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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 TRANSACTIONS
PURCHASE OF NEW EQUIPMENT AND
DISPOSAL OF EXISTING EQUIPMENT**

PURCHASE OF THE NEW EQUIPMENT

On 26 August 2022 (after trading hours), Petro-king (Chongqing), entered into the Sale and Purchase Agreement I with Sany, pursuant to which Petro-king (Chongqing) agreed to purchase, and Sany agreed to sell, the New Equipment at the consideration of RMB28,500,000 (equivalent to approximately HK\$32,652,000).

DISPOSAL OF THE EXISTING EQUIPMENT

On 26 August 2022 (after trading hours), Petro-king (Chongqing) entered into the Sale and Purchase Agreement II with Sany, pursuant to which Petro-king (Chongqing) agreed to sell, and Sany agreed to purchase, the Existing Equipment at the consideration of RMB20,000,000 (equivalent to approximately HK\$22,914,000).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the transactions contemplated under the Sale and Purchase Agreement I exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Sale and Purchase Agreement I and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios for the transactions contemplated under the Sale and Purchase Agreement II exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Sale and Purchase Agreement II and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 26 August 2022 (after trading hours), Petro-king (Chongqing) entered into the Sale and Purchase Agreement I with Sany, pursuant to which Petro-king (Chongqing) agreed to purchase, and Sany agreed to sell, the New Equipment at the consideration of RMB28,500,000 (equivalent to approximately HK\$32,652,000).

On 26 August 2022 (after trading hours), Petro-king (Chongqing) entered into the Sale and Purchase Agreement II with Sany, pursuant to which Petro-king (Chongqing) agreed to sell, and Sany agreed to purchase, the Existing Equipment at the consideration of RMB20,000,000 (equivalent to approximately HK\$22,914,000).

Set out below are details of the Sale and Purchase Agreement I and the Sale and Purchase Agreement II.

THE SALE AND PURCHASE AGREEMENT I

The principal terms of the Sale and Purchase Agreement I are summarised below:

Date:	26 August 2022
Parties:	(1) Petro-king (Chongqing) (as the purchaser); and (2) Sany (as the vendor)
Subject matter:	Petro-king (Chongqing) agreed to purchase, and Sany agreed to sell, the New Equipment
Consideration:	RMB28,500,000 (equivalent to approximately HK\$32,652,000), tax inclusive

The consideration was determined after arm's length negotiations between the parties with reference to the prevailing market price of the New Equipment.

The consideration is expected to be funded by the Financing Loan and internal resources of the Group.

Payment terms:	The consideration shall be paid by Petro-king (Chongqing) to Sany in the following manner: (i) An initial payment of RMB5,700,000 (equivalent to approximately HK\$6,530,000) (the “ Initial Payment ”) to Sany’s designated bank account within 15 working days after the Sale and Purchase Agreement I has become effective; and (ii) A payment of the remaining balance of RMB22,800,000 (equivalent to approximately HK\$26,122,000) (the “ Balance Payment ”) to Sany’s designated bank account, to be funded by the Financing Loan.
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In the event that Sany's payment obligations under the Sale and Purchase Agreement II or the drawdown of the Financing Loan (for reason(s) unrelated to Petro-king (Chongqing)) are postponed, Petro-king (Chongqing)'s payment obligations under the Sale and Purchase Agreement I will also be postponed accordingly.

Based on the arm's length negotiations between the relevant parties, it is currently proposed that the principal amount of the Financing Loan shall be RMB22,800,000, being the Balance Payment, for a term of five years, and the interest rate shall be a fixed rate of 6.0% per annum.

The obligations of Petro-king (Chongqing) under the Financing Loan are proposed to be secured by, *inter alia*, a pledge of the New Equipment and a corporate guarantee from Petro-king Technology, both in favour of the Bank of Sanxiang, and which terms are to be determined by the parties thereto.

Delivery date:

The New Equipment shall be available for self pick-up at an agreed location by Petro-king (Chongqing) within 15 working days upon the settlement of the Initial Payment by Petro-king (Chongqing) to Sany.

Conditions Precedent:

The Sale and Purchase Agreement I shall take effect upon fulfillment of the following conditions precedent: (i) the entering into of the Sale and Purchase Agreement II, and (ii) the entering into of the Financing Loan agreement, the equipment pledge, and the corporate guarantee relating to the Financing Loan.

THE SALE AND PURCHASE AGREEMENT II

The principal terms of the Sale and Purchase Agreement II are summarised below:

Date:	26 August 2022
Parties:	(1) Petro-king (Chongqing) (as the vendor); and (2) Sany (as the purchaser)
Subject matter:	Petro-king (Chongqing) agreed to sell, and Sany agreed to purchase, the Existing Equipment
Consideration:	RMB20,000,000 (equivalent to approximately HK\$22,914,000), tax inclusive The consideration was determined after arm's length negotiations between the parties with reference to the market value of similar type of equipment under current condition.
Payment terms:	The consideration shall be paid by Sany to Petro-king (Chongqing) in full by way of wire transfer after the satisfactory inspection of the Existing Equipment by Sany and within three days after the receipt of the invoice from Petro-king (Chongqing).
Delivery date:	The Existing Equipment shall be available for self pick-up at an agreed location by Sany within three days after service of the pick-up notice from Sany to Petro-king (Chongqing).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Brent crude oil price continued to rebound in the past two years and remained at high price recently (at approximately US\$100 per barrel in August 2022). In addition, the outbreak of the Russia-Ukraine War has further strengthened the PRC's national policy for energy safety. The strong and stable international oil price and the PRC's national policy for energy safety has stimulated market demands for production enhancement services in the PRC. Accordingly, market demands for production enhancement services offered by the Group are expected to grow in the foreseeable future.

As at the date of this announcement, the Group owns 20 units of fracturing equipment in the PRC which are utilised at full capacity. Apart from the increasing demands for production enhancement services in the PRC, the Group's customers have imposed higher standards on the fracturing equipment utilised by the production enhancement service providers as the gas field and oilfields have become increasingly difficult to extract from. The purchase of the New Equipment will allow the Group to upgrade its existing fracturing equipment to enhance its competitiveness and quality of services, as well as to fulfil the uplifted industry standards and requirements.

During the arm's length negotiations, Sany offered to buy back the Existing Equipment from the Group. The Directors consider that the Group should take this opportunity to dispose of the Existing Equipment to improve its liquidity. Based on the total net book value of the Existing Equipment as at 30 June 2022, a loss of approximately RMB2.0 million (equivalent to approximately HK\$2.3 million) is expected to be recorded by the Group as a result of the disposal of the Existing Equipment. The disposal proceeds will be used for the repayment of the Group's borrowings and for general working capital purposes.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement I and the Sale and Purchase Agreement II are on normal commercial terms and are fair and reasonable and that the entering into of the Sale and Purchase Agreement I and the Sale and Purchase Agreement II are in the interests of the Group and the Shareholders as a whole.

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 (Chongqing) is a company established in the PRC with limited liability. It is principally engaged in the provision of production enhancement services in the PRC. Petro-king (Chongqing) is owned as to 80% by the Company and the remaining 20% by 深圳市景尚管理諮詢合夥企業(有限合夥) (Shenzhen Jingshang Management Consulting Partnership Enterprise (Limited Partnership)[#]) (“**Shenzhen Jingshang**”). Shenzhen Jingshang is a special investment vehicle and is principally engaged in investment in equity interest in Petro-king (Chongqing). Shenzhen Jingshang is managed by 尚廣超, the general partner. 尚廣超, 林景禹, 雷蕾及馬明潔 owns 41%, 54%, 3.5% and 1.5% of Shenzhen Jingshang, respectively as at the date of this announcement. Each of the above four partners of Shenzhen Jingshang is an Independent Third Party and a current employee of the Group.

Petro-king Technology is a company established in the PRC and is indirectly wholly-owned by the Company. It is principally engaged in the provision of oilfield project tools and services and consultancy services in the PRC.

To the best knowledge of the Directors, Sany is principally engaged in the manufacture and sale of oilfield equipment. As at the date of this announcement, Sany is owned as to approximately 76.0850% by 三一集團有限公司 (Sany Group Limited[#]), 15.0000% by 袁金華, and the remaining approximately 8.9150% by 22 individual shareholders who are Independent Third Parties and each of them holding less than 5.0% equity interest of Sany.

Sany Group Limited is principally engaged in the manufacture and distribution of engineering machineries for construction purposes, machinery leasing, manufacture of automobile and educational businesses. As at the date of this announcement, Sany Group Limited is owned as to 56.735% by 梁穩根, 8.75% by 唐修國, 8% by 毛中吾, 8% by 向文波, and the remaining 18.515% by 11 individual shareholders who are Independent Third Parties and each of them holding less than 5.0% equity interest of Sany Group Limited.

To the best knowledge of the Directors, the Bank of Sanxiang is a commercial bank principally engaged in the provision of banking services in the PRC. As at the date of this announcement, the Bank of Sanxiang is owned as to 18% by Sany Group Limited, 15% by 湖南漢森製藥有限公司 (Hunan Hansen Pharmaceutical Co., Ltd.[#]), 12% by 湖南三一智能控制設備有限公司 (Hunan Sany Intelligent Controls Equipment Co., Ltd.[#]), 9.8% by 湖南省中欣房地產開發集團有限公司 (Hunan Zhongxin Real Estate Development Co., Ltd.[#]), 9.8% by 湖南同發投資有限公司 (Hunan Tongfa Investment Co., Ltd.[#]), 9.8% by 湖南安培電力帶電作業有限公司 (Hunan Anpei Power Live Working Co., Ltd.[#]), 8.3% by 湖南安鑫物流有限公司 (Hunan Anxin Logistics Co., Ltd.[#]), 7% by 長沙澄海實業有限公司 (Changsha Chenghai Industry Co., Ltd.[#]), 5.2% by 湖南省八環建築工程有限公司 (Hunan Bahuan Construction Engineering Co., Ltd.[#]), and 5.1% by 長沙嘉斯通能源科技有限公司 (Changsha Jiasitong Energy Technology Co., Ltd.[#]).

Hunan Hansen Pharmaceutical Co., Ltd. is a company listed on the Shenzhen Stock Exchange (stock code: 002412).

Hunan Sany Intelligent Controls Equipment Co., Ltd. is a non-wholly owned subsidiary of Sany Group Limited.

Hunan Zhongxin Real Estate Development Co., Ltd. is owned as to 90% by 王本奎 and 10% by 王熙楚.

Hunan Tongfa Investment Co., Ltd. is owned as to approximately 60.47% by 李世紅 and approximately 39.53% by 李鵬程.

Hunan Anpei Power Live Working Co., Ltd. is owned as to approximately 49.41% by 陳隆, approximately 48.58% by 周惠, and approximately 2.01% by 嚴萍.

Hunan Anxin Logistics Co., Ltd. is owned as to 99.5% by 邱志偉 and 0.5% by 劉豔萍.

Changsha Chenghai Industry Co., Ltd. is owned as to 40% by 譚澄靖, 40% by 譚震 and 20% by 程銀華.

Hunan Bahuan Construction Engineering Co., Ltd. is a wholly-owned subsidiary of Hunan Tongfa Investment Co., Ltd..

Changsha Jiasitong Energy Technology Co., Ltd. is wholly-owned by 江曦曦.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Sany, the Bank of Sanxiang and their respective ultimate beneficial owner(s) are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the transactions contemplated under the Sale and Purchase Agreement I exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Sale and Purchase Agreement I and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios for the transactions contemplated under the Sale and Purchase Agreement II exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Sale and Purchase Agreement II and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Bank of Sanxiang”	湖南三湘银行股份有限公司 (Hunan Sanxiang Bank Co., Ltd. [#]), a commercial bank principally engaged in the provision of banking services in the PRC and an associate of Sany Group Limited
“Board”	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)”	director(s) of the Company
“Existing Equipment”	four units of hydraulic fracturing truck (液壓壓裂車)
“Financing Loan”	a financing loan arrangement for the Balance Payment to be entered into among (i) the Bank of Sanxiang as the lender and (ii) Petro-king (Chongqing) as the borrower, which terms are to be determined by the parties thereto
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

“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”	Rules Governing the Listing of Securities on the Stock Exchange
“New Equipment”	three units of 2500 mechanical fracturing truck (2500型機械式壓裂車)
“percentage ratios”	percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules
“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 Engineering Technology Service Co., Ltd. [#]), a company incorporated in the PRC and is 80% owned by Petro-king Technology
“Petro-king Technology”	深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited [#]), a company incorporated in the PRC and is indirectly wholly-owned by the Company
“PRC”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement I”	sale and purchase agreement dated 26 August 2022 entered into between Petro-king (Chongqing) as the purchaser and Sany as the vendor in relation to the purchase of the New Equipment

“Sale and Purchase Agreement II”	sale and purchase agreement dated 26 August 2022 entered into between Petro-king (Chongqing) as the vendor and Sany as the purchaser in relation to the disposal of the Existing Equipment
“Sany”	三一石油智能裝備有限公司 (Sany Petroleum Intelligent Equipment Co., Ltd. [#]), a company incorporated in the PRC
“Share(s)”	ordinary share(s) of the Company with no par value
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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).*

Translation of RMB into HK\$ is based on the exchange rate of RMB1 = HK\$0.87284.

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

Hong Kong, 26 August 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. Xin Junhe and Mr. Zhang Dawei.