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SPT Energy Group Inc.

華油能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1251)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board announces that on 29 January 2024, the Lessee, being a subsidiary of the Company, entered into the Finance Lease Arrangement A and the Finance Lease Arrangement B with the Lessor, the details of which are set out in this announcement.

LISTING RULES IMPLICATIONS

The Lessee is an indirect subsidiary of the Company. According to Rule 14.22 of the Listing Rules, the Finance Lease Arrangements during any 12-month period shall be aggregated as a series of transactions. As one or more of the applicable percentage ratios in respect of each of the Finance Lease Arrangements A and B, entered into during the period from 29 January 2024, when aggregated, exceed 5% but are less than 25%, the abovementioned transactions contemplated thereunder each constituted a discloseable transaction of the Company and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 29 January 2024, the Lessee, being a subsidiary of the Company, entered into the Finance Lease Arrangement A and the Finance Lease Arrangement B with the Lessor, the details of which are set out in this announcement.

FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT A

1. Finance Lease Agreement A

On 29 January 2024, the Lessor and the Lessee, an indirect subsidiary of the Company, entered into the Finance Lease Agreement A, pursuant to which (i) the Lessee has agreed to sell its own assets, namely the Leased Assets A, to the Lessor, at a transfer consideration of RMB11,500,000; and (ii) the Lessor has agreed to lease back the Leased Assets A to the Lessee for a term of 30 months. The total lease payment under the Finance Lease Agreement A was RMB12,791,801, which shall include a finance lease principal of RMB11,500,000 and a finance lease interest (inclusive of VAT) of RMB1,291,801.

The principal terms of the Finance Lease Agreement A are set out below:

Date of agreement: 29 January 2024

Parties:

The purchaser and the Lessor: Far Eastern Leasing

The seller and the Lessee: Petrotech (Xinjiang)

Leased Assets:

The Leased Assets A are oil and gas field operation equipment – heavy non-cargo professional operation vehicle A stored in Xinjiang, the PRC, with a net book value of approximately RMB12,655,362 at the relevant time.

Lease period:

The lease period of the Finance Lease Agreement A is 30 months.

Consideration and payment terms:

The Lessor will purchase the Leased Assets A from the Lessee for RMB11,500,000. The payment of the consideration is conditional upon the fulfilment of certain conditions under the Finance Lease Agreement A, including, among others, (1) the due execution of the Finance Lease Agreement A and the underlying sale and purchase agreement of the Leased Assets A; and (2) the Lessor having received the relevant documentary proof confirming the ownership of the Leased Assets A.

Pursuant to the Finance Lease Agreement A, the lease payment comprises finance lease principal and finance lease interest (inclusive of VAT). Under the Finance Lease Agreement A, the finance lease principal is RMB11,500,000, the finance lease interest (inclusive of VAT) is expected to be RMB1,291,801 (calculated based on the interest rate of 5.09% per annum), the total lease payment is RMB12,791,801, and the Lessee shall make the lease payment to the Lessor at the end of each month in instalments in accordance with the Finance Lease Agreement A during the lease period.

Each of the purchase price, the finance lease principal, the finance lease interest and other expenses under the Finance Lease Agreement A was arrived at after arm's length negotiation between the parties with reference to the net book value of the Leased Assets A and prevailing market prices of the same category of finance lease products in the PRC.

Security Deposit:

The Lessee agreed to pay the security deposits for the Finance Lease Agreement A of RMB1,150,000 (bearing nil interests). On the last lease payment of the Finance Lease Agreement A, the lease payment and other payables under the final payment may be deducted from the deposits, and the Lessor will refund the Lessee the remaining amount (if any).

Ownership of the Leased Assets:

During the lease period, the ownership of the Leased Assets A shall be vested in the Lessor. If the Lessee has properly and fully performed all obligations under the Finance Lease Agreement A, upon the expiry of the Finance Lease Agreement A, the Lessor will transfer the Leased Assets A to the Lessee at the consideration of RMB100 in nominal value.

2. Guarantee A

The guarantee arrangement for the Finance Lease Agreement A is set out below:

Sinopetroleum Technology provides joint and several liability guarantee for the debts of Lessee under the Finance Lease Agreement A.

FINANCE LEASE ARRANGEMENT B

1. Finance Lease Agreement B

On 29 January 2024, the Lessor and the Lessee, an indirect subsidiary of the Company, entered into the Finance Lease Agreement B, pursuant to which (i) the Lessee has agreed to sell its own assets, namely the Leased Assets B, to the Lessor, at a transfer consideration of RMB11,500,000; and (ii) the Lessor has agreed to lease back the Leased Assets B to the Lessee for a term of 30 months. The total lease payment under the Finance Lease Agreement B was RMB12,791,801, which shall include a finance lease principal of RMB11,500,000 and a finance lease interest (inclusive of VAT) of RMB1,291,801.

The principal terms of the Finance Lease Agreement B are set out below:

Date of agreement: 29 January 2024

Parties:

The purchaser and the Lessor: Far Eastern Leasing

The seller and the Lessee: Petrotech (Xinjiang)

Leased Assets:

The Leased Assets B are oil and gas field operation equipment – heavy non-cargo professional operation vehicle B stored in Xinjiang, the PRC, with a net book value of approximately RMB12,655,362 at the relevant time.

Lease period:

The lease period of the Finance Lease Agreement B is 30 months.

Consideration and payment terms:

The Lessor will purchase the Leased Assets B from the Lessee for RMB11,500,000. The payment of the consideration is conditional upon the fulfilment of certain conditions under the Finance Lease Agreement B, including, among others, (1) the due execution of the Finance Lease Agreement B and the underlying sale and purchase agreement of the Leased Assets B; and (2) the Lessor having received the relevant documentary proof confirming the ownership of the Leased Assets B.

Pursuant to the Finance Lease Agreement B, the lease payment comprises finance lease principal and finance lease interest (inclusive of VAT). Under the Finance Lease Agreement B, the finance lease principal is RMB11,500,000, the finance lease interest (inclusive of VAT) is expected to be RMB1,291,801 (calculated based on the interest rate of 5.09% per annum), the total lease payment is RMB12,791,801, and the Lessee shall make the lease payment to the Lessor at the end of each month in instalments in accordance with the Finance Lease Agreement B during the lease period.

Each of the purchase price, the finance lease principal, the finance lease interest and other expenses under the Finance Lease Agreement B was arrived at after arm's length negotiation between the parties with reference to the net book value of the Leased Assets B and prevailing market prices of the same category of finance lease products in the PRC.

Security Deposit:

The Lessee agreed to pay the security deposits for the Finance Lease Agreement B of RMB1,150,000 (bearing nil interests). On the last lease payment of the Finance Lease Agreement B, the lease payment and other payables under the final payment may be deducted from the deposits, and the Lessor will refund the Lessee the remaining amount (if any).

Ownership of the Leased Assets:

During the lease period, the ownership of the Leased Assets B shall be vested in the Lessor. If the Lessee has properly and fully performed all obligations under the Finance Lease Agreement B, upon the expiry of the Finance Lease Agreement B, the Lessor will transfer the Leased Assets B to the Lessee at the consideration of RMB100 in nominal value.

2. Guarantee B

The guarantee arrangement for the Finance Lease Agreement B is set out below:

Sinopetroleum Technology provides joint and several liability guarantee for the debts of Lessee under the Finance Lease Agreement B.

To sum up, the difference between Finance Lease Arrangement A and B lies in the difference of leasing equipment, and there is no difference in other terms.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Directors consider that the entry of the Finance Lease Arrangement A and the Finance Lease Arrangement B will enhance the working capital position of the Lessee to optimise its asset and debt structure by increasing the liquidity position of the Lessee and to support its business and operational activities. The proceeds from the Finance Lease Arrangement A and B will apply towards repaying bank loans, purchasing equipment and increasing the general working capital requirements of the Group.

The Directors are of the view that the Finance Lease Arrangement A and B is on normal commercial terms and in the ordinary and usual course of business of the Group and such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENT

There will not be any gain or loss accrued to the Company when initially entered into the sale of the Leased Assets under the Finance Lease Arrangement, and interest expenses will be incurred over the relevant period.

GENERAL INFORMATION

The Group

The Group is principally engaged in the provision of integrated oilfield services and the manufacturing and sale of oilfield services related products.

Petrotech (Xinjiang)

Petrotech (Xinjiang) is an indirect subsidiary of the Company and is principally engaged in the provision of oilfield engineering services.

Sinopetroleum Technology

Sinopetroleum Technology is an indirect subsidiary of the Company and is principally engaged in the provision of oil and gas technology development service.

Far Eastern Leasing

Far Eastern Leasing is a company incorporated in the PRC, which is a direct wholly-owned subsidiary of Far East Horizon Limited (遠東宏信有限公司), the shares of which are listed on the Stock Exchange (stock code: 3360). Far Eastern Leasing is principally engaged in the provision of finance leases.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Far Eastern Leasing and its ultimate beneficial owners are Independent Third Parties.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	SPT Energy Group Inc. (華油能源集團有限公司*), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Finance Lease Agreement A”	the finance lease agreement A entered into A between the Lessor and the Lessee on 29 January 2024
“Finance Lease Agreement B”	the finance lease agreement B entered into B between the Lessor and the Lessee on 29 January 2024
“Finance Lease Arrangement A”	the transactions contemplated between the Lessor and the Lessee on 29 January 2024 under the Finance Lease Agreement A and the Guaranty Agreement A
“Finance Lease Arrangement B”	the transactions contemplated between the Lessor and the Lessee on 29 January 2024 under the Finance Lease Agreement B and the Guaranty Agreement B
“Group”	the Company and its subsidiaries
“Guarantee A”	the guarantee dated 29 January 2024 given by Sinopetroleum Technology in favour of the Lessor, entered in conjunction with the Finance Lease Agreement A
“Guarantee B”	the guarantee dated 29 January 2024 given by Sinopetroleum Technology in favour of the Lessor, entered in conjunction with the Finance Lease Agreement B
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	a third party who is independent of the Company and its connected persons
“Leased Assets”	oil and gas field operation equipment stored in Xinjiang, the PRC under the Finance Lease Agreement
“Leased Assets B”	oil and gas field operation equipment stored in Xinjiang, the PRC under the Finance Lease Agreement B
“Lessee” or “Petrotech (Xinjiang)”	Petrotech (Xinjiang) Engineering Co., Ltd* (新疆華油油氣工程有限公司), a company incorporated in the PRC and is an indirect subsidiary of the Company
“Lessor” or “Far Eastern Leasing”	International Far Eastern Leasing Co., Ltd.* (遠東國際融資租賃有限公司), a company incorporated under the laws of the PRC with limited liability
“Guarantee” or “Sinopetroleum Technology”	Sinopetroleum Technology Inc.* (北京華油油氣技術開發有限公司), a company incorporated in the PRC and is an indirect subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“%”	per cent

By order of the Board
SPT Energy Group Inc.
Mr. Wang Guoqiang
Chairman

The PRC, 29 January 2024

As at the date of this announcement, the executive directors are Mr. Wang Guoqiang, Mr. Ethan Wu and Mr. Li Qiang; the non-executive directors are Mr. Wu Jiwei and Ms. Chen Chunhua; and the independent non-executive directors are Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Ma Xiaohu.

* For identification purposes only