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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)

## PROFIT WARNING ESTIMATED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

This announcement is made by Shandong Molong Petroleum Machinery Company Limited (the “Company”) pursuant to 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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).

### I. Results forecast for the period

1. Reporting period of the estimated results: 1 January 2020 to 30 September 2020

2. Estimated results:  Loss  From Loss to Profit  Increase  Decrease

(1) Indicative results for the first three quarters of 2020:

Item	Current reporting period (1 January 2020 to 30 September 2020)	Corresponding period of last year
Net profit attributable to the shareholders of the Company	Loss (RMB): 220 million - 250 million	Loss (RMB): 33.1752 million

(2) Indicative results for the third quarter of 2020:

Item	Current reporting period (1 July 2020 to 30 September 2020)	Corresponding period of last year
Net profit attributable to the shareholders of the Company	Loss (RMB): 110 million - 140 million	Loss (RMB): 51.1881 million

## **II. Preliminary audit of the estimated results**

The estimated results have not been audited by certified public accountants.

## **III. Reasons for changes in results**

From January to September of 2020, as a result of the impact of the COVID-19 pandemic and fluctuation of the international oil prices, the operating revenue and net profits of the Company decreased drastically, which was primarily due to the following reasons:

1. as a result of the impact of the COVID-19 pandemic and fluctuation of the international oil prices, the utilisation rate of domestic and overseas oilfield drilling operations decreased, the demand in downstream markets inclined to shrink and the number of orders has decreased significantly. In particular, in the third quarter of 2020, the proportion of oilfield pipe sales in the sales of pipe products decreased from approximately 60% in the corresponding period of last year to approximately 16%. During the reporting period, the operating revenue of the Company decreased by approximately 35% compared with the corresponding period of last year.
2. During the reporting period, the sales prices of the pipe products have dropped significantly with a decrease of approximately 20% compared with the corresponding period of last year, and due to market factors such as limited supply of raw and auxiliary materials, the procurement prices of iron ore powder have increased sharply, resulting in a continuous decline in the gross profit margin of the products in the current reporting period and thus a reduction in profitability.
3. As affected by the investors' claims, the additional provision for compensations for investors' claims for the third quarter of 2020 is estimated to be approximately RMB22.0 million. The accumulated provision for compensations for investors' claims from January to September of 2020 was approximately RMB25.0 million.

## **IV. Other relevant information**

The estimated results set out herein are results of the preliminary estimation of the finance department of the Company and have not been audited by any certified public accountants. Finalised financial data will be disclosed in detail in the 2020 third quarterly report of the Company.

**Shareholders and potential investors of the Company 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 Yun Long**  
*Chairman*

Shandong, the PRC  
14 October 2020

*As at the date of this announcement, the board of directors of the Company 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*