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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 TRANSACTION ASSIGNMENTS OF DEBTS

THE DEBT ASSIGNMENT AGREEMENTS

Reference is made to the Company's Announcements dated 9 January 2024 and 12 January 2024 in relation to, amongst others, the Shouguang Baolong Repayment Agreement, pursuant to which Shouguang Baolong shall repay the account receivables in the sum of RMB461,709,466.37 to the Company.

The Board announces that, on 13 February 2025 (after trading hours), the Company, Shouguang Baolong and the Purchaser entered into:

- (i) the Debt Assignment Agreement A, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase Debt A at the consideration of RMB85,119,800 to be settled by way of the transfer of the Land; and
- (ii) the Debt Assignment Agreement B, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase Debt B at the consideration of RMB84,000,000 to be settled in cash.

LISTING RULES IMPLICATIONS

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

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- (ii) the Debt Assignment Agreement B, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase Debt B at the consideration of RMB84,000,000 to be settled in cash.

Debt Assignment Agreement A

The principal terms of the Debt Assignment Agreement A are set out as follows:

Date

13 February 2025

Parties

- (1) Seller: the Company;
- (2) Debtor: Shouguang Baolong Petroleum Equipment Co., Ltd.* (壽光寶隆石油器材有限公司); and
- (3) Purchaser: Shandong Shouguang Vegetable Wholesale Market Co., Ltd.* (山東壽光蔬菜批發市場有限公司)

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

Subject matter

Pursuant to the Debt Assignment Agreement A, the Company agreed to sell, and the Purchaser agreed to acquire, Debt A.

Debt A in the sum of RMB85,119,800 is part of the account receivables in the total sum of RMB461,709,466.37 payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement.

Consideration and payment

The consideration for Debt A shall be RMB85,119,800, which shall be settled by the Purchaser by way of the transfer of the Land.

The consideration was determined after arm length negotiations between the Company and the Purchaser with reference to (i) the appraised value of the Land (together with buildings and constructions erected thereon) in the amount of RMB85,119,800 as at 31 December 2024 based on a property valuation report prepared by an independent PRC qualified valuer; (ii) the carrying amount of Debt A as at the date of the Debt Assignment Agreement A; and (iii) the Company's credit assessment on Shouguang Baolong and the recoverability of the Debts.

Information of the Land

Location	:	East side of Xing Shang Road, Shouguang City, Shandong Province, the PRC (中國山東省壽光市興尚路東側)
Total area	:	109,200 square meters
Usage	:	Industrial
Term	:	14 May 2001 to 15 May 2061

Completion

The Purchaser shall provide assistance to the Company for the completion of the registration of transfer of title of the Land before 28 February 2025.

Upon the assignment of Debt A from the Company and the payment of the corresponding consideration by the Purchaser: (i) the Purchaser shall obtain, and the Company shall cease to have, rights and interests in Debt A; and (ii) the corresponding security interest (i.e. those in the Charge) in respect of Debt A shall be assigned to the Purchaser.

Debt Assignment Agreement B

The principal terms of the Debt Assignment Agreement B are set out as follows:

Date

13 February 2025

Parties

- (1) Seller: the Company;
- (2) Debtor: Shouguang Baolong Petroleum Equipment Co., Ltd.* (壽光寶隆石油器材有限公司); and
- (3) Purchaser: Shandong Shouguang Vegetable Wholesale Market Co., Ltd.* (山東壽光蔬菜批發市場有限公司)

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

Subject matter

Pursuant to the Debt Assignment Agreement B, the Company agreed to sell, and the Purchaser agreed to acquire, Debt B.

Debt B in the sum of RMB84,000,000 is part of the account receivables in the total sum of RMB461,709,466.37 payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement.

Consideration and payment

The consideration for Debt B shall be RMB84,000,000, which shall be settled by the Purchaser in cash.

The consideration was determined after arm length negotiations between the Company and the Purchaser with reference to (i) the carrying amount of Debt B as at the date of the Debt Assignment Agreement B; and (iii) the Company's credit assessment on Shouguang Baolong and the recoverability of the Debts.

Completion

The Purchaser shall pay the consideration of RMB84,000,000 in cash to a bank account designated by the Company within two (2) days from the date of the Debt Assignment Agreement B.

Upon the assignment of Debt B from the Company and the payment of the corresponding consideration by the Purchaser, (i) the Purchaser shall obtain, and the Company shall cease to have, rights and interests in Debt B; and (ii) the corresponding security interest (i.e. those in the Charge) in respect of Debt B shall be assigned to the Purchaser.

REASONS FOR AND BENEFITS OF THE ASSIGNMENTS

The Company considers that the Assignments will enable the Group to reduce capital risks, have more liquid financial resources and flexibility for its operations, and further optimize the Company's financial structure to meet the Company's needs. Following completion of the Assignments under the Debt Assignment Agreements, the remaining balance of the account receivables payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement will be in the sum of approximately RMB292 million.

In addition, in recent years, the Company has leased the Land (together with the building and construction erected thereon) for the Group's production and operation. The Assignments would reduce leasing expenses and production costs, which is conducive to the Company's long-term development and is in line with the Company's overall business development strategy.

In light of the above, the Directors consider that the terms of the Assignment Agreements were negotiated on an arm's length basis, on normal commercial terms, and the Assignments 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 there will be no gain or loss incurred as a result of the Assignments as the Debts are transferred at par level against its principal value. The actual financial effect is subject to final audit to be performed by the Company's auditor.

The Group intends to utilize the net proceeds from the assignment of Debt B for general working capital, including without limitation raw material costs and payment for goods in its ordinary course of business.

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 liability company established in the PRC and is principally engaged in the development and promotion of agricultural projects, improvement of agricultural supporting infrastructure and establishment of intelligent vegetable information management platform.

As at the date of this announcement, the Purchaser is held as to 100% of its equity interest by the Finance Bureau of Shouguang City (壽光市財政局).

Information on the Shouguang Baolong

Shouguang Baolong is a company established in the PRC with limited liability and is principally engaged in 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 30% by Weifang Shengcheng Investment Management Co., Ltd.* (濰坊聖城投資有限公司, an independent third party) and 70% by Wuhu Zhiying Project Investment Partnership (Limited Partnership)* (蕪湖智贏項目投資合夥企業(有限合夥), “Wuhu Zhiying”).

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 CITIC Financial Asset Management Co., Ltd. (中國中信金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%, 71.96% and 27.97% of the partnership interest in Wuhu Zhiying, respectively. China CITIC Financial Asset Management Co., Ltd. (中國中信金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 Shouguang State-owned Assets Operation Center* (壽光市國有資產運營中心).

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 9 January 2024 and 12 January 2024 in relation to, amongst others, the Shouguang Baolong Repayment Agreement and the Charge
“Assignments”	the assignments of the Debts pursuant to the Debt Assignment Agreements
“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
“Charge”	the charge created by Shouguang Baolong over its fixed assets and intangible assets, including, amongst others, land and buildings and equipment, in favour of the Company to secure the repayment of the Debts under the Shouguang Baolong Repayment Agreement
“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
“Debts”	collectively, Debt A and Debt B

“Debt A”		account receivable in the sum of RMB85,119,800, being part of the account receivables in the total sum of RMB461,709,466.37 payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement
“Debt B”		account receivable in the sum of RMB84,000,000, being part of the account receivables in the total sum of RMB461,709,466.37 payable by Shouguang Baolong to the Company under the Shouguang Baolong Repayment Agreement
“Debt Assignments”	Assignment	collectively, the Debt Assignment Agreement A and Debt Assignment Agreement B
“Debt Assignment A”	Assignment	the debt assignment agreement dated 13 February 2025 and entered into between the Company, Shouguang Baolong and the Purchaser in relation to the assignment of Debt A
“Debt Assignment B”	Assignment	the debt assignment agreement dated 13 February 2025 and entered into between the Company, Shouguang Baolong and the Purchaser in relation to the assignment of Debt B
“Director(s)”		director(s) of 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
“Land”		the plot of land located at east side of Xing Shang Road, Shouguang City, Shandong Province, the PRC (中國山

東省壽光市興尚路東側) with a total area of approximately 109,200 square metres, together with buildings and constructions erected thereon

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Shandong Shouguang Vegetable Wholesale Market Co., Ltd.* (山東壽光蔬菜批發市場有限公司), a company established in the PRC with limited liability
“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 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
“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 account receivables in the sum of RMB461,709,466.37 by Shouguang Baolong to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZSE”	Shenzhen Stock Exchange
“%”	per cent.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Han Gao Gui
Chairman

Shandong, the PRC
13 February 2025

As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Han Gao Gui, Mr. Yuan Rui, Mr. Zhang Zhi Yong and Mr. Wang Tao; the non-executive Directors, namely Ms. Zhang Min and Mr. Ma Qing Wen; and the independent non-executive Directors, namely Mr. Zhang Zhen Quan, Mr. Dong Shao Hua and Mr. Zhang Bing Gang.

** For identification purposes only*