

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK SALE AND PURCHASE AGREEMENT**

On 24 February 2022, the PRC Subsidiaries entered into the Framework Sale and Purchase Agreement with the Petro-king Huizhou Group, whereby the PRC Subsidiaries agreed to purchase from the Petro-king Huizhou Group, and the Petro-king Huizhou Group agreed to sell to the PRC Subsidiaries, well completion products, production enhancement products and drilling products, for a term of three years from 24 February 2022 to 31 December 2024. The proposed annual caps for the transactions contemplated under the Framework Sale and Purchase Agreement shall not be more than HK\$9,900,000 (equivalent to approximately RMB8,027,000) for each of the three financial years ending 31 December 2022, 2023 and 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Wang is a non-executive Director and is a substantial shareholder of the Company, who is interested in approximately 28.32% of the issued share capital of the Company. Mr. Wang is therefore a connected person of the Company.

As at the date of this announcement, Mr. Wang and his associates are also substantial shareholders of Petro-king Huizhou and together are interested in approximately 33.21% of the equity interest in Petro-king Huizhou. Star Petrotech is a wholly-owned subsidiary of Petro-king Huizhou. Therefore, Petro-king Huizhou and Star Petrotech are associates of Mr. Wang and also connected persons of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Framework Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps of the transactions contemplated under the Framework Sale and Purchase Agreement is more than 5% but all of them are less than 25% and the proposed annual cap for each financial year is less than HK\$10,000,000, the transactions contemplated under the Framework Sale and Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transactions contemplated under the Framework Sale and Purchase Agreement also constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 24 February 2022, the PRC Subsidiaries entered into the Framework Sale and Purchase Agreement with the Petro-king Huizhou Group, whereby the PRC Subsidiaries agreed to purchase from the Petro-king Huizhou Group, and the Petro-king Huizhou Group agreed to sell to the PRC Subsidiaries, well completion products, production enhancement products and drilling products, subject to the terms and conditions of the Framework Sale and Purchase Agreement.

THE FRAMEWORK SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Framework Sale and Purchase Agreement are set out below:

Date

24 February 2022

Parties

- (1) The PRC Subsidiaries; and
- (2) The Petro-king Huizhou Group

Term

For the period commencing from 24 February 2022 and ending on 31 December 2024 (both days inclusive).

Nature of the transactions

Pursuant to the Framework Sale and Purchase Agreement, the PRC Subsidiaries agreed to purchase from the Petro-king Huizhou Group, and the Petro-king Huizhou Group agreed to sell to the PRC Subsidiaries, well completion products, production enhancement products and drilling products during the term of the Framework Sale and Purchase Agreement.

Particulars of the Framework Sale and Purchase Agreement

Pursuant to the Framework Sale and Purchase Agreement, the PRC Subsidiaries and the Petro-king Huizhou Group will enter into a separate agreement for each purchase order to set out the transaction details, including without limitation, the product specification, price, volume, time of delivery and payment terms.

The product price shall be determined based on the prevailing market price at the time when the separate agreement is entered into, and shall take into account at least two other product quotations and terms obtained from Independent Third Parties to determine if the price and terms offered by the Petro-king Huizhou Group are fair and reasonable and comparable. The Company will monitor the pricing for transactions of the same or similar type in the market and solicit at least two other quotations and terms from Independent Third Parties for products in similar quantities, in order to ensure that the price and terms under the transactions to be entered into pursuant to the Framework Sale and Purchase Agreement are fair and reasonable and on normal commercial terms, and that the actual price and terms for the transactions between the PRC Subsidiaries and the Petro-king Huizhou Group will be not less favourable to the PRC Subsidiaries than those offered by Independent Third Parties for transactions of the same or similar type. In the event that such price and terms for the transactions between the PRC Subsidiaries and the Petro-king Huizhou Group are less favourable to the PRC Subsidiaries than those offered by Independent Third Parties, the PRC Subsidiaries will negotiate with the Petro-king Huizhou Group to ensure that such price and terms will not be less favourable.

The parties to the Framework Sale and Purchase Agreement agree that the sale and purchase of the well completion products, production enhancement products and drilling products under the Framework Sale and Purchase Agreement shall be on normal commercial terms, on terms that are fair and reasonable, and in compliance with the applicable laws and regulations (including the Listing Rules), the parties' business needs and their own approval conditions and procedures.

BACKGROUND

On 21 January 2022, Petro-king Huizhou has completed a new round of capital increase whereby Mr. Wang and his associates' aggregate equity interest in Petro-king Huizhou has increased from approximately 24.50% to approximately 33.21%. Accordingly, Petro-king Huizhou and Star Petrotech have become connected persons of the Company since 21 January 2022.

For the three financial years ended 31 December 2019, 2020 and 2021, the Group purchased products of approximately RMB18.5 million (equivalent to approximately HK\$22.8 million), RMB20.6 million (equivalent to approximately HK\$25.4 million) and RMB8.0 million (equivalent to approximately HK\$9.9 million) from the Petro-king Huizhou Group, respectively. The Group has not made any purchase from the Petro-king Huizhou Group during 1 January 2022 to 23 February 2022.

ANNUAL CAPS

The value of products to be purchased by the PRC Subsidiaries from the Petro-king Huizhou Group under the Framework Sale and Purchase Agreement are subject to a maximum annual amount of HK\$9,900,000 (equivalent to approximately RMB8,027,000) for each of the three financial years ending 31 December 2022, 2023 and 2024.

The proposed annual caps were determined based on the historical sale and purchase quantities and values between the parties prior to the entering into of the Framework Sale and Purchase Agreement and the expected demand of the products by the PRC subsidiaries during the term of the Framework Sale and Purchase Agreement.

RENEWAL

The Framework Sale and Purchase Agreement is renewable by the PRC Subsidiaries and the Petro-king Huizhou Group in writing prior to its expiration, subject to compliance with the Listing Rules and all applicable laws and regulations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK SALE AND PURCHASE AGREEMENT

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. The Group utilises production enhancement products and drilling products in its provision of production enhancement services drilling services, and needs to procure well completion tools and production enhancement tools for its trading of oilfield and gas field related products. The entering into of the Framework Sale and Purchase Agreement will enable the Group to have a stable supply of good quality products for its provision of services and trading activities.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Framework Sale and Purchase Agreement have been conducted in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Framework Sale and Purchase Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the Framework Sale and Purchase Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Since Mr. Wang (non-executive Director and chairman of the Company) and Mr. Huang Yu (executive Director and chief executive officer of the Company) are also directors of Petro-king Huizhou, they have both abstained from voting on the relevant board resolutions approving the Framework Sale and Purchase Agreement and the transactions contemplated thereunder to avoid any potential conflict of interest.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Wang is a non-executive Director and is a substantial shareholder of the Company, who is interested in approximately 28.32% of the issued share capital of the Company. Mr. Wang is therefore a connected person of the Company.

As at the date of this announcement, Mr. Wang and his associates are also substantial shareholders of Petro-king Huizhou and together are interested in approximately 33.21% of the equity interest in Petro-king Huizhou. Star Petrotech is a wholly-owned subsidiary of Petro-king Huizhou. Therefore, Petro-king Huizhou and Star Petrotech are associates of Mr. Wang and also connected persons of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Framework Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps of the transactions contemplated under the Framework Sale and Purchase Agreement is more than 5% but all of them are less than 25% and the proposed annual cap for each financial year is less than HK\$10,000,000, the transactions contemplated under the Framework Sale and Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transactions contemplated under the Framework Sale and Purchase Agreement also constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE GROUP

Each of Shenzhen Petro-king, Petro-king Chongqing and Petro-king Drilling is a company established in the PRC and an indirect subsidiary of the Company. Shenzhen Petro-king 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 Chongqing is principally engaged in the business of provision of production enhancement services for oilfield and gas fields. Petro-king Drilling is principally engaged in the business of provision of drilling services for oilfield and gas fields.

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.

INFORMATION ON PETRO-KING HUIZHOU AND STAR PETROTECH

Petro-king Huizhou is a company established in the PRC and is principally engaged in the research and development, production and trading of oilfield and gas field related products. As at the date of this announcement, Star Petrotech is a wholly-owned subsidiary of Petro-king Huizhou. Star Petrotech is a company incorporated in Singapore with limited liability and is principally engaged in the manufacturing and repairing of other oilfield and gas field machinery and equipment.

As at the date of this announcement, Petro-king Huizhou is approximately 32.73% owned by the Group, approximately 24.15% directly owned by Mr. Wang and his associates, approximately 9.06% owned by Mr. Wang through his associate 深圳市龍躍管理諮詢合夥企業(有限合夥)(Shenzhen Longyue Management Consulting Partnership Enterprise (Limited Partnership)[#]) (the “**Employee Partnership Enterprise I**”), approximately 6.89% owned by 深圳市龍凱管理諮詢合夥企業(有限合夥)(Shenzhen Longkai Management Consulting Partnership Enterprise (Limited Partnership)[#]) (the “**Employee Partnership Enterprise II**”), approximately 4.96% owned by 深圳市凱安管理諮詢合夥企業(有限合夥)(Shenzhen Kaian Management Consulting Partnership Enterprise (Limited Partnership)[#]) (“**Shenzhen Kaian**”), approximately 2.48% owned by Mr. Zhou Xian, approximately 2.48% owned by 東方港灣(橫琴)投資管理有限公司 (Dongfang Gangwan (Hengqin) Investment Management Co., Ltd.[#]) (“**Dongfang Gangwan**”), approximately 2.48% owned by Mr. Zhang Houdong, approximately 2.48% owned by Mr. Fang Yonghao, approximately 2.48% owned by Mr. Yang Hongjun, approximately 2.26% owned by Mr. Zhang Siqiang, approximately 2.06% owned by Mr. Zhou Xiaoping, approximately 1.98% owned by Mr. Dai Shaoyue, approximately 1.94% owned by 寧波梅山保稅港區準睿股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Zhunrui Share Investment Partnership Enterprise (Limited Partnership)[#]) (the “**Zhunrui Partnership**”), approximately 0.87% owned by Mr. Chen Jianwei, and approximately 0.70% owned by Ms. Xue Mei.

The Employee Partnership Enterprise I is a special investment vehicle and is principally engaged in investment in equity interest in Petro-king Huizhou. The Employee Partnership Enterprise I is managed by the general partner, Mr. Wang. Mr. Wang and his associate held 53% interest in the Employee Partnership Enterprise I as at the date of this announcement and accordingly, the Employee Partnership Enterprise I is an associate of Mr. Wang and a connected person of the Company. The Employee Partnership Enterprise I has 17 limited partners, all of them are existing employees of Petro-king Huizhou. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, except one limited partner who is an associate of Mr. Wang, all remaining limited partners of the Employee Partnership Enterprise I are natural persons who are Independent Third Parties.

The Employee Partnership Enterprise II is a special investment vehicle and is principally engaged in investment in equity interest in Petro-king Huizhou. The Employee Partnership Enterprise II is managed by the general partner, namely Mr. Shi Junyi, a natural person who is a former employee of the Group and is an Independent Third Party. Mr. Shi Junyi held approximately 13.89% as the single largest partner in the Employee Partnership Enterprise II as at the date of this announcement. The Employee Partnership Enterprise II has 34 limited partners, 12 of them are existing employees of the Group, and 17 of them are existing employees of Petro-king Huizhou. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, all of the limited partners of the Employee Partnership Enterprise II are natural persons who are Independent Third Parties.

Shenzhen Kaian is a special investment vehicle and is principally engaged in equity investment. Shenzhen Kaian is owned as to approximately 99.9% by Mr. Zhang Yang as the limited partner and as to approximately 0.1% by 深圳市凱華投資管理有限公司 (Shenzhen Kaihua Investment Management Co., Ltd.[#]) (“**Shenzhen Kaihua**”) as the general partner. The general partner and the limited partner of Shenzhen Kaihua is 吳瑛 and 張浩宇 respectively, holding approximately 90% and 10% interest in Shenzhen Kaihua, respectively as at the date of this announcement. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the limited partner and the general partner of Shenzhen Kaian (including its ultimate beneficial owners) is an Independent Third Party.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of Mr. Zhou Xian, Mr. Zhang Houdong, Mr. Fang Yonghao, Mr. Yang Hongjun, Mr. Zhang Siqiang, Mr. Dai Shaoyue and Mr. Chen Jianwei is a natural person who is an Independent Third Party.

Dongfang Gangwan is a company established in the PRC with limited liability and is principally engaged in investment management, assets management and equity investment. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Dongfang Gangwan is wholly-owned by 深圳東方港灣投資管理股份有限公司 (Shenzhen Dongfang Gangwan Investment Management Co., Ltd.[#]), which is in turn owned by 但斌, 張敏, 周明波, 鄭衛峰, 吳惠玲, 黃海平 and 任仁雄 as to approximately 78.75%, 5.625%, 5.625%, 5%, 2%, 2% and 1% respectively as at the date of this announcement, all of them are Independent Third Parties.

The Zhunrui Partnership is principally engaged in investment in equities and has 8 partners, with 寧波市九天矩陣投資管理有限公司 (Ningbo Jiutian Juzhen Investment Management Limited[#]), the principal business of which is investment management, acting as the general partner and 袁冰, 何陟華, 朱亞軍, 淨春梅, 張純, 周文 and Ms. Ma Hua as limited partners, holding approximately 1.3%, 47.4%, 17.1%, 11.8%, 8.3%, 4.8%, 4.6% and 4.6%, respectively, in the Zhunrui Partnership as at the date of this announcement. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the general partner (including its ultimate beneficial owners) and limited partners is an Independent Third Party save and except Ms. Ma Hua, who was a non-executive Director in the last 12 months of the date of this announcement.

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
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jinlong, the chairman of the Company and a non-executive Director, who through his controlled corporation, is deemed to be interested in approximately 28.32% of the entire issued Shares 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
“Petro-king Huizhou Group”	collectively, Petro-king Huizhou and Star Petrotech
“Petro-king Chongqing”	百勤(重慶)油氣工程技術服務有限公司 (Petro-king (Chongqing) Oil and Gas Technical Services Co., Ltd. [#]), a company established in the PRC with limited liability and is indirectly owned as to 80% by the Company
“Petro-king Drilling”	深圳市百勤鑽井技術有限公司 (Shenzhen Petro-king Drilling Technology Co., Ltd. [#]), a company established in the PRC with limited liability and is indirectly owned as to 80% by the Company
“PRC”	the People’s Republic of China
“PRC Subsidiaries”	collectively, Shenzhen Petro-king, Petro-king Chongqing and Petro-king Drilling
“Share(s)”	ordinary share(s) in the share capital of the Company with no par value
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Petro-king”	深圳市百勤石油技術有限公司 (Shenzhen Petro-king Oil Technology Co., Ltd. [#]), a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company
“Star Petrotech”	Star Petrotech Pte. Ltd., a company incorporated in Singapore with limited liability and is a wholly-owned subsidiary of Petro-king Huizhou
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

Conversion of RMB into HK\$ at the rate of RMB1.00 to HK\$0.81079 is for illustration purpose only. No representation is made that any amounts of RMB or HK\$ could have been or could be converted at that rate or at any rate at all.

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, 24 February 2022

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