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Shandong Molong Petroleum Machinery Company Limited

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In this circular, unless the context otherwise requires, the following terms 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
"Board"	the board of Directors
"Company"	山東墨龍石油機械股份有限公司 (Shandong Molong Petroleum Machinery Company Limited*)
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at 2:00 p.m. on 3 March 2021, or any adjournment thereof
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in HK$
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Listing Rules"	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange



2. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 8 February 2021. As stated in such announcement, in order to improve corporate governance of the Company, according to the relevant legal and regulatory requirements under the "Company Law of the People's Republic of China*" (中華人民共和國公司法), the "Securities Law of the People's Republic of China*" (中華人民共和國證券法), the "Rules Governing Listing of Shares on Shenzhen Stock Exchange*" (深圳證券交易所股票上市規則) and the '"Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Listed Companies*" (深圳證券交易所上市公司規範運作指引), the Board proposes to obtain approval from the Shareholders at the EGM for amendments to the Articles of Association. Details of the proposed amendments to the Articles of Association are set out in Appendix I to this circular.

As advised by its Hong Kong and PRC legal advisers, the proposed amendments to the Articles of Association do not breach the respective requirements of the Hong Kong Listing Rules and PRC laws. The Company has also confirmed that there is nothing unusual about the proposed amendments to the Articles of Association for companies listed on the Hong Kong Stock Exchange.

3. PROPOSED PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Considering the risks of domestic and overseas litigations or regulatory investigations that the Directors, Supervisors and senior management of the Company may be exposed to when carrying out their duties in executing the business decisions and information disclosure, in order to promote and procure fulfillment of the duties and responsibilities amongst the Directors, Supervisors and senior management of the Company and to minimize the operational risk of the Company, the Board proposes to obtain Shareholder's approval for the proposed purchase of liability insurance for the Company, Directors, Supervisors and senior management of the Company at the EGM, in accordance with the relevant regulations including the "Code of Corporate Governance for Listed Companies" and the "Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies" promulgated by the China Securities Regulatory Commission. The insured period is one (1) year, insurance fee being RMB200,000 per year and the limit for a single claim under the insurance is RMB50,000,000. The management will be authorised to handle matters such as extension of insurance upon expiry of the insurance agreement and change of the subjects of the insurance etc.

4. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF SUPERVISORY COMMITTEE MEETINGS

Reference is made to the overseas regulatory announcement of the Company dated 8 February 2021. As stated in such announcement, in order to improve corporate governance of the Company, standardize the actions of the Company and taking into account the actual condition of the Company, according to the relevant legal and regulatory requirements under the "Company Law of the People's Republic of China*" (中華人民共和國公司法), the "Securities Law of the People's Republic of China*" (中華人民共和國證券法) and the

"Guidance for the Articles of Listed Company*"（上市公司章程指引）the Board proposes to obtain approval from the Shareholders at the EGM for amendments to the "Rules of Procedures of Supervisory Committee Meetings of Shandong Molong Petroleum Machinery Company Limited". Details of the proposed amendments to the "Rules of Procedures of Supervisory Committee Meetings of Shandong Molong Petroleum Machinery Company Limited" are set out in to the overseas regulatory announcement of the Company dated 8 February 2021.

5. EGM

The notice of the EGM is set out on pages 12 to 13 of this circular. The Company will convene the EGM on Wednesday, 3 March 2021 for the purpose of seeking Shareholders' approval for the resolutions including but not limited to the proposed amendments to Articles of Association, proposed purchased of liability insurance for the Company, Directors, Supervisors and senior management of the Company and proposed amendments to the "Rules of Procedures of Supervisory Committee Meetings".

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the registrar for H Shares of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), and to the Company's registered address at No. 999 Wensheng Street, Shouguang City, Shandong Province, the PRC (for holders of A Shares) no later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish.

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.

6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 February 2021 to Wednesday, 3 March 2021, both days inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the EGM, all instruments of transfer must be lodged with the registrar for H Shares of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), for registration no later than 4:30 p.m. on Wednesday, 24 February 2021. The Company will publish specific announcement on the SZSE setting out details of the eligibility of holders of A Shares to attend the EGM.

7. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

8. RECOMMENDATION

The Directors are of the view that all resolutions proposed for consideration and approval by the Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions as set out in the notice of EGM.

Yours faithfully,
Shandong Molong Petroleum Machinery Company Limited
Liu Yunlong
Chairman

Shandong, the PRC
8 February 2021

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 113	Without approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and admin-istration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.	Without approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and admin-istration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.
Article 145	…… (10) To appoint or dismiss the general manager of the Company, secretary to the board of directors; appoint or dismiss members of the senior management including the Company's senior managerial officers such as deputy managers and financial controller according to the nomination of the general manager, and determine matters in relation to their remunerations and sanctions; and to appoint, replace or nominate shareholders' representatives, directors and supervisors of controlled subsidiaries and investee subsidiaries; …… (16) To consider and review the working report and the work of the president of the Company; ……	…… (10) To appoint or dismiss the general manager of the Company, secretary to the board of directors; appoint or dismiss members of the senior management including the Company's senior managerial officers such as deputy managers and financial controller according to the nomination of the general manager, and determine matters in relation to their remunerations and sanctions; and to appoint, replace or nominate shareholders' representatives, directors and supervisors of controlled subsidiaries and investee subsidiaries; …… (16) To consider and review the working report and the work of the **general manager** of the Company; ……

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 151	Special committees shall be set for the board of directors.	Special committees shall be set for the board of directors.Special committees**, including the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy Committee,** shall be set for the board of directors. “““ **(IV) Major responsibilities and authorities of the Strategy Committee:** **1. Conduct research and make proposals on the strategic planning for long-term development of the Company;** **2. Conduct research and make proposals on major investment and financing plans that require approval from the Board under the Articles of Association;** **3. Conduct research and make proposals on major capital operation and asset management projects that require approval from the Board under the Articles of Association;**

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
		4. Conduct research and make proposals on other major issues affecting the development of the Company, including research and development of major products and technologies of the Company, major business programs or plans, and key strategic cooperation arrangements; **5. Excusive the implementation of the above matters;** **6. Other matters delegated by the Board.**
Article 172	The scope of work of the manager shall be defined by the manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.	The scope of work of the **general** manager shall be defined by the **general** manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.
Article 173	The scope of work of the manager includes the followings: (1) The conditions, procedures and participants of the manager meeting; (2) The specific duties and each respective division of manager and other senior officers;	The scope of work of the **general** manager includes the followings: (1) The conditions, procedures and participants of the **general** manager meeting; (2) The specific duties and each respective division of **general** manager and other senior officers; .....
Article 174	The manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the manager shall be specified in the employment contract concluded by the manager and the Company.	The **general** manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the **general** manager shall be specified in the employment contract concluded by the **general** manager and the Company.

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 187	…… (7) To initiate legal proceedings against directors or senior management in accordance with Article 152 of the Company Law; (8) To investigate any irregularities in the operation of the Company and to engage accounting firms, law firms and other professional institutions to assist in the investigation when necessary at the expense of the Company.	…… (7) To initiate legal proceedings against directors or senior management in accordance with Article 15**1**~~2~~ of the Company Law; (8) To investigate any irregularities in the operation of the Company and to engage accounting firms, law firms and other professional institutions to assist in the investigation when necessary at the expense of the Company~~;~~. **(9) To attend meetings of the Board;** **(10) Other duties and powers required under the Articles of Association or authorized in the general meeting.**
Article 188	The procedure of meetings of the supervisory committee shall be as follows: a written notice of meeting shall be given to all supervisors not less than 10 days and not more than 30 days prior to the date of meeting. The quorum for a meeting of supervisors shall be two-thirds or more of the supervisors. Each supervisor shall have one vote. ……	The procedure of meetings of the supervisory committee shall be as follows: ~~**a written notice of meeting shall be given to all supervisors not less than 10 days and not more than 30 days prior to the date of meeting.**~~ **For regular meetings and extraordinary meetings of the supervisory committee, a notice of meeting shall be given to all supervisors 10 and 5 days respectively prior to the date of meeting through direct delivery, facsimile, email or other ways.** **In the event of emergency requiring convening extraordinary meetings of the supervisory committee, a notice of meeting can be issued through telephone or other verbal means, but the convener should make explanations in the meeting.** ……



Notes:

(A) The register of members of the Company for H Shares will be closed from Thursday, 25 February 2021 to Wednesday, 3 March 2021, both days inclusive, during which period no H Share transfer will be effected.