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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)

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS FOR
THE FRAMEWORK SALE AND PURCHASE AGREEMENT**

THE SUPPLEMENTAL FRAMEWORK AGREEMENT

Reference is made to the Original Announcement in relation to the Framework Sale and Purchase Agreement.

As market demands for well completion products, production enhancement products and drilling products offered by the Group are expected to grow in the foreseeable future, the Board envisages that the Existing Annual Caps in respect of the transactions contemplated under the Framework Sale and Purchase Agreement for each of the three financial years ending 31 December 2022, 2023 and 2024 will not be sufficient, and that the purchase amount of the abovementioned products by the PRC Subsidiaries from the Petro-king Huizhou Group for the financial year ending 31 December 2022 may soon exceed the Existing Annual Cap in 2022. As such, on 12 October 2022 (after trading hours), the PRC Subsidiaries entered into the Supplemental Framework Agreement with the Petro-king Huizhou Group, to increase the Existing Annual Caps for the three financial years ending 31 December 2022, 2023 and 2024.

LISTING RULES IMPLICATIONS

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. Based on the above, Petro-king Huizhou and Star Petrotech are associates of Mr. Wang and also connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than profits ratio) in respect of the Revised Annual Caps of the transactions contemplated under the Supplemental Framework Agreement exceeds 5% and the Revised Annual Caps exceed HK\$10,000,000, the Supplemental Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of Petro-king Oilfield Services Limited dated 24 February 2022 (the “**Original Announcement**”) in relation to the Framework Sale and Purchase Agreement. Terms used herein shall have the same meanings as defined in the Original Announcement unless otherwise stated.

As market demands for well completion products, production enhancement products and drilling products offered by the Group are expected to grow in the foreseeable future, the Board envisages that the existing annual caps in respect of the transactions contemplated under the Framework Sale and Purchase Agreement for each of the three financial years ending 31 December 2022, 2023 and 2024 (the “**Existing Annual Cap(s)**”) will not be sufficient, and that the purchase amount of the abovementioned products by the PRC Subsidiaries from the Petro-king Huizhou Group for the financial year ending 31 December 2022 may soon exceed the Existing Annual Cap in 2022. As such, on 12 October 2022 (after trading hours), the PRC Subsidiaries entered into a supplemental agreement to the Framework Sale and Purchase Agreement (the “**Supplemental Framework Agreement**”) with the Petro-king Huizhou Group, pursuant to which the parties thereto agreed to, among others, increase the Existing Annual Caps for the three financial years ending 31 December 2022, 2023 and 2024.

THE SUPPLEMENTAL FRAMEWORK AGREEMENT

Set out below are the principal terms and conditions of the Supplemental Framework Agreement:

Date

12 October 2022

Parties

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

Revision of the Existing Annual Caps

Parties to the Supplemental Framework Agreement agreed that the maximum value of products to be purchased by the PRC Subsidiaries from the Petro-king Huizhou Group under the Framework Sale and Purchase Agreement (as amended and supplemented by the Supplemental Framework Agreement) will be increased from HK\$9,900,000 for the period from 24 February 2022 to 31 December 2022 and for each of the two financial years ending 31 December 2023 and 2024 to RMB15,000,000 (equivalent to HK\$16,560,000), RMB20,000,000 (equivalent to HK\$22,080,000) and RMB22,000,000 (equivalent to HK\$24,288,000) (the “**Revised Annual Cap(s)**”), respectively:

	For the period from 24 February 2022 to 31 December 2022	For the financial year ending 31 December 2023	For the financial year ending 31 December 2024
Existing Annual Caps	HK\$9,900,000	HK\$9,900,000	HK\$9,900,000
Revised Annual Caps	RMB15,000,000	RMB20,000,000	RMB22,000,000

Note:

As purchases from the Petro-king Huizhou Group will be denominated in RMB, it is proposed that the Revised Annual Caps will also be denominated in RMB for the purpose of currency alignment and better monitoring.

Other terms

Save for the Revised Annual Caps, other terms and conditions of the Framework Sale and Purchase Agreement, as disclosed in the Original Announcement, remain unchanged and continue to be in full force and effect.

Effectiveness of the Supplemental Framework Agreement

The Supplemental Framework Agreement will become effective, subject to the Company's compliance with all applicable laws, rules and regulations (including but not limited to the Listing Rules) as regards the transactions contemplated under the Supplemental Framework Agreement, including but not limited to the Company having obtained approval from the Independent Shareholders (as defined below) at an extraordinary general meeting of the Company (the "EGM") to be convened and held in relation to the transactions contemplated under the Supplemental Framework Agreement.

BASIS OF THE REVISED ANNUAL CAPS

For the period from 24 February 2022 to the date of this announcement, the Group purchased oilfield products in the amount of approximately RMB5.4 million (equivalent to approximately HK\$6.0 million) from the Petro-king Huizhou Group. As at 30 September 2022, the Group has sales backlogs of approximately RMB2.1 million (equivalent to approximately HK\$2.3 million) with contracts already entered into with its customers. In addition, as the fourth quarter is traditionally the peak season for the sale and delivery of oilfield products, the Group expects that there will be additional new sales orders of approximately RMB5.0 million to RMB7.0 million (equivalent to approximately HK\$5.5 million to HK\$7.7 million) for the fourth quarter of 2022 based on recent discussions and negotiations with its customers. Based on the above and assuming that the customers will not delay and/or cancel their purchase orders, the estimated value of oilfield products to be purchased by the Group from the Petro-king Huizhou Group for the financial year ending 31 December 2022 will be approximately RMB13.0 million to RMB15.0 million (equivalent to approximately HK\$14.4 million to HK\$16.6 million). Based on the prevailing international oil price and recent discussions and negotiations with its customers, the Group expects that there will be a continuous increase in demand in the Group's oilfield products in 2023 and 2024.

For the period from 24 February 2022 to the date of this announcement, the historical transaction amount of products purchased by the PRC Subsidiaries from the Petro-king Huizhou Group under the Framework Sale and Purchase Agreement was approximately RMB5.4 million (equivalent to approximately HK\$6.0 million). As at the date of this announcement, the transaction amount under the Framework Sale and Purchase Agreement has not exceeded the Existing Annual Cap in 2022.

REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS

Brent crude oil price continued to rebound in the past two years and remained at high price recently (at approximately US\$85 per barrel in September 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 well completion products, production enhancement products and drilling products in the PRC. Accordingly, market demands for well completion products, production enhancement products and drilling products offered by the Group are expected to grow in the foreseeable future. The Revised Annual Caps would enable the Group to continue to secure a stable and quality supply of products from the Petro-king Huizhou Group, which has been a long-term supplier of the Group for its well completion products, production enhancement products and drilling products.

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 resolution(s) approving the Supplemental Framework Agreement and the transactions contemplated thereunder to avoid any potential conflict of interest.

The Directors (excluding Mr. Wang and Mr. Huang Yu and the independent non-executive Directors whose views will be set out in the letter from the independent board committee to be included in the circular to be despatched to the Shareholders) are of the view that the transactions contemplated under the Supplemental Framework Agreement are entered into in the ordinary and usual course of business of the Group, and the terms of the Supplemental Framework Agreement and the Revised Annual Caps are determined after arm's length negotiations and on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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. Based on the above, Petro-king Huizhou and Star Petrotech are associates of Mr. Wang and also connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than profits ratio) in respect of the Revised Annual Caps of the transactions contemplated under the Supplemental Framework Agreement exceeds 5% and the Revised Annual Caps exceed HK\$10,000,000, the Supplemental Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

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.

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.

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 oilfield and gas field products, machinery and equipment.

As at the date of this announcement, Petro-king Huizhou is (i) approximately 32.73% owned by the Group, (ii) approximately 24.15% directly owned by Mr. Wang and his associates, (iii) approximately 9.06% owned by Mr. Wang through his associate the Employee Partnership Enterprise I, (iv) approximately 6.89% owned by the Employee Partnership Enterprise II, (v) approximately 4.96% owned by Shenzhen Kaian, (vi) approximately 2.48% owned by Mr. Zhou Xian, (vii) approximately 2.48% owned by Dongfang Gangwan, (viii) approximately 2.48% owned by Mr. Zhang Houdong, (ix) approximately 2.48% owned by Mr. Fang Yonghao, (x) approximately 2.48% owned by Mr. Yang Hongjun, (xi) approximately 2.26% owned by Mr. Zhang Siqiang, (xii) approximately 2.06% owned by Mr. Zhou Xiaoping, (xiii) approximately 1.98% owned by Mr. Dai Shaoyue, (xiv) approximately 1.94% owned by the Zhunrui Partnership[^], (xv) approximately 0.87% owned by Mr. Chen Jianwei, and (xvi) 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 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. Zhou Xiaoping, Mr. Dai Shaoyue, Mr. Chen Jianwei 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.

GENERAL

The Company will convene the EGM during which ordinary resolution(s) will be proposed to the Shareholders other than Mr. Wang and his associates (the “**Independent Shareholders**”) to approve the Supplemental Framework Agreement and the transactions contemplated thereunder. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, other than Mr. Wang and his associates, no other Shareholder will be required to abstain from voting on the resolution(s) approving the Supplemental Framework Agreement and the transactions contemplated thereunder at the EGM.

An independent board committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Supplemental Framework Agreement and the transactions contemplated thereunder. FDB Financial Group Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, further particulars of the Supplemental Framework Agreement, a letter from the independent board committee, a letter from the independent financial adviser, other information as required under the Listing Rules, and the notice of EGM to consider and, if thought fit, to approve the resolution(s) relating to the Supplemental Framework Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 2 November 2022.

[^] *The name of the Zhunrui Partnership has been changed from 寧波梅山保稅港區準睿股權投資合夥企業 (有限合夥) to 寧波梅山保稅港區準睿創業投資合夥企業 (有限合夥) in August 2022.*

[#] *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\$1.1040.

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

Hong Kong, 12 October 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.