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**山東墨龍石油機械股份有限公司**

Shandong Molong Petroleum Machinery Company Limited \*

*(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 568)**

## **DISCLOSEABLE TRANSACTIONS**

### **(1) DISPOSAL OF EQUITY INTEREST IN TWO SUBSIDIARIES**

**AND**

### **(2) FINANCIAL ASSISTANCE - REPAYMENT AGREEMENTS**

#### **DISPOSAL OF EQUITY INTEREST IN TWO SUBSIDIARIES**

The Board announces that on 9 January 2024 (after trading hours):

- (i) the Company (as vendor) and the Purchaser have entered into the Shouguang Baolong S&P, pursuant to which, amongst others, the Company has agreed to sell and the Purchaser has agreed to purchase 70% of the equity interest in Shouguang Baolong at the consideration of RMB1; and
- (ii) the Company (as vendor), Shouguang Maolong (as vendor) and the Purchaser have entered into the Weihai Baolong S&P, pursuant to which, amongst others, the Company and Shouguang Maolong have agreed to sell and the Purchaser has agreed to purchase an aggregate of 98.0769% of the equity interest in Weihai Baolong at the consideration of RMB141,606,708.94.

#### **FINANCIAL ASSISTANCE - REPAYMENT AGREEMENTS**

As at 30 November 2023, (i) Shouguang Baolong is indebted to the Company in the amount of RMB461,455,200; and (ii) Weihai Baolong is indebted to the Company in the amount of RMB14,552,700; both recorded as account receivables of the Company.

In view of the operating conditions of Shouguang Baolong and Weihai Baolong, it is expected that they will not be able to repay the Indebtedness to the Company upon completion of the Disposals. Therefore, the Board announces that on 9 January 2024 (after

trading hours):

- (i) the Company (as creditor) and Shouguang Baolong (as debtor) have entered into the Shouguang Baolong Repayment Agreement, pursuant to which, amongst others, Shouguang Baolong has agreed to repay the Indebtedness in the sum of RMB461,455,200 to the Company; and
- (ii) the Company (as creditor) and Weihai Baolong (as debtor) have entered into the Weihai Baolong Repayment Agreement, pursuant to which, amongst others, Weihai Baolong has agreed to repay the Indebtedness in the sum of RMB14,552,700 to the Company.

## **LISTING RULES IMPLICATIONS**

### **The Disposals**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposals exceed 5% but all are less than 25%, the Sale and Purchase Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **The Repayment Arrangements**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Repayment Arrangements exceed 5% but all are less than 25%, the Repayment Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advances to an entity by the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As the Repayment Arrangements will constitute advances to an entity which exceed 8% of the Group's total assets as at 30 June 2023 recorded in the interim financial statements of the Group for the six months ended 30 June 2023, the Company is also under a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

# DISPOSAL OF EQUITY INTEREST IN TWO SUBSIDIARIES

## Introduction

On 9 January 2024 (after trading hours):

- (i) the Company (as vendor) and the Purchaser have entered into the Shouguang Baolong S&P, pursuant to which, amongst others, the Company has agreed to sell and the Purchaser has agreed to purchase 70% of the equity interest in Shouguang Baolong at the consideration of RMB1; and
- (ii) the Company (as vendor), Shouguang Maolong (as vendor) and the Purchaser have entered into the Weihai Baolong S&P, pursuant to which, amongst others, the Company and Shouguang Maolong have agreed to sell and the Purchaser has agreed to purchase an aggregate of 98.0769% of the equity interest in Weihai Baolong at the consideration of RMB141,606,708.94.

## Shouguang Baolong S&P

The principal terms of the Shouguang Baolong S&P are set out as follows:

### *Date*

9 January 2024

### *Parties*

- (1) Purchaser: Wuhu Zhiying Project Investment Partnership (Limited Partnership)\* (蕪湖智贏項目投資合夥企業(有限合夥)); and
- (2) Vendor: the Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

### *Subject matter*

Pursuant to the Shouguang Baolong S&P, amongst others, the Company has agreed to sell, and the Purchaser has agreed to purchase, 70% of the equity interest in Shouguang Baolong, free from all encumbrances.

The table below sets out the registered capital and shareholding of the Shouguang Baolong (i) as at the date of this announcement; and (ii) immediately upon completion:

	As at the date of this announcement		Immediately upon completion	
	Registered Capital	Shareholding	Registered Capital	Shareholding
	<i>RMB (million)</i>	%	<i>RMB (million)</i>	%
The Company	105	70	-	-
Weifang Shengcheng Investment Management Co., Ltd.* (濰坊聖城 投資有限公司)	45	30	45	30
The Purchaser	-	-	105	70
<b>Total</b>	<b>150</b>	<b>100</b>	<b>150</b>	<b>100</b>

### ***Consideration***

The consideration for the disposal of 70% of the equity interest in Shouguang Baolong is RMB1.

The consideration was determined after arm length negotiations between the Company and the Purchaser with reference to (i) the negative appraised value of 70% of the equity interest in Shouguang Baolong in the total amount of RMB-26,557,621.35 as at 30 September 2023 based on a valuation report prepared by the Valuer, an independent PRC qualified valuer, using asset-based approach; (ii) the prevailing market conditions; (iii) the operational and financial performance of the Shouguang Baolong, in particular, Shouguang Baolong has been loss-making in the recent two financial years and has recorded net liabilities of RMB283,758,300 as at 30 September 2023; and (iv) the reasons as more particularly described in the section headed “Reasons for and Benefit of the Transactions – The Disposals” in this announcement.

### **Valuation method**

The valuation of the 70% equity interest in Shouguang Baolong was arrived at using the asset-based approach.

The Valuer advised the Company that it has considered all basic valuation methods, including the market approach, income approach and asset-based approach, and has analyzed the applicability of various valuation methods and selected valuation method based on the valuation purpose, valuation object, value type, and data collection.

Due to the small number of local or overseas transactions for companies similar to Shouguang Baolong and the difficulty in obtaining information of relevant transactions, a comparable and effective market transaction reference object is unavailable. At the same time, given that Shouguang Baolong is in a state of suspension of production and is unable to operate normally, the Company's relevant parameters are of little reference value. Therefore, the market approach was not considered in conducting the appraisal.

In addition, as Shouguang Baolong is currently in a state of suspension of production, there is significant uncertainty in its future operations. It is difficult to reasonably predict and quantify the expected returns and the risks. Hence, the income method was unavailable for appraisal.

The Company understands that the assets and liabilities in the balance sheet on the reference date of valuation can be identified and can be assessed individually using appropriate methods, the asset-based method was adopted for the relevant valuation.

#### Assumptions

The Valuer has made general and basic assumptions regarding the valuation and has made the following special assumptions:

1. Shouguang Baolong's management will be responsible, stable and capable of fulfilling their duties after the valuation reference date;
2. After the appraisal reference date, based on the existing management methods and management standards, Shouguang Baolong's business scope and methods will remain consistent with the current direction;
3. The accounting policies adopted by Shouguang Baolong after the valuation reference date are consistent with the accounting policies adopted during the preparation of the valuation report in all respects;
4. Shouguang Baolong complies with all relevant laws and regulations;
5. There will be no new changes in the macro environment faced by Shouguang Baolong, including the fact that the various national policies enjoyed by Shouguang Baolong remain unchanged at the current level;
6. Asset valuation professionals did not perform technical testing on the technical parameters and performance of various equipment on the valuation reference date.

They made the judgment through on-site investigation on the premise that the relevant technical information and operation records provided by Shouguang Baolong are true and valid; and

7. The on-site inspection of the appraisal object by asset appraisal professionals is limited to the appearance and usage conditions of the appraisal object. The intrinsic quality such as the structure has not been tested, and there is no assurance as to whether it has inherent defects. The valuation report is based on the assumption that the inherent quality of the appraisal object complies with relevant national standards and is sufficient to sustain its normal use.

The Valuer advised that the bases and assumptions of the valuation are those commonly used in equity valuation in sale transactions.

The Board considers that based on the above bases and assumptions, the valuation performed by the Valuer is fair, reasonable and appropriate.

### ***Payment***

The consideration of RMB1 shall be settled by the Purchaser by way of wiring transfer within 20 working days from the date of the Shouguang Baolong S&P.

### ***Completion***

Completion shall take place, and the Company shall provide assistance to the Purchaser for the change in equity registration at Administration for Market Regulation, within 20 working days from the date of payment of the consideration.

### **Weihai Baolong S&P**

The principal terms of the Weihai Baolong S&P are set out as follows:

#### ***Date***

9 January 2024

#### ***Parties***

- (1) Purchaser: Wuhu Zhiying Project Investment Partnership (Limited Partnership)\*  
(蕪湖智贏項目投資合夥企業(有限合夥)); and
- (2) Vendors: (a) the Company

(b) Shouguang Maolong

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

***Subject matter***

Pursuant to the Weihai Baolong S&P, amongst others, the Company and Shouguang Maolong have agreed to sell 61.5385% and 36.5385%, respectively, and the Purchaser has agreed to purchase a total of 98.0769% of the equity interest in Weihai Baolong, free from all encumbrances.

The table below sets out the registered capital and shareholding of the Weihai Baolong (i) as at the date of this announcement; and (ii) immediately upon completion:

	As at the date of this announcement		Immediately upon completion	
	Registered Capital	Shareholding	Registered Capital	Shareholding
	<i>RMB (million)</i>	<i>%</i>	<i>RMB (million)</i>	<i>%</i>
The Company	16.0	61.5385	-	-
Shouguang Maolong	9.5	36.5385	-	-
Shouguang Molong Electro-mechanical Equipment Co., Ltd.* (壽光墨龍機電設備 有限公司)	0.5	1.9231	0.5	1.9231
The Purchaser	-	-	25.5	98.0769
<b>Total</b>	<b>26.0</b>	<b>100.0</b>	<b>26.0</b>	<b>100.0</b>

***Consideration***

The consideration for the disposal of 98.0769% of the equity interest in Weihai Baolong is RMB141,606,708.94. As the Purchaser has agreed to purchase the equity interests in both Shouguang Baolong and Weihai Baolong, the consideration has also taken into account the negative evaluation of 70% of the equity interest in Shouguang Baolong of

RMB-26,557,621.35 and the consideration for the disposal thereof in the amount of RMB1 (i.e. RMB168,164,331.29- RMB26,557,621.35-RMB1 = RMB141,606,708.94).

The consideration was determined after arm length negotiations between the Company and the Purchaser with reference to (i) the appraised value of 98.0769% of the equity interest in Weihai Baolong in the total amount of RMB168,164,331.29 as at 30 September 2023 based on a valuation report prepared by the Valuer, an independent PRC qualified valuer, using asset-based approach; (ii) the negative evaluation of 70% of the equity interest in Shouguang Baolong of RMB-26,557,621.35; (iii) the prevailing market conditions; (iv) the operational and financial performance of the Weihai Baolong, in particular, Weihai Baolong has been loss-making in the recent two financial years; and (v) the reasons as more particularly described in the section headed “Reasons for and Benefit of the Transactions – The Disposals ” in this announcement.

Valuation method

The Valuer advised the Company that it has considered all basic valuation methods, including the market approach, income approach and asset-based approach, and has analyzed the applicability of various valuation methods and selected valuation method based on the valuation purpose, valuation object, value type, and data collection.

Due to the small number of local or overseas transactions for companies similar to Weihai Baolong and the difficulty in obtaining information of relevant transactions, a comparable and effective market transaction reference object is unavailable. At the same time, give that Weihai Baolong is in a state of suspension of production and is unable to operate normally, the Company's relevant parameters are of little reference value. Therefore, the market approach was not considered in conducting the appraisal.

In addition, as Weihai Baolong is currently in a state of suspension of production, there is significant uncertainty in its future operations. It is difficult to reasonably predict and quantify the expected returns and the risks. Hence, the income method was unavailable for appraisal.

The Company understands that the assets and liabilities in the balance sheet on the reference date of valuation can be identified and can be assessed individually using appropriate methods, the asset-based method was adopted for the relevant valuation.

Assumptions

The Valuer has made general and basic assumptions regarding the valuation and has made the following special assumptions:

1. Weihai Baolong’s management will be responsible, stable and capable of fulfilling their duties after the valuation reference date;



2. After the appraisal reference date, based on the existing management methods and management standards, Weihai Baolong's business scope and methods will remain consistent with the current direction;
3. The accounting policies adopted by Weihai Baolong after the valuation reference date are consistent with the accounting policies adopted during the preparation of the valuation report in all respects;
4. Weihai Baolong complies with all relevant laws and regulations;
5. There will be no new changes in the macro environment faced by Weihai Baolong, including the fact that the various national policies enjoyed by Weihai Baolong remain unchanged at the current level;
6. Asset valuation professionals did not perform technical testing on the technical parameters and performance of various equipment on the valuation reference date. They made the judgment through on-site investigation on the premise that the relevant technical information and operation records provided by Weihai Baolong are true and valid; and
7. The on-site inspection of the appraisal object by asset appraisal professionals is limited to the appearance and usage conditions of the appraisal object. The intrinsic quality such as the structure has not been tested, and there is no assurance as to whether it has inherent defects. The valuation report is based on the assumption that the inherent quality of the appraisal object complies with relevant national standards and is sufficient to sustain its normal use.

The Valuer advised that the bases and assumptions of the valuation are those commonly used in equity valuation in sale transactions.

The Board considers that based on the above bases and assumptions, the valuation performed by the Valuer is fair, reasonable and appropriate.

### ***Payment***

The consideration of RMB141,606,708.94 shall be settled by the Purchaser by way of wiring transfer within 20 working days from the date of the Weihai Baolong S&P.

### ***Completion***

Completion shall take place, and the Company and Shouguang Maolong shall provide assistance to the Purchaser for the change in equity registration at Administration for Market Regulation, within 20 days working days from the date of payment of the consideration.

## Information of Shouguang Baolong

Shouguang Baolong is a company established in the PRC with limited liability. It is principally engaged in the production and sale of petroleum equipment and castings and forgings.

As at the date of this announcement, the equity interest in Shouguang Baolong is held as to 70% by the Company and 30% by Weifang Shengcheng Investment Management Co., Ltd.\* (濰坊聖城投資有限公司), an independent third party.

Set out below is the financial information of Shouguang Baolong for the year ended 31 December 2022 and for the nine months ended 30 September 2023:

	<b>For the nine months ended 30 September 2023 (audited) (RMB)</b>	<b>For the year ended 31 December 2022 (audited) (RMB)</b>
Revenue	21,950,218.94	473,692,199.72
Operating Profit / (Loss)	(31,683,497.88)	(89,492,309.21)
Net Profit / (Loss) before tax	(30,978,334.99)	(95,157,997.10)
Net Profit / (Loss)	(30,978,334.99)	(95,157,997.10)
	<b>As at 30 September 2023 (audited) (RMB)</b>	<b>As at 31 December 2022 (audited) (RMB)</b>
Total Assets	286,862,626.08	323,392,296.78
Net Assets / (Liabilities)	(283,758,287.36)	(252,779,952.37)

## Information of Weihai Baolong

Weihai Baolong is a company established in the PRC with limited liability. It is principally engaged in the manufacturing of special equipment.

As at the date of this announcement, the equity interest in Weihai Baolong is held as to

61.54% by the Company, 36.54% by Shouguang Maolong and 1.92% by Shouguang Molong Electro-mechanical Equipment Co., Ltd.\* (壽光墨龍機電設備有限公司) (a subsidiary of the Company).

Set out below is the financial information of Weihai Baolong for the year ended 31 December 2022 and for the nine months ended 30 September 2023:

	<b>For the nine months ended 30 September 2023 (audited) (RMB)</b>	<b>For the year ended 31 December 2022 (audited) (RMB)</b>
Revenue	21,565,002.47	64,254,219.03
Operating Profit / (Loss)	(15,703,708.09)	(21,980,312.26)
Net Profit / (Loss) before tax	(16,155,601.63)	(22,579,863.27)
Net Profit / (Loss)	(16,155,601.63)	(22,579,863.27)
	<b>As at 30 September 2023 (audited) (RMB)</b>	<b>As at 31 December 2022 (audited) (RMB)</b>
Total Assets	99,585,330.32	109,954,408.95
Net Assets	58,969,767.56	75,125,369.19

## **FINANCIAL ASSISTANCE - REPAYMENT AGREEMENTS**

### **Introduction**

As at 31 December 2023, (i) Shouguang Baolong is indebted to the Company in the amount of RMB461,709,466.37; and (ii) Weihai Baolong is indebted to the Company in the amount of RMB14,345,726.40; both recorded as account receivables of the Company.

In view of the operating conditions of Shouguang Baolong and Weihai Baolong, it is expected that they will not be able to repay the Indebtedness to the Company upon completion of the Disposals. Therefore, on 9 January 2024 (after trading hours):

- (i) the Company (as creditor) and Shouguang Baolong (as debtor) have entered into the Shouguang Baolong Repayment Agreement, pursuant to which, amongst others, Shouguang Baolong has agreed to repay the Indebtedness in the sum of RMB461,709,466.37 to the Company; and
- (ii) the Company (as creditor) and Weihai Baolong (as debtor) have entered into the Weihai Baolong Repayment Agreement, pursuant to which, amongst others, Weihai Baolong has agreed to repay the Indebtedness in the sum of RMB14,345,726.40 to the Company.

**Shouguang Baolong Repayment Agreement**

The principal terms of the Shouguang Baolong Repayment Agreement are set out as follows:

- Date : 9 January 2024
- Parties : (1) Debtor: Shouguang Baolong  
(2) Creditor: the Company
- Principal Amount : RMB461,709,466.37
- Term : The Indebtedness shall be repayable by Shouguang Baolong in the manner set out below:
  - (1) 40% of the Indebtedness, i.e. RMB184,683,786.55, shall be repayable within the first year from the date of completion under the Shouguang Baolong S&P;
  - (2) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the second year from the date of completion under the Shouguang Baolong S&P; and
  - (3) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the third year from the date of completion under the Shouguang Baolong S&P.
- Interest : The Indebtedness shall not bear any interest.

**Weihai Baolong Repayment Agreement**

The principal terms of the Weihai Baolong Repayment Agreement are set out as follows:

Date : 9 January 2024

Parties : (1) Debtor: Weihai Baolong  
(2) Creditor: the Company

Principal Amount : RMB14,345,726.40

Term : The Indebtedness shall be repayable by Weihai Baolong in the manner set out below:

(1) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the first year from the date of completion under the Weihai Baolong S&P; and

(2) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the second year from the date of completion under the Weihai Baolong S&P.

Interest : The Indebtedness shall not bear any interest.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

### **The Disposals**

In order to improve the flexibility of assets management, enhance asset and operational efficiency, the Company intends to conduct the Disposals. It is expected that the Disposals will enable the Company to optimize its assets allocation, retrieve funds, enhance liquidity of assets and improve its profitability, which will benefit the Group's future financial condition and operational results and hence is consistent with the Company's long-term development plan.

### **The Repayment Arrangements**

In view of the operating conditions of Shouguang Baolong and Weihai Baolong, it is expected that they will not be able to repay the Indebtedness to the Company upon completion of the Disposals.

As the Indebtedness are mainly account receivables arising in the course of the operations of the Company and are not interest bearing; and in order to ensure the timely repayment of the Indebtedness, the Company will not charge interest for the Indebtedness during the term of repayment. The Repayment Arrangements would facilitate the repayment of the Indebtedness

over an agreed term of repayment, while at the same time enabling the smooth consummation of the Disposals. The Company would be able to enjoy the benefit of a guarantee provided by the Purchaser in respect of the obligations of Shouguang Baolong and Weihai Baolong to repay the Indebtedness.

In light of the above, the Directors consider that the terms of the Sale and Purchase Agreements and the Repayment Agreements were negotiated on an arm's length basis, on normal commercial terms, and the Disposals and Repayment Arrangements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT AND USE OF PROCEEDS**

It is expected that the Group will record a net gain of approximately RMB270,000,000.00 as a result of the Disposals, which is arrived at after taking into account the difference between the total consideration for the Disposals and the carrying value of 70% of the equity interest in Shouguang Baolong and 98.0769% of the equity interest in Weihai Baolong, and other costs incurred in connection with the Disposals estimated to be in the amount of approximately RMB130,000,000.00.

The actual gain will be determined based on the actual consideration received by the Group and may be different from the above estimation; and such gain is subject to final audit to be performed by the Company's auditor.

Upon completion of the Disposals, both Shouguang Baolong and Weihai Baolong will cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

The Group intends to utilize the net proceeds from the Disposals for general working capital.

## **INFORMATION OF THE PARTIES**

### **Information of the Company and the Group**

The Company is a company established in the PRC with limited liability. The Group is principally engaged in the design, production and sale of pumping units, sucker rods, oil pumps, tubing and casing, and the related machinery and accessories for oil drilling.

### **Information on the Purchaser**

The Purchaser is a limited partnership established in the PRC and it principally engaged in investment activities. Beijing Rongkaide Investment Management Co., Ltd\* (北京融凱德投資管理有限公司) (as the executive managing partner), China Huarong Asset Management Co.,

Ltd. (中國華融資產管理股份有限公司) and Shouguang City Investment Holding Group Co., Ltd.\* (壽光市城投控股集團有限公司) hold 0.07%, 50% and 27.97% of the partnership interest in the Purchaser, respectively. China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) is a joint stock limited liability company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (Stock Code: 2799). Shouguang City Investment Holding Group Co., Ltd.\* (壽光市城投控股集團有限公司) is a company established in the PRC with limited liability, and is supervised by the State-owned Assets Supervision and Administration Bureau (壽光市國有資產監督管理局).

### **Information on Shouguang Maolong**

Shouguang Maolong is a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement. It is principally engaged in the research and development and technical promotion of energy equipment new materials, technical services; manufacturing, sales: petroleum drilling equipment, tools and parts; metal forging parts, sea water purification processing and thermal and gas electricity power production.

## **LISTING RULES IMPLICATIONS**

### **The Disposals**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposals exceed 5% but all are less than 25%, the Sale and Purchase Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **The Repayment Arrangements**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Repayment Arrangements exceed 5% but all are less than 25%, the Repayment Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advances to an entity by the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As the Repayment Arrangements will constitute advances to an entity which exceed 8% of the Group's total assets as at 30 June 2023 recorded

in the interim financial statements of the Group for the six months ended 30 June 2023, the Company is also under a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

## DEFINITIONS

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

“A Share(s)”	ordinary domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the SZSE and traded in RMB
“Board”	the board of Directors
“Company”	Shandong Molong Petroleum Machinery Company Limited* (山東墨龍石油機械股份有限公司)
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	collectively, the disposals of (i) 70% of the equity interest in Shouguang Baolong by the Company to the Purchaser pursuant to the terms and conditions of the Shouguang Baolong S&P; and (ii) an aggregate of 98.0769% of the equity interest in Weihai Baolong by the Company and Shouguang Maolong to the Purchaser pursuant to the terms and conditions of the Weihai Baolong S&P
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in HK\$
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the



PRC

“Indebtedness”	(i) the sum of RMB461,709,466.37 owing to the Company and payable by Shouguang Baolong; and (ii) the sum of RMB14345,726.40 owing to the Company and payable by Weihai Baolong, as the case may be
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan Region
“Purchaser”	Wuhu Zhiying Project Investment Partnership (Limited Partnership)* (蕪湖智贏項目投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Repayment Agreements”	collectively, the Shouguang Baolong Repayment Agreement and the Weihai Baolong Repayment Agreement”
“Repayment Arrangements”	collectively, (i) the repayment arrangements in respect of the Indebtedness of RMB461,709,466.37 payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement; and (ii) the repayment arrangements in respect of the Indebtedness of RMB14345,726.40 payable by Weihai Baolong to the Company under the Weihai Baolong Repayment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreements”	collectively, the Shouguang Baolong S&P and the Weihai Baolong S&P”
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)

“Shouguang Baolong”	Shouguang Baolong Petroleum Equipment Co., Ltd.* (壽光寶隆石油器材有限公司), a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of the Company as at the date of this announcement
“Shouguang Baolong Repayment Agreement”	the repayment agreement dated 9 January 2024 entered into by the Company and Shouguang Baolong in relation to the repayment of the Indebtedness in the sum of RMB461,709,466.37 by Shouguang Baolong to the Company
“Shouguang Baolong S&P”	the sale and purchase agreement dated 9 January 2024 entered into by the Company and the Purchaser in relation to the disposal of 70% of the equity interest in Shouguang Baolong by the Company to the Purchaser
“Shouguang Maolong”	Shouguang Maolong New Materials Technology Development Co., Ltd.* (壽光懋隆新材料技術開發有限公司), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZSE”	Shenzhen Stock Exchange
“Valuer”	Kunxin International Assets Appraisal Group Co., Ltd.* (坤信國際資產評估集團有限公司), an independent PRC qualified valuer
“Weihai Baolong”	Weihai City Baolong Petroleum Equipment Co., Ltd.* (威海市寶隆石油專材有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Weihai Baolong Repayment Agreement”	the repayment agreement dated 9 January 2024 entered into by the Company and Weihai Baolong in relation to the repayment of the Indebtedness in the

sum of RMB14,345,726.40 by Weihai Baolong to the Company

“Weihai Baolong S&P”

the sale and purchase agreement dated 9 January 2024 entered into by the Company, Shouguang Maolong and the Purchaser in relation to the disposal of an aggregate of 98.0769% of the equity interest in Weihai Baolong by the Company and Shouguang Maolong to the Purchaser

“%”

per cent.

By order of the Board  
**Shandong Molong Petroleum Machinery Company Limited\***  
**Yuan Rui**  
*Chairman*

Shandong, the PRC  
9 January 2024

*As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Yuan Rui, Mr. Yao You Ling, Mr. Li Zhi Xin and Mr. Zhao Xiao Tong; the non-executive Directors, namely Mr. Ding Yi and Ms. Zhang Min; and the independent non-executive Directors, namely Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.*

*\* For identification purposes only*