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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)

**INSIDE INFORMATION
ANNOUNCEMENT IN RELATION TO THE RECEIPT OF ADVANCE
NOTIFICATION OF ADMINISTRATIVE PENALTY**

This announcement is made by the directors (the “**Directors**”) of the board of directors (the “**Board**”) of Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) pursuant to Rule 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).

References are made to (1) the announcement of the Company dated 7 December 2020 in relation to the receipt of an administrative and supervisory measures decision entitled “Decision relating to the Adoption of the Directed Correctional Measures to Shandong Molong Petroleum Machinery Company Limited* (《關於對山東墨龍石油機械股份有限公司採取責令改正措施的決定》) ([2020] No. 70)” from the China Securities Regulatory Commission (“**CSRC**”) (Shandong Supervising Commission) by the Company and the receipt of the “Decision on the Adoption of the Measure of Issuance of Warning Letter against Liu Yun Long and Liu Min (《關於對劉雲龍、劉民採取出具警示函措施的決定》) ([2020] No. 71)” and “Decision on the Adoption of the Measure of Issuance of Warning Letter against Zhang En Rong (《關於對張恩榮採取出具警示函措施的決定》) ([2020] No. 72) issued by the CSRC (Shandong Supervising Commission) by Mr. Liu Yun Long, the former chairman of the Board, Mr. Liu Min, a former executive Director and Mr. Zhang En Rong, the former controlling shareholder of the Company; and (2) the announcement of the Company dated 2 June 2021 in relation to the receipt of an investigation notice (Lu Zheng Diao Cha Zi No. 66 [2021], Lu Zheng Diao Cha Zi No. 69 [2021] and Lu Zheng Diao Cha Zi No. 70 [2021]) from the CSRC by each of the Company, Mr. Liu Yun Long, the former chairman of the Board, Mr. Liu Min, a former executive Director on 1 June 2021, pursuant to which, as the Company is suspected to have contravened relevant laws and regulations on information disclosure, the CSRC has decided to initiate investigation proceedings against the Company and conduct investigation against the above-mentioned persons in accordance with the relevant provisions of the Securities Law of the People’s Republic of China.

In connection with the aforesaid investigation, on the date of this announcement, the Company has received the Advance Notification of Administrative Penalty (《行政處罰事先告知書》) ([2021] No. 12) from the CSRC (Shandong Supervising Commission), the principal

contents of which are as follows:

“To Shandong Molong Petroleum Machinery Company Limited*, Mr. Liu Yun Long and Mr. Liu Min,

The investigation of the suspected contravention of the relevant laws and regulations on information disclosure by Shandong Molong Petroleum Machinery Company Limited* (“Shandong Molong”) has been completed by us. We intend to impose administrative penalties on you in accordance with the law. We hereby inform you of the facts, reasons and basis for the administrative penalties to be imposed on you and the relevant rights you are entitled to.

The facts identified as suspected contravention of laws by Shandong Molong upon investigation are as below:

I. Shandong Molong allegedly failed to disclose material events as required

As of 19 January 2020, Zhang En Rong was the controlling shareholder and de facto controller of Shandong Molong, holding 235,617,000 shares in Shandong Molong, representing 29.53% of the total share capital of Shandong Molong. On 19 January 2020, Zhang En Rong and Xue Mao Lin signed an agreement to the effect that: Zhang En Rong intended to transfer the control of Shandong Molong to Xue Mao Lin or an acquisition entity designated by him, the specific number of shares to be transferred were 198,617,000 shares, representing 24.89% of the total share capital of Shandong Molong. Xue Mao Lin paid a deposit of RMB50 million to Zhang En Rong for the performance of the agreement. Xue Mao Lin undertook to confirm the acquisition entity by the end of March 2020, and both parties would sign a voting rights nomination agreement after the relevant brokerage firm confirmed that the acquisition conditions were met etc.. On 20 January, Xue Mao Lin paid a deposit of RMB50 million to Zhang En Rong under the above agreement. Such event is a material event under Article 67(2)(8) of the Securities Law of the People's Republic of China as amended in 2005 (hereinafter referred to as the "2005 Securities Law"). Shandong Molong did not make any disclosure in a timely manner and the above transfer was only covered in the "Announcement on the Reply to the Enquiry Letter from Shenzhen Stock Exchange" issued on 26 November 2020. Liu Yun Long, the then chairman of the Board and general manager of Shandong Molong, participated in the entire process of signing the agreement and brought a copy of the agreement back to Shandong Molong for retention, was aware of the aforesaid matter and decided not to make no disclosure; Liu Min, then a Director, the deputy general manager, chief financial officer and secretary to the Board, participated in the process of signing the agreement and was aware of the aforesaid matter but did not make disclosure as required.

The above illegal facts are evidenced by relevant announcements of Shandong Molong, fact sheets, agreements, bank slips and relevant enquiry transcripts etc..

We are of the view that the aforesaid conduct of Shandong Molong allegedly violated Article 67(1) of the 2005 Securities Law, Article 31(1)(2) and Article 71(1)(2) of the Administrative Measures for Information Disclosure of Listed Companies (《上市公司資訊披露管理辦法》) (CSRC Order No. 40), and constituted an information disclosure violation as referred to in Article 193(1) of the 2005 Securities Law. Liu Yun Long and Liu Min are the supervising officers directly responsible for the above conduct of Shandong Molong.

II. Alleged false contents in the three Announcements on Unusual Movement in the Trading of Shares published by Shandong Molong

As set out in Announcements on Unusual Movement in the Trading of Shares published on 24 March 2020, 24 April 2020 and 30 April 2020 respectively, Shandong Molong claimed that “the Company, controlling shareholders and de facto controllers have no material events concerning the Company that shall be disclosed but have not been disclosed, and there are no material events under planning stage”, which was factually incorrect and there was suspected to be false contents. The aforesaid act of Shandong Molong was jointly decided by Liu Yun Long, the then chairman of the Board and general manager, and Liu Min, then a Director, the deputy general manager, chief financial officer and secretary to the Board, and organised and implemented by Liu Min.

The aforesaid illegal facts are evidenced by relevant announcements of Shandong Molong, fact sheets, and relevant enquiry transcripts etc..

We consider that the aforesaid conduct of Shandong Molong was suspected to have violated the requirements in Article 78(2) of Securities Law of the People's Republic of China (hereinafter referred to as the “Securities Law”), and constituted an illegal act of information disclosure referred to in Article 197(2) of the Securities Law. Liu Yun Long and Liu Min are the supervising officers directly responsible for the above conduct of Shandong Molong.

In accordance with the facts, nature, circumstances and degree of harm caused to the society of such illegal acts, as pursuant to the provisions in Article 193(1) of the 2005 Securities Law and Article 197(2) of the Securities Law, we have decided to:

- I. Order rectification, issue a warning and impose a fine of RMB1.35 million on Shandong Molong Petroleum Machinery Company Limited.
- II. Issue warning and impose a fine of RMB650,000 on Liu Yun Long.
- III. Issue warning and impose a fine of RMB530,000 on Liu Min.

In accordance with the relevant provisions in Article 45, Article 63 and Article 64 of Law of the People's Republic of China on Administrative Penalty (《中華人民共和國行政處罰法》) and Rules of the China Securities Regulatory Commission on Administrative Penalty Hearings (《中國證券監督管理委員會行政處罰聽證規則》), you are entitled to the rights of making statements, advocacy and testification regarding the decision of penalties we proposed to impose on you. Facts, reasons and evidence provided by you will be adopted by us if such are substantiated after our review. If you waive your rights of making statements, advocacy and testification, we will impose official administrative penalties according to the abovesaid facts, reasons and evidence.”

Based on the circumstances identified in the Advance Notification of Administrative Penalty, it is the Company’s preliminarily view that the information disclosure violation involved in the Advance Notification of Administrative Penalty received does not fall under Rules 14.5.1, 14.5.2 and 14.5.3 of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (as amended in 2020) (《深圳證券交易所股票上市規則（2020年修訂）》) and circumstances of compulsory delisting for material breach of law as stipulated in the Notice

on the Issuance of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (as amended in 2020) (《關於發佈〈深圳證券交易所股票上市規則(2020年修訂)〉的通知》), subject to the ultimate conclusion of the administrative penalty decision made by the CSRC (Shandong Supervising Commission).

As at the date of this announcement, all business operations of the Company remain normal, and the above matter has not had any other impact on the business operation of the Company.

The Company will make further announcement(s) in accordance with the relevant regulations on the subsequent development and progress (including if the Company receives a formal administrative penalty decision from the CSRC (Shandong Supervising Commission)).

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 of
Shandong Molong Petroleum Machinery Company Limited*
Yang Yun Long
Chairman

Shandong, the PRC
27 September 2021

As at the date of this announcement, the Board of the Company comprises the executive Directors, namely Mr. Yang Yun Long, Mr. Yuan Rui 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 purpose only*