If you are in doubt as to any aspect of this supplemental circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Molong Petroleum Machinery Company Limited*, you should at once hand this supplemental circular together with the enclosed supplemental proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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山東墨龍 Shandong Molong P 械股份有限公司 nery Company Limited*

(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 568)

SUPPLEMENTAL CIRCULAR OF EGM

(1) PROPOSED ACCEPTANCE OF FINANCIAL ASSISTANCE AND (2) SUPPLEMENTAL NOTICE OF EGM

Capitalised terms used in this cover page have the same mean

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In this supplemental circular, unless the context otherwise requires, the following expressions have the following meanings:

"Articles of Association"	the articles of association of the Company
"A Share(s)"	ordinary domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the SZSE and traded in RMB
"EGM"	the extraordinary general meeting of the Company to be held on Wednesday, 25 November 2020 at 2:00 p.m., or any adjournment thereof
"Board"	the board of Directors
"Company"	Shandong Molong Petroleum Machinery Company Limited* (山東墨龍石油機械股份有限公司)
"controlling shareholder(s)"	the shareholder(s) holding shares representing more than 50% of the total share capital of the Company; or the shareholder(s) with shareholding below 50% but the voting rights attached to his/her/its shares having significant influence on the resolution(s) to be proposed at the general meeting
"Director(s)"	director(s) of the Company
"Financial Assistance"	the financial assistance of up to RMB350 million (inclusive) proposed to be provided to the Company by Shouguang Jinxin, details of which are set out in the section headed "PROPOSED ACCEPTANCE OF THE FINANCIAL ASSISTANCE" in this supplemental circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"H Share(s)"	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"PRC"	the People's Republic of China, for the purpose of this supplemental circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"related party(ies)"	the related party(ies) of the Company, including related legal person(s) and related natural person(s)
"related party transaction(s)"	transfer(s) of resources or obligations between the listing company or its subsidiary(ies) and a related party of the listed company
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Shouguang Jinxin"	Shandong Shouguang Jinxin Investment Development Holdings Group Limited* (壽光金鑫投資發展控股集團有限公司), a company established in the PRC, whose ultimate controlling shareholder(s) the State-owned Assets SupaS.02970T1.02970TD29784(r

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2. PROPOSED ACCEPTANCE OF THE FINANCIAL ASSISTANCE

(a) Subject Matters

In order to support the business development and reduce the finance cost of the Company, Shouguang Jinxin, the controlling shareholder of the Company, intends to provide to the Company the Financial Assistance of up to RMB350 million (inclusive) for a term of not over 1 year (inclusive).

After negotiations between both parties at arm's length, the Financial Assistance to be provided by Shouguang Jinxin to the Company shall bear interest at a rate to be determined with reference to the market rate, which shall be finalised in the definitive agreement to be signed by the Company and the related party. The Proposed Financial Assistance may be rolled over by the Company. Management of the Company will confirm with the related party

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 En Rong. Shouguang Jinxin is deemed to be interested in the 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.

(c) Reasons for and Benefits of the Proposed Acceptance of the Financial Assistance

The provision of the Financial Assistance by Shouguang Jinxin to the Company without any collateral or security demonstrates the support and confidence of Shouguang Jinxin in the future development of the Company. It serves as a strong backup for the Company to push forward project construction and satisfy its working capital requirements.

The related party transaction can meet the needs of the Company's normal production and operation, facilitates to enhance its capital utilisation efficiency and reduce its finance costs, which in turn help the Company achieve sustainable and steady development. No prejudice is caused to the interest of minority shareholders or the Company in the transaction.

(d) Implications under the Listing Rules

Implications under the Hong Kong Listing Rules

As at the Latest Practicable Date, voting rights in the 235,617,000 A Shares (representing 29.53% of the total issued share capital of the Company) are exercisable by Shouguang Jinxin pursuant to the Voting Rights Nomination Agreement. Therefore, Shouguang Jinxin is the controlling shareholder of the Company. Under Chapter 14A of the Hong Kong Listing Rules, Shouguang Jinxin is a connected person of the Company. The acceptance of the Financial Assistance constitutes a financial assistance by connected person to the Group. However, as the Financial Assistance (i) was conducted on normal commercial terms or better to the Group; and (ii) is not secured by any assets of the Group, it is exempt from the reporting, announcement and Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules.

Implications under the Shenzhen Listing Rules

Under the Shenzhen Listing Rules, Shouguang Jinxin is a related legal person of the Company and therefore, the provision of the Financial Assistance by Shouguang Jinxin to the Company constitutes a relation party transaction. The acceptance by the Company of the Financial Assistance does not constitutes a material asset reorganisation under the Administrative Measures for the Material Asset Reorganisations of Listed Companies. The acceptance of the Financial Assistance is subject to consideration and approval at general meeting of the Company.

3. EGM

The supplemental notice of the EGM is set out on pages 8 to 9 of this supplemental circular. The Company will convene the EGM as originally scheduled on Wednesday, 25 November 2020 at 2:00 pm for the purpose of seeking Shareholders' approvals for, including but not limited to the proposed acceptance of the Financial Assistance, as well as the resolution as set out in the notice of the EGM of the Company dated 6 November 2020.

As a result of the additional resolution proposed subsequent to the despatch of the notice of the EGM, the original proxy form for the EGM sent together with the notice of the EGM does not include the additional proposed resolution as contained in this supplemental circular. In this connection, a supplemental proxy form for the EGM is enclosed with this supplemental circular. If you intend to appoint a proxy to attend the EGM, you must complete and lodge the original proxy form and the supplemental proxy form in accordance with the instructions printed thereon. In case of a holder of H Share(s), the original proxy form and the supplemental proxy form shall be returned to the H Share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; and in case of a holder of A Share(s), the original proxy form and the supplemental proxy form shall be returned to the Company's registered address in the PRC at No. 999 Wensheng Street, Shouguang City, Shandong Province, China, each case by not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the original proxy form and the supplemental proxy form will not preclude you from attending and voting in person at the said meeting should you so wish.

The supplemental proxy form will not affect the validity of any proxy form duly completed and returned by you in respect of the resolution set out in the notice of the EGM. If you have completed and returned the original proxy form and validly appointed a proxy to attend and act at the EGM on your behalf but do not complete and return the supplemental proxy form, your proxy shall be entitled to vote at his/her discretion on the resolution set out in the supplemental notice of the EGM dated 13 November 2020. If you have not completed and returned the original proxy form but complete and return the supplemental proxy form and validly appoint a proxy to attend and act at the EGM on your behalf, unless otherwise indicated, your proxy shall be entitled to vote at his/her discretion on the resolution set out in the notice of the EGM dated 6 November 2020.

In accordance with the Rule 13.39 of the Hong Kong Listing Rules, except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution will be put to vote by way of poll at the EGM. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

For details of the other resolution to be proposed at the EGM, the eligibility for attending the EGM, the registration procedures for attending the EGM, the closure of register of members and other matters regarding the EGM, please refer to the notice and the circular of the EGM of the Company both dated 6 November 2020.

4. RESPONSIBILITY STATEMENT

This supplemental circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this supplemental circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive and there are no other facts the omission of which would make any statement herein misleading.

5. RECOMMENDATION

The Directors are of the view that all resolutions to be proposed at the EGM for consideration and approval by the Shareholders as set out in this supplemental circular, including but not limited to the proposed acceptance of the Financial Assistance, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution stated in the supplemental notice of the EGM.

Yours faithfully,
Shandong Molong Petroleum Machinery Company Limited*
Liu Min
Acting chairman

Shandong, the PRC, 13 November 2020

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supplemental notice of the EGM. If you have not completed and returned the original proxy form but complete and return the supplemental proxy form and validly appoint a proxy to attend and act at the EGM on your behalf, unless otherwise indicated, your proxy shall be entitled to vote at his/her discretion on the resolution set out in the notice of the EGM dated 6 November 2020.

(C) For details of the other resolution to be proposed for consideration and approval at the EGM, the closure of register of members, the eligibility for attending the EGM, the registration procedures for attending the EGM and other matters concerned, please refer to the notice of the EGM of the Company dated 6 November 2020.

As at the date of this supplemental notice, the Board comprises the executive Directors, namely 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.