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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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

### **DISCLOSEABLE TRANSACTION ASSIGNMENTS OF DEBTS**

Reference is made to the Company's announcement dated 13 February 2025 (the "Announcement") in relation to the Assignment Agreements and the transactions contemplated thereunder. Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement, unless the context requires otherwise.

As disclosed in the Announcement, the consideration for Debt A was determined after arm's length negotiations between the Company and the Purchaser with reference to, amongst others, 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. The Company would like to provide further information in relation to the valuation of the Land (together with buildings and constructions erected thereon).

#### **Name and identity of valuer**

The independent PRC qualified 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) (the "Valuer").

#### **Qualifications of valuer**

The Valuer is a qualified asset valuation firm in the PRC registered with the China Appraisal Society and filed with Jinan 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 and Ms. Wang Yan, 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 Mr. Li Boyang and Ms. Wang Yan are qualified, experienced and competent in performing the valuation of the Land.

### **Valuation standard**

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 method**

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 – 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 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 cost approach is not suitable in view of the lack of land resumption in recent years which had led 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 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 x transaction date adjustment coefficient x regional parameters  
adjustment coefficient x specific parameters adjustment coefficient x 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:

### 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.

### General assumptions

It is assumed that:

- 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

### Specific assumptions

It is assumed that:

- 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.

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

Shandong, the PRC  
19 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*