Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibilities for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

- (

(Stock Code: 568)

PROFIT WARNING

This announcement is made by Shandong Molong Petroleum Machinery Company Limited (the **Company** **Group**) pursuant to 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited **Listing Rules**) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Board wishes to update the shareholders of the **Shareholders**

the Group may record a net loss attributable to shareholders of the Company in the amount of approximately RMB170 to 210 million for the year ended 31 December 2019, as compared to the net profit attributable to shareholders of the Company in the amount of RMB92.5 million for the year ended 31 December 2018.

On preliminary estimation made by the Company based on the currently available unaudited management accounts for the year ended 31 December 2019, the turnaround from a profit for the year ended 2018 to a loss in for the year ended 2019 is mainly attributable to:

(1) the significant increase in the price of raw materials during 2019, which in turn resulted in a significant increase in production costs. At the same time, there has been a decrease in the price of the products of the Company, which in turn resulted in a decrease in profit;

(2) there has been an increase in inspection and maintenance costs as a result of the suspension of production for inspection and maintenance and partial technical modification of production facilities of Shouguang Maolong New Materials Technology Development Company Limited* (壽光懋隆新材料技術開發有限公司), a wholly owned subsidiary of the Company, which has resulted in a limited supply of raw materials to the downstream subsidiaries and thus increased the product costs;

(3) in light of litigations brought by investors,

investors in 2019 is estimated to be a total of RMB29 million; and

(4) the Company has conducted preliminary tests on impairment of goodwill and the estimated provision for impairment of goodwill is in the amount of RMB23 million. The Company is still in the process of conducting relevant tests on impairment of goodwill and the final amount of provision will be confirmed by a valuation and audit institution qualified in the securities and future practice.

The Company is still in the process of finalising the final results of the Group for the year ended 31 December 2019. The information contained in this announcement is based solely on the

ended 31 December 2019, but not based on any financial data or information that has been ncial performance will be disclosed in the annual results announcement of the Company for the year ended 31 December 2019, which is expected to be published in due course pursuant to the requirements of the Listing Rules.

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

By order of the Board
Shandong Molong Petroleum Machinery Company Limited
Liu Yunlong
Chairman

Shandong, the PRC
23 January 2020

As at the date of this announcement, the Board comprises the executive Directors, namely Mr. Liu Yun Long, Mr. Liu Min, Mr. Zhang Yu Zhi 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 purposes only