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# ***Petro-king*** **百勤油服**

## **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 TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE AND DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES**

#### **BACKGROUND**

Prior to completion of the Previous Capital Increase in March 2021 and the Petro-king Huizhou Disposal in June 2021, Petro-king Shenzhen, being the then holding company of Petro-king Huizhou, used to provide corporate guarantee and pledge of its equity interest in Petro-king Huizhou for two bank term loan facilities granted by HRC Bank to Petro-king Huizhou (namely the First Loans).

After ceasing to be the holding company of Petro-king Huizhou in June 2021, Petro-king Shenzhen intended to limit its liability exposure under the corporate guarantee up to the proportion of its shareholding in Petro-king Huizhou. In July 2021, Petro-king Shenzhen entered into agreements with HRC Bank to amend the terms of corporate guarantee provided for the First Loans.

In December 2021, a new bank revolving loan facility was entered into between Petro-king Huizhou and HRC Bank (namely the Second Loan) and Petro-king Shenzhen entered into an agreement to provide corporate guarantee for the Second Loan.

## **THE FIRST GUARANTEE**

On 1 July 2021, Petro-king Shenzhen entered into the First Guarantee Agreement and the First Security Pledge Agreement in favour of HRC Bank, pursuant to which the guarantee amount provided by Petro-king Shenzhen for the First Loans would be limited to its proportion of shareholding in Petro-king Huizhou. The relevant pledge of equity interest in Petro-king Huizhou held by Petro-king Shenzhen was subsequently released in November 2021.

## **THE SECOND GUARANTEE**

On 17 December 2021, Petro-king Shenzhen entered into the Second Guarantee Agreement in favour of HRC Bank, pursuant to which the guarantee amount provided by Petro-king Shenzhen for the Second Loan would be limited to its proportion of shareholding in Petro-king Huizhou.

## **LISTING RULES IMPLICATIONS**

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 the First Guarantee and the Second Guarantee were more than 5% but all of them were less than 25%, the provision of the Guarantees constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of each of the First Guarantee Agreement, the First Security Pledge Agreement and the Second Guarantee Agreement, Petro-king Shenzhen 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 was a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules at that time.

The provision of the First Guarantee and the Second Guarantee constituted provisions of financial assistance by the Group to a commonly held entity at that time, and therefore connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the First Guarantee and the Second Guarantee were entered into on normal commercial terms or better, and were provided by the Group in proportion to the equity interest held by the Group in Petro-king Huizhou on several but not joint basis, the First Guarantee and the Second Guarantee were fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules.

However, due to inadvertent oversight, the Company failed to comply with the notification and announcement requirements under Chapter 14 of the Listing Rules in a timely manner at the relevant time of provision of the Guarantees. Remedial measures are put in place to further enhance the compliance function of the Group, in order to ensure and monitor compliance with the Listing Rules and other rules and regulations applicable to the Group, in particular to prevent re-occurrence of similar incidents of non-compliance.

As at the date of this announcement, as the aggregate amount of the Group's advances to Petro-king Huizhou and its subsidiary and the Group's financial assistance given to, and guarantees given for facilities granted to, affiliated companies of the Group (as defined under Rule 13.11(2) of the Listing Rules) exceeds 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), the Company is subject to the general disclosure obligations under Rules 13.13 and 13.16 of the Listing Rules.

## **BACKGROUND**

References are made to the announcement of the Company dated 15 November 2020 and the circular of the Company dated 12 January 2021 (the "**Circular**") in relation to, *inter alia*, the Petro-king Huizhou Disposal, the Previous Capital Increase and the Loan Facilities.

Upon completion of the Previous Capital Increase in March 2021 and the Petro-king Huizhou Disposal in June 2021, Petro-king Shenzhen's equity interest in Petro-king Huizhou was reduced from approximately 70.0% to approximately 38.60%. Since then, Petro-king Huizhou has been accounted for as investment in an associate in the Group's financial statements. Petro-king Shenzhen's equity interest in Petro-king Huizhou was further decreased to approximately 32.73% upon completion of a new round of capital increase by Petro-king Huizhou in January 2022.

Prior to completion of the Previous Capital Increase and the Petro-king Huizhou Disposal, Petro-king Shenzhen, being the then holding company of Petro-king Huizhou, used to provide corporate guarantee and pledge of its equity interest in Petro-king Huizhou for the First Loans, comprising two bank term loan facilities granted by HRC Bank to Petro-king Huizhou. Following Petro-king Shenzhen ceasing to be the holding company of Petro-king Huizhou in June 2021, Petro-king Shenzhen intended to limit its liability exposure under the corporate guarantee up to the proportion of its shareholding in Petro-king Huizhou. Accordingly, Petro-king Shenzhen entered into the First Guarantee Agreement and the First Security Pledge Agreement with HRC Bank on 1 July 2021 to amend the terms of corporate guarantee provided for the First Loans (namely the First Guarantee), pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou.

On 17 December 2021, a new bank revolving loan facility was entered into between Petro-king Huizhou and HRC Bank (namely the Second Loan). Petro-king Shenzhen entered into the Second Guarantee Agreement with HRC Bank for the purpose of providing the Second Guarantee for the Second Loan, pursuant to which the guarantee amount would also be limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou.

As at the date of this announcement, the aggregate outstanding amount of the Loans is approximately RMB41,000,000 (equivalent to approximately HK\$49,056,000), of which the liability exposure of Petro-king Shenzhen is approximately RMB13,419,000 (equivalent to approximately HK\$16,056,000), corresponding to the shareholding of Petro-king Shenzhen in Petro-king Huizhou of approximately 32.73%.

## **THE FIRST GUARANTEE**

On 1 July 2021, Petro-king Shenzhen entered into the First Guarantee Agreement and the First Security Pledge Agreement with HRC Bank to amend the terms of corporate guarantee provided for the First Loans, pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen in Petro-king Huizhou. Principal terms of the First Guarantee Agreement and the First Security Pledge Agreement are set out below:

### **First Guarantee Agreement**

Date: 1 July 2021

Parties: (1) Petro-king Shenzhen; and  
(2) HRC Bank

Guarantee: Under the First Guarantee Agreement, Petro-king Shenzhen, as the guarantor, agreed to provide corporate guarantee in favour of HRC Bank for the First Loans, including but not limited to the principal amount, interests, penalty interests, compound interests, default penalties, compensations and other expenses incurred by HRC Bank in relation to the recovery of the First Loans

Guarantee period: From the effective date of the First Guarantee Agreement until the third anniversary of the date on which Petro-king Huizhou has fully discharged its repayment obligations under the First Loans

Mode of guarantee: Several but not joint liability guarantee (subject to the proportion of the equity interest directly held by Petro-king Shenzhen in Petro-king Huizhou)

Effective date: The First Guarantee Agreement is effective upon due execution, being 1 July 2021

### **First Security Pledge Agreement**

Date: 1 July 2021

Parties: (1) Petro-king Shenzhen; and  
(2) HRC Bank

Security: Pursuant to the First Security Pledge Agreement, Petro-king Shenzhen agreed to pledge the 38.5965% equity interest in Petro-king Huizhou it held at that time to HRC Bank as security for the repayment obligations of Petro-king Huizhou under the First Loans

Term: From the date of the First Security Pledge Agreement until the date on which Petro-king Huizhou has fully discharged its repayment obligations for the First Loans

The aforesaid pledge of 38.5965% equity interest in Petro-king Huizhou held by Petro-king Shenzhen at that time was subsequently released on 22 November 2021.

## THE SECOND GUARANTEE

On 17 December 2021, Petro-king Shenzhen entered into the Second Guarantee Agreement with HRC Bank for the purpose of providing the Second Guarantee for the Second Loan. Principal terms of the Second Guarantee Agreement are set out below:

Date:	17 December 2021
Parties:	(1) Petro-king Shenzhen; and  (2) HRC Bank
Guarantee:	Under the Second Guarantee Agreement, Petro-king Shenzhen, as the guarantor, agreed to provide corporate guarantee in favour of HRC Bank for the Second Loan, including but not limited to the principal amount, interests, penalty interests, compound interests, default penalties, compensations and other expenses incurred by HRC Bank in relation to the recovery of the Second Loan
Guarantee period:	From the effective date of the Second Guarantee Agreement until the third anniversary of the date on which Petro-king Huizhou has fully discharged its repayment obligations under the Second Loan
Mode of guarantee:	Several but not joint liability guarantee (subject to the proportion of the equity interest directly held by Petro-king Shenzhen in Petro-king Huizhou)
Effective date:	The Second Guarantee Agreement is effective upon due execution, being 17 December 2021

## REASONS FOR AND BENEFITS OF PROVIDING THE GUARANTEES

As at the date of each of the First Guarantee Agreement, the First Security Pledge Agreement and the Second Guarantee Agreement, Petro-king Shenzhen was the largest shareholder holding approximately 38.60% equity interest in Petro-king Huizhou. Provision of the Guarantees facilitated Petro-king Huizhou in obtaining bank loans and funding for its continued operation and development, given that it is a common practice in the PRC for commercial banks to request the major shareholders of an entity to provide corporate guarantees for granting loans to such entity. (1) Mr. Wang and his family members (who are shareholders of Petro-king Huizhou) and (2) 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**”) have also provided guarantees in favour of HRC Bank for the Loans. In addition, Petro-king Huizhou has pledged its buildings with an aggregate market value of approximately RMB75,747,000 (equivalent to approximately HK\$90,630,000) as security under the Loans.

The outbreak of the COVID-19 pandemic and volatile international oil price in the past two years had slowed down the development of shale gas field and oil field projects in the PRC by customers of Petro-king Huizhou. However, international oil price stabilised in 2021, which the Board believed might re-ignite interest in the development of shale gas field and oil field projects, and might in turn gradually improve the business of Petro-king Huizhou in the future. The Group had reviewed the then latest financial position and financial budget of Petro-king Huizhou and was satisfied that Petro-king Huizhou would be able to settle the Loans upon their respectively maturity. The Group was therefore of the view that the risks to be assumed by the Group for its continued provision of financial assistance to Petro-king Huizhou were acceptable.

In addition, in return for the provision of the Guarantees, Petro-king Shenzhen is entitled to receive from Petro-king Huizhou a guarantee fee of 1.0% per annum of the outstanding principal amount of the Loans multiplied by the then shareholding interest in Petro-king Huizhou held by Petro-king Shenzhen, which was agreed based on arm’s length negotiations between Petro-king Shenzhen and Petro-king Huizhou and the then prevailing fee rate of the provision of guarantee in the market.

Taking into account the relationship between the Company and Petro-king Huizhou, the financial position of Petro-king Huizhou and the guarantee fee to be obtained on the provision of the Guarantees, on 26 April 2022, the Directors (other than Mr. Wang who abstained from voting on the relevant board resolution(s) approving the provision of the Guarantees due to his material interest in the Guarantees) considered that (i) the Guarantees were entered into on normal commercial terms based on arm’s length negotiations between the Group and Petro-king Huizhou and would enable Petro-king Huizhou to continue obtaining loan facilities from financial institutions for its business operations, and (ii) the terms of the Guarantees were fair and reasonable, and were in the interests of the Company and the Shareholders as a whole.

The Company has nominated one director out of three to 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.

Given the provision of the Guarantees did not involve any cash outflow from the Group, and it was satisfied that Petro-king Huizhou would be able to settle the Loans upon their respective maturity based on the Group's review as mentioned above, the provision of the Guarantees was not expected to have any material adverse effect on the financial position of the Group.

## **INFORMATION ON THE PARTIES**

### **Information on the Group and Petro-king Shenzhen**

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 Shenzhen is a company established in the PRC with limited liability and is indirectly wholly-owned by the Company. It is principally engaged in investment holding.

### **Information on Petro-king Huizhou**

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, 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 深圳市龍跃管理諮詢合夥企業(有限合夥) (Shenzhen Longyue Management Consulting Partnership Enterprise (Limited Partnership)<sup>#</sup>) (the “**Employee Partnership Enterprise I**”), approximately 6.89% owned by 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)<sup>#</sup>) (“**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.<sup>#</sup>) (“**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, Mr. Chen Jianwei, Mr. Zhou Xiaoping and Ms. Xue Mei 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 馬華 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.

### **Information on HRC Bank**

HRC Bank is a financial institution established in the PRC which is principally engaged in the provision of various retail banking and commercial banking services in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, HRC Bank and its ultimate beneficial owner(s) are Independent Third Parties.

## ADVANCES TO AN ENTITY AND FINANCIAL ASSISTANCE TO AND GUARANTEES GIVEN FOR FACILITIES GRANTED TO AFFILIATED COMPANIES

The Board would like to disclose details of advances to an entity and financial assistance to and guarantees given for facilities granted to affiliated companies of the Group (as defined under Rule 13.11(2)(a) of the Listing Rules) in accordance with Rules 13.13 and 13.16 of the Listing Rules.

As at the date of this announcement, the aggregate amount of the Group's advances to an entity and financial assistance given to and guarantees given for facilities granted to affiliated companies of the Group exceeds 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). Details are set out as follows:

Name of affiliated companies	The group's attributable interest in the affiliated companies <i>(approximate)</i>	Loans to the affiliated companies <i>(HK\$'000)</i>	Unutilised facilities granted to the affiliated companies <i>(HK\$'000)</i>	Committed capital injection <i>(HK\$'000)</i>	Guarantees for facilities granted to the affiliated companies <i>(HK\$'000)</i>	Guaranteed facilities utilised by the affiliated companies <i>(HK\$'000)</i>	Aggregate amount of financial assistance and guarantees <i>(HK\$'000)</i>
		A	B		C		A+B+C
Petro-king Huizhou	32.73%	26,265 <i>(Note 1)</i>	1,254 <i>(Note 1)</i>	– <i>(Note 3)</i>	16,056 <i>(Note 2)</i>	16,056 <i>(Note 2)</i>	43,575
Star Petrotech		19,165 <i>(Note 1)</i>	8,135 <i>(Note 1)</i>	– <i>(Note 3)</i>	–	–	27,300
Total		<u>45,430</u>	<u>9,389</u>	<u>–</u>	<u>16,056</u>	<u>16,056</u>	<u>70,875</u>

Notes:

- (1) The loans provided to Petro-king Huizhou and Star Petrotech (namely the Loan Facilities and the Extension) were to facilitate their continued operation and development and for their daily working capital purpose. Such loans are (i) unsecured, (ii) bearing interest at 8% per annum, and (iii) due in December 2022. For further details, please refer to the announcements of the Company dated 15 November 2020 and 30 December 2021 and the Circular.

- (2) *The First Guarantee and the Second Guarantee were given by Petro-king Shenzhen on a several and proportional basis to secure, with others, the First Loans and the Second Loan which are (i) secured by certain personal and corporate guarantees, and certain buildings of Petro-king Huizhou, (ii) bearing interest at a range of 5.3% to 6.9% per annum, and (iii) expiring during the period from April 2023 to December 2024. For further details, please refer to other sections in this announcement.*
- (3) *There was no committed capital injection by the Group to its affiliated companies.*
- (4) *For the purpose of the above table, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$0.83578 and the translation of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.8.*

The Company will comply with the disclosure requirements under Rules 13.20 to 13.22 of the Listing Rules where the circumstances giving rise to the disclosure under Rules 13.13 and 13.16 of the Listing Rules continue to exist at the Company's interim period end or annual financial year end.

## **LISTING RULES IMPLICATIONS**

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 the First Guarantee and the Second Guarantee were more than 5% but all of them were less than 25%, the provision of the Guarantees constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of each of the First Guarantee Agreement, the First Security Pledge Agreement and the Second Guarantee Agreement, Petro-king Shenzhen 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 was a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules at that time.

The provision of the First Guarantee and the Second Guarantee constituted provisions of financial assistance by the Group to a commonly held entity at that time, and therefore connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the First Guarantee and the Second Guarantee were entered into on normal commercial terms or better, and were provided by the Group in proportion to the equity interest held by the Group in Petro-king Huizhou on several but not joint basis, the First Guarantee and the Second Guarantee were fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules.

However, due to inadvertent oversight, the Company failed to comply with the notification and announcement requirements under Chapter 14 of the Listing Rules in a timely manner at the relevant time of provision of the Guarantees. The officers of Petro-king Shenzhen had the misapprehended impression that, the entering into of the Guarantees would continue to be exempted from the disclosure requirements, taking into account that the Guarantees were limited in proportion to the equity interest held by the Group in Petro-king Huizhou, and that the corporate guarantees previously provided for the loans of Petro-king Huizhou prior to the Previous Capital Increase and the Petro-king Huizhou Disposal were fully exempted under both Chapter 14 and Chapter 14A of the Listing Rules. Hence, the responsible staff was unaware that the entering into of the First Guarantee, which reduced the guarantee exposure of the Group following the completion of the Previous Capital Increase and the Petro-king Huizhou Disposal, would constitute new obligations under the Listing Rules, and as such the responsible staff also failed to report the Second Guarantee to the Company in a timely manner. The Company was only aware of such non-compliance recently in the course of preparing its annual report for the year ended 31 December 2021 and reiterates that the non-compliance was unintentional.

Pursuant to Rules 13.13 and 13.16 of the Listing Rules, a general disclosure obligation arises where the amount of advances by the Group to an entity and the financial assistance to affiliated companies of the Group exceeds 8% under the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). As at the date of this announcement, as the aggregate amount of the Group's advances to Petro-king Huizhou and its subsidiary and the Group's financial assistance given to, and guarantees given for facilities granted to, affiliated companies of the Group (as defined under Rule 13.11(2) of the Listing Rules) exceeds 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), the Company is subject to the general disclosure obligations under Rules 13.13 and 13.16 of the Listing Rules.

## REMEDIAL MEASURES

The Company takes the above non-compliance of the Listing Rules seriously. As at the date of this announcement, remedial measures are put in place to further enhance the compliance function of the Group, in order to ensure and monitor compliance with the Listing Rules and other rules and regulations applicable to the Group, in particular to prevent re-occurrence of similar incidents of non-compliance. The remedial measures include the following:

- (a) the Company has engaged external financial advisors and legal advisors to advise on the implications of the Listing Rules in relation to the non-compliance mentioned above and to assist in the preparation of this announcement to keep all Shareholders informed;
- (b) the Company has requested the executive directors and senior management of each member of the Group, including the responsible staff handling the Guarantees, to observe the disclosure requirements under the Listing Rules and avoid delay in reporting and disclosure in the future should any obligation or transaction of similar nature arises;
- (c) the Company will provide trainings to executive Directors, senior management and relevant staff members of the Group to explain the relevant Listing Rules requirements and the reporting procedures for notifiable transactions, connected transactions and other obligations under the Listing Rules and to reinforce and strengthen their understanding and knowledge of the Listing Rules, as well as their ability to identify possible compliance issues at early stages of transactions;
- (d) the Company will issue relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions, and to observe the general disclosure obligations under the Listing Rules, to the executive Directors, senior management and the relevant staff of the Group;
- (e) the Company will enhance the coordination and reporting arrangements among various subsidiaries and departments of the Group, and a special task group comprising executive Directors and senior management will be established to oversee notifiable and/or connected transactions of the Group, and subsidiaries will be required to notify the task group of potential notifiable and/or connected transactions and to circulate draft agreements for the task group's review to ensure that applicable requirements are complied with in a timely manner;
- (f) the Company will review and modify its existing procedures in monitoring notifiable transactions and connected transactions and the general disclosure obligations of the Group under Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules from time to time; and

- (g) the Company will, as and when appropriate and necessary, seek external legal or other professional advice as to any action required to be taken in relation to any proposed transactions or events in the future.

The Board is of the view that the delay in notification and announcement in respect of the First Guarantee and the Second Guarantee is a one-off event, and that the implementation of the aforesaid follow-up actions and remedial measures would effectively prevent the re-occurrence of similar incidents. Going forward, the Board will closely monitor the implementation of the remedial measures and the Company will continue to assess and enhance the internal control procedures of the Group from time to time and thereby ensure strict compliance with the Listing Rules.

## **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
“Extension”	the extension of payment of the remaining balance of RMB8.0 million as at 30 December 2021 under 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 Limited, a wholly-owned subsidiary of the Company, and Petro-king Huizhou

“First Guarantee”	the corporate guarantees and pledge of equity interest in Petro-king Huizhou provided by Petro-king Shenzhen for the First Loans
“First Guarantee Agreement”	the guarantee agreement dated 1 July 2021 entered into between Petro-king Shenzhen and HRC Bank in respect of the corporate guarantees provided by Petro-king Shenzhen for the First Loans
“First Security Pledge Agreement”	the security pledge agreement dated 1 July 2021 entered into between Petro-king Shenzhen and HRC Bank in respect of the pledge of equity interest in Petro-king Huizhou by Petro-king Shenzhen for the First Loans
“First Loans”	collectively (i) the bank term loan facility granted by HRC Bank to Petro-king Huizhou in the principal amount of RMB20.0 million, bearing a fixed interest rate of 6.9% per annum, and for a duration from 8 April 2020 to 7 April 2023, pursuant to a facility agreement entered into between Petro-king Huizhou and HRC Bank on 8 April 2020, and (ii) the bank term loan facility granted by HRC Bank to Petro-king Huizhou in the principal amount of RMB25.0 million, bearing a fixed interest rate of 5.65% per annum, and for a duration from 18 December 2020 to 17 December 2023, pursuant to a facility agreement entered into between Petro-king Huizhou and HRC Bank on 18 December 2020
“Group”	the Company and its subsidiaries
“Guarantees”	the First Guarantee and the Second Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HRC Bank”	Huizhou Rural Commercial Bank, Zhongkai Branch, a financial institution in 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
“Loan Facilities”	the loan facilities of (i) up to the principal sum of US\$3.5 million made by Petro-king International Co., Limited, a wholly-owned subsidiary of the Company, to Star Petrotech under a loan facility agreement dated 13 November 2020 and (ii) up to the principal sum of RMB15 million made by Petro-king Shenzhen to Petro-king Huizhou under a loan facility agreement dated 13 November 2020
“Loans”	the First Loans and the Second Loan
“Mr. Wang”	Mr. Wang Jinlong, the chairman of the Company and a non-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
“Petro-king Huizhou Disposal”	disposal of 14.6199% equity interest in Petro-king Huizhou by Petro-king Shenzhen to Mr. Wang and his associates at that time
“Petro-king Shenzhen”	百勤石油(深圳)有限公司(Petro-king Oil (Shenzhen) Co., Ltd.#), a company established in the PRC with limited liability and is indirectly wholly-owned by the Company

“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
“Previous Capital Increase”	a total capital contribution of RMB41.0 million (equivalent to approximately HK\$48.0 million) to Petro-king Huizhou by existing shareholders of Petro-king Huizhou and independent investors pursuant to eight capital increase agreements all dated 13 November 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Second Guarantee”	the corporate guarantee provided by Petro-king Shenzhen for the Second Loan, pursuant to the Second Guarantee Agreement
“Second Guarantee Agreement”	the guarantee agreement dated 17 December 2021 entered into between Petro-king Shenzhen and HRC Bank in respect of the Second Guarantee
“Second Loan”	the bank revolving loan facility granted by HRC Bank to Petro-king Huizhou in the principal amount of RMB15.0 million, bearing a fixed interest rate of 5.3% per annum, and for a duration from 17 December 2021 to 16 December 2024, pursuant to a facility agreement entered into between Petro-king Huizhou and HRC Bank on 17 December 2021
“Share(s)”	ordinary share(s) in the share capital of the Company with no par value
“Shareholder(s)”	holder(s) of the Share(s)
“Star Petrotech”	Star Petrotech Pte. Ltd., a company incorporated in Singapore with limited liability and is directly wholly-owned by Petro-king Huizhou
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$” United States Dollars, the lawful currency of the United States of America

“%” per cent.

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

*For the purpose of this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$0.83578 and translation of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.8.*

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

Hong Kong, 26 April 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.*