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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)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT DISCLOSEABLE TRANSACTION FINANCIAL ASSISTANCE - REPAYMENT AGREEMENTS

Reference is made to the announcement of Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) dated 9 January 2024 (the “**Announcement**”) in relation to, amongst others, the Repayment Arrangements. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Company would like to provide Shareholders and potential investors with more information on the Repayment Arrangements.

The Company would like to make a clarification in respect of the English version of the Announcement, while all information in the Chinese version of the Announcement remains unchanged. The Company would like to clarify that no guarantee has been or will be provided by the Purchaser in respect of the obligations of Shouguang Baolong and Weihai Baolong to repay the Indebtedness.

Instead, in order to safeguard the interest of the Company, Shouguang Baolong has charged its fixed assets and intangible assets, including, amongst others, land and buildings and equipment (the “**Charged Assets**”), to the Company to secure the repayment of the Indebtedness under the Shouguang Baolong Repayment Agreement (the “**Charge**”). Based on a valuation report prepared by the Valuer, an independent PRC qualified valuer, the appraised value of the Charged Assets as at 30 September 2023 was RMB509,215,885. The Company may enforce the Charge upon, amongst others, the non-payment of the Indebtedness by Shouguang Baolong or the reduction in value of the Charged Assets.

In respect of the Indebtedness under the Weihai Baolong Repayment Agreement, the Company noted that based on the audited financial information of Weihai Baolong for the nine months ended 30 September 2023, Weihai Baolong had net assets of RMB58,969,767.56

and total assets of RMB99,585,330.32 as at 30 September 2023. The Company had reviewed a lease agreement (the “**Lease Agreement**”) entered into by Weihai Baolong with an independent third party for the lease of the production lines of Weihai Baolong. Pursuant to the Lease Agreement, Weihai Baolong will receive annual fixed lease income of RMB13 million, payable on a monthly basis, during the term of two years from 1 January 2024 to 31 December 2025.

Having considered the factors disclosed above, in particular (i) the appraised value of the Charged Assets of RMB509,215,885 exceeds the Indebtedness of RMB461,709,466.37 repayable under the Shouguang Baolong Repayment Agreement; and (ii) the asset value of Weihai Baolong and the fixed lease income under the Lease Agreement of RMB 13 million per annum which may be utilized to cover the annual repayment of the Indebtedness of RMB7,172,863.20 under the Weihai Baolong Repayment Agreement; the Company considered that the credit risks exposure under the Repayment Arrangements is reasonable and acceptable to the Group.

The Company will closely monitor the financial information and condition of Shouguang Baolong and Weihai Baolong, so that the Group can monitor their repayment capabilities and assess the underlying default risk on a regular basis. The Group will also closely monitor the value and condition of the Charged Assets under the Charge so as to maintain the recoverability of the Indebtedness under the Shouguang Baolong Repayment Agreement and hence safeguard the Company’s interests. In the event of any default, the Company will take appropriate actions, including but not limited to engaging external legal advisors, issuing demand letters, enforcing securities and/or taking legal actions required for the enforcement of the Repayment Agreements and the Charge.

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

Shandong, the PRC
12 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*