits before and after tax of Bazhou Cang Xiang and Bazhou Cheng Xi for the two years ended 31 December 2011 are as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profits before tax	16,374.38	20,375.87
Profits after tax	14,736.94	15,281.90

The combined audited total asset and net asset value of Bazhou Chang Xiang and Bazhou Cheng Xi as at 30 April 2012 were approximately RMB232,814,915 and RMB30,000,000, respectively.

The Target Company will establish a board of directors, which will have three members. Two of the directors of the Target Company will be nominated by Anton Oil and one of the directors of the Target Company will be nominated by the Vendors. The Target Company will be held as to 55% by Anton Oil and will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

Reasons for the transaction

The Group is principally engaged in the provision of one-stop oilfield services and products covering the drilling, well completion and production stages of the development process. The Group's expansion strategy includes increasing its business in the drilling fluid market. The Bazhou Companies have established operations in the drilling fluid area with an experienced team of engineers and advanced proprietary technologies, especially in sophisticated water-based drilling fluid. The Company considers that the acquisition and cooperation will make significant additions to the Group's talent and technology base in the water-based drilling fluid area and thus extend the Group's self-developed product line in the drilling fluid market.

The Directors (including the independent non-executive Directors) consider that the Acquisition and Cooperation Agreement has been entered into on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the entering into of the Acquisition and Cooperation Agreement is in the interest of the Company and the Shareholders as a whole.

GENERAL

The transactions contemplated under the Acquisition and Cooperation Agreement constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 1:00 p.m. on 14 May 2012. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 15 May 2012.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

“Acquisition and Cooperation Agreement”	the agreement dated 14 May 2012, entered into between Anton Oil, the Vendors and the Bazhou Companies;
“Anton Oil”	安東石油技術(集團)有限公司 (Anton Oilfield Services (Group) Limited*), an indirect wholly owned subsidiary of the Company established in the PRC;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Bazhou Companies”	巴州暢想應用化學技術有限公司 (Bazhou Chang Xiang Applied Chemical Technology Co. Ltd.*, “ Bazhou Chang Xiang ”) and 巴州誠熙石油物資有限公司 (Bazhou Cheng Xi Petroleum Commodity Co. Ltd.*, “ Bazhou Cheng Xi ”), which are companies established in the PRC and are owned and controlled by the Vendors as at the date of this announcement;
“Board”	the board of directors of the Company;

“Company”	Anton Oilfield Services Group, a company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	the limited liability company to be established by Anton Oil and the Vendors in the PRC;
“Vendors”	黎明 (Li Ming*), 古再努爾.沙特 (Guzainuer Shate*) and 鄧濤 (Deng Tao*), who own and operate the Bazhou Companies as at the date of this announcement;
“%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1 = HK\$1.2309.

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

Hong Kong, 15 May 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Luo Lin, Mr. Wu Di and Mr. Liu Enlong, and the independent non-executive Directors of the Company are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.

** For identification purpose.*