

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)

BUSINESS UPDATE

POSSIBLE DISPOSAL OF SUBSIDIARIES

This announcement is made by the board (the “**Board**”) of directors (the “**Director(s)**”) of Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) to provide shareholders and potential investors of the Company with the latest business update of the Company.

The Board has at a meeting held on 20 May 2024 approved the proposed disposal of (1) 100% equity interest in Shouguang Maolong New Material Technology Development Co., Ltd.* (“**Shouguang Maolong**”, 壽光懋隆新材料技術開發有限公司); and (2) 100% equity interest in Shouguang Molong Logistics Co., Ltd.* (“**Molong Logistics**”, 壽光墨龍物流有限公司) (the “**Possible Disposals**”). As at the date of this announcement, both Shouguang Maolong and Molong Logistics are direct wholly-owned subsidiaries of the Company.

Upon completion of the Possible Disposals, it is expected that the Company will not hold equity interest in Shouguang Maolong and Molong Logistics, and the financial results of Shouguang Maolong and Molong Logistics will no longer be consolidated in the financial statements of the Company. As at the date of this announcement, there is no potential purchaser for the Possible Disposals and the specific transaction plan has not been finalised.

INFORMATION ON THE SUBSIDIARIES PROPOSED TO BE DISPOSED

Shouguang Maolong

Shouguang Maolong is a limited liability company established in the People's Republic of China (the “**PRC**”). It is principally engaged in research of new materials for energy equipment; production and sale of metal castings and forgings; sea water desalination; waste heat and gas power generation.

The key financial information of Shouguang Maolong is set out as follows:

	As at 31 December 2023	As at 31 March 2024
	(Audited)	(Unaudited)
	<i>RMB'0000</i>	<i>RMB'0000</i>
Total assets	94,286.28	87,854.88
Total liabilities	78,213.47	72,490.97
Net assets	16,072.81	15,363.91
Account receivable	91.07	37.53
Contingent liability	-	-
	For the year ended 31 December 2023	For the three months ended 31 March 2024
	(Audited)	(Unaudited)
	<i>RMB'0000</i>	<i>RMB'0000</i>
Operating income	7,180.32	443.37
Operation profit / (loss)	(27,078.81)	(714.70)
Net profit / (loss)	(26,996.37)	(708.90)
Net cash flows generated from operating activities	4,720.43	(5,271.88)

Molong Logistics

Molong Logistics is a limited liability company established in the PRC. It is principally engaged in general freight; cargo warehousing; cargo loading and unloading; empty truck distribution; logistics information consultation; port ship docking services; sales: lighting, decorative items, household appliances, coal and products, building materials, auto parts, hardware products, electrical equipment; information technology consulting services.

The key financial information of Molong Logistics is set out as follows:

	As at 31 December 2023	As at 31 March 2024
	(Audited)	(Unaudited)
	<i>RMB'0000</i>	<i>RMB'0000</i>
Total assets	10,557.27	10,472.55
Total liabilities	10,251.73	10,211.28
Net assets	305.54	261.27
Account receivable	-	-
Contingent liability	-	-

	For the year ended 31 December 2023	For the three months ended 31 March 2024
	(Audited)	(Unaudited)
	<i>RMB'0000</i>	<i>RMB'0000</i>
Operating income	221.65	115.69
Operation profit / (loss)	(270.73)	(44.27)
Net profit / (loss)	(270.73)	(44.27)
Net cash flows generated from operating activities	(34.72)	(61.85)

INFORMATION ON THE SUBSIDIARIES PROPOSED TO BE DISPOSED

The two subsidiaries of Shouguang Maolong and Molong Logistics have had poor operating performance in recent years and have suffered continuous losses, which has had a substantial impact on the Company's overall operating performance. The Possible Disposals are based on the Company's overall business development needs, are in line with the Company's overall strategic layout, and are conducive to the Company's focus on its main business of energy equipment manufacturing. The Possible Disposals will help further optimize the asset and liability structure, revitalize existing assets, and achieve effective allocation of the Company's resources. The Possible Disposals is expected to also further enhance the Company's cash flow position, bring positive effects to the Company's future financial status and operating results, and help promote the Company's long-term stable development. Therefore, the Possible Disposals are in the interest of the Company and all its shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company has not entered into any agreement in respect of the Possible Disposals.

The Possible Disposals, if materialised, may constitute a major disposal of the Company and be subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

The Company will make further announcements in respect of the Possible Disposals as and when appropriate in accordance with the Hong Kong Listing Rules.

As there is no certainty that the Possible Disposals will be consummated, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shandong, the PRC
20 May 2024

As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Han Gao Gui and Mr. Yuan Rui; 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*