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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)

DISCLOSABLE TRANSACTION INTRODUCTION OF STRATEGIC INVESTORS IN A SUBSIDIARY

Introduction of Strategic Investors and Capital Increase Agreements

Anton Oilfield Services Group (the “**Company**”) is planning to spin-off its wholly owned subsidiary – T-ALL Inspection Group Co., Ltd (the “**Target Company**”) and made it to be separately listed in mainland, PRC. On 31 December 2022, the Company, the Company’s subsidiary – Anton Oilfield Services Company Limited (the “**First Subsidiary**”), Anton (Beijing) New Energy Technical Company Limited (the “**Second Subsidiary**”) (collectively, the “**Subsidiaries**”) and the Target Company entered into the Capital Increase Agreements and Shareholder Agreements with 寶武綠碳私募投資基金(上海)合夥企業(有限合夥) (the “**First Investor**”), 共青城山證通奧啟航股權投資合夥企業 (The “**Second Investor**”), 共青城億芯智行創業投資合夥企業(有限合夥) – (The “**Third Investor**”), 共青城德擎匯垠創業投資合夥企業(有限合夥) – (The “**Fourth Investor**”) (collectively, the “**Investors**”), pursuant to which the Investors agreed to contribute in aggregate approximately RMB197.7 million to subscribe for 15.23% of the enlarged equity interest of the Target Company and to become the strategic investors of the Target Company.

The Target Company is currently an indirect wholly-owned subsidiary of the Company which is principally engaged in the provision of inspection services to a wide range of industries, including oil and gas, and chemical industry. Upon completion of the Capital Increase, the Group’s interest in the Target Company will be reduced from 100% to 84.77%, and the Target Company will remain as a subsidiary of the Group and its consolidated financial results will continue to be consolidated into the Group’s consolidated financial statements.

Implications under the Listing Rules

The subscription by the Investors of the 15.23% equity interests in the Target Company under the Capital Increase Agreements constitutes a deemed disposal by the Company under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the deemed disposal under the Capital Increase Agreements is more than 5% but less than 25%, the Capital Increase constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE CAPITAL INCREASE

On 31 December 2022, the Company, the Subsidiaries and the Target Company entered into the Capital Increase Agreements and the Shareholder Agreements with the Investors in relation to the Capital Increase. The principal terms of the Capital Increase Agreements and the Shareholder Agreements are set out below:

Subject matter

The registered capital of the Target Company will be increased from the current RMB195.0 million to RMB230.0 million, and the Investors agreed to subscribe for 15.23% of the enlarged equity interest of the Target Company.

Amount of capital to be contributed by the Investors

The details of the capital to be contributed by the Investors to the Target Company are as follows:

	Contribution to registered capital (RMB)	Contribution to capital reserve (RMB)	Total contribution (RMB)
First Investor	17,727,273	82,272,727	100,000,000
Second Investor	9,799,636	45,480,364	55,280,000
Third Investor	4,247,455	19,712,545	23,960,000
Fourth Investor	3,274,227	15,195,773	18,470,000
Total	35,048,591	162,661,409	197,710,000

The changes to the registered capital and equity interests of the Target Company before and after the Capital Increase are set out below:

	As at the date of the Capital Increase Agreements Registered capital		Upon completion of the Capital Increase Registered capital	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
First Subsidiary	185,250,000	95.00	185,250,000	80.53
Second Subsidiary	9,750,000	5.00	9,750,000	4.24
First Investor	–	–	17,727,273	7.71
Second Investor	–	–	9,799,636	4.26
Third Investor	–	–	4,247,455	1.85
Fourth Investor	–	–	3,274,227	1.42
Total	195,000,000	100.00	230,048,591	100.00

Basis of determining the Capital Increase amount

The Capital Increase amount was determined based on arm's length negotiations between the parties with reference to, among others, the capital market situation and the synergies of the Investors on the Target Company, and the pre-investment valuation of the entire interest of the Target Company of RMB1,100 million. Such valuation was determined by reference to the amount of the Target Company's net profit (after tax) of approximately RMB90.9 million for the year ended 31 December 2021 and net asset value of approximately RMB398.1 million as at 30 June 2022.

Timing of the capital contribution

According to the Capital Increase Agreement, the Investor will make its contribution within ten business days after the conditions to the Capital Increase have been satisfied.

Conditions

Completion of the Capital Increase is conditional upon the satisfaction or waiver of the following conditions:

- (a) the shareholders of the Target Company having approved (i) the Capital Increase, (ii) the waiver of the existing shareholders of the Target Company on their pre-emptive rights to the Capital Increase, (iii) the appointment of two candidates nominated by the Investors as directors of the Target Company, and (iv) the amendment to the articles of association of the Target Company;
- (b) the parties having obtained their respective authorisations, consents and approvals in respect of the transactions contemplated under the Capital Increase Agreements;
- (c) the representations and warranties provided by the parties remaining true, accurate and complete and there had not been any breach thereof; and
- (d) there had not been any material adverse changes to the Target Company since the signing of the Capital Increase Agreements and up to completion.

CORPORATE GOVERNANCE STRUCTURE OF THE TARGET COMPANY

The Target Company has set up a board of directors, which is composed of six directors, of which four directors be appointed by the Company. The first investor has the right to nominate two directors. There is a chairman in the board of directors, and the Company has the right to nominate the chairman.

Parts of the material issues of the Target Company which need to be determined through shareholder meetings of the Target Company, including increase or decrease of registered capital, company's merger, division, dissolution or change of company form, occurrence of major adverse events, revision of the company's articles of association, etc. shall be determined after seeking the approval of the First Investor and the Second Investor, on the condition of not affecting the controlling of the Company to the Target Company.

PERFORMANCE UNDERTAKING

In order to induce the Investors to proceed with the Capital Increase, the Company, the Subsidiaries and the Target Company have provided an undertaking in favour of the Investors that the audited consolidated net profit of the Target Company excluded the non-recurring profit and loss for the three years of 2022, 2023 and 2024 shall not be less than RMB110.0 million, RMB130.0 million and RMB150.0 million, respectively (the “**Performance Undertaking Amount**”). If the actual profit of the Target Company is less than the Performance Undertaking Amount for any year during the period, the Company shall indemnify the Investors of any shortfall.

The parties have agreed that if the profit in any year during the performance undertaking period reaches 90% of the performance undertaking, it will be deemed that the performance undertaking of that year has been fulfilled, no compensation is required.

The Company confirms that the Performance Undertaking Amount was determined on a reasonable basis of the industry conditions of the Target Company and its listing plan, after negotiations and consultations between the Company and investors.

Repurchase right

Upon the occurrence of certain events, including the fails of successful listing of the Target Company, among others, the Investors have the right to ask for the repurchase of equities from the Target Company or the Company. Part of those events listed below:

1. the Company did not obtain the Hong Kong Stock Exchange’s approval for the spin-off listing, or any written waiver in respect of the spin-off listing before 31 December 2023;
2. the Target Company has not achieved a qualified listing before 30 June 2025 (i.e. obtaining approval from competent authority like the China Securities Regulatory Commission, the Shanghai Stock Exchange or the Shenzhen Stock Exchange);
3. the Target Company fails to complete the qualified listing before 31 December 2025 (meaning all the shares of the Target Company held by the Investor have been registered with China Securities Depository and Clearing Corporation Limited);
4. although the time limit stipulated in the above paragraphs 2 and 3 has not yet expired, major events that may constitute obstacles to the Target Company’s qualified listing have occurred, including but not limited to:
 - (a) before the expiry of the above-mentioned period and after the Target Company having submitted its listing application, the application is rejected or terminated for any reason by the China Securities Regulatory Commission, Shanghai Stock Exchange or Shenzhen Stock Exchange;
 - (b) before the expiry of the above-mentioned period, the Target Company is suspended from listing by competent institutions such as the China Securities Regulatory Commission, Shanghai Stock Exchange or Shenzhen Stock Exchange;
 - (c) before the expiry of the above-mentioned period, there occur events including without limitation violations of laws and regulations by the Target Company that lead to major penalties imposed, changes in the actual controller of the Target Company or occurrence of events that may cause changes in the actual controller, or major changes in the Target Company’s main business;

5. the Target Company fails to achieve 90% of the expected net profit for two consecutive years in 2022, 2023, and 2024;
6. the Target Company fails to achieve 90% of the expected net profit in any of 2022, 2023, and 2024, and the Company fails to discharge its indemnity obligations;
7. the Target Company has failed to complete the agreed asset-liability ratio of 35% in the Shareholder Agreements for two consecutive years;
8. the Target Company has accrued impairment losses and the Target Company's asset impairment exceeds 5% of the audited equity attributable to its shareholders at the end of the previous fiscal year;
9. the Target Company fails to use the proceeds from the Capital Increase in accordance with the requirements of the Capital Increase Agreements; and
10. the investment purpose of the Investors cannot be realized due to force majeure or other legal or agreed reasons;

Upon the incurrence of those events, the Investors shall have the right to:

Seek the Target Company's opinion on repurchasing their equity. If the target company does not repurchase, investors can seek the opinions of the Company. If the Company does not repurchase either, the Investors could increase the actual controlling rights over the Target Company by increasing the number of directors nominated by the Investors and signing an acting-in-concert agreement etc.,

If the Target Company or the Company opts to repurchase the Investors' equity interest in the Target Company, the repurchase should be completed with cash, according to the calculation below:

Repurchase price = the Investors' capital increase amount + difference/(1-25%), the difference = the Investors' capital increase amount \times 10% \times (investment days/365) – the Investors' cash dividends received – the amount of cash remedies the Investors received in accordance with the capital increase agreement. If the calculation result of the difference part is a negative number, it will be calculated as 0.

A separate repurchase agreement should be signed by the Target Company or the Company, complying with the listing rules.

As for the event 1 above, the Investors indicated that if the company fails to obtain the relevant approval from the Hong Kong Stock Exchange within the agreed time, the Investors can negotiate with the company to extend the time for obtaining the relevant approval (not exceeding 12 months), as long as the Company's results in 2023 meets the relevant conditions for spin-off listing and the results of the Target Company continues to grow.

The special rights enjoyed by investors, including but not limited to the above, will be terminated in whole or in part according to the requirements of the China Securities Regulatory Commission, Shanghai Stock Exchange, or Shenzhen Stock Exchange before the Target Company's listing application. After such rights are terminated, whether they can be restored in the future will be determined in consultation with the Investors in accordance with the requirements of regulatory agencies.

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the Capital Increase Agreements and the Shareholder Agreements are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is, a professional Inspection Technical Services company. Currently, the Target Company has so far developed into the largest, full-license and full-service inspection services provider in the natural gas sector in China. It is an inspection company with its core vision of lifting the utilization efficiency of oil and gas equipment and facilities, decreasing energy and materials consumptions and achieving carbon neutrality. T-All Inspection has operated in major natural gas fields in China such as Tarim, Sichuan, and Erdos and has achieved initial success in expanding into overseas markets in the Middle East, Central Asia, and Africa along the Belt and Road.

Going forward, T-ALL Inspection will further implement the development plan of, “one core business and two emerging businesses”, adhering to the core business of, “inspection technical services focusing on asset integrity management at the core”, and covering the whole process of natural gas development, storage, transportation, and metering. At the same time, it is strategically promoting the “two new” businesses: “dual carbon technical services” and “online monitoring technical services”. It is developing environmental testing around carbon neutrality and carbon peaking, and it is using next-generation technologies such as big data, artificial intelligence, and 5G communications to develop intelligent inspection solutions that help customers reduce costs; protect assets; and achieve energy savings, efficiency gains, safety, and environmental protection.

The financial results of the Target Company for the two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December		For the six
	2020	2021	months ended
	(audited)	(audited)	30 June 2022
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Net profit/(loss) before tax	64.7	104.9	61.3
Net profit/(loss) after tax	55.8	90.9	53.3

The net asset value of the Target Company as at 30 June 2022 was approximately RMB398.1 million.

Immediately following completion of the Capital Increase, the Group’s interest in the Target Company will be reduced to 84.77%. As such, the Target Company will remain as a subsidiary of the Company and its financial results, assets and liabilities will continue to be consolidated into the Company’s consolidated financial statements. As the Target Company will continue to be a consolidated subsidiary of the Company, there will not be any profit or loss effect to the Group on the deemed disposal resulted from the Capital Increase.

The Directors currently intend to apply the proceeds from the Capital Increase for the operation and development requirement of the Target Company.

REASONS FOR THE INTRODUCTION OF STRATEGIC INVESTORS

The company is currently promoting the spin-off of the Target Company to be independently listed on the Stock Exchange of the mainland, PRC, the introduction of investors with a state-owned background will help the Target Company to: 1)improve its governance structure and further strengthen its independent development of business; 2)to fully play out the business synergy and promote the great development of the Target Company's Business; 3)to increase the fund reserves of the Target Company, to strengthen business development and R&D capabilities.

INFORMATION ON THE PARTIES

Anton Oilfield Services Group – The Company

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of oilfield management services, oilfield technical services, drilling rig services and inspection services.

Anton Oilfield Services Company Limited – The First Subsidiary

The First Subsidiary is a wholly-owned subsidiary of the Company established in Hong Kong and is principally engaged in the business of investment holding.

Anton(Beijing) New Energy Technical Company Limited – The Second Subsidiary

The Second Subsidiary is a wholly-owned subsidiary of the Company, established in the PRC and is principally engaged in the business of new-energy technical services.

寶武綠碳私募投資基金(上海)合夥企業(有限合夥) – The First Investor

The First Investor is a limited liability partnership established in the PRC and is principally engaged in the business of investment. The general partner of the First Investors are Huabao (Shanghai) Equity Investment Fund Management Co., Ltd.(華寶(上海)股權投資基金管理有限公司), CCB Financial Investment Fund Management (Tianjin) Co., Ltd.(建信金投基金管理(天津)有限公司), Green Development Fund Private Equity Investment Management (Shanghai) Co., Ltd.(綠色發展基金私募股權投資管理(上海)有限公司), each of which holds 0.02%, 0.02% and 0.02% interests, respectively in the First Investor. This partnership is an investment fund, managed by its general partners Huabao (Shanghai) Equity Investment Fund Management Co., Ltd (華寶(上海)股權投資基金管理有限公司) and CCB Financial Investment Fund Management (Tianjin) Co., Ltd. (建信金投基金管理(天津)有限公司). Its limited partners are China Baowu Steel Group Co., Ltd.(中國寶武鋼鐵集團有限公司), CCB Financial Assets Investment Co., Ltd.(建信金融資產投資有限公司), National Green Development Fund Co., Ltd.(國家綠色發展基金股份有限公司), Shanghai Baoheng Economic Development Co., Ltd.(上海寶恒經濟發展有限公司), each of which holds 53.32%, 19.98%, 17.76% and 8.89% interests, respectively in the First Investor. The largest limited partner China Baowu Steel Group Co., Ltd. 中國寶武鋼鐵集團有限公司, is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of PRC(中國國務院國有資產監督管理委員會). To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the First Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

共青城山證通奧啟航股權投資合夥企業 – *The Second Investor*

The Second Investor is a limited liability partnership established in the PRC which is principally engaged in the business of investment. This partnership is an investment fund, managed by its general partner. The general partner of the Second Investor is Shanxi Securities Investment Co., Ltd.(山證投資有限公司), holding 19.90% interests in the Second Investor. and the limited partners are Jiangxi Avenue Guoding Industrial Development Co., Ltd.(江西大道國鼎實業發展有限公司), Shanzheng Innovation Investment Co., Ltd.(山證創新投資有限公司), Yang Chancong(楊嬋聰), holding respectively 43.42%, 18.09%, 18.59% interests in the Second Investor, The largest limited partner Jiangxi Avenue Guoding Industrial Development Co., Ltd. (江西大道國鼎實業發展有限公司), is wholly owned by Nanchang Municipal Public Utilities Group Co., Ltd.(南昌市政公用集團有限公司), a state owned company in the PRC. To the best knowledge of the Directors, the Second Investor and its ultimate beneficial owners are independent of and not connected with the Company or any of its connected persons.

共青城億芯智行創業投資合夥企業(有限合夥) – *The Third Investor*

The Third Investor is a limited liability partnership established in the PRC which is principally engaged in the business of investment. This partnership is an investment fund, managed by its general partner. The general partner of the Third Investor is Beijing Yida Investment Co., Ltd.(北京億達投資有限公司), holding 0.04% interests in the Third Investor and the limited partners are MA Xiaoqi(馬小奇), ZHOU Cuihong(周翠紅) and CHEN Zhixuan(陳芷萱), holding Respectively 73.23%, 21.97% and 4.76% interests in the Third Investor. To the best knowledge of the Directors, the Third Investor and its ultimate beneficial owners are independent of and not connected with the Company or any of its connected persons.

共青城德擎匯垠創業投資合夥企業(有限合夥) – *The Fourth Investor*

The Fourth Investor is a limited liability partnership established in the PRC which is principally engaged in the business of investment. This partnership is an investment fund, managed by its general partner. The general partner of the Fourth Investor is Beijing Yida Investment Co., Ltd.(北京億達投資有限公司), holding 0.05% interests in the Fourth Investor, and the limited partners are CHEN Yinghai(陳英海), HE Luhui(何祿輝) and Mr. LI Liguang(李力光), holding respectively 74.32%, 15.38%, and 10.25% interests in the Fourth Investor. To the best knowledge of the Directors, the Fourth Investor and its ultimate beneficial owners are independent of and not connected with the Company or any of its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

The subscription by the Investors of 15.23% equity interests in the Target Company under the Capital Increase Agreements and Shareholders Agreement constitutes a deemed disposal by the Company. As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the deemed disposal under the Capital Increase Agreements is more than 5% but less than 25%, the Capital Increase Agreements constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Capital Increase Agreements and the transactions contemplated thereunder. Accordingly, the Directors are not required to abstain from voting on the relevant Board resolutions for approving the Capital Increase.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“Capital Increase”	the increase in the registered capital of the Target Company in accordance with the terms of the Capital Increase Agreements and Shareholder Agreements;
“Capital Increase Agreements”	the investment agreements dated 31 December 2022 entered into between the Company, the Subsidiaries, the Target Company and the Investors in relation to the Capital Increase;
“Company”	Anton Oilfield Services Group, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 3337);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“First Investor”	寶武綠碳私募投資基金(上海)合夥企業(有限合夥), a limited liability partnership established in the PRC;
“First Subsidiary”	Anton Oilfield Services Company Limited (安東油田服務有限公司), a company incorporated in Hong Kong with limited liability, a subsidiary of the Company;
“Fourth Investor”	共青城德擎匯垠創業投資合夥企業(有限合夥), a limited liability partnership established in the PRC;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Investors”	the First Investor, the Second Investor, the Third Investor and the Fourth Investor, and “Investor” means any of them;
“independent third party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administration Region;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;

“Second Investor”	共青城山證通奧啟航股權投資合夥企業(有限合夥), a limited liability partnership established in the PRC;
“Second Subsidiary”	安東(北京)新能源技術有限公司(Anton (Beijing) New Energy Technology Co., Ltd.), a limited liability company established in the PRC, a subsidiary of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Shareholder Agreements”	the Shareholder Agreements dated 31 December 2022 entered into between the Company, the Subsidiaries, the Target Company and the Investors;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiaries”	the First Subsidiary and the Second Subsidiary;
“Target Company”	T-ALL Inspection Group Co., Ltd, a limited liability company established in the PRC, a wholly-owned subsidiary of the Company as at the date of this announcement;
“Third Investor”	共青城億芯智行創業投資合夥企業(有限合夥), a limited liability partnership established in the PRC;
“%”	per cent

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

Hong Kong, 3 January 2023

As at the date of this announcement, the executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. FAN Yonghong; the independent Director of the Company is Mr. HUANG Song, the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WEE Yiau Hin.