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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)

Clarification Announcement

Reference is made to the announcements of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) dated 28 April 2016, 19 August 2016, 26 October 2016 and 31 March 2017 titled (1) 2016 First Quarterly Report, (2) Interim Results for the Six Months Ended 30 June 2016, (3) 2016 Third Quarterly Report, and (4) Clarification Announcement respectively.

On 25 September 2017, the Company received the Judgment of Administrative Penalty issued by the CSRC ([2017] No. 87) and published an announcement on the website of Stock Exchange on 26 September 2017. Pursuant to the Judgment of Administrative Penalty, the Company wishes to correct certain information provided for in the said (1)2016 First Quarterly Report, (2) 2016 Interim Results and (3) 2016 Third Quarterly Report. The changes effected are stipulated below in bold. Unless otherwise specified, monetary units are denominated in RMB (i.e. Renminbi, the lawful currency of the People's Republic of China (the “**PRC**”)). Unless defined otherwise, capitalized terms used in this announcement shall have the same meanings as those defined in (1) 2016 First Quarterly Report, (2) Interim Results for the Six Months Ended 30 June 2016, (3) 2016 Third Quarterly Report and (4) Clarification Announcement.

I. 2016 FIRST QUARTERLY REPORT

1. Part 2 Major Financial Information & Shareholder Change

(1) Major Accounting Data & Financial Indicators

Before revision:

	The reporting period	Same period last year	Change
Operating Revenue (RMB)	383,768,219.17	567,637,950.76	-32.39%
Net profit attributable to shareholders of the listed company (RMB)	-58,287,789.22	4,592,299.53	-1,369.25%
Net profit deducting non-recurring profit and loss attributable to shareholders of the listed company (RMB)	-65,932,487.27	2,314,467.96	-2,948.71%
Net cash flow from operating activities (RMB)	41,786,260.26	-28,074,565.91	248.84%
Basic earnings per share (RMB)	-0.073	0.01	-830.00%
Diluted earnings per share (RMB)	-0.073	0.01	-830.00%
The weighted average return on net assets (%)	-2.42%	0.17%	-2.59%
	At the end of the current reporting period	At the end of last year	Change
Total assets (RMB)	6,379,084,643.25	5,851,180,723.61	9.02%
Owners' equity attributable to shareholders of the listed company (RMB)	2,374,991,444.08	2,433,157,226.21	-2.39%

Revised figures:

	The reporting period	Same period last year	Change
Operating Revenue (RMB)	383,768,219.17	543,523,096.84	-29.39%
Net profit attributable to shareholders of the listed company (RMB)	-58,287,789.22	-19,455,397.21	-199.60%
Net profit deducting non-recurring profit and loss attributable to shareholders of the listed company (RMB)	-65,932,487.27	-49,844,431.08	-32.28%
Net cash flow from operating activities (RMB)	41,786,260.26	-28,074,565.91	248.84%
Basic earnings per share (RMB)	-0.073	-0.0244	-199.18%
Diluted earnings per share (RMB)	-0.073	-0.0244	-199.18%
The weighted average return on net assets (%)	-2.42%	-0.72%	-1.7%
	At the end of the current reporting period	At the end of last year	Change
Total assets (RMB)	6,379,084,643.25	5,851,180,723.61	9.02%
Owners' equity attributable to shareholders of the listed company (RMB)	2,374,991,444.08	2,433,157,226.21	-2.39%

II. 2016 INTERIM RESULTS

1. Part 3 Summary of Financial Results and Indicators

Financial highlights

Before revision:

	The reporting period	Same period last year	Change
Operating Revenue (RMB)	771,031,873.22	1,097,649,636.91	-29.76%
Net profit attributable to equity holders of Listed Company (RMB)	-146,276,860.01	10,313,286.91	-1,518.33%
Net profit after extraordinary gains or losses attributable to equity holders of Listed Company (RMB)	-154,281,645.65	-9,827,977.66	-1,469.82%
Net cash flows from operating activities (RMB)	-109,265,678.50	126,758,914.81	-186.20%
Basic earning per Share (RMB)	-0.1833	0.01	-1,933.00%
Diluted earning per Share (RMB)	-0.1833	0.01	-1,933.00%
Net Assets Income Rate (%)	-6.20%	0.38%	-6.58%
	At the end of the current reporting period	At the end of last year	Change
Total Assets (RMB)	6,294,965,210.19	5,851,180,723.61	7.58%
Net assets attributable to shareholders of Listed Company	2,286,301,672.39	2,433,157,226.21	-6.04%

Revised figures:

	The reporting period	Same period last year	Change
Operating Revenue (RMB)	771,031,873.22	1,024,459,949.26	-24.74%
Net profit attributable to equity holders of Listed Company (RMB)	-146,276,860.01	-71,827,174.01	-103.65%
Net profit after extraordinary gains or losses attributable to equity holders of Listed Company (RMB)	-154,281,645.65	-91,968,438.58	-67.75%
Net cash flows from operating activities (RMB)	-109,265,678.50	126,758,914.81	-186.20%
Basic earning per Share (RMB)	-0.1833	-0.09	-103.67%
Diluted earning per Share (RMB)	-0.1833	-0.09	-103.67%
Net Assets Income Rate (%)	-6.20%	-2.70%	-3.50%
	At the end of the current reporting period	At the end of last year	Change
Total Assets (RMB)	6,294,965,210.19	5,851,180,723.61	7.58%
Net assets attributable to shareholders of Listed Company	2,286,301,672.39	2,433,157,226.21	-6.04%

2. IV. DIRECTORS' REPORT "II. Main business analysis"

Before Revision

During the reporting period, the Group achieved an unaudited revenue of RMB771,031,873.22 representing a decrease of approximately 29.76% as compared to the same period last year; the unaudited total profit was RMB-160,934,700, representing a decrease of approximately 2,572.06% as compared to the same period last year; the unaudited profit attributable to equity holders of the Company was RMB-146,280,000, representing decrease of 1,518.33% as compared to the same period last year; and the unaudited net profit after extraordinary items was RMB-154,280,000, representing decrease of 1,469.82% as compared with the same period last year.

The changes in main financial data

	The reporting period	Same period last year	Changes (%)	Reasons for the variations
Operation revenue	771,031,873.22	1,097,649,636.91	-29.76%	—
Operating costs	828,762,708.04	909,522,428.13	-8.88%	—

Revised figures:

During the reporting period, the Group achieved an unaudited revenue of RMB771,031,873.22, representing a decrease of approximately **24.74%** as compared to the same period last year; the unaudited total profit was RMB-160,934,700, representing a decrease of **112.79%** as compared to the same period last year; the unaudited profit attributable to equity holders of the Company was RMB-146,280,000, representing decrease of **103.65%** as compared to the same period last year; and the unaudited net profit after extraordinary items was RMB-154,280,000, representing decrease of **67.75%** as compared with the same period last year.

The changes in main financial data

	The reporting period	Same period last year	Changes (%)	Reasons for the variations
Operation revenue	771,031,873.22	1,024,459,949.26	-24.74%	—
Operating costs	828,762,708.04	918,473,201.40	-9.77%	—

3. IV. DIRECTORS' REPORT "III. Principal operations by Products and by Region"

Before Revision:

	Operation revenue	Operating costs	Gross profit margin (%)	Year-on-year changes in operation revenue (%)	Year-on-year changes in operating costs (%)	Year-on-year changes in gross profit margin (%)
By industry						
Petroleum						
machinery						
specialized						
equipment						
manufacturing	755,588,808.11	823,181,696.99	-8.95%	-30.46%	-7.41%	-27.12%
By product						
Casing and tubing	681,668,830.03	749,104,222.62	-9.89%	-31.97%	-9.46%	-27.32%
Three kinds of						
pumping units	16,890,016.87	17,843,203.89	-5.64%	-25.12%	26.50%	-43.11%
Petroleum						
machinery	8,899,062.96	9,731,049.79	-9.35%	-85.45%	-79.32%	-32.43%
Trade	45,174,407.89	43,706,202.82	3.25%			
Others	2,956,490.36	2,797,017.87	5.39%	273.56%	396.76%	-23.46%
By region						
PRC	612,374,641.00	691,890,035.05	-12.98%	9.27%	35.78%	-22.06%
Abroad	143,214,167.11	131,291,661.94	8.32%	-72.78%	-65.41%	-19.54%

Revised figures:

	Operation revenue	Operating costs	Gross profit margin (%)	Year-on-year changes in operation revenue (%)	Year-on-year changes in operating costs (%)	Year-on-year changes in gross profit margin (%)
By industry						
Petroleum						
machinery						
specialized						
equipment						
manufacturing	755,588,808.11	823,181,696.99	-8.95%	-25.44%	-8.34%	-20.33%
By product						
Casing and tubing	681,668,830.03	749,104,222.62	-9.89%	-26.94%	-10.37%	-20.31%
Three kinds of						
pumping units	16,890,016.87	17,843,203.89	-5.64%	-8.28%	21.85%	-26.12%
Petroleum						
machinery	8,899,062.96	9,731,049.79	-9.35%	-85.45%	-79.32%	-32.43%
Trade	45,174,407.89	43,706,202.82	3.25%			
Others	2,956,490.36	2,797,017.87	5.39%	273.56%	396.76%	-23.47%
By region						
PRC	612,374,641.00	691,890,035.05	-12.98%	122.45%	33.44%	-9.29%
Abroad	143,214,167.11	131,291,661.94	8.32%	-72.10%	-65.41%	-17.73%

5. IV. DIRECTORS' REPORT "XII. Disclosures in accordance with the Listing Rules of SEHK"

Before Revision:

A summary of the results and of the assets and liabilities of the Group for the past two financial years is as follows:

Results	For the 6 months ended 30 June	
	2016	2015
	<i>RMB'0000</i>	<i>RMB'0000</i>
Total revenue from operation	77,103.19	109,764.96
Profit from operations	-17,123.82	-1,716.29
Total profit	-16,093.47	651.02
Net profit	-16,850.34	-99.17
Net profit attributable to shareholders of the Company	-14,627.69	1,031.33
Basic earnings share (RMB)	-0.1833	0.01

Revised figures:

A summary of the results and of the assets and liabilities of the Group for the past two financial years is as follows:

Results	For the 6 months ended 30 June	
	2016	2015
	<i>RMB'0000</i>	<i>RMB'0000</i>
Total revenue from operation	77,103.19	102,445.99
Profit from operations	-17,123.82	-9,930.33
Total profit	-16,093.47	-7,563.03
Net profit	-16,850.34	-8,313.21
Net profit attributable to shareholders of the Company	-14,627.69	-7,182.72
Basic earnings share (RMB)	-0.1833	-0.09

III. 2016 THIRD QUARTER REPORT

1. Part 2 “Major Financial information & Shareholder Change”

Before revision

Key financial information and financial indicators

		At the end of the reporting period	At the end of the previous year	Change (%)
Total assets		6,057,565,196.73	5,851,180,723.61	3.53%
Net assets attributable to shareholders of the Company		2,213,236,368.82	2,433,157,226.21	-9.04%
	Reporting Period	Change compared to corresponding period of the previous year	From the beginning of the year to the end of the reporting period	Change compared to corresponding period of the previous year
Revenue	334,192,841.82	30.69%	1,105,224,715.04	-18.33%
Net profit attributable to shareholders of the Company	-72,695,268.57	-3,122.62%	-218,972,128.58	-1,821.71%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	-73,137,787.66	-3,659.31%	-227,419,433.31	2,825.71%
Net cash flow from operating activities	—	—	-265,218,446.08	-339.65%
Basic earnings per share (in RMB per share)	-0.0907	-1,007.00%	-0.274	-1,470.00%
Diluted earnings per share (in RMB per share)	-0.0907	-1,007.00%	-0.274	-1,470.00%
Weighted average return on net assets	-3.23%	-3.32%	-9.43%	-9.90%

Revised figures

Key financial information and financial indicators

		At the end of the reporting period	At the end of the previous year	Change (%)
Total assets		6,057,565,196.73	5,851,180,723.61	3.53%
Net assets attributable to shareholders of the Company		2,213,236,368.82	2,433,157,226.21	-9.04%
	Reporting Period	Change compared to corresponding period of the previous year	From the beginning of the year to the end of the reporting period	Change compared to corresponding period of the previous year
Revenue	334,192,841.82	5.51%	1,105,224,715.04	-17.59%
Net profit attributable to shareholders of the Company	-72,695,268.57	-252.12%	-218,972,128.58	-136.80%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	-73,137,787.66	-248.35%	-227,419,433.31	-101.32%
Net cash flow from operating activities	—	—	-265,218,446.08	-339.65%
Basic earnings per share (in RMB per share)	-0.0907	-202.33%	-0.274	-128.33%
Diluted earnings per share (in RMB per share)	-0.0907	-202.33%	-0.274	-128.33%
Weighted average return on net assets	-3.23%	-2.44%	-9.43%	-5.94%

Saved as disclosed in this announcement, all other information remains unchanged. The Company extends sincere apologies to investors for any inconvenience caused by this revision.

By order of the Board of Directors
Shandong Molong Petroleum Machinery Company Limited*
Zhang En Rong
Chairman

Shandong, the PRC
29 September 2017

As at the date of this announcement, the Board is comprised of Mr. Zhang En Rong, Mr. Guo Huan Ran and Mr. Yang Jin as executive Directors, Mr. Guo Hong Li and Ms. Wang Chun Hua as non-executive Directors and Mr. Qin Xue Chang, Mr. Ji Yan Song and Ms. Quan Yu Hua as independent non-executive Directors.

* For identification purpose only