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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 ARRANGEMENTS**

FINANCE LEASE ARRANGEMENTS

Reference is made to the announcement of the Company dated 25 August 2022 in relation to, among other things, the Finance Lease Arrangement X. The Board announces that on 7 November 2022, the Lessee XI, being a subsidiary of the Company, entered into the Finance Lease Agreement XI with the Lessor, the details of which are set out in this announcement.

LISTING RULES IMPLICATIONS

Each of the Lessees 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 the Finance Lease Arrangements X and XI, entered into during the period from 25 August 2022 to 7 November 2022, when aggregated, exceed 5% but are less than 25%, the abovementioned transactions contemplated therein constituted a discloseable transaction of the Company and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 August 2022 in relation to, among other things, the Finance Lease Arrangement X. The Board announces that on 7 November 2022, the Lessee XI, being a subsidiary of the Company, entered into the Finance Lease Agreement XI with the Lessor, the details of which are set out in this announcement.

FINANCE LEASE ARRANGEMENT XI

1. *Finance Lease Agreement XI*

On 7 November 2022, the Lessor and the Lessee XI, an indirect subsidiary of the Company, entered into the Finance Lease Agreement XI, pursuant to which (i) the Lessee XI has agreed to sell its own assets, namely the Leased Assets, to the Lessor, at a transfer consideration of RMB14,000,000; and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee XI for a term of 36 months. The total lease payment under the Finance Lease Agreement XI was RMB15,505,082, which shall include a finance lease principal of RMB14,000,000 and a finance lease interest (inclusive of VAT) of RMB1,505,082.

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

Date of agreement: 7 November 2022

Parties:

The purchaser and the Lessor: Zhongguancun Science-Tech

The seller and the Lessee XI: Petrotech (Xinjiang)

Leased Assets:

The Leased Assets are oil and gas field operation equipment stored in Xinjiang, the PRC, with a net book value of approximately RMB16,089,402 at the relevant time.

Lease period:

The lease period of the Finance Lease Agreement XI is 36 months.

Consideration and payment terms:

The Lessor will purchase the Leased Assets from the Lessee XI for RMB14,000,000. The payment of the consideration is conditional upon the fulfilment of certain conditions under the Finance Lease Agreement XI, including, among others, (1) the due execution of the Finance Lease Agreement XI and the underlying sale and purchase agreement of the Leased Assets; and (2) the Lessor having received the relevant documentary proof confirming the ownership of the Leased Assets.

Pursuant to the Finance Lease Agreement XI, the lease payment comprises finance lease principal and finance lease interest (inclusive of VAT). Under the Finance Lease Agreement XI, the finance lease principal is RMB14,000,000, the finance lease interest (inclusive of VAT) is expected to be RMB1,505,082 (calculated based on the interest rate of 6.5% per annum), the total lease payment is RMB15,505,082, and the Lessee XI shall make the lease payment to the Lessor at the end of each quarter in instalments in accordance with the Finance Lease Agreement XI 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 XI and the consultancy fee (see below) was arrived at after arm's length negotiation between the parties with reference to the net book value of the Leased Assets and prevailing market prices of the same category of finance lease products in the PRC.

Security Deposit:

The Lessee XI agreed to pay the security deposits for the Finance Lease Agreement XI of RMB1,400,000 (bearing nil interests). On the last lease payment of the Finance Lease Agreement XI, the lease payment and other payables under the final payment will automatically be deducted from the deposits, and the Lessor will refund the Lessee XI the remaining amount (if any).

Ownership of the Leased Assets:

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

2. *Consultancy Agreement XI*

The Lessee XI and the Lessor also entered into the Consultancy Agreement XI on 7 November 2022 under which the Lessor will provide consultancy services to the Lessee XI and the Lessee XI will pay a consultancy fee of RMB504,000 to the Lessor. The consultancy services cover professional advice and guidance on financial planning, policy consulting and client liaison.

3. *Guarantee XI*

The guarantee arrangements for the Finance Lease Agreement XI are set out below:

- (1) SPT Energy (Hong Kong), a controlling shareholder of Lessee XI, provides joint and several liabilities guarantee for the debts of Lessee XI under the Finance Lease Agreement XI; and
- (2) Lessee X provides joint and several liabilities guarantee for the debts of Lessee XI under the Finance Lessee Agreement XI.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS

The Directors consider that the entry of the Finance Lease Arrangements will enhance the working capital position of each of the Lessees to optimise its asset and debt structure by increasing the liquidity position of the Lessees and to support their business and operational activities. The proceeds from the Finance Lease Arrangements have been applied 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 Arrangements are 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 ARRANGEMENTS

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 Arrangements, 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 service.

SPT Energy (Hong Kong)

SPT Energy (Hong Kong) is a direct subsidiary of the Company and is principally engaged in investment holding.

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.

Zhongguancun Science-Tech

Zhongguancun Science-Tech is a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 1601). It is principally engaged in the provision of finance leases to technology and new economy companies in China.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Zhongguancun Science-Tech and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

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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
“Consultancy Agreement X”	the consultancy agreement entered into between the Lessor and the Lessee X on 25 August 2022
“Consultancy Agreement XI”	the consultancy agreement entered into between the Lessor and the Lessee XI on 7 November 2022
“Directors”	the directors of the Company
“Finance Lease Agreement X”	the finance lease agreement entered into between the Lessor and the Lessee X on 25 August 2022
“Finance Lease Agreement XI”	the finance lease agreement entered into between the Lessor and the Lessee XI on 7 November 2022
“Finance Lease Arrangements”	the Finance Lease Arrangement X and the Finance Lease Arrangement XI
“Finance Lease Arrangement X”	the transactions contemplated under the Finance Lease Agreement X, the Guarantee X and the Consultancy Agreement X
“Finance Lease Arrangement XI”	the transactions contemplated under the Finance Lease Agreement XI, the Guarantee XI and the Consultancy Agreement XI

“Group”	the Company and its subsidiaries
“Guarantee X”	the guarantee dated 25 August 2022 given by SPT Energy (Hong Kong) in favour of the Lessor, entered in conjunction with the Finance Lease Agreement X
“Guarantee XI”	the guarantees dated 7 November 2022 given by SPT Energy (Hong Kong) and Lessee X in favour of the Lessor, entered in conjunction with the Finance Lease Agreement XI
“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 XI
“Lessee(s)”	the Lessee X and the Lessee XI
“Lessee X” 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
“Lessee XI” 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 “Zhongguancun Science-Tech”	Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, the H shares of which are listed on the Stock Exchange with stock code of 1601
“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
“SPT Energy (Hong Kong)”	SPT Energy (Hong Kong) Limited, a company incorporated in Hong Kong and is a direct subsidiary of the Company
“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, 7 November 2022

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, Mr. Wan Kah Ming and Mr. Ma Xiaohu.

* *For identification purposes only*