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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 OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made by Shandong Molong Petroleum Machinery Company Limited\* (the “**Company**”) pursuant to Rule 13.09 and Rule 13.10B 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).

Reference is made to the announcement of the Company dated 22 March 2021 and various overseas regulatory announcements of the Company in relation to the increase in shareholding of the Company (the “**Increase in Shareholding**”) by Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司) and parties acting in concert with it (the “**Parties**”). To the knowledge of the Company, the Parties collectively hold an aggregate of 20% of the equity interest in the Company as at the date of this announcement.

Enclosed herewith is a reply letter provided by Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司) in response to certain queries raised by the Shenzhen Stock Exchange in relation to the Increase in Shareholding.

**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 of  
**Shandong Molong Petroleum Machinery Company Limited\***  
**Yang Yun Long**  
*Chairman*

Shandong, the PRC  
23 May 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*

# **Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司)’s Reply to the Letter of Attention from Shenzhen Stock Exchange [2021] No. 213**

## **To Shenzhen Stock Exchange:**

On 18 May 2021, Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司) (hereinafter referred to as the “Company” or “Zhimeng Holdings”) received the “Letter of Attention on Shandong Zhimeng Holdings Co., Ltd.” (hereinafter referred to as the “Letter of Attention”) from the Division One of the Company Management Department of Shenzhen Stock Exchange. Please find below Zhimeng Holding’s reply to the issues raised in the Letter of Attention:

**1. Please provide supplementary information on the specific source of fund that was used to acquire 20% equity interest in the listed company in accordance with the requirements set out in Article 41 of the “Standards for the Contents and Formats of Information Disclosure by Public Listed Issuers to the Public No. 15 – Report on Changes in Equity” (《公開發行證券的公司資訊披露內容與格式準則第 15 號——權益變動報告書》) and Article 34 of the “Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 16 – Report on Acquisition by Listed Company” (《公開發行證券的公司資訊披露內容與格式準則第 16 號——上市公司收購報告書》) (hereinafter referred to as “Standard 16”). If the source of fund is internal funds, please specify the amount and illustrate the performance capability with reference to the registered capital, operating condition and financial strength of your Company and parties acting in concert with you respectively. If the fund is sourced from raised capital or other sources, please specify the details and disclose the identity of the ultimate fund provider in a “see through” manner. If the fund is sourced from loans or other financing channels, please disclose the key terms of such loans or financing agreements, including but not limited to specific financing channels (or borrowers), financing amount, term of financing, capital cost or interest rate, guarantor(s) and guarantee charges (if any), repayment plan and other key terms etc.**

Reply:

The Company and parties acting in concert with it increased their shareholdings in the listed company by 20% via centralised bidding in the secondary market. The consideration, which is sourced from its internal funds, amounted to approximately RMB412.42 million in aggregate. The details of which are set out below:

1. The Company paid approximately RMB150.73 million to increase its shareholding in the listed company, with all funds sourced from the paid-up capital contributed by the controlling shareholder. The registered capital of Zhimeng Holdings amounted to RMB300 million and all shareholders have paid up their respective capital.

2. Shouguang Panjin Property Co., Ltd.\* (壽光市磐金置業有限公司), a party acting in concert with the Company, paid approximately RMB50 million to increase its shareholding in the listed company, with all funds sourced from the paid-up capital contributed by the controlling shareholder. The registered capital of this company amounted to RMB180 million and Shandong Panjin Forging Machinery Co., Ltd.\* (山東磐金鍛造機械有限公司), the controlling shareholder of this company, has paid-up its capital.

3. Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司), a party acting in concert with the Company, paid approximately RMB99.48 million to increase its shareholding in the listed company, with all funds sourced from cash flow generated from its operating activities. The paid-up capital of this company amounted to RMB11 million, of which the controlling shareholder has contributed a capital amount of RMB10 million. The operating income of this company in the past three years amounted to RMB5.68 million, RMB129 million and RMB243 million respectively. It is estimated that the operating income for this year would amount to more than RMB400 million. The primary source of funds of this company for the increase in its shareholding in the listed company was the recovery of its accounts receivables and other receivables (approximately RMB100 million). The funds for increasing shareholding do not involve external financing, guarantee, interest expense and financing cost.

4. Shouguang Ruisen New Building Materials Co., Ltd.\* (壽光市瑞森新型建材有限公司), a party acting in concert with the Company, paid approximately RMB112.2 million to increase its shareholding in the listed company, with all funds sourced from cash flow generated from operating activities. The registered capital of this company amounted to RMB50 million. The operating income of this company in the past three years amounted to RMB137 million, RMB68.81 million and RMB59.95 million respectively. It is estimated that the operating income for this year would amount to more than RMB100 million. This company increased its shareholding in the listed company primarily by the funds sourced from recovering project construction payments (approximately RMB53 million in aggregate) and other receivables (approximately RMB69 million in aggregate). The funds for increasing shareholding do not involve external financing, guarantee, interest expense and financing cost.

As at the issue date of this letter, the Company and parties acting in concert with it have completed the increase in their shareholding in the listed company by 20% and paid for the consideration, thus there are no issues concerning performance and performance risk.

**2. Considering the prevailing shareholding structure of the listed company, the difference in the shareholdings held between your Company and the largest shareholder of the listed company, the specific family relationship between Xue Mingliang (薛明亮), the actual controller of your Company, and Xue Maolin, who participated in planning the previous change in shareholding, as well as the subsequent plan of your Company to increase shareholding, please specify if your Company and parties acting in concert with it have any intention to obtain the control of the listed company and disclose supplementary information on relevant matters as per the requirements set out in Article 21 of “Standard 16”.**

Reply:

1. The listed company is principally engaged in oil casing and steel pipes production with Shouguang Molong Holdings Co., Ltd.\* (壽光墨龍控股有限公司) as its controlling shareholder and the State-owned Assets Supervision and Administration Bureau of Shouguang City\* (壽光市國有資產監督管理局) as its actual controller respectively. As at the issue date of this letter, the shares of the listed company is held as to 29.53% by Shouguang Molong Holdings Co., Ltd. \* (壽光墨龍控股有限公司) and 20% by the Company and parties acting in concert with it.

2. Xue Mingliang (薛明亮), the actual controller of the Company is a son of Xue Maolin, who has accumulated years of experience in the steel industry in terms of manufacturing and operation. The increase of the Company’s shareholding in the listed company was a decision made by Xue Mingliang (薛明亮) on the basis of his industry experience, knowledge on the listed company and thorough discussion with the investment and management team, which was implemented the Company together with parties acting in concert with it. Xue Maolin, as the father of Xue Mingliang (薛明亮), participated in the discussion and planning of the increase in shareholding in

the listed company concerned. The Company has already submitted a letter on 21 April 2021 to the listed company and the Shenzhen Stock Exchange setting out the details of the same.

3. The previous attempt by Xue Maolin planning to have the controlling stake of the listed company transferred to him was mainly executed by a transfer by agreement with Zhang Enrong, the original controlling shareholder, of the shares personally held by him. The transaction has been terminated and does not have any legal relationship with the increase in shareholding concerned.

4. As at the issue date of this letter, the Company does not rule out the possibility that it will, based on factors such as the business development of the listed company and the Company's financial arrangements, continue to increase its shareholding in the listed company by means of, including but not limited to, acquisition in the secondary market, block trade or transfer by agreement at a reasonable price recognized by the Company. It is possible for the Company to become the controlling shareholder of the listed company in the future either through increasing its shareholding via the above methods or the sell-down of share held by the current controlling shareholder of the listed company. However, the Company's current shareholding is still lower than that of the controlling shareholder of the listed company (29.53%) by nearly 10%. The controlling shareholder and actual controller of the listed company have not changed at the moment. The foregoing representation does not constitute an undertaking of the Company and parties acting in concert with it to further increase their shareholdings in the listed company. Minority investors are advised to pay attention to investment risks.

5. In the next 12 months, the Company does not rule out the possibility that it will, based on factors such as the business development of the listed company and the Company's financial arrangements, continue to increase its shareholding in the listed company by means of, including but not limited to, acquisition in the secondary market, block trade or transfer by agreement at a reasonable price recognized by the Company. If the Company and parties acting in concert with it have become the controlling shareholder of the listed company and attain actual control, the Company will perform relevant legal procedures and commitments in accordance with the requirements of the "Management Measures on Takeover of Listed Companies" (《上市公司收購管理辦法》). In the next 12 months, the Company may sell-down its shareholding based on factors such as the stock price and business development of the listed company as well as the financial arrangements of the Company in accordance with laws. Meanwhile, as a substantial shareholder with a shareholding of over 5%, the Company will also strictly comply with relevant requirements of laws and regulations, such as the Securities Law, on short-swing trading.

**3. With reference to the reply to question 2 above, please specify if your Company, as per the requirements set out in Article 41 of "Standard 16", intends to change the composition of the incumbent board of directors or senior management of the listed company in the future, amend relevant provisions set out in the Articles of Association of the listed company, change the principal business of the listed company; and whether the listed company proposes to dispose, acquire or swap assets. On this basis, please specify the impact, if any, of change in interest of your Company on the corporate governance structure, day-to-day operation and decision-making process of the listed company.**

Reply:

As at the issue date of this letter, the Company and parties acting in concert with it hold 20% of the shares in the listed company in aggregate. However, Shouguang Molong Holdings Co., Ltd.\* (壽光墨龍控股有限公司) and State-owned Assets Supervision and Administration Bureau of Shouguang City\* (壽光市國有資產監督管理) remain as the controlling shareholder and actual controller of the listed company respectively. The Company has neither appointed any directors nor has participated in the operation and management of the listed company.

The Company will further understand the governance structure and day-to-day operation of the listed company and does not rule out exercising any shareholders' rights that are conducive to the business development of the listed company, including participating in the board of directors of the listed company and recruiting high caliber senior management through the board of directors. However, as at the issue date of this letter, the Company has no certain plan to replace directors and senior management of the listed company, amend the Articles of Association of the listed company, change the principal business of the listed company and dispose, acquire or swap assets. If the Company exercises such shareholders' rights in accordance with relevant laws and regulations and corporate system, it will strictly comply with the requirements of the relevant laws and regulations to fulfill relevant approval procedures and information disclosure obligations.

As at the issue date of this letter, the Company has not caused any impact to the corporate governance structure, day-to-day operation and decision-making process of the listed company as a result of changes in its shareholding in the listed company.

**4. Pursuant to the requirements set out in Article 18 of “Standard 16”, please disclose supplementary information on the key facts of the principal business of Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司), a core company controlled by a party acting in concert – Shouguang Hongsen Logistics Co., Ltd.\* (壽光市鴻森物流有限公司)**

Reply:

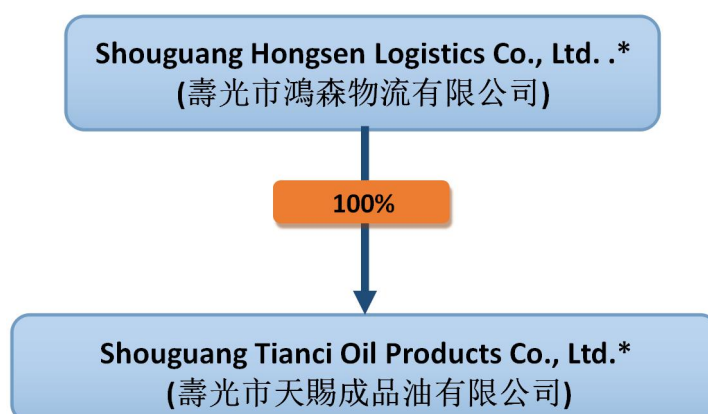
Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司) is a small and mini company acquired by Shouguang Hongsen Logistics Co., Ltd.\* (壽光市鴻森物流有限公司) from a non-related third-party natural person in 2019 and is the only subsidiary of Hongsen Logistics (鴻森物流). Set out below is the supplementary information required to be disclosed pursuant to the Article 18 of “Standard 16”:

1. Key facts

Name of company:	Shouguang Tianci Oil Products Co., Ltd.* (壽光市天賜成品油有限公司)
Registered address:	Changda Road East, Caonian Village, South Hou Town, Shouguang City* (壽光市侯鎮鎮南草碾村昌大路東)
Legal representative:	Yu Zhihao (於志浩)
Registered capital:	RMB500,000
Unified Social Credit Code:	913707837774223922
Type of company:	Limited liability company
Scope of business:	Retail: gasoline and diesel (the valid period is subject to the permit); sales: lubricants, dispenser parts, car wash products, daily necessities, pre-packaged food, bulk food, dairy products (excluding infant formula milk powder); car wash; electronic

	scale service (projects subject to being approved by the law and business activities that can only be carried out after obtaining approval from relevant authorities) ***
Operating period:	From 29 July 2004 with no fixed term
Controlling shareholder	Shouguang Hongsen Logistics Co., Ltd.* (壽光市鴻森物流有限公司)
Corresponding address:	Changda Road East, Caonian Village, South Hou Town, Shouguang City* (壽光市侯鎮鎮南草碾村昌大路東)
Telephone no.:	0536—5364011

## 2. Ownership structure



## 3. Controlled enterprise

As at the issue date of this letter, Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司) does not have control over other enterprises.

## 4. Summary of principal business and financial condition over the past three years

Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司) was acquired by Hongsen Logistics (鴻森物流) in 2019. Its principal business include retail: gasoline and diesel (the valid period is subject to the permit); sales: lubricants, dispenser parts, car wash products, daily necessities, pre-packaged food, bulk food, dairy products (excluding infant formula milk powder); car wash and; electronic scale service (projects subject to being approved by the law and business activities that can only be carried out after obtaining approval from relevant authorities).

Set out below is the financial information of Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司) over the past three years:

Item	2018 (RMB)	2019 (RMB)	2020 (RMB)
Total assets	1,056,399.40	7,300,809.79	13,383,534.43
Net assets	681,685.50	329,288.37	1,536,227.65

Operating income	1,806,313.00	10,014,678.96	14,675,094.09
Net profit	10,528.42	-164,014.96	1,199,658.78
Gearing ratio	64.53%	95.49%	88.52%

#### 5. Penalties, litigation and arbitration involving the company over the past five years

As at the issue date of this letter, save as disclosed below, such company is not subject to other administrative penalties (except those obviously unrelated to the securities market), criminal penalties and other significant civil lawsuits or arbitrations related to economic disputes.

Litigation involved: CNOOC Marketing Shandong Co., Ltd.\* (中海油山東銷售有限公司), the plaintiff, sued such company in a dispute over trademark infringement. In 2019, the court ruled that the company shall pay RMB100,000 as compensation. This case does not constitute a liability litigation during the operating period of Hongsen Logistics (鴻森物流). The original actual controller has paid the corresponding compensation and the case was concluded.

#### 6. Profile of the main responsible person

Name	Gender	Position	Nationality	Ordinary place of domicile	Right of abode in other countries
Yu Zhihao	Male	Executive director	China	Weifang, Shandong	No

As at the issue date of this letter, the above person is not subject to other administrative penalties (except those obviously unrelated to the securities market), criminal penalties and other significant civil lawsuits or arbitrations related to economic disputes.

#### 7. Information of the holding and controlling of more than 5% shares in other listed companies by the company and its controlling shareholder, actual controller and related parties

As at the issue date of this letter, Shouguang Tianci Oil Products Co., Ltd.\* (壽光市天賜成品油有限公司) and its controlling shareholder, actual controller and related parties do not hold and control more than 5% shares in other listed companies.

#### 8. Information of the holding of more than 5% shares in banks, trust companies, securities companies, insurance companies and other financial institutions by the company and its controlling shareholder, actual controller and related parties

As at the issue date of this letter, Shouguang Tianci Oil Products Co., Ltd. (壽光市天賜成品油有限公司) and its controlling shareholder, actual controller and related parties do not hold more than 5% shares in banks, trust companies, securities companies, insurance companies and other financial institutions.

**5. Please illustrate if your Company and the parties acting in concert with it, the controlling shareholders, actual controllers, directors, supervisors and senior management of your Company and the parties acting in concert with it are included in the list of dishonest persons subject to execution. If so, please describe the details and explain whether it is in compliance with the requirements and reasons for an offeror's qualification as stipulated in**

the Article 6 of the “*Management Measures on Takeover of Listed Companies*” (《上市公司收購管理辦法》).

Reply:

1. Please illustrate if your Company and the parties acting in concert with it, the controlling shareholders, actual controllers, directors, supervisors and senior management of your Company and the parties acting in concert with it are included in the list of dishonest persons subject to execution.

As at the issue date of this letter, the controlling shareholders, actual controllers, directors, supervisors and senior management of the Company and parties acting in concert with it mainly include: (1) Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司): Xue Mingliang (薛明亮), the controlling shareholder, actual controller, executive director and manager, and Guofang (國方), the supervisor; (2) Shouguang Panjin Property Co., Ltd.\* (壽光市磐金置業有限公司): Shandong Panjin Forging Machinery Co., Ltd.\* (山東磐金鍛造機械有限公司), the controlling shareholder, Song Longjiang (宋龍江), the executive director and manager, and Li Jiangquan (李江泉), the supervisor; (3) Shouguang Hongsen Logistics Co., Ltd.\* (壽光市鴻森物流有限公司): Song Yongqi (宋永奇), the controlling shareholder, actual controller, executive director and manager, and Yu Zhihao (於志浩), the supervisor; (4) Shouguang Ruisen New Building Materials Co., Ltd.\* (壽光市瑞森新型建材有限公司): Xue Yumin (薛裕民), the controlling shareholder, actual controller, executive director and manager. None of the above companies and individuals are included in the list of dishonest persons subject to execution.

2. Explain whether it is in compliance with the requirements and reasons for an offeror’s qualification as stipulated in the Article 6 of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》).

As at the issue date of this letter, Zhimeng Holdings (i.e. the Company), a newly established company with all registered capital paid-up, has neither engage in other business nor have any external borrowings. The parties acting with concert with it, namely Panjin Property (磐金置業), Hongsen Logistics (鴻森物流) and Ruisen New Building Materials (瑞森新材), do not have any unpaid matured debts upon their self-examination. As such, the Company and parties acting in concert with it do not fall into the condition stipulated in Article 6(1) of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》) where an offeror consistently has a large amount of outstanding matured debt.

As disclosed by the Company in the “*Detailed Report on Change in Shareholding*”, on 22 January 2020, the General Administration and Law Enforcement Bureau of Shouguang City\* (壽光市綜合行政執法局) fined Panjin Property (磐金置業) an amount of RMB16,720 for carrying out unauthorized construction without a construction permit. On 10 January 2020, the Shouguang Branch of Weifang City Ecological Environment Bureau\* (濰坊市生態環境局壽光分局) fined Ruisen New Building Materials (瑞森新材) an amount of RMB30,000 for leaving some sand and stones exposed without taking any effective measures such as fencing and adding cover to prevent dust pollution. As at the issue date of this letter, Panjin Property (磐金置業) and Ruisen New Building Materials (瑞森新材) have completed rectification and paid the fine, which amount is the lower end of the amount stipulated in the “*Management Measures on Construction Permits for Construction Projects*” \* (《建築工程施工許可管理辦法》) and “*The Law on the Prevention and Treatment of Air Pollution*” \* (《大氣污染防治法》), and it is not a significant violation of law. Upon searching the National Industrial and Commercial Credit Information Publication System (國家工商信用資訊公示系統) and completing self-examination, as at the issue date of this letter, the



Company and parties acting in concert with it do not have or is suspected to have any significant violation of laws in the past 3 years. As such, the Company and parties acting in concert with it do not fall into the condition stipulated in Article 6(2) of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》) where an offeror has or is suspected to have any significant violation of laws in the past 3 years.

The Company and parties acting in concert with it have not engaged in any serious dishonest behaviour in the securities market as stipulated in Article 6(3) of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》) upon making enquiry on the website of the China Securities Regulatory Commission and the stock exchange website as well as their self-examination.

The Company and parties acting in concert with it are corporate legal person and do not fall into the scenario as stipulated in Article 6(4) of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》) where the offeror is a natural person.

The Company and parties acting in concert with it undertake that they do not fall under any other circumstances as stipulated in Article 6(5) of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》) where under the laws and administrative regulations as well as the acknowledgement by the China Securities Regulatory Commission that they are not allowed to acquire listed companies.

In view of the above, the Company and parties acting in concert with it and their controlling shareholders, actual controller, directors, supervisors and senior management have not been listed as dishonest persons subject to execution. The Company and parties acting in concert with it are eligible as offeror as per the requirements set out in Article 6 of the “*Management Measures on Takeover of Listed Companies*” \* (《上市公司收購管理辦法》).

Reply is hereby given.

Information disclosure obligor:

Shandong Zhimeng Holdings Co., Ltd.\* (山東智夢控股有限公司)

Signed by:

Xue Mingliang (薛明亮)

20 May 2021