


This announcement is made by Shandong Molong Petroleum Machinery Company Limited* (the "") 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 "") 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).

References are made to (1) the circular and the notice of annual general meeting (the "") of the Company dated 31 March 2021; (2) the supplemental circular and supplemental notice of the AGM dated 28 April 2021; and (3) the Company's poll results announcement of the AGM dated 21 May 2021.

Enclosed herewith is an announcement of the Company published under the requirements of the Shenzhen Stock Exchange in response to its queries in relation to the poll results of the AGM.

By order of the Board of

Shandong, the PRC
28 May 2021

Stock abbreviation: Shandong Molong Stock code: 002490 Announcement no.: 2021-041

Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as “Shandong Molong” or the “Company”) received the “Letter of Attention on Shandong Molong Petroleum Machinery Company Limited” issued by Division one of the Management Department of Shenzhen Stock Exchange (Letter of Attention from Management Department (2021) No. 220, hereinafter referred to as the “Letter of Attention”). According to the requirements of the Letter of Attention, after making written enquiries with the relevant shareholders, the Company provides the following explanation in response to the relevant matters :

After reviewing the poll results and making written enquiries with the relevant shareholders, the shareholders who casted negative votes at resolutions at the Company’s 2020 annual general meeting with shareholding ratio exceeding 5% are Shandong Zhimeng Holdings Co., Ltd. (

) (“Zhimeng Holdings”) and parties acting in concert with it, namely Shouguang Panjin Property Co., Ltd. ( ) (“Panjin Property”), Shouguang Hongsen Logistics Co., Ltd. ( ) (“Hongsen Logistics”) as well as Shouguang Ruisen New Construction Materials Co., Ltd.* ( ) (“Ruisen Construction Materials”). As at the equity registration date of the general meeting (i.e. 14 May 2021), Zhimeng Holdings and parties acting in concert with it held a total of 159,569,711 shares of Shandong Molong (comprising 8,854,911 A shares and 150,714,800 H shares), accounting for 20.00% of the total share capital of the Company. The shareholding information and voting status of Zhimeng Holdings and parties acting in concert with it are set out as follows:

| | | | | | |
|---|---|---|---|---|---|
| 1 | Zhimeng Holdings | A shares | 8,654,911 | 9.20% | Against |
| | | H shares | 64,740,000 | | Against |
| 2 | Panjin Property | A shares | 200,000 | 3.89% | Against |
| | | H shares | 30,800,000 | | Against |
| 3 | Hongsen Logistics | H shares | 31,800,000 | 3.99% | Against |
| 4 | Ruisen Construction Materials | H shares | 23,374,800 | 2.93% | Against |
| Total | | A shares | 8,854,911 | 20.00% | Against |
| | | H shares | 150,714,800 | | |

Among which, as for the A shares held by Zhimeng Holdings and Panjin Property, votes were cast physically at the general meeting, and as for the H shares held by Zhimeng Holdings and parties acting in concert with it, votes were cast by HKSCC Nominees Limited as proxy. The Company is currently not aware of any other shareholders with shareholding ratio exceeding 5% casted negative votes at the resolutions.

Upon enquiry, Zhimeng Holdings and parties acting in concert indicated that, through attending the 2020 annual general meeting of the listed company and reviewing the relevant resolution reports, they considered that the main report resolutions, such as the report of the board of directors for the year of 2020 and the full text and summary of the annual report for the year 2020 of the listed company, were evasive as to the reasons for the substantial loss of the operating results of the listed company, and the listed company was unable to give a satisfactory response to the relevant questions raised, and therefore voted against all of them.

In the communication and consultation sessions of the shareholders and shareholders' representatives at the general meeting, the shareholder representatives of Zhimeng Holdings and Panjin Property respectively raised the following opinions and suggestions:

① Regarding the Company’s operations in 2020, shareholders stated that amid the market’s recovery during the second half of the year whereby listed companies and small-and-medium pipe factories in the same industry achieved profit, why did Shandong Molong recorded losses of over RMB200 million after reducting non-recurring gains and losses in its full year operating results? The casting and forging workshop of subsidiary Weihai Baolong intended to lease externally for operation and the auxiliary material (calcium oxide) production line of

Shouguang Molong was externally leased for operation, why the Company did not operate independently but lease externally?

Reply from the Company's management: In 2020, the Company's orders from the oilfield market dropped significantly, of which the production and sales of pipe products decreased sharply. At the same time, the prices of the relevant products continuously decreased due to the decline in downstream demand of the relevant product, while the prices of major raw materials increased significantly compared with last year, the operating revenue and gross profit margin of the Company have declined substantially. As a result, the Company recorded a relatively large operating loss after deducting non-recurring gains and losses in 2020. Regarding the external operation leasing of the casting and forging workshop of Weihai Baolong, the main considerations were Weihai Baolong's current operating status and market conditions in recent years, and was to change its poor operating status through connecting to and cooperation with external resources. Shouguang Maolong's auxiliary material production lines have been under construction since 2013 and the construction project was later temporarily suspended due to the suppliers' failure to deliver the equipment. In order to maximize the benefits of idle resources, the Company transform its equipment and operate through introducing external funds, and Shouguang Maolong prioritized the use of its related products. The external operation leasing of part of the production lines of the relevant subsidiaries is a business decision made by the company's management based on the operating conditions and market conditions of different subsidiaries, which is an effective allocation that helps the relevant subsidiaries to fully realize their resources.

② In the first quarter of 2021, why did Shandong Molong record a loss of RMB110 million for the first quarter of 2021 under such favorable market conditions? In the metallurgical industry with high output and low consumption, if it cannot go into full production, it is certain that the costs cannot be reduced. The higher the production cost, the more difficult to receive orders. With no orders, there will be impact on the production. What if there is no order?

Reply from the Company's management: In the first quarter of 2021, the price of the major raw materials of the Company's products continued to rise while orders from the oilfield market dropped significantly year-on-year. These combined factors led to a substantial increase in product costs, and both sales and gross profit fell sharply. Affected by the decrease in product orders, some of the Company's production lines were operating under capacity, resulting in increased production costs and management expenses. Since March, the billet market prices have risen, and the market condition has begun to improve.

③ The over-authorization at the general meeting to the Board of Directors has resulted in the non-disclosure and non-exposure of certain major matters by the Board of Directors, as well as the failure to convene general meetings in a timely manner. The relocation of the factory and the issuance of new shares were core issues, yet the Company did not disclose in detail in compliance with the relevant requirements of the Company Law. It is not requested that

Directors are to prudently demonstrate and truthfully disclose the Company's strategic issues in accordance with laws and regulations, and protect the rights and interests of investors and shareholders in an attitude accountable to investors and shareholders.

Reply from the Company's management: The Company does not have the problem of over-authorizing the Board of Directors at the general meeting. In respect of the general mandate to issue new shares, it is based on the background that the Company is listed on the Hong Kong Stock Exchange and it is the common practice of Hong Kong listed companies and is not an over-authorization of the Board of Directors at the general meeting. If the resolution on the general mandate to issue new shares is approved, the subsequent issuance of new A shares would still require the submission of the issuance plan at general meeting for approval in accordance with regulations, and the number of shares to be issued, the target of issuance, and the issue price shall be determined at the general meeting. Regarding the Company's park integration and relocation, it was a plan proposed by the Company based on the Company's unreasonable production layout during the disposal of assets by the Company in 2020. The current planning and design plan for park integration are still under discussion by the management. Upon the formulation of a specific plan, the Company will strictly perform the necessary approval procedures and information disclosure obligations in accordance with the relevant regulatory requirements.

At the general meeting, the relevant shareholders voted against all resolutions (the report of the Board of Directors, the report of the Supervisory Committee, the annual report, etc.). However, the Company is of the view that the relevant reports were prepared by the Board of Directors and the Supervisory Committee of the Company on the basis of the work performance and operating conditions of the Company in 2020 and were in line with the actual situation. The Company believes that the aforementioned information disclosure documents do not need to be supplemented and corrected. The Company strictly abides by the "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Code of Corporate Governance for Listed Companies", "Guidelines of the Shenzhen Stock Exchange for Standardized Operation" as well as other laws, regulations and regulatory documents, while constantly refines the Company's corporate governance structure and improves the internal control system, especially the effective implementation of the internal control system covering all aspects of the Company's daily operation and management,

strengthens risk prevention and control, ensures the orderly and effective development of the

Company held an annual performance meeting in a timely manner and actively participated in investor exchange sessions organized by local regulatory agencies, while proactively communicated with investors online and responded to investors' questions in a timely manner. When convening a general meeting, Directors, supervisors and senior management officers actively attend or participate in the meeting. Independent Directors report on their work, answer shareholders' questions in a timely and serious manner, and communicate frankly with investors at the annual general meeting.

The Company as well as its Directors, supervisors and senior management officers will further strengthen the communication with shareholders in the future, strive for all parties' understanding of and continuous support for the Company's sustainable development, while fully respecting investors' legal rights in corporate governance such as the right to suggest, propose, nominate and vote, paying attention to legitimate demands of shareholders, striving to safeguard the legitimate interests of the Company and all investors, and effectively managing investor relations.

After making written enquiries with the relevant shareholders, as at the date of issuance of this letter, the total shares of Shandong Molong held by Zhimeng Holdings and parties acting in concert with it account for 20% of the Company's total share capital. There is no circumstance where the control over the voting rights of the shares of listed companies are extended through agreements or other arrangements, and there is no relevant situation stipulated in Article 83 of the "Measures for the Administration of the Takeover of Listed Companies" ( ).

Announcement is hereby given.

Board of Directors of
Shandong Molong Petroleum Machinery Company Limited
28 May 2021