山東墨龍石油機械股份有限公司
Shandong Molong Petroleum Machinery Company Limited *

The Board announces that on 14 October 2024 (after trading hours), the Company (as vendor) and the Purchaser have entered into the Equity Transfer Agreement, pursuant to which, amongst others, the Company has agreed to sell and the Purchaser has agreed to purchase 100% of the equity interest in Shouguang Maolong at the consideration of RMB203,038,500.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are subject to the notification, announcement, 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 Account Receivable will constitute advances to an entity which exceed 8% of the Group's total assets as at 30 June 2024 recorded in the interim financial statements of the Group for the six months ended 30 June 2024, the Company is also under a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, no Shareholder will be required to abstain from voting at the EGM to approve the ordinary resolution(s) regarding the Disposal.

A circular containing, among other things, (i) details of the Disposal; (ii) the financial information of the Group; (iii) a notice convening the EGM; and (iv) other information required to be disclosed under the Listing Rules will be disseminated to the Shareholders on or before 8 November 2024, as additional time is needed for the preparation and finalisation of certain information for inclusion in the circular.

On 14 October 2024 (after trading hours), the Company (as vendor) and the Purchaser have entered into the Equity Transfer Agreement, pursuant to which, amongst others, the Company has agreed to sell and the Purchaser has agreed to purchase 100% of the equity interest in Shouguang Maolong at the consideration of RMB203,038,500.

The principal terms of the Equity Transfer Agreement are set out as follows:

14 October 2024

(1) Purchaser: Shouguang Huarong Agricultural Technology Co., Ltd.* ( ); 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.

Pursuant to the Equity Transfer Agreement, amongst others, the Company has agreed to sell, and the Purchaser has agreed to purchase, 100% of the equity interest in Shouguang Maolong.

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

The Company	1,112.38	100	-	-
The Purchaser	-	-	1,112.38	100

The consideration for the disposal of 100% of the equity interest in Shouguang Maolong is RMB203,038,500.

The consideration was determined after arm length negotiations between the Company and the Purchaser with reference to (i) the appraised value of 100% of the equity interest in Shouguang Maolong in the amount of RMB203,038,500 as at 31 August 2024 based on a valuation report prepared by the Valuer, an independent PRC qualified valuer, using asset-based approach; (ii) the prevailing market conditions; and (iii) the reasons as more particularly described in the section headed “Reasons for and benefits of the Disposal” in this announcement.

Valuation method

The valuation of 100% of the equity interest in Shouguang Maolong was arrived at using the asset-based approach.

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

The Valuer explained that the asset-based approach is based on the balance sheet, which is a valuation method involving a reasonable assessment of the value of various assets and liabilities on and off the balance sheet of an enterprise for the determination of their value. Based on this valuation method, the complete financial information and asset management information of Shouguang Maolong is at the Valuer’s disposal, and there is a wide range of relevant data and information sources on the re-acquisition costs of assets. A comprehensive checking and assessment of Shouguang Maolong's assets and liabilities can be carried out. Hence, the asset-based approach was applied to the valuation.

Assumptions

The Valuer has made the following assumptions regarding the valuation:

1. The valuation results reflect the market value for a specific valuation purpose, and do not take into account the asset charges and guarantees that the enterprise may assume in the future, as well as the impact on the valuation in respect of possible additional consideration paid by special transaction parties or special transaction methods etc..

2. It is a basic assumption that the valuation is based on the specific valuation purpose listed in the asset valuation report.

3. It is assumed that there will be no major changes in current relevant national laws, regulations and policies and the macroeconomic situation after the valuation reference date, there will be no major changes in the political, economic and social environment of the regions where the parties to the transaction are located, and there will be no material adverse effects caused by other unpredictable and force majeure factors.

4. It is assumed that there will be no major changes in the nation's relevant interest rates, exchange rates, tax bases and tax rates, policy levy and fees etc.

5. It is assumed that the assets have no ownership defects, or that all existing ownership defects have been disclosed.

6. It is assumed that the basic information and financial information provided by the target entity is true, accurate and complete.

7. The going concern assumption of the enterprise: The going concern assumption of the enterprise assumes that the business of the enterprise being evaluated is legal, that there will be no unforeseen factors that will cause it to be unable to continue its operations, and that the current purpose of the assets being evaluated remains unchanged and will continue to be used at the same location.

8. Transaction assumption: The transaction assumption assumes that all assets to be appraised are already in the process of trading, and the valuer conducts valuation by market comparison based on transaction conditions of the assets to be appraised. The trading assumption is a fundamental condition and assumption for asset valuation.

9. Open market assumption: The open market assumption assumes that in respect of assets traded in the market, or assets to be traded in the market, both parties to the asset transaction have equal status and have the opportunity and time to obtain sufficient market information in order to make rational judgments about its functions, uses and transaction prices. The open market assumption is based on the fact that

assets can be traded openly in the market.

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

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

Completion is conditional upon the fulfilment of the following conditions:

1. the parties to the Equity Transfer Agreement having obtained all necessary approval(s) in respect of the transactions contemplated under the Equity Transfer Agreement, including but not limited to all approval(s), consent(s), authorisation(s), registration(s) and filing(s) from their board of directors, shareholders, relevant government department(s), regulatory authority(ies) (including the Stock Exchange), organisation(s) or any other third parties; and

2. the Purchaser having entered into the Repayment Agreement with the Company, pursuant to which the Purchaser agrees to repay the Account Receivable for Shouguang Maolong to the Company at the same time as the transfer of 100% equity interest in Shouguang Maolong to it.

As at the date of this announcement, the condition numbered 2 above has been fulfilled.

The consideration of RMB203,038,500 for the Disposal shall be settled by the Purchaser in the following manner:

1. the Purchaser shall pay the first instalment of the consideration in the sum of RMB103,000,000 to the Company within 10 days after the date of the Equity Transfer Agreement; and

2. the Purchaser shall pay the remaining balance of the consideration in the sum of RMB100,038,500 to the Company within 12 months after Completion.

The consideration shall be paid by the Purchaser to the Company by way of bank transfer.

Completion shall ake place within 20 working days from the date of payment of the first instalment of the consideration, and the Company shall provide assistance to the Purchaser for

the exchange of equity registration, administration and market regulation.

As at 30 September 2024, Shouguang Maolong is indebted to the Company in the amount of RMB714,141,700, which is accounted for as account receivable.

On 14 October 2024, the Company, the Purchaser and Shouguang Maolong entered into the Repayment Agreement, pursuant to which the Purchaser has undertaken to repay the Account Receivable in the sum of RMB714,141,700 for Shouguang Maolong to the Company within 12 months after the date of Completion. As the Account Receivable arose from intra-group dealings between Shouguang Maolong and other entities within the Group, the Company agreed that the Account Receivable shall be interest free during the 12 months repayment term.

Pursuant to the Collateral Agreement entered into between the Company and Shouguang Maolong on 30 September 2024, Shouguang Maolong has provided its fixed assets and intangible assets,

[redacted]

[redacted]B86 million as a [redacted]rence between the [redacted]est in Shouguang [redacted]ct of 100% equity interest in Shouguang Maolong), and other costs incurred in connection with the Disposal estimated to be in the amount of approximately RMB360,000.

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, Shouguang Maolong will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

The

[redacted]

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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 Account Receivable will constitute advances to an entity which exceed 8% of the Group's total assets as at 30 June 2024 recorded in the interim financial statements of the Group for the six months ended 30 June 2024, the Company is also under a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, no Shareholder will be required to abstain from voting at the EGM to approve the ordinary resolution(s) regarding the Disposal.

A circular containing, among other things, (i) details of the Disposal; (ii) the financial information of the Group; (iii) a notice convening the EGM; and (iv) other information required to be disclosed under the Listing Rules will be disseminated to the Shareholders on or before 8 November 2024, as additional time is needed for the preparation and finalisation of certain

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
"Account Receivable"	the account receivable of the Company payable by Shouguang Maolong as at 30 September 2024 in the total sum of RMB714,141,700
"Board"	the board of Directors
"Collateral Agreement"	the collateral agreement entered into between the Company and Shouguang Maolong on 30 September 2024, pursuant to which Shouguang Maolong has provided collaterals to secure the repayment of the Account Receivable to the Company
"Company"	Shandong Molong Petroleum Machinery Company Limited* ( )
"Completion"	completion of the Disposal in accordance with the Equity Transfer Agreement, i.e. the completion of equity change registration at the Administration for Market Regulation in respect of the Disposal
"connected persons(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of 100% of the equity interest in Shouguang Maolong by the Company to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, the Disposal

“Equity Transfer Agreement”	the equity transfer agreement dated 14 October 2024 entered into by the Company and the Purchaser in relation to the disposal of 100% equity interest in Shouguang Maolong by the Company
“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 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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Shouguang Huarong Agricultural Technology Co., Ltd.* ( ), a limited liability company established in the PRC
“Repayment Agreement”	the repayment agreement dated 14 October 2024 entered into by the Company, the Purchaser and Shouguang Maolong, pursuant to which the Purchaser shall repay the Account Receivable in the sum of RMB714,141,700 for Shouguang Maolong to the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)

“Shouguang Maolong”	Shouguang Maolong New Materials Technology Development Co., Ltd.* (), a company established in the PRC with limited liability and a direct wholly-owned 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”	Beijing Zhongheyi Assets Appraisal Ltd.* (), an independent PRC qualified valuer
“%”	per cent.

By order of the Board

Shandong, the PRC
14 October 2024