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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)

**MAJOR AND CONNECTED TRANSACTIONS
PROVISION OF FINANCIAL ASSISTANCE**

EXTENSION OF THE LOAN FACILITIES

Reference is made to the announcement of the Company dated 15 November 2020 and the circular of the Company dated 12 January 2021 in relation to, among others, the provision of the Loan Facilities, which will expire on 31 December 2022.

On 9 November 2022 (after trading hours), Petro-king International and Star Petrotech entered into the Supplemental Agreement I, pursuant to which Petro-king International agreed to offer to Star Petrotech an irrevocable revolving credit facility in a reduced principal amount of up to US\$2.7 million (equivalent to approximately HK\$21.2 million) for a term up to 31 December 2024. On the same date, Mr. Wang (as the guarantor) executed a deed of guarantee, so as to provide the Personal Guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under the Loan Facility I (as amended and supplemented by the Supplemental Agreement I).

On 9 November 2022 (after trading hours), Petro-king Shenzhen, Petro-king Huizhou and Mr. Wang entered into the Supplemental Agreement II, pursuant to which (i) Petro-king Shenzhen agreed to continue to offer to Petro-king Huizhou an irrevocable revolving credit facility in the principal amount of up to RMB15 million (equivalent to approximately HK\$16.3 million) for a term up to 31 December 2024, and (ii) Mr. Wang agreed to provide the Personal Guarantee in favour of Petro-king Shenzhen in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II.

The provision of the Loan Facilities has been, and will continue to be, funded by internal resources of the Group.

EXTENSION OF PAYMENT DATE OF THE REMAINING CONSIDERATION UNDER THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcements of the Company dated 30 December 2021 and 10 January 2022 respectively in relation to the extension of payment date of the Remaining Consideration.

On 9 November 2022 (after trading hours), Petro-king Holding, Petro-king Huizhou, and Mr. Wang entered into the Supplemental Agreement III, pursuant to which (i) Petro-king Holding agreed to further extend the payment date of the Remaining Consideration of RMB8.0 million (equivalent to approximately HK\$8.7 million) from 31 December 2022 to 31 December 2023, and (ii) Mr. Wang agreed to provide the Personal Guarantee in favour of Petro-king Holding in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement III.

No further financial resources will need to be funded by the Group as the financial assistance to Petro-king Huizhou in relation to the Remaining Consideration will involve no future cash outflow from the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang is a non-executive Director and a substantial shareholder of the Company, who is interested in approximately 28.32% of the issued Shares. Mr. Wang is therefore a connected person of the Company under Chapter 14A of the Listing Rules. 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 under Chapter 14A of the Listing Rules.

The Transactions constitute the provision of financial assistance by the Group to the Petro-king Huizhou Group and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Transactions, both on standalone and aggregate basis, exceeds 5%, the Transactions are subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, is more than 25% but less than 100%, the Transactions also constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the Personal Guarantees to the Group by Mr. Wang is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules, as the provision of such Personal Guarantees constitutes a financial assistance received by the Group from a connected person, which is conducted on normal commercial terms or better and is not secured by the assets of the Group.

(A) EXTENSION OF THE LOAN FACILITIES

Reference is made to the announcement of the Company dated 15 November 2020 and the circular of the Company dated 12 January 2021 in relation to, among others, the provision of the Loan Facilities.

Pursuant to the Loan Facility I, Petro-king International (as the lender) agreed to offer to Star Petrotech (as the borrower) an irrevocable revolving credit facility in the principal amount of up to US\$3.5 million (equivalent to approximately HK\$27.5 million). As at the date of this announcement, the outstanding amount owed by Star Petrotech to Petro-king International under the Loan Facility I is approximately US\$2.6 million (equivalent to approximately HK\$20.4 million). The Loan Facility I will expire on 31 December 2022. On 9 November 2022 (after trading hours), Petro-king International and Star Petrotech entered into the Supplemental Agreement I, pursuant to which Petro-king International agreed to offer to Star Petrotech an irrevocable revolving credit facility in a reduced principal amount of up to US\$2.7 million (equivalent to approximately HK\$21.2 million) for a term up to 31 December 2024. On the same date, Mr. Wang (as the guarantor) executed a deed of guarantee, so as to provide the Personal Guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under the Loan Facility I (as amended and supplemented by the Supplemental Agreement I).

Pursuant to the Loan Facility II, Petro-king Shenzhen (as the lender) agreed to offer to Petro-king Huizhou (as the borrower) an irrevocable revolving credit facility in the principal amount of up to RMB15 million (equivalent to approximately HK\$16.3 million). As at the date of this announcement, the outstanding amount owed by Petro-king Huizhou to Petro-king Shenzhen under the Loan Facility II is approximately RMB14.9 million (equivalent to approximately HK\$16.2 million). The Loan Facility II will expire on 31 December 2022. On 9 November 2022 (after trading hours), Petro-king Shenzhen, Petro-king Huizhou and Mr. Wang (as the guarantor) entered into the Supplemental Agreement II, pursuant to which (i) Petro-king Shenzhen agreed to continue to offer to Petro-king Huizhou an irrevocable revolving credit facility in the principal amount of up to RMB15 million (equivalent to approximately HK\$16.3 million) for a term up to 31 December 2024, and (ii) Mr. Wang agreed to provide the Personal Guarantee in favour of Petro-king Shenzhen in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II.

The provision of the Loan Facilities has been, and will continue to be, funded by internal resources of the Group.

Set out below are the principal terms and conditions of the Loan Facility I (as amended and supplemented by the Supplemental Agreement I) and the Loan Facility II (as amended and supplemented by the Supplemental Agreement II):

	Loan Facility I (as amended and supplemented by the Supplemental Agreement I)	Loan Facility II (as amended and supplemented by the Supplemental Agreement II)
Parties:	(1) Petro-king International (as the lender); and (2) Star Petrotech (as the borrower)	(1) Petro-king Shenzhen (as the lender); (2) Petro-king Huizhou (as the borrower); and (3) Mr. Wang (as the guarantor)
Principal amount:	Up to US\$2.7 million (equivalent to approximately HK\$21.2 million)	Up to RMB15 million (equivalent to approximately HK\$16.3 million)
Purpose:	For the borrower's general working capital purpose	
Interest rate:	The rate of interest applicable to all the outstanding amounts under the relevant loan facility shall be 7% per annum commencing from 1 January 2023. The above interest rate was determined after taking into account, among others, the prevailing market interest rate, the weighted average borrowing cost of the Group and the Personal Guarantee from Mr. Wang. Interest shall be calculated on the actual number of days elapsed and on the basis of a 365-day year. Interest shall be payable on a quarterly basis, with the first interest payment to be made in 2023 commencing from 31 March 2023.	
Term, repayment and prepayment:	All outstanding loan principal and accrued interest under the relevant loan facility shall be repaid on or before 31 December 2024.	

The borrower shall have the right to make early prepayment to the lender of the whole or any part of the relevant loan facility at any time during the term by giving not less than five business days' written notice of its intention to make prepayment, specifying the principal amount to be prepaid and the date on which prepayment is to be made, and paying all accrued interests on the principal amount prepaid on the date of prepayment.

Drawdown: When the borrower wishes to further draw down the relevant loan facility, five business days' irrevocable written notice specifying the amount required and the proposed date of drawdown shall be given from the borrower to the lender.

Conditions precedent: The Supplemental Agreement I and the Supplemental Agreement II 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 respective transactions contemplated under the Supplemental Agreement I and the Supplemental Agreement II (as the case may be), including but not limited to the Company having obtained the relevant approval from the Independent Shareholders at the EGM.

Default interest:	In the event that the borrower fails to repay any sum outstanding (including loan principal and accrued interest (if any)) to the lender under the loan facility when it falls due, the borrower shall pay to the lender interest at a default rate of 18% per annum (on the basis of a 365-day year) on such overdue sum for the period from and including the due date up to and including the date of actual receipt of payment by the lender.	In the event that the borrower fails to repay any sum outstanding (including loan principal and accrued interest (if any)) to the lender under the loan facility when it falls due, in addition to the interest as mentioned above, the borrower shall pay to the lender an additional default interest of 0.03% per day on such overdue sum for the period from and including the due date up to and including the date of actual receipt of payment by the lender.
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Events of default: Upon the occurrence of any event of default as described in the Loan Facility I (as amended and supplemented by the Supplemental Agreement I) or The Loan Facility II (as amended and supplemented by the Supplemental Agreement II) (as the case may be), the lender has the right to declare the relevant loan facility to be cancelled, and demand immediate payment of any sum outstanding (including loan principal and accrued interest (if any)) with immediate effect.

Right of set-off: In the event that the borrower fails to honour its contractual repayment obligations (including loan principal, accrued interest and/or other fees (if any)), under the relevant loan facility, the lender will have the right to offset (i) any outstanding account payables and/or other money owing (as applicable) to the borrower (including its subsidiaries) by the lender (including the Company and its subsidiaries) against (ii) any obligations and liabilities outstanding under the relevant loan facility, subject to all applicable law, rules and regulations, including the foreign exchange control law, rules and regulations in the PRC. The borrower does not have such right of set-off.

For the avoidance of doubt, the parties shall, and shall procure such relevant parties to, do such further act(s) and thing(s) and enter into such further agreement(s) and document(s) as may be necessary or desirable to carry into or to give effect to the above arrangement.

For the avoidance of doubt, the relevant parties shall enter into separate agreement(s) to agree on the details of the above arrangement.

Undertakings: Before full repayment of the relevant loan facility, the borrower agreed to provide the following undertakings in favour of the lender:

- i. the borrower shall seek prior written consent from the lender for any of its acquisitions, investments and/or capital expenditures, if the amount of which exceeds 25% of its consolidated total assets as set out in its latest audited consolidated financial statements, prepared in accordance with the Financial Reporting Standards in Singapore or the PRC (as the case may be);

- ii. the debt-to-assets ratio (calculated by dividing consolidated total liabilities by consolidated total assets as set out in the latest audited consolidated financial statements, prepared in accordance with the Financial Reporting Standards in Singapore or the PRC (as the case may be)) of the borrower shall not exceed 75%;
- iii. on a monthly basis, the borrower shall provide the full set of its consolidated management accounts (including but not limited to statements of financial position and profit or loss), prepared in accordance with the Financial Reporting Standards in Singapore or the PRC (as the case may be) to the lender; and
- iv. on a semi-annual basis, the borrower shall provide an update on its consolidated cash flow forecast for the year(s) ending 31 December 2024 to the lender.

In the event that any of the above undertakings is breached, the borrower shall inform the lender in writing promptly or on the same date on which such breach has come to its knowledge, and rectify the breach within seven calendar days after notifying the lender. Failing to do so constitutes an event of default under the relevant loan facility.

Guarantee:

Pursuant to the deed of guarantee dated 9 November 2022, Mr. Wang agreed to provide a personal guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under the Loan Facility I (as amended and supplemented by the Supplemental Agreement I). Pursuant to the Supplemental Agreement II, Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Shenzhen for the joint and several liabilities in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II.

(B) EXTENSION OF PAYMENT DATE OF THE REMAINING CONSIDERATION UNDER THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcements of the Company dated 30 December 2021 and 10 January 2022 respectively in relation to the extension of payment date of the Remaining Consideration.

Pursuant to the Equity Transfer Agreement, Petro-king Holding and Petro-king Huizhou agreed to extend the payment date of the Remaining Consideration to 31 December 2022. As at the date of this announcement, the Remaining Consideration of RMB8.0 million (equivalent to approximately HK\$8.7 million) under the Equity Transfer Agreement remained unsettled. On 9 November 2022 (after trading hours), Petro-king Holding, Petro-king Huizhou, and Mr. Wang (as the guarantor) entered into the Supplemental Agreement III, pursuant to which (i) Petro-king Holding agreed to further extend the payment date of the Remaining Consideration from 31 December 2022 to 31 December 2023, and (ii) Mr. Wang agreed to provide the Personal Guarantee in favour of Petro-king Holding in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement III.

No further financial resources will need to be funded by the Group as the financial assistance to Petro-king Huizhou in relation to the Remaining Consideration will involve no future cash outflow from the Group.

Set out below are the principal terms and conditions in relation to the Remaining Consideration under the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement III):

Parties:	(1) Petro-king Holding;
	(2) Petro-king Huizhou; and
	(3) Mr. Wang (as the guarantor)
Remaining Consideration:	RMB8.0 million (equivalent to approximately HK\$8.7 million)

Interest rate: The rate of interest applicable to the Remaining Consideration shall be 7% per annum commencing from 1 January 2023. The above interest rate was determined after taking into account, among others, the prevailing market interest rate, the weighted average borrowing cost of the Group, and the Personal Guarantee from Mr. Wang.

Interest shall be calculated on the actual number of days elapsed and on the basis of a 365-day year. Payment of interest shall be made by Petro-king Huizhou on a quarterly basis, with the first interest payment to be made in 2023 commencing from 31 March 2023 and all accrued and unpaid interest (if any) shall be paid upon the settlement in full of the Remaining Consideration.

Term and repayment: Petro-king Huizhou shall settle the Remaining Consideration and all accrued and unpaid interest (if any) to Petro-king Holding on or before 31 December 2023.

Petro-king Huizhou may, at any time prior to 31 December 2023, make early repayment of the whole or any part of the Remaining Consideration, and the interest of which shall be calculated at the abovementioned interest rate.

Conditions precedent: The Supplemental Agreement III 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 Agreement III, including but not limited to the Company having obtained approval from the Independent Shareholders at the EGM.

- Default interest: In the event that Petro-king Huizhou fails to repay any outstanding sum (including the Remaining Consideration and accrued interest and/or other fees (if any)) to Petro-king Holding under the Supplemental Agreement III when it falls due, in addition to the interest as mentioned above, Petro-king Huizhou shall pay to Petro-king Holding an additional default interest of 0.03% per day on such overdue sum for the period from and including the due date up to and including the date of actual receipt of payment by Petro-king Holding.
- Events of default: Upon the occurrence of any event of default as described in the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement III), Petro-king Holding has the right to (a) demand immediate payment of any sum outstanding (including the Remaining Consideration and accrued interests (if any)) and/or (b) terminate the responsibilities and obligations of Petro-king Holding under the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement III) with immediate effect.
- Undertakings: Before full repayment of all outstanding sums to Petro-king Holding under the Supplemental Agreement III, Petro-king Huizhou agreed to provide the following undertakings in favour of Petro-king Holding:
- i. Petro-king Huizhou shall seek prior written consent Petro-king Holding for any of its acquisitions, investments and/or capital expenditures, if the amount of which exceeds 25% of its consolidated total assets as set out in its latest audited consolidated financial statements, prepared in accordance with the Financial Reporting Standards in the PRC;
 - ii. the debt-to-assets ratio (calculated by dividing consolidated total liabilities by consolidated total assets as set out in the latest audited consolidated financial statements, prepared in accordance with the Financial Reporting Standards in the PRC) of Petro-king Huizhou shall not exceed 75%;

- iii. on a monthly basis, Petro-king Huizhou shall provide the full set of its consolidated management accounts (including but not limited to statements of financial position and profit or loss), prepared in accordance with the Financial Reporting Standards in the PRC to Petro-king Holding; and
- iv. on a semi-annual basis, Petro-king Huizhou shall provide an update on its consolidated cash flow forecast for the year(s) ending 31 December 2024 to Petro-king Holding.

In the event that any of the above undertakings is breached, Petro-king Huizhou shall inform Petro-king Holding in writing on the same date on which such breach has come to its knowledge, and rectify the breach within seven calendar days after notifying Petro-king Holding. Failing to do so constitutes an event of default under the Supplemental Agreement III.

Guarantee: Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Holding for the joint and several liabilities in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement III.

BACKGROUND TO, REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has a long and stable cooperative relationship with, and has been providing financial assistance to, the Petro-king Huizhou Group for a long period of time. Petro-king Huizhou was a subsidiary of the Company prior to June 2021. Following (i) certain rounds of capital increases by various parties to Petro-king Huizhou, and (ii) the partial disposal of the Group's equity interest in Petro-king Huizhou and Star Petrotech, the Petro-king Huizhou Group ceased to be subsidiaries of the Company and has been accounted for as interest in an associate since June 2021. As at the date of this announcement, the Group holds approximately 32.73% equity interest in Petro-king Huizhou. In addition to the above shareholding relationship, the Group conducts business transactions with the Petro-king Huizhou Group as a strategic partner, including the purchases of well completion products, production enhancement products and drilling products for the Group's operation as detailed in the announcement of the Company dated 12 October 2022.

The amounts owed by the Petro-king Huizhou Group to the Group under the Loan Facilities and the Equity Transfer Agreement will expire by the end of this year. The Company considers it beneficial to extend the repayment terms in order to facilitate the continuous operation and development of the Petro-king Huizhou Group. By extending the financial assistance, the Group will be benefited from (i) a healthier financial position of the Petro-king Huizhou Group, enabling it to continue its principal businesses, which is in the interest of the Group both as a lender and as a shareholder of Petro-king Huizhou, and (ii) receiving interest income on the outstanding amounts under such financial assistance at a rate higher than the weighted average borrowing cost of the Group. As a newly added protection mechanism to support the extension of such financial assistance, Mr. Wang agreed to provide the Personal Guarantees in favour of the Group in connection with all the contractual repayment obligations of the Petro-king Huizhou Group under the Transactions. The above, together with additional undertakings and internal control measures in place as further set out below, offer a higher level of protection to safeguard the interests of the Company and its Shareholders as a whole.

The business environment in the oil and gas industry was difficult in 2020 and 2021, mainly due to the volatile international oil price, the weak demand for global energy consumption and uncertain global economy as negatively affected by the COVID-19 pandemic. However, Brent crude oil price continued to rebound in 2022 and stayed largely about US\$90 per barrel in October 2022. In addition, the outbreak of the Russia-Ukraine War has further strengthened the PRC's national policy for energy safety. As a result of the strong and stable international oil price and the PRC's national policy for energy safety and to encourage shale gas consumption for environmental protection, owners of shale gas fields in the PRC (mostly major national oil companies) have accelerated the exploration and construction of their shale gas projects, which has in turn stimulated market demands for oilfield and gas field products in the PRC. The extension of the financial assistance to the Petro-king Huizhou Group would enable it to benefit from such market opportunities in the foreseeable future.

The Company has been negotiating with the Petro-king Huizhou Group regarding the repayment of the outstanding amounts under the Loan Facilities and the Equity Transfer Agreement in recent months. The Company has been informed that the Petro-king Huizhou Group needs to retain its financial resources to support its daily operations, and that substantial liquidity issues may ensue if the Petro-king Huizhou Group is required to repay in full all outstanding amounts under the Loan Facilities and the Equity Transfer Agreement when they fall due by the end of this year, in light of the difficult business environment in the past two years as described above and its relatively tight liquidity position. Based on the business and financial information provided by the Petro-king Huizhou Group, its business is expected to gradually improve in the coming one to two years, and will be able to meet its repayment obligations by the end of 2024. In particular, the Company has conducted due diligence and assessment on the repayment capability of the Petro-king Huizhou Group, for example, by reviewing Petro-king Huizhou and Star Petrotech's latest financial position as at 30 September 2022, their recent business performance, confirmed and expected sales orders on hand, and cash flow forecast for the two years ending 31 December 2024. Based on the above, together with (i) the enhanced risk-monitoring mechanism pursuant to the additional undertakings by Petro-king Huizhou and Star Petrotech as set out in the Supplemental Agreements, including the requirement of prior written consent from the Group with regard to their major corporate actions and the provision of consolidated management accounts on a regular basis, (ii) the Personal Guarantees from Mr. Wang in favour of the Group, as well as (iii) the Group's internal control measures as set out below, the Group considers the extension of the financial assistance to the Petro-king Huizhou Group, on balance, to be the preferable alternative, allowing the Petro-king Huizhou Group to benefit from the abovementioned market opportunities and to avoid a significant liquidity shortage arising from full repayment of the outstanding financial assistance to the Group, and at the same time allowing the Group to earn interest income from such financial assistance.

The Company has nominated one director out of three at the board of directors of Petro-king Huizhou as at the date of this announcement, and the consolidated financial statements of the Petro-king Huizhou Group are provided to the Company on a regular basis, such that the Company could continuously monitor the financial performance and position of the Petro-king Huizhou Group. Given no further funding is required from the Company, the Transactions will not have any material adverse effect on the financial position of the Group.

Taking into account the above, the strategic relationship between the Group and the Petro-king Huizhou Group and the interest returns to be earned on the outstanding amounts, 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) consider that the Supplemental Agreements, which have been entered into after arm's length negotiation between the Group and the Petro-king Huizhou Group, are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Since Mr. Wang (a non-executive Director and chairman of the Company) and Mr. Huang Yu (an 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 Supplemental Agreements and the transactions contemplated thereunder to avoid any potential conflict of interest.

INTERNAL CONTROL MEASURES

In order to protect the interests of the Shareholders, the Group will adopt the following internal control measures in relation to the provision of financial assistance by the Group to the Petro-king Huizhou Group during the term of the Supplemental Agreements:

- (i) The current limits under the Loan Facilities have almost been fully utilised as at the date of this announcement. The Group shall have the absolute discretion to decide whether to allow any part of the prepaid amounts to be reborrowed within the limit under the Loan Facilities, based on the information provided by Petro-king Huizhou and Star Petrotech at the time of its drawdown application. As such, the Group shall be under no obligation to release any part of the prepaid amounts to be reborrowed by Petro-king Huizhou and/or Star Petrotech and shall have the absolute right to reject the drawdown application for the reborrowing of any prepaid amounts. Before approving any part of the prepaid amounts to be reborrowed within the limit under the Loan Facilities, the treasury manager of the Group will review details of the loan drawdown application and analyse the working capital and liquidity position of the Group and the Petro-king Huizhou Group. The treasury manager will then report to the general manager of the finance department and the chief financial officer of the Group for approval. The chief financial officer will seek approval from Mr. Zhao Jindong, an executive Director, should he have any concern about the business or financial position of Petro-king Huizhou and Star Petrotech;

- (ii) Petro-king Huizhou and Star Petrotech shall use the loan strictly in accordance with the purpose specified in the Loan Facilities, and Petro-king Huizhou and Star Petrotech shall provide, among others, its consolidated management accounts to the Group on a monthly basis. Pursuant to the undertakings as set out in the Loan Facilities, Petro-king Huizhou and Star Petrotech are required to seek prior written consent from the Group for any of their acquisitions, investments and/or capital expenditures, if the amount of which exceeds 25% of their respective consolidated total assets, and the Group has the right to disapprove the proposed action(s); and
- (iii) The Group has conducted due diligence and assessment on the repayment capability of the Petro-king Huizhou Group, for example, by reviewing Petro-king Huizhou and Star Petrotech's latest financial position as at 30 September 2022, their recent business performance, confirmed and expected sales orders on hand, and cash flow forecast for the two years ending 31 December 2024. Pursuant to the undertakings as set out in the Loan Facilities, Petro-king Huizhou and Star Petrotech are required to provide update(s) on the consolidated cash flow forecast for the year(s) ending 31 December 2024 on a semi-annual basis.

There is a proper and complete separation of duties, and no staff, senior management, director or shareholder (except for the Company and its nominee) of the Petro-king Huizhou Group will be involved in the above internal control and approval procedures. Based on the above internal control measures in place, and taking into account the Personal Guarantees from Mr. Wang in favour of the Group, the Company considers that the recovery risks of the loans under the Loan Facilities are adequately addressed.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang is a non-executive Director and a substantial shareholder of the Company, who is interested in approximately 28.32% of the issued Shares. Mr. Wang is therefore a connected person of the Company under Chapter 14A of the Listing Rules. 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 under Chapter 14A of the Listing Rules.

The Transactions constitute the provision of financial assistance by the Group to the Petro-king Huizhou Group and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Transactions, both on standalone and aggregate basis, exceeds 5%, the Transactions are subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, is more than 25% but less than 100%, the Transactions also constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the Personal Guarantees to the Group by Mr. Wang is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules, as the provision of such Personal Guarantees constitutes a financial assistance received by the Group from a connected person, which is conducted on normal commercial terms or better and is not secured by the assets of the Group.

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.

Petro-king International and Petro-king Holding are companies incorporated in Hong Kong with limited liability. Petro-king Shenzhen is a company established under the laws of the PRC with limited liability. Each of Petro-king International, Petro-king Holding and Petro-king Shenzhen is a wholly-owned subsidiary of the Company.

Petro-king International is principally engaged in the provision of oilfield project tools and services and consultancy services. Petro-king Shenzhen is principally engaged in investment holding in the PRC. Petro-king Holding is principally engaged in investment holding in Hong Kong.

INFORMATION ON PETRO-KING HUIZHOU AND STAR PETROTECH

Petro-king Huizhou is a company established under the laws of the PRC with limited liability and is principally engaged in the research and development, production and trading of oilfield and gas field related products. 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 (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 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**”), (iv) 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**”), (v) 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**”), (vi) approximately 2.48% owned by Mr. Zhou Xian, (vii) 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**”), (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 Shiqiang, (xii) approximately 2.06% owned by Mr. Zhou Xiaoping, (xiii) approximately 1.98% owned by Mr. Dai Shaoyue, (xiv) approximately 1.93% owned by 寧波梅山保稅港區準睿創業投資合夥企業(有限合夥)¹ (Ningbo Meishan Free Trade Zone Zhunrui Entrepreneur Investment Partnership Enterprise (Limited Partnership)[#]) (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, namely 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.

¹ 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 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 Shiqiang, 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 resolutions will be proposed to the Independent Shareholders to approve the Supplemental Agreements and the respective 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 resolutions approving the Supplemental Agreements and the respective transactions contemplated thereunder at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Transactions. 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.

GENERAL

A circular containing, among other things, further particulars of the Supplemental Agreements, 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, pass the resolutions to approve the Supplemental Agreements and the respective transactions contemplated thereunder will be despatched to the Shareholders on or before 30 November 2022.

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
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the resolutions relating to the Supplemental Agreements and the respective transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 31 October 2019 (as amended and supplemented by a supplemental agreement dated 6 November 2019 and further amended and supplemented by a supplemental agreement dated 30 December 2021) entered into between Petro-king Holding and Petro-king Huizhou in relation to the transfer of 100% equity interest in 百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd. [#]) by Petro-king Holding to Petro-king Huizhou
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Leung Lin Cheong, Mr. Xin Junhe and Mr. Zhang Dawei, formed to advise the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser”	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, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	Shareholders other than Mr. Wang and his associates
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), 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”	together, the Loan Facility I and the Loan Facility II
“Loan Facility I”	the loan facilities up to the principal sum of US\$3.5 million made by Petro-king International as the lender to Star Petrotech as the borrower under the loan facility agreement dated 13 November 2020
“Loan Facility II”	the loan facilities up to the principal sum of RMB15.0 million made by Petro-king Shenzhen as the lender to Petro-king Huizhou as the borrower under the loan facility agreement dated 13 November 2020

“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
“Personal Guarantee(s)”	the personal guarantee(s) provided by Mr. Wang in favour of the Group in connection with all the contractual repayment obligations of the Petro-king Huizhou Group under the Transactions
“Petro-king Holding”	Petro-king Holding Limited, a company incorporated in Hong Kong with limited liability and is directly wholly owned by the Company
“Petro-king 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 its subsidiaries, including Star Petrotech
“Petro-king International”	Petro-king International Company Limited, a company incorporated in Hong Kong with limited liability and is indirectly wholly owned by the Company
“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

“Remaining Consideration”	the remaining consideration in respect of the transfer of 100% equity interest in 百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd. [#]) by Petro-king Holding to Petro-king Huizhou pursuant to the Equity Transfer Agreement
“Share(s)”	ordinary share(s) 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 a wholly-owned subsidiary of Petro-king Huizhou
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement I”	the supplemental agreement dated 9 November 2022 to the Loan Facility I entered into between Petro-king International and Star Petrotech
“Supplemental Agreement II”	the supplemental agreement dated 9 November 2022 to the Loan Facility II entered into between Petro-king Shenzhen and Petro-king Huizhou
“Supplemental Agreement III”	the supplemental agreement dated 9 November 2022 to the Equity Transfer Agreement entered into between Petro-king Holding and Petro-king Huizhou
“Supplemental Agreements”	the Supplemental Agreement I, the Supplemental Agreement II and the Supplemental Agreement III
“Transactions”	collectively, the transactions contemplated under the Supplemental Agreements
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“US\$” United States dollar(s), 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 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\$1.08799.

Translation of US\$ into HK\$ is based on the exchange rate of US\$1 = HK\$7.85.

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

Hong Kong, 9 November 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.