

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibilities for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 DEBT SETTLEMENT AGREEMENT

THE DEBT SETTLEMENT AGREEMENT

Reference is made to the Company's announcement dated 14 October 2024 and circular dated 5 November 2024 in relation to, amongst others, (i) the Equity Transfer Agreement, pursuant to which the Company has agreed to sell and Huarong Agricultural has agreed to purchase 100% of the equity interest in Shouguang Maolong at the consideration of RMB203,038,500; and (ii) the Repayment Agreement, pursuant to which Huarong Agricultural shall repay the account receivables in the sum of RMB714,141,700 to the Company.

On 29 December 2025 (after trading hours), the Company, Huarong Agricultural and Vegetable Wholesale Company entered into the Debt Settlement Agreement, pursuant to which Vegetable Wholesale Company has agreed to settle the Debt in the amount of RMB361,000,000 for Huarong Agricultural by way of the transfer of the Land to the Company.

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 Settlement exceed 5% but all are less than 25%, the Debt Settlement Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the Company's announcement dated 14 October 2024 and circular dated 5 November 2024 in relation to, amongst others, (i) the Equity Transfer Agreement, pursuant to which the Company has agreed to sell and Huarong Agricultural has agreed to purchase 100% of the equity interest in Shouguang Maolong at the consideration of RMB203,038,500; and the Repayment Agreement, pursuant to which Huarong Agricultural shall repay the account receivables in the sum of RMB714,141,700 to the Company.

The Board announces that, on 29 December 2025 (after trading hours), the Company, Huarong Agricultural and Vegetable Wholesale Company entered into the Debt Settlement Agreement, pursuant to which Vegetable Wholesale Company has agreed to settle the Debt in the amount of RMB361,000,000 for Huarong Agricultural by way of the transfer of the Land to the Company.

THE DEBT SETTLEMENT AGREEMENT

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

Date

29 December 2025

Parties

- (1) The Company;
- (2) Shouguang Huarong Agricultural Technology Co., Ltd.* (壽光華融農業科技有限公司); and
- (3) 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, Vegetable Wholesale Company, Huarong Agricultural 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 Settlement Agreement, Vegetable Wholesale Company has agreed to settle the Debt in the amount of RMB361,000,000 for Huarong Agricultural by way of the transfer of the Land to the Company.

The Debt

The Debt in the sum of RMB361,000,000 comprises (i) the account receivables payable by Huarong Agricultural to the Company under the Repayment Agreement of RMB260,961,500 and (ii) the consideration of the Disposal in the sum of RMB100,038,500 payable to the Company by Huarong Agricultural.

Following completion of the Settlement, the balance of the account receivable payable by Huarong Agricultural to the Company under the Repayment Agreement will be RMB91,453,400. It was originally agreed under the Repayment Agreement that Huarong Agricultural shall 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 of the Disposal (i.e. by 27 December 2025). The Company has already issued a demand letter to Huarong Agricultural requesting payment of the outstanding balance of the account receivable. The Company was informed by Huarong Agricultural that it will need more time to settle the outstanding balance due to its substantial funding needs and tight liquidity. The Company will continue to negotiate closely with Huarong Agricultural on the payment of the outstanding balance of the account receivable. Taking into account the credit assessment on Huarong Agricultural (being a company ultimately wholly-owned by the Finance Bureau of Shouguang City (壽光市財政局)), the Company considers that the credit risks exposure to the Group in relation to the account receivable remains to be low.

Consideration and payment

The consideration for the settlement of the Debt shall be RMB361,000,000, which shall be settled by the transfer of the Land to the Company by Vegetable Wholesale Company.

The consideration was determined after arm length negotiations between the Company and Vegetable Wholesale Company with reference to (i) the appraised value of the Land (together with buildings and constructions erected thereon and machinery and equipment) in the amount of RMB361,850,200 as at 31 January 2025 based on a property valuation report prepared by the Valuer; (ii) the carrying amount of the Debt as at the date of the Debt Settlement Agreement; and (iii) the Company's credit assessment on Huarong Agricultural and the recoverability of the Debt.

Details of the valuation of the Land are set out as follows:

Name and identity of valuer

The Valuer engaged by the Company to issue a property valuation report on the appraised

value of the Land is Kunxin International Assets Appraisal Group Co., Ltd. (坤信國際資產評估集團有限公司), which has confirmed its independence from the Company and its connected persons.

Qualifications of valuer

The Valuer is a qualified asset valuation firm in the PRC registered with the China Appraisal Society and filed with Ji'nan Municipal Finance Bureau. The Valuer is also approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission to carry out securities appraisal business.

Mr. Li Boyang (李博陽) and Mr. Wang Jian (王健), who are both members of the China Appraisal Society qualified to practice as asset valuer, were principally involved in the preparation of the valuation report as assigned by the Valuer.

The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer, Mr. Li Boyang (李博陽) and Mr. Wang Jian (王健) are qualified, experienced and competent in performing the valuation of the Land.

Valuation standards

The Valuer has complied with the laws and regulations including the Asset Appraisal Law (資產評估法), the Company Law (公司法), the Civil Code (民法典), the Administrative Measures for Financial Supervision of Asset Appraisal Industry (資產評估行業財政監督管理辦法) and other PRC laws and regulations related to asset appraisal. The Valuer has also relied on asset appraisal standards including the Standard for Assets Appraisal - General Principles (資產評估基本準則), Ethic Standard for Assets Appraisal -General Principles (資產評估職業道德準則), Standard for Assets Appraisal – Valuation Procedure (資產評估執業準則—資產評估程序), Standard for Assets Appraisal – Valuation Report (資產評估執業準則—資產評估報告), Standard for Assets Appraisal - Appraisal Approaches (資產評估執業準則—資產評估方法) and other PRC standards related to asset appraisal.

Valuation methodology

The valuation of the Land is made on the basis of market value which the Valuer would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, and where the parties had each acted knowledgeably, prudently and without compulsion. The appraised value of the Land was arrived at using the following methodologies:

- (a) Land use right – market approach and benchmark land price coefficient adjustment

approach

(b) Buildings and constructions and machinery and equipment – cost approach

It is stated in the valuation report that, in respect of buildings and constructions, income approach is not suitable as there is no market transaction cases of leases of similar production facilities. Market approach is also not suitable as there is a lack of sufficient and open second-hand market transaction cases. The target buildings and constructions appraised are self-constructed buildings and hence cost approach is a suitable methodology for the valuation.

In respect of machinery and equipment, there is no market transaction cases of leases of similar equipment. Market approach is also not suitable as there is a lack of sufficient and open second-hand market transaction cases. Based on the information provided by the corporation, the costs approach may be adopted for the valuation, and hence cost approach is a suitable methodology for the valuation.

In respect of land use right, market comparison approach is a suitable methodology as there are sufficient similar transaction cases in the area in which the Land is located. Market comparison approach is mainly used in areas with a developed land market and sufficient comparable transactions. Income reversal approach is suitable for appraisals of lands with actual or potential income. As the Land is located in an area with no similar properties for lease, an objective rental level is unavailable through analysis and comparison, and hence income reversal approach is not suitable. The residual approach is applicable to valuations of land with investment and development or redevelopment potential. Given that the Land has already been developed and constructed, it does not fulfil the conditions for selecting the residual approach. The cost approach is not suitable as the Land is located in Weifang City, Shouguang Region, a region which lacks land resumption in recent years, leading to the inability to obtain credible information such as land acquisition costs and development costs. As the Land is located in an area subject to benchmark land price, the Valuer adopted the benchmark land price coefficient adjustment approach, which is suitable for appraisals of lands in areas with benchmark property prices published by the government and a complete system of benchmark land price adjustment. As there was immaterial difference between the appraised values using the market comparison approach and the benchmark land price coefficient adjustment approach, the Valuer adopted the arithmetic mean of the appraised values produced by using the two methodologies in arriving at the final appraised value of the Land.

Key inputs

The formula used in cost approach is as follows:

$$\text{Appraised value} = \text{Replacement costs} \times \text{integrated newness rate} \times (1 + \text{value added tax rate})$$

Replacement costs of buildings and constructions generally include construction costs, early stage and other costs, finance costs and deductible value added tax.

The formula used in benchmark land price coefficient adjustment approach is as follows:

$$\text{Land price} = S \times K1 \times K2 \times K3 \times (1 + \Sigma K) \pm K4$$

Whereas:

S — benchmark land price

K1 — valuation date adjustment coefficient

K2 — term of use of land adjustment coefficient

K3 — plot ratio adjustment coefficient

K4 — development progress adjustment value

ΣK — sum of regional and specific parameters affecting land price adjustment coefficient

The formula used in market approach is as follows:

$$\text{Land price} = \text{Land price in comparison cases} \times \text{transaction condition adjustment coefficient} \times \text{transaction date adjustment coefficient} \times \text{regional parameters adjustment coefficient} \times \text{specific parameters adjustment coefficient} \times \text{term adjustment coefficient}$$

Assumptions

The Valuer has made basic, general and specific assumptions regarding the valuation of the Land as stated in the valuation report, details of which are set out as follows:

(a) Basic assumptions

- 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.
- 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 continuing usage assumption: the continuing usage assumption is an assumption on the condition of the market in which the asset will enter into, and

the condition of the assets under such market conditions. Under the continuing usage assumption, no regard is given to change of use of assets or the best utilisation conditions, and the scope of usage of the valuation is limited.

(b) General assumptions

- all the information provided by the principal and title owner are true, effective and accurate.
- there is no material change to national macroeconomic policy and regional social economic environment
- there is no material change to the tax policy and credit rate etc. in the operations and relied on in the valuation that may affect the conclusion of the valuation
- no regard has been given to impacts of natural and other force majeure event(s), or impacts of specific trading methods that may affect the conclusion of the valuation

(c) Specific assumptions

- the valuation is a reflection of the market value of the asset appraised on the valuation date based on current scale, current use and existing conditions
- the title owner holds all interest in the appraised asset
- the scope of valuation is subject to the valuation declaration forms provided by the principal, and does not take into account contingent assets and contingent liabilities that may exist outside of the list provided by the principal

The Board's assessment

The Valuer advised that the bases and assumptions of the valuation are those commonly used in property valuations.

The Board considers the methodologies, assumptions and bases adopted by the Valuer for the valuation are commonly used and reasonable in establishing the appraised value of the Land and hence considers that the valuation conducted by the Valuer is fair, reasonable and appropriate.

Completion

Vegetable Wholesale Company shall provide assistance to the Company for the completion of the registration of transfer of title of the Land before 31 January 2026.

INFORMATION OF THE LAND

Location : North of Beihuan Road, Shouguang City (壽光市北環路北)

Total area : 297,321 square meters

Usage : Industrial

REASONS FOR AND BENEFITS OF THE SETTLEMENT

The Company considers that the Settlement will be beneficial to the Company's collection of the Debt, reduce risk of bad debts, improve the Company's financial condition and ensure fund security, which is expected to have a positive impact on the future financial condition and operating results of the Group.

In addition, in recent years, the Company has been leasing the Land (together with the building and construction erected thereon and machinery and equipment) for the Group's production and operations. The Settlement would reduce leasing expenses and production costs, which is conducive to the Company's stable production and operations.

As disclosed in the announcement of the Company dated 15 December 2025, the Company is planning for the newly constructed high-end petroleum specialized intelligent processing line project so as to add to its processing capabilities and enhance production efficiency of the factory located at the Land. The transfer of the Land will satisfy the project development needs of the Company, improve the industry chain, lay a solid foundation for further market explorations and reduction of projection costs, which will be beneficial to the Company's subsequent improvement in operations and enhancement of profitability.

In light of the above, the Directors consider that the terms of the Debt Settlement Agreement were negotiated on an arm's length basis and on normal commercial terms, and the Settlement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 Vegetable Wholesale Company

Vegetable Wholesale Company 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, Vegetable Wholesale Company 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 Huarong Agricultural

Huarong Agricultural is a company established in the PRC with limited liability 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, Huarong Agricultural is held as to 100% of its equity interest by Shouguang Shengjing Ocean Development Group Co., Ltd.* (壽光市昇景海洋發展集團有限公司), which is in turn ultimately controlled by the Finance Bureau of Shouguang City (壽光市財政局).

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 Settlement exceed 5% but all are less than 25%, the Debt Settlement Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

SZSE LISTING RULES IMPLICATIONS

Pursuant to the relevant requirements under the SZSE Listing Rules, the Settlement is subject to the approval of the Shareholders at the EGM.

GENERAL

A circular containing the details of the Settlement will be despatched to the Shareholders in due course.

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 |
| “Disposal” | the disposal of 100% of the equity interest in Shouguang Maolong by the Company to Huarong Agricultural pursuant to the terms and conditions of the Equity Transfer Agreement |
| “Debt” | the sum payable by Huarong Agricultural to the Company in the total amount of RMB361,000,000, comprising (i) the account receivables payable by Huarong Agricultural to the Company under the Repayment Agreement of RMB260,961,500 and (ii) the consideration of the Disposal in the sum of RMB100,038,500 payable to the Company by Huarong Agricultural |
| “Debt Settlement Agreement” | the debt settlement agreement dated 29 December 2025 and entered into between the Company, Huarong Agricultural and Vegetable Wholesale Company in relation to the Settlement |
| “Director(s)” | director(s) of the Company |
| “EGM” | an extraordinary general meeting to be convened and held by the Company, or any adjournment thereof, for the Shareholders to consider, and if thought fit, approve, amongst others, the Settlement |
| “Equity Transfer Agreement” | the equity transfer agreement dated 14 October 2024 entered into by the Company and Huarong Agricultural 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 |
| “Huarong Agricultural” | Shouguang Huarong Agricultural Technology Co., Ltd.* (壽光華融農業科技有限公司), a company established in the PRC with limited liability |
| “Land” | the plot of land located at North of Beihuan Road, Shouguang City, the PRC (中國壽光市北環路北) with a total area of approximately 297,321 square metres, together with buildings and constructions erected thereon and machinery and equipment |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “Repayment Agreement” | the repayment agreement dated 14 October 2024 and entered into by the Company and Huarong Agricultural in relation to the assumption of the obligation to repay the account receivable in the sum of RMB714,141,700 by Huarong Agricultural to the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Settlement” | the settlement of the Debt by Vegetable Wholesale Company to the Company for Huarong Agricultural pursuant to the Debt Settlement Agreement |
| “Share(s)” | A Share(s) and H Share(s) |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Shouguang Maolong” | Shouguang Maolong New Materials Technology and 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 |
| “Stock Exchange” | | The Stock Exchange of Hong Kong Limited |
| “SZSE” | | Shenzhen Stock Exchange |
| “SZSE Listing Rules” | | Rules Governing the Listing of Shares on SZSE |
| “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 |
| “Vegetable Company” | Wholesale | 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 |
| “%” | | per cent. |

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

Shandong, the PRC
29 December 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. Wang Tao and Mr. Song Guang Jie; the non-executive Directors, namely Mr. Huang Bing De and Ms. Zhang Min; and the independent non-executive Directors, namely Mr. Zhang Zhen Quan, Mr. Dong Shao Hua and Mr. Zhang Bing Gang.

** For identification purposes only*