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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)*

INSIDE INFORMATION CHANGE IN SHAREHOLDING OF THE COMPANY

This announcement is made by Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements of the Company dated 11 September 2020 and 21 September 2020 in relation to a possible cooperation in respect of the shares of the Company between Mr. Zhang Enrong and Shandong Shouguang Jinxin Investment Development Holdings Group Limited* (“**Shouguang Jinxin**”, 山東壽光金鑫投資發展控股集團有限公司), and the announcement of the Company dated 28 September 2020 in relation to the voting rights nomination agreement entered into by Mr. Zhang Enrong and Shouguang Jinxin (the “**Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement, unless the context requires otherwise.

As disclosed in the Announcement, (1) pursuant to the Voting Rights Nomination Agreement, Mr. Zhang Enrong has nominated Shouguang Jinxin to exercise the voting rights and other shareholders’ rights) in the 235,617,000 A Shares of the Company (representing approximately 29.53% of the total issued share capital of the Company) held by Mr. Zhang Enrong (the “**Target Shares**”); and (2) as at the date of the Announcement, Mr. Zhang Enrong and Shouguang Jinxin were in the process of negotiating a transfer of the Target Shares.

As disclosed in the announcement of the Company dated 23 October 2020, 15,000,000 A Shares of the Company (representing approximately 1.88% of the total issued share capital of the Company) had been judicially frozen.

SHARE TRANSFER AGREEMENT

The Company was informed that Mr. Zhang Enrong and Shouguang Molong Holdings Co., Ltd.* (“**Molong Holdings**”, 壽光墨龍控股有限公司), a direct wholly-owned subsidiary of Shouguang Jinxin, have entered into a share transfer agreement (the “**Share Transfer Agreement**”) on 23 February 2021, the details of which are set out as follows:

Parties

1. Mr. Zhang Enrong; and

2. Molong Holdings.

The parties agreed that Mr. Zhang Enrong shall transfer the Target Shares to Molong Holdings, and Molong Holdings has agreed to take the Target Shares in accordance with the terms and conditions under the Share Transfer Agreement (the “**Share Transfer**”). Upon the completion of the Share Transfer, Molong Holdings will hold 235,617,000 A Shares of the Company (representing approximately 29.53% of the total issued share capital of the Company).

According to the Voting Rights Nomination Agreement, the nomination of Voting Rights in the Target Shares shall end upon the completion of the Share Transfer.

Consideration

The consideration of the Share Transfer shall be RMB 3.50 per A Shares (i.e. RMB 824,659,500 in total) (the “**Consideration**”). No adjustment shall be made to the Consideration in respect of the upward or downward movement(s) of the market price of the shares of the Company upon the execution of the Share Transfer Agreement. The respective taxes and fees arising from the Share Transfer shall be borne by the each of parties in accordance with laws.

Payment Arrangement

The payment arrangement of the Consideration shall be as follows:

- (1) Within 15 business days from the Share Transfer Agreement becoming effective, Molong Holdings shall transfer RMB 200,000,000 as first instalment of the Consideration to a designated account of Mr. Zhang Enrong, after which Mr. Zhang Enrong shall timely release the relevant encumbrances restricting the trading in the Target Shares (e.g. the judicial directive freezing the Target Shares etc.), ensure that the Target Shares are transferable and tradable shares and pay the taxes payable in respect of the Share Transfer.
- (2) The parties shall actively cooperate in relation to the provision of the full set of documents required under the Share Transfer, procure the completion of registration and transfer of the Target Shares and obtain the relevant proof of change in registration issued by the China Securities Depository and Clearing Corporation Limited. On the basis that Mr. Zhang Enrong having transferred the Target Shares to Molong Holdings held through China Securities Depository and Clearing Corporation Limited and Mr. Zhang Enrong not having breached his representations, undertakings and covenants, Molong Holdings shall transfer RMB 524,659,500 as second instalment of the Consideration to a designated account of Mr. Zhang Enrong on or before 31 March 2021.
- (3) On the basis that Mr. Zhang Enrong not having breached his representations, undertakings and covenants, Molong Holdings shall transfer the remaining Consideration of RMB 100,000,000 (the “**Remaining Consideration**”) to a designated account of Mr. Zhang Enrong on or before 30 April 2021. If Mr. Zhang Enrong breaches his representations,

undertakings and covenants and damages are payable to Molong Holdings, such damages shall be deducted from the Remaining Consideration.

Before the completion of the Share Transfer, Mr. Zhang Enrong shall not transfer, pledge or otherwise dispose of the shares of the Company held by him, or undertake to other third parties to transfer or pledge the relevant shares, or enter into any agreement or similar arrangement undertaking to other third parties in relation to the purchase of the relevant shares.

Conditions Precedent

The Share Transfer Agreement shall become effective upon the satisfaction of all the conditions below:

- (i) the Share Transfer Agreement having been executed and sealed by the parties; and
- (ii) the relevant matters and documents in relation to the Share Transfer Agreement and the transaction contemplated thereunder having been approved by state-owned assets supervisory authorities.

The Share Transfer and the relevant share transfer registration procedures at the China Securities Depository and Clearing Corporation Limited (Shenzhen branch) are subject to the approval of applicable state-owned assets supervisory authorities and the compliance review of the Shenzhen Stock Exchange.

IMPLICATIONS OF THE SHARE TRANSFER

Upon completion of the Share Transfer, (1) Molong Holdings will hold 235,617,000 A Shares of the Company (representing approximately 29.53% of the total issued share capital of the Company); (2) Shouguang Jinxin and the State-owned Assets Supervision and Administration Bureau of Shouguang City* (壽光市國有資產監督管理局) will be deemed to be interested in 235,617,000 A Shares of the Company (representing approximately 29.53% of the total issued share capital of the Company) under Part XV of the Securities and Futures Ordinance; and (3) the actual controller of the Company will remain to be the State-owned Assets Supervision and Administration Bureau of Shouguang City* (壽光市國有資產監督管理局).

The Company understands that the completion of the Share Transfer is subject to conditions precedent, and the Share Transfer may or may not eventually be consummated. The Company will update its shareholders and potential investors on the Share Transfer in accordance with the Listing Rules as and when appropriate.

Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisors.

By Order of the Board
Shandong Molong Petroleum Machinery Company Limited
Yang Yun Long
Chairman

Shandong, the PRC
23 February 2021

As at the date of this announcement, the Board comprises the executive Directors, namely Mr. Yang Yun Long, Mr. Yuan Rui, Mr. Liu Min and Mr. Li Zhi Xin; the non-executive Directors, namely Mr. Yao You Ling and Mr. Wang Quan Hong; and the independent non-executive Directors, namely Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.

** For identification purpose only*