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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)

**CONNECTED TRANSACTION
IN RELATION TO THE EXERCISE OF CALL OPTIONS
FOR THE ACQUISITION OF PREFERENCE SHARES**

Reference is made to the Prospectus in relation to the Call Option Agreement entered into between SPT HK, as the Call Option holder, and each of Creative Access, Wide Ease, Sky Elect and Well Rejoice, as holders of the Preference Shares.

EXERCISE OF THE CALL OPTIONS AND ACQUISITION

Pursuant to the Call Option Agreement, SPT HK has a right to purchase from each of Creative Access, Wide Ease, Sky Elect and Well Rejoice (representing approximately 13.9%, 13.5%, 4.2% and 5.3% of the total issued share capital of Enecal PTE and 37.6%, 36.7%, 11.4% and 14.3% of the total issued Preference Shares, respectively) their respective Preference Shares for a consideration equivalent to their respective capital contribution (i.e. a total of SGD3,200,000).

The Board hereby announces that, on 21 January 2022, pursuant to the Call Option Agreement, SPT HK has exercised the Call Options with respect to each of Creative Access, Wide Ease, Sky Elect and Well Rejoice. Accordingly, SPT HK shall acquire a total of 350,000 Preference Shares from Creative Access, Wide Ease, Sky Elect and Well Rejoice by way of an instrument of transfer at a total consideration of SGD3,200,000.

LISTING RULES IMPLICATIONS

Prior to the exercise of the Call Options, Enecal PTE is held as to approximately 13.9% by Creative Access, which is owned by Mr. Wang, and approximately 13.5% by Wide Ease, which is owned by Mr. Wu. As each of Mr. Wang and Mr. Wu is a Director, each of Mr. Wang and Mr. Wu is a connected person of the Company. Accordingly, the transactions contemplated under the exercise of the Call Options with respect to Creative Access and Wide Ease constitute connected transactions of the Company.

As the Call Options with respect to each of Creative Access, Wide Ease, Sky Elect and Well Rejoice are exercised by the same entity, SPT HK, in relation to the entire issued Preference Shares, the transactions contemplated thereunder are regarded as related transactions and therefore are treated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Wang and Mr. Wu, none of the other Directors has or is deemed to have a material interest in the exercise of the Call Options and the Acquisition. Mr. Wang and Mr. Wu have abstained from voting on the relevant board resolutions approving the exercise of the Call Options and the Acquisition.

I. INTRODUCTION

Reference is made to the Prospectus in relation to the Call Option Agreement entered into between SPT HK, as the Call Option holder, and each of Creative Access, Wide Ease, Sky Elect and Well Rejoice, as holders of the Preference Shares.

Pursuant to the Call Option Agreement, SPT HK has a right to purchase from each of Creative Access, Wide Ease, Sky Elect and Well Rejoice (representing approximately 13.9%, 13.5%, 4.2% and 5.3% of the total issued share capital of Enecal PTE and 37.6%, 36.7%, 11.4% and 14.3% of the total issued Preference Shares, respectively) their respective Preference Shares for a consideration equivalent to their respective capital contribution (i.e. a total of SGD3,200,000).

The Board hereby announces that, on 21 January 2022, pursuant to the Call Option Agreement, SPT HK has exercised the Call Options with respect to each of Creative Access, Wide Ease, Sky Elect and Well Rejoice. Accordingly, SPT HK shall acquire a total of 350,000 Preference Shares from Creative Access, Wide Ease, Sky Elect and Well Rejoice by way of an instrument of transfer at a total consideration of SGD3,200,000.

II. EXERCISE OF THE CALL OPTIONS AND ACQUISITION

Set out below are the principal terms of the Acquisition:

Parties

- (i) SPT HK as the buyer;
- (ii) Creative Access as one of the sellers;
- (iii) Wide Ease as one of the sellers;
- (iv) Sky Elect as one of the sellers; and
- (v) Well Rejoice as one of the sellers.

Subject Matter

- (i) 131,600 Preference Shares, representing approximately 13.9% of the total issued share capital of Enecal PTE and 37.6% of the total issued Preference Shares, which is held by Creative Access prior to the exercise of the Call Options;
- (ii) 128,400 Preference Shares, representing approximately 13.5% of the total share capital of Enecal PTE and 36.7% of the total issued Preference Shares, which is held by Wide Ease prior to the exercise of the Call Options;
- (iii) 40,000 Preference Shares, representing approximately 4.2% of the share capital of Enecal PTE and 11.4% of the total issued Preference Shares, which is held by Sky Elect prior to the exercise of the Call Options; and
- (iv) 50,000 Preference Shares, representing 5.3% of the share capital of Enecal PTE and 14.3% of the total issued Preference Shares, which is held by Well Rejoice prior to the exercise of the Call Options.

Consideration

Pursuant to the Call Option Agreement, SPT HK has a right to purchase from each of Creative Access, Wide Ease, Well Rejoice and Sky Elect their respective Preference Shares for a consideration equivalent to the respective capital contribution of such holders.

Prior to the exercise of the Call Options, each of Creative Access, Wide Ease, Well Rejoice and Sky Elect has made a capital contribution of SGD1,081,600, SGD1,078,400, SGD1,000,000 and SGD40,000, respectively, to Enecal PTE for their respective subscriptions of Preference Shares. Accordingly, the total consideration payable by SPT HK pursuant to the Call Option Agreement is SGD3,200,000 being the sum of the original capital contributions paid by each of Creative Access, Wide Ease, Well Rejoice and Sky Elect.

The above consideration will be payable by SPT HK in cash upon Completion and is expected to be funded by internal resources of the Group.

It is expected that Completion will take place on or before 30 June 2022.

III. REASONS FOR AND BENEFITS OF EXERCISING THE CALL OPTIONS AND ACQUISITION

Reference is made to the Prospectus. Upon incorporation of Enecal PTE, it was held as to approximately 40.8%, 39.2% and 20.0% (corresponding to 81,600 ordinary shares, 78,400 ordinary shares and 40,000 ordinary shares) by Mr. Wang, Mr. Wu and Mr. Zhao, respectively. In preparation for the listing of the Company, new ordinary shares were issued and allotted to SPT HK, the ordinary shares originally held by Mr. Wang, Mr. Wu and Mr. Zhao were converted into Preference Shares and 50,000, 50,000 and 50,000 Preference Shares were further issued and allotted to Mr. Wang, Mr. Wu and Ms. Shen at a total consideration of SGD3,000,000. The reason for each of Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao retaining an equity interest in Enecal PTE at the relevant time is that since the Group had overseas operations including Singapore at the relevant time, having management presence in Singapore was considered conducive to the efficient management and supervision of the Group's overseas operations and business development in Singapore and their investment in Enecal PTE would satisfy the immigration requirements of the Singapore government. Accordingly, considering that Call Options were granted to the Group to purchase the Preference Shares and the Preference Shares do not confer any preferential rights to its holders except for matters specifically provided for under the Singapore Companies Act, the Directors at the relevant time considered the retaining of equity interests in Enecal PTE by Creative Access, Wide Ease, Sky Elect and Well Rejoice was in the interest of the Group. As of the date of this announcement, each of Mr. Wang and Mr. Wu has now become Singapore citizens, and Ms. Shen and Mr. Zhao have discontinued their Singapore citizenship applications. Since Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao are no longer required to retain any equity interest in Enecal PTE and SPT HK would exercise the Call Options after the holders of the Preference Shares become Singapore citizens as disclosed in the Prospectus, the exercise of the Call Options will therefore enable the Group to fully acquire the entire interest in Enecal PTE.

In view of the above and considering the total consideration of the Acquisition payable by SPT HK is equivalent to the original capital contributions paid by each of Creative Access, Wide Ease, Well Rejoice and Sky Elect to Enecal PTE and each of Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao had not received any benefit in the form of dividend or any payment from Enecal PTE since its incorporation, the Directors (including the independent non-executive Directors) consider that the exercise of the Call Options and the terms of the Acquisition are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

IV. INFORMATION OF THE GROUP, ENECAL PTE AND THE PARTIES

The Group

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

Enecal PTE

Enecal PTE is a limited liability company incorporated in Singapore and a subsidiary of SPT HK which is held as approximately 63.2%, 13.9%, 13.5%, 4.2% and 5.3% of the total issued share capital of Enecal PTE (and 100% of the total issued ordinary shares of Enecal PTE and approximately 37.6%, 36.7%, 11.4% and 14.3% of the total issued Preference Shares) by SPT HK, Creative Access, Wide Ease, Sky Elect and Well Rejoice, respectively. It is principally engaged in the procurement and trading of equipment and tools required in the provision of the Group's oilfield services.

The Parties

SPT HK

SPT HK is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. SPT HK is an investment holding company.

Creative Access

Creative Access is a company incorporated in the BVI. Creative Access is an investment holding company which is held as to 100% by Mr. Wang, a Director and, accordingly, a connected person of the Company.

Wide Ease

Wide Ease is a company incorporated in the BVI. Wide Ease is an investment holding company which is held as to 100% by Mr. Wu, a Director and, accordingly, a connected person of the Company.

Sky Elect

Sky Elect is a company incorporated in the BVI. Sky Elect is an investment holding company which is held as to 100% by Mr. Zhao, a senior management of the Group.

Well Rejoice

Well Rejoice is a company incorporated in the BVI. Well Rejoice is an investment holding company which is held as to 100% by Ms. Shen, an employee of the Group.

V. FINANCIAL INFORMATION OF ENECAL PTE

The following financial information is the latest available financial information of Enecal PTE as extracted from its audited financial statements for the two financial years ended 31 December 2019 and 31 December 2020 and its unaudited financial statements for the nine months ended 30 September 2021, respectively:

	Year ended 31 December		Nine months ended
	2019	2020	30 September
	<i>SGD'000</i>	<i>SGD'000</i>	2021
			<i>SGD'000</i>
Net profit before taxation and extraordinary items	14,703	3,805	4,332
Net profit after taxation and extraordinary items	12,232	3,116	3,599

As at 30 September 2021, the unaudited net asset value of Enecal PTE was approximately SGD62,812,000.

For accounting purposes, the consideration payable under the Acquisition would be offset against the non-controlling interest and thus the Acquisition would not result in any gain or loss reflected in the Group's consolidated income statement or any impact on the equity attributable to the Company's equity shareholders.

VI. LISTING RULES IMPLICATIONS

Prior to the exercise of the Call Options, Enecal PTE is held as to approximately 13.9% by Creative Access, which is owned by Mr. Wang, and approximately 13.5% by Wide Ease, which is owned by Mr. Wu. As each of Mr. Wang and Mr. Wu is a Director, each of Mr. Wang and Mr. Wu is a connected person of the Company. Accordingly, the transactions contemplated under the exercise of the Call Options with respect to Creative Access and Wide Ease constitute connected transactions of the Company.

As the Call Options with respect to each of Creative Access, Wide Ease, Sky Elect and Well Rejoice are exercised by the same entity, SPT HK, in relation to the entire issued Preference Shares, the transactions contemplated thereunder are regarded as related transactions and therefore are treated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Wang and Mr. Wu, none of the other Directors has or is deemed to have a material interest in the exercise of the Call Options and the Acquisition. Mr. Wang and Mr. Wu have abstained from voting on the relevant board resolutions approving the exercise of the Call Options and the Acquisition.

VII. DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued Preference Shares by SPT HK from Creative Access, Wide Ease, Sky Elect and Well Rejoice
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Call Option(s)”	the call options granted to SPT HK pursuant to the Call Option Agreement to acquire the Preference Shares for consideration equivalent to the respective capital contribution of the holders of the Preference Shares
“Call Option Agreement”	the exclusive Call Option Agreement entered into between SPT HK and each of Creative Access, Wide Ease, Sky Elect and Well Rejoice
“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
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Creative Access”	Creative Access Limited, a company incorporated in the BVI, which is held as to 100% by Mr. Wang
“Director(s)”	the director(s) of the Company

“Enecal PTE”	Enecal PTE Limited, a limited liability company incorporated in Singapore on 26 May 2009, a subsidiary of SPT HK
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
Ms. Shen	Ms. Shen Yi (沈翼), an employee of the Group
Mr. Wang	Mr. Wang Guoqiang (王國強), a Director
Mr. Wu	Mr. Ethan Wu (formerly known as Wu Dongfang) (吳東方), a Director
Mr. Zhao	Mr. Zhao Feng (趙峰), a senior management of the Group
“Preference Shares”	the class A preference shares of Enecal PTE under which, among other things, holders of such shares are not entitled to dividends unless distributable profits of Enecal PTE exceed SGD10,000,000,000 and voting rights with respect to Enecal PTE except for matters specifically provided for under the Singapore Companies Act
“Prospectus”	the prospectus of the Company dated 14 December 2011
“SGD”	the lawful currency of Singapore
“Sky Elect”	Sky Elect Limited, a company incorporated in the BVI, which is held as to 100% by Mr. Zhao
“SPT HK”	SPT Energy (Hong Kong) Limited (華油能源(香港)有限公司), a limited liability company incorporated in Hong Kong on 18 June 2008, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Well Rejoice”	Well Rejoice Limited, a company incorporated in the BVI, which is held as to 100% by Ms. Shen
“Wide Ease”	Wide Ease Limited, a company incorporated in the BVI, which is held as to 100% by Mr. Wu
“%”	per cent

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

The PRC, 21 January 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 and Mr. Wan Kah Ming.

* *For identification purpose only*