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PETRO-KING OILFIELD SERVICES LIMITED

百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE TO
PETRO-KING HUIZHOU**

THE SUPPLEMENTAL AGREEMENT

On 30 December 2021 (after trading hours of the Stock Exchange), Petro-king Holding and Petro-king Huizhou entered into the Supplemental Agreement, pursuant to which the parties agreed to extend the payment date of the Remaining Consideration from 31 December 2021 to 31 December 2022.

As no further funding is required from the Group, it is expected that the Extension will not have any material adverse effect on the financial position of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and Mr. Wang are both shareholders of Petro-king Huizhou. At the same time, Mr. Wang, being a connected person of the Company at the issuer level, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of Petro-king Huizhou. Therefore, Petro-king Huizhou is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

The Extension constitutes a provision of financial assistance by Petro-king Holding to Petro-king Huizhou and a connected transaction of the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the amount of such financial assistance are more than 5% but all of them are less than 25% and the total value of the financial assistance is less than HK\$10,000,000, the transaction contemplated under the Supplement Agreement also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

BACKGROUND

On 31 October 2019, Petro-king Holding, a wholly-owned subsidiary of the Company, and Petro-king Huizhou, a wholly-owned subsidiary of the Company at that time, entered into the Equity Transfer Agreement, pursuant to which Petro-king Holding agreed to sell, and Petro-king Huizhou agreed to purchase, 100% equity interest in Petro-king Technology held by Petro-king Holding for a consideration of RMB9,300,943, which shall be settled in cash on or before 31 December 2021. The Equity Transfer was completed on 6 November 2019.

During the period between December 2019 and June 2021, Petro-king Huizhou conducted two rounds of equity fundraising exercises and the Group disposed of some of its equity interest in Petro-king Huizhou, details of which are set out in the announcements of the Company dated 23 December 2019, 14 January 2020 and 15 November 2020 respectively and the circular of the Company dated 12 January 2021. As a result, Petro-king Huizhou ceased to be a subsidiary of the Company since 23 June 2021, and the Group's equity interest in Petro-king Huizhou reduced to approximately 38.60%.

As at the date of this announcement, a balance of RMB8,000,000 remained unsettled under the Equity Transfer Agreement (the "**Remaining Consideration**").

On 30 December 2021 (after trading hours of the Stock Exchange), Petro-king Holding and Petro-king Huizhou entered into the Supplemental Agreement in relation to the Extension.

THE SUPPLEMENTAL AGREEMENT

On 30 December 2021 (after trading hours of the Stock Exchange), Petro-king Holding and Petro-king Huizhou entered into the Supplemental Agreement, pursuant to which the parties agreed to extend the payment date of the Remaining Consideration from 31 December 2021 to 31 December 2022.

The principal terms of the Supplemental Agreement are set out below:

Payment date

Petro-king Huizhou shall settle the Remaining Consideration and all accrued and unpaid interest (if any) to Petro-king Holding on or before 31 December 2022.

Interest rate and payment

The interest rate applicable to the Remaining Consideration is 8% per annum, to be accrued commencing from 1 January 2022. The above interest rate has been determined after taking into account the prevailing market interest rate and the borrowing costs of the Group. Interest shall be calculated on the actual number of days elapsed and on the basis of a 365-day year. Payment of interest shall be made by Petro-king Huizhou on a quarterly basis, with the first interest payment to be made commencing from 31 March 2022 and all accrued and unpaid interest (if any) shall be paid upon the settlement in full of the Remaining Consideration.

Early payment

Petro-king Huizhou may, at any time prior to 31 December 2022, make early payment of the whole or any part of the Remaining Consideration, and the interest of which shall be calculated at the above interest rate.

Default interest

In the event that Petro-king Huizhou fails to pay any outstanding sum (including the Remaining Consideration and accrued interests and/or other fees (if any)) to Petro-king Holding under the Supplemental Agreement when due, in addition to the interest as mentioned above, Petro-king Huizhou shall pay to Petro-king Holding a default interest of 0.03% per day on such outstanding sum from and including the due date up to and including the date of actual payment.

Events of default

Upon the occurrence of an event of default as described in the Supplemental Agreement, Petro-king Holding has the right to (a) demand immediate payment of any sum outstanding (including the Remaining Consideration and accrued interests (if any)) and/or (b) terminate the responsibilities and obligations of Petro-king Holding under the Supplemental Agreement with immediate effect.

REASONS FOR AND BENEFITS OF THE EXTENSION

As at the date of this announcement, the Group is the largest shareholder holding approximately 38.60% strategic interest in Petro-king Huizhou. The Extension will facilitate the continued operation and development of Petro-king Huizhou and the Group will also receive interest income on the Remaining Consideration as a result of the Extension.

The outbreak of the COVID-19 pandemic and volatile international oil price in the past two years has slowed down the development of shale gas field and oil field projects in the PRC by customers of Petro-king Huizhou. Although the international oil price stabilised this year as compared to 2020, the overall business environment in the oil field service sector is expected to continue to be difficult in the near future.

The Company has been negotiating with Petro-king Huizhou regarding the settlement of the Remaining Consideration in recent months. The Company has been informed that Petro-king Huizhou does not have sufficient financial resources available for payment of the Remaining Consideration by end of this year, due to the difficult business environment as described above and its inadequate liquidity position. As advised by Petro-king Huizhou, its business is expected to gradually improve in the coming one to two years, and will be able to meet its payment obligation by the end of 2022. As such, Petro-king Huizhou requested for an extension of the payment deadline of the Remaining Consideration from 31 December 2021 to 31 December 2022. The Group has reviewed the latest financial position and financial budget of Petro-king Huizhou and is satisfied that Petro-king Huizhou will be able to settle the Remaining Consideration on or before 31 December 2022.

The Company has nominated one director out of three at the board of directors of Petro-king Huizhou as at the date of this announcement, and the financial statements of Petro-king Huizhou are provided to the Company on a regular basis, such that the Company may continuously monitor the financial performance and position of Petro-king Huizhou and the risks associated with the provision of financial assistance to Petro-king Huizhou.

Taking into account the above, the strategic relationship between the Company and Petro-king Huizhou and the interest returns to be earned on the Remaining Consideration, the Directors (other than Mr. Wang who has abstained from voting on the Board resolution due to his material interest in the Extension) consider that the Supplemental Agreement, which has been entered into after arm's length negotiation between Petro-king Holding and Petro-king Huizhou is not in the ordinary and usual course of business of the Group but is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole, and that given no further funding is required from the Company, the Extension will not have any material adverse effect on the financial position of the Group.

INFORMATION ON THE PARTIES

The Group is principally engaged in the business of provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfield and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

Petro-king Holding is a company incorporated in Hong Kong with limited liability, which is directly wholly-owned by the Company. It is principally engaged in investment holding in Hong Kong.

Petro-king Huizhou is a company established under the laws of the PRC with limited liability, which is approximately 38.60% owned by the Group, 24.5% owned by Mr. Wang and his associates and the remaining 36.9% interests are owned by certain individuals and entities (each holding less than 10% interest) as at the date of this announcement. Petro-king Huizhou and its subsidiaries are principally engaged in the research and development, production and trading of oilfield and gas field related products.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and Mr. Wang are both shareholders of Petro-king Huizhou. At the same time, Mr. Wang, being a connected person of the Company at the issuer level, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of Petro-king Huizhou. Therefore, Petro-king Huizhou is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

The Extension constitutes a provision of financial assistance by Petro-king Holding to Petro-king Huizhou and a connected transaction of the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the amount of such financial assistance are more than 5% but all of them are less than 25% and the total value of the financial assistance is less than HK\$10,000,000, the transaction contemplated under the Supplement Agreement also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Company”	Petro-king Oilfield Services Limited (百勤油田服務有限公司), a company incorporated in the British Virgin Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2178)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jinlong, the chairman of the Company and an executive Director, and through his controlled corporation, is deemed to be interested in approximately 28.32% of the entire shareholding of the Company as at the date of this announcement

“Petro-king Huizhou”	百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.#), a company established in the PRC with limited liability
“Equity Transfer”	the transfer of 100% equity interest in Petro-king Technology by Petro-king Holding to Petro-king Huizhou pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 31 October 2019 (as amended and supplemented by a supplemental agreement dated 6 November 2019) entered into between Petro-king Holding and Petro-king Huizhou in relation to the Equity Transfer
“Extension”	the extension of payment of the Remaining Consideration under the Equity Transfer Agreement
“Petro-king Holding”	Petro-king Holding Limited, a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Company
“Petro-king Technology”	百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.#), a company established in the PRC with limited liability, a direct wholly-owned subsidiary of Petro-king Huizhou
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Share(s)”	ordinary share(s) in the share capital of the Company with no par value
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 30 December 2021 entered into between Petro-king Holding and Petro-king Huizhou
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

By Order of the Board
PETRO-KING OILFIELD SERVICES LIMITED
Wang Jinlong
Chairman

Hong Kong, 30 December 2021

As at the date of this announcement, the executive Directors are Mr. Wang Jinlong, Mr. Zhao Jindong and Mr. Huang Yu; the non-executive Director is Mr. Wong Shiu Kee; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe.