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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)

ANNOUNCEMENT IN RELATION TO APPLICATION FOR CANCELLATION OF OTHER RISK WARNINGS IN RESPECT OF A SHARES OF THE COMPANY

Reference is made to the announcement of Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) dated 28 March 2024 in relation to, amongst others, imposition of other risk warnings in respect of the A Shares of the Company.

Grant Thornton Zhitong Certified Public Accountants LLP (“**Grant Thornton**”) audited the Company’s 2024 financial report and issued a standard unqualified audit report.

According to Rule 9.8.7 of the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Company has made an application to the Shenzhen Stock Exchange for the cancellation of other risk warnings. The application for cancellation of other risk warnings is subject to the approval of the Shenzhen Stock Exchange, and there is no certainty as to whether such application will be approved by the Shenzhen Stock Exchange.

During the Shenzhen Stock Exchange’s review, the Company will not apply for suspension of trading in its A Shares, which will be traded normally. The Company will fulfill its information disclosure obligations in a timely manner based on the progress of the above. Investors are advised to pay attention to investment risks.

The Company held the first meeting of the eighth session of the board of directors and the first meeting of the eighth session of the supervisory committee on 28 March 2025, at which the "Resolution on Application for Cancellation of Other Risk Warnings on the Company's Shares" was considered and approved. Set out below are relevant matters in relation to the application for cancellation of other risk warnings in respect of the Company’s A Shares:

A. INFORMATION ON IMPOSITION OF OTHER RISK WARNINGS IN RESPECT OF A SHARES OF THE COMPANY

According to Rule 9.8.1 of the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, given that the Company's net profits before and after deducting non-recurring gains and losses (whichever is lower) in the past three consecutive financial years from 2021 to 2023 were in the negative, and the audit report for year 2023 revealed that there is uncertainty as to the Company's ability to continue as a going concern; the Shenzhen Stock Exchange has imposed other risk warnings in respect of trading in the Company's A Shares commencing from market opening on 1 April 2024. The stock abbreviation of the A Shares of the Company was changed from "Shandong Molong" to "ST Molong", and the daily limit in respect of increase or decrease in the stock price of the A Shares has become 5%. For details, please refer to the announcement of the Company dated 28 March 2024.

B. INFORMATION ON APPLICATION FOR CANCELLATION OF OTHER RISK WARNINGS IN RESPECT OF A SHARES OF THE COMPANY

(1) The type of the Company's 2024 audit report is standard unqualified audit opinion

Grant Thornton has audited the Company's 2024 financial statements and issued a standard unqualified audit report and relevant report, in which it was Grant Thornton's view that the impact of "uncertainty on the Company's ability to continue as a going concern" in the Company's 2023 audit report has been eliminated.

(2) Elimination of significant uncertainty regarding ability to continue as a going concern

The Company's net profit attributable to the owners of the parent company in 2024 was RMB-44 million. As at 31 December 2024, the equity attributable to shareholders of the parent company was RMB492 million, the asset-liability ratio was 79.68%, and the interest-bearing liabilities repayable within one year were approximately RMB1.448 billion. As at 31 December 2024, the Company has completed the divestiture of three subsidiaries with no overdue debts. The Company is still involved in certain business disputes and litigations that have resulted in some of the Company's bank accounts being frozen and some assets being seized, but such events do not affect the Company's normal production and operations.

In order to further improve the Company's ability to continue as a going concern, the Company has implemented or is prepared to implement the following measures:

1. Enhance recovery of consideration of transfer of equity interest in divested subsidiaries and financial assistance

As of the date of issue of the financial report, the Company has received a cash repayment of RMB444 million for settlement of previous passive financial assistance. The Company will use its best effort to recover the remaining amount in full and in a timely manner in the form of monetary funds in accordance with the provisions in the agreement, in order to ensure

timely performance and repayment.

2. Obtain support from financial institution creditors

On 12 December 2024, the Shouguang Municipal Government organised a conference for relevant financial institutions in respect of the credit condition of the Company. Upon coordination, the banks have undertaken to maintain the amount of existing credit facilities, refrain from withdrawal of loans, suspension of loans and reduction of loans, in order to jointly resolve the Company's capital risks.

3. Obtain financial support provided by Shouguang Jinxin (a related party shareholder)

After consideration and approval at the third extraordinary meeting of the eighth session of the Company's board of directors on 24 February 2025, based on the Company's needs including production and operation and repayment of overdue debts, Shandong Shouguang Jinxin Investment Development Holding Group Co., Ltd.* (山東壽光金鑫投資發展控股集團有限公司, "**Shouguang Jinxin**") provided financial assistance in the amount of not exceeding RMB300 million to the Company, with a loan term of no more than one year. The interest rate was the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin can provide financial assistance in instalments based on the actual situation. Interest will accrue based on the actual number of days elapsed after the loan is drawn, and early repayment of the loan is available to the Company. The Company was not required to provide any form of guarantee, mortgage, pledge, etc. in relation to financial assistance.

4. Strengthen the use and management of recovered funds

For the funds that has been recovered, formulate a fund utilisation plan and improve supervision and management of the funds.

5. Deeply cultivate market development

In 2025, the Company will further optimize its product and customer structure, actively expand marketing channels, increase order volume and production capacity of high value-added products, and effectively increase market share. In the domestic market, the Company will carry out bidding for major oilfield markets and actively increase the number of shortlisted products with high value-added; in overseas markets, the Company will actively explore overseas markets with higher gross profit margins for product sales, increase product sales orders, step up production scale, and expand market share.

6. Proactively expand financing channels.

The Company is currently proactively collaborating with relevant financial institutions and supply chain enterprises. On the basis of maintaining existing financing channels and quotas, the Company is to initiate operational collaboration with strong financial institutions and

supply chain enterprises through financial leasing, factoring of accounts receivable, goods and trade integration and supply chain finance. The Company is to actively expand financing channels, ensure stable supply of raw materials, and alleviate financial pressure.

7. Timely resolve relevant litigations

The Company will actively communicate and coordinate with the court and relevant stakeholders to promptly release frozen accounts and seized assets in relation to litigations.

8. Solidify internal control and management

The Company will continuously strengthen foundational management, reduce various expenses, and comprehensively promote quality and efficiency improvement; strengthen financial management, optimize the liability structure, actively reduce high-interest liabilities, and reduce the Company's finance costs; strengthen accounts receivable management, reduce bad debt losses, and ensure capital security; strengthen technological innovation and know-out improvement, further increase value added and gross profit margin of products, and enhance corporate profitability; strengthen human management, optimize incentivisation measures, drive employees' initiatives, implement fixed positions and eliminate idle personnel, and fully reduce labour costs.

In view of the above, the impact of the underlying matters of material uncertainty related to the Company's ability to continue as a going concern in the previous year has been eliminated.

(3) Application for cancellation of other risk warnings in respect of A Shares of the Company

The Company's 2024 financial statements contain a standard unqualified opinion. According to the requirements in the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Company does not fall into the circumstances set out in Rule 9.8.1(7) or other circumstances in which other risk warnings should be imposed. At the same time, the Company meets the relevant requirements for an application for cancellation of other risk warnings in Rule 9.8.7. Following rule by rule self-assessment, none of the circumstances of other risk warnings set out in Rule 9.8.1 of the Rules Governing the Listing of Shares on Shenzhen Stock Exchange existed in respect of the Company. As such, application has been made to the Shenzhen Stock Exchange for cancellation of other risk warnings in respect of trading in A Shares of the Company. If the Shenzhen Stock Exchange agrees to cancel the other risk warnings, the stock abbreviation of the A Shares of the Company will be changed from "ST Molong" to "Shandong Molong", and the daily limit in respect of increase or decrease in the stock price of A Shares will be 10%.

C. WARNING OF RISKS

The application for cancellation of other risk warnings is subject to the approval of the Shenzhen Stock Exchange, and there is no certainty as to whether such application will be approved by the Shenzhen Stock Exchange. The Company will fulfill its information disclosure obligations in a

timely manner based on the progress of the above.

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

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

Shandong, the PRC
28 March 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*