

(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 interests 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 Agreements (the "**Charge**"). Based on a valuation

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

Shandong, the PRC
12 January 2024