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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

SUSPENSION OF PRODUCTION FOR INSPECTION AND MAINTENANCE OF A SUBSIDIARY

This announcement is made by Shandong Molong Petroleum Machinery Company Limited* (hereinafter referred as “**Shandong Molong**” or the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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).

The Company has recently received a notice from a subsidiary, Shouguang Baolong Petroleum Equipment Co., Ltd.* (壽光寶隆石油器材有限公司) (hereinafter referred as “**Shouguang Baolong**”) in relation to its suspension of production for inspection and maintenance, the relevant information is hereby announced as follows:

I. Reason and time period for the suspension of production

Taking into account the business of Shouguang Baolong in recent years, in order to further optimize production process, enhance product competitiveness and improve overall efficiency, Shouguang Baolong has recently suspended production for inspection and maintenance in accordance with its production arrangement, and has carried out modification and upgrade of its existing production lines. The duration of the suspension of production has not been determined, the Company will determine the time for the resumption of production in accordance with the status of the inspection, maintenance and modification, and will comply with its information disclosure obligations in a timely manner.

II. Basic information of the controlling subsidiary

1. Name of company: Shouguang Baolong Petroleum Equipment Co., Ltd.* (壽光寶隆石油

器材有限公司)

2. Type of company: Other limited liability company
3. Unified Social Credit Code: 913707836613984230
4. Registered address: East of Xingze Road, Shouguang City (Southwest corner of Shangjia Village, Gucheng Street)
5. Legal representative: Zhang Jingbo* (張靜波)
6. Registered capital: RMB150 million
7. Date of establishment: 30 April 2007
8. Scope of business: Manufacture and sales of: pure oxygen, pure ammonia, pure nitrogen (validity period subject to license); manufacture and sale of: petroleum equipment, castings and forgings (To comply with the law, business activities of certain projects which are subjected to the approval from relevant department can only be carried out after obtaining such approval) ***
9. Shareholding ratio: Shandong Molong holds 70% shares and Weifang Shengcheng Investment Company Limited* (濰坊聖城投資有限公司) holds 30% shares.
10. Major financial data for the latest year and period:

As of 31 December 2020, the total assets, total liabilities and net assets of Shouguang Baolong amounted to RMB792.2307 million, RMB899.4309 million and RMB-107.2002 million, respectively. For the year of 2020, the revenue realized and net profit of Shouguang Baolong amounted to RMB1,686.4415 million and RMB-66.5568 million, respectively. (The above financial data has been audited)

As of 31 March 2021, the total assets, total liabilities and net assets of Shouguang Baolong amounted to RMB824.1609 million, RMB936.8542 million and RMB-112.6933 million, respectively. In the first quarter of 2021, the revenue realized and net profit of Shouguang Baolong amounted to RMB546.9063 million and RMB-5.4931 million, respectively. (The above financial data has not been audited)

III. The impact of the suspension of production for inspection and maintenance on the Company

It is expected the suspension of production for inspection and maintenance as well as the modification and upgrade of Shouguang Baolong will lead to an increase in the related costs and expenses of the Company, which will have an adverse impact on the operating results of the Company in the second half of 2021. However, in the long run, the completion of the suspension of production for inspection and maintenance as well as the modification of Shouguang Baolong will facilitate stability of the equipment of the production lines, further enhance product competitiveness and improve overall efficiency.

The Company will closely monitor the progress of the suspension of production for inspection

and maintenance as well as the modification of Shouguang Baolong, and fulfill its information disclosure obligations in a timely manner in accordance with the relevant regulations. Investors are advised to pay attention to investment risks.

Further announcements will be issued as and when required under the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Shandong, the PRC
14 July 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 purposes only*