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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)**

**ANNOUNCEMENT  
UNAUDITED 2020 FIRST QUARTERLY REPORT**

This announcement is published simultaneously in the People's Republic of China pursuant to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》) and in Hong Kong pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**PART 1 IMPORTANT NOTICE**

The board of directors, supervisory committee and the directors, supervisors and senior management of the Company confirm that this quarterly report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

All directors attended the Board meeting for approving this quarterly report.

Liu Yun Long, chairman of the Company, Liu Min, chief financial officer of the Company and Ding Zhi Shui, head of finance section of the Company, hereby confirm the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

## PART 2 BASIC INFORMATION OF THE COMPANY

### I. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

Any necessary retrospective adjustment or restatement of accounting data of prior years

Yes  No

	<b>The current reporting period</b>	The corresponding period of last year	Increase/decrease at the current reporting period as compared to the corresponding period of last year
Operating income (RMB)	<b>526,079,581.62</b>	1,116,519,044.75	-52.88%
Net profit attributable to shareholders of the listed Company (RMB)	<b>-74,046,605.73</b>	7,433,709.06	-1,096.09%
Net profit attributable to shareholders of the listed Company excluding extraordinary profit or loss (RMB)	<b>-73,949,340.08</b>	-4,290,090.72	-1,623.72%
Net cash flow from operating activities (RMB)	<b>-121,768,899.10</b>	161,071,277.26	-175.60%
Basic earnings per share (RMB per share)		0.0093	-1,097.85%
Diluted earnings per share (RMB per share)	<b>-0.0928</b>	0.0093	-1,097.85%
Weighted average return on net assets	<b>-4.33%</b>	0.35%	-4.68%
	<b>At the end of the current reporting period</b>	At the end of last year	Increase/decrease at the end of the current reporting period as compared to the end of last year
Total assets (RMB)	<b>5,564,065,751.77</b>	5,735,752,344.59	-2.99%
Net assets attributable to shareholders of the listed Company (RMB)	<b>1,673,222,019.62</b>	1,747,518,970.85	-4.25%

Extraordinary profit or loss items and amounts

Applicable  Not applicable

Items	From the beginning of the year to the end of the reporting period	Note
Profit or loss on disposal of non-current assets (including written-off of provisions for assets impairment)	35,662.73	Mainly due to the income generated from the disposal of the assets by the Company.
Profit or loss from other contingencies which are not related to the Group's normal operations	-310,628.27	Mainly due to the provision of compensation for stock trader's litigation for the current period.
Other non-operating income and expenses other than the above items	176,462.14	
Other items of non-recurring gains or losses	30,107.74	Mainly due to the refund of withholding and paying individual tax received for the current period.
Less: Effect of income tax	5,609.46	
Effect of minority interests (after tax)	<u>23,260.53</u>	
Total	<u><u>-97,265.65</u></u>	—

Explain the reasons for determination of the extraordinary profit or loss items defined by the Company in accordance with the definition set out in the *Explanatory Announcement No. 1 on Information Disclosure by Public Issuers — Extraordinary Profit or Loss Items* (《公開發行證券的公司信息披露解釋性公告第1號 — 非經常性損益》), and of the recurring profit or loss items that are in conformity with the definition of “extraordinary profit or loss items” as set out in the above-mentioned document.

Applicable     Not applicable

No extraordinary profit or loss item as defined and illustrated in the *Explanatory Announcement No. 1 on Information Disclosure by Public Issuers — Extraordinary Profit or Loss Items* was deemed to be ordinary profit or loss item for the reporting period.

## II. TOTAL NUMBER OF SHAREHOLDERS AND TOP TEN SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

### 1. Total number of ordinary shareholders, number of preferred shareholders restored by voting rights and top ten shareholders

*Unit: share*

Total number of ordinary shareholders as at the end of the reporting period	35,509 (of which 35,463 A shares and 46 H shares)	Total number of preferred shareholders restored by voting rights at the end of the reporting period (if any)	0
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#### Top ten shareholders

Name of shareholder	Nature of shareholder	Percentage of Shareholding	Number of shares	Number of shares with sale restriction	Pledged or frozen Status of shares	Quantity
HKSCC Nominees Limited	Overseas legal person	30.93%	246,772,990	0		
Zhang En Rong	Domestic natural person	29.53%	235,617,000	0	Pledged	187,617,000
Zhang Yun San	Domestic natural person	4.03%	32,168,400	0		
Lin Fu Long	Domestic natural person	3.28%	26,162,000	0		
Central Huijin Asset Management Co., Ltd	Domestic legal person	1.70%	13,536,100	0		
SZ Qianhai Jing Wei Rong He Asset Management Co., Ltd (深圳前海經緯融和資產管理有限公司) — Rong He Private Securities Investment Fund II	Others	0.47%	3,732,752	0		
Zhu Yi Ming	Domestic natural person	0.37%	2,946,701	0		
Zheng Xiang Jin	Domestic natural person	0.29%	2,337,676	0		
Guo Li Min	Domestic natural person	0.29%	2,296,800	0		
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.26%	2,054,631	0		

## Top ten holders of shares not subject to lock-up

Name of shareholder	Number of shares not subject to lock-up	Class	Stock class	Quantity
HKSCC Nominees Limited	246,772,990	Overseas listed foreign shares		246,772,990
Zhang En Rong	235,617,000	RMB ordinary shares		235,617,000
Zhang Yun San	32,168,400	RMB ordinary shares		23,108,000
		Overseas listed foreign shares		9,060,400
Lin Fu Long	26,162,000	RMB ordinary shares		26,162,000
Central Huijin Asset Management Co., Ltd	13,536,100	RMB ordinary shares		13,536,100
SZ Qianhai Jing Wei Rong He Asset Management Co., Ltd (深圳前海經緯 融和資產管理有限公司) — Rong He Private Securities Investment Fund II	3,732,752	RMB ordinary shares		3,732,752
Zhu Yi Ming	2,946,701	RMB ordinary shares		2,946,701
Zheng Xiang Jin	2,337,676	RMB ordinary shares		2,337,676
Guo Li Min	2,296,800	RMB ordinary shares		2,296,800
Hong Kong Securities Clearing Company	2,054,631	RMB ordinary shares		2,054,631

Connected relationship or concert-party relationship among the above shareholders  
Zhang En Rong is the father of Zhang Yun San; the Company has no further information as to whether the other shareholders have connected relationships or are acting in concert.

Description of the top ten ordinary shareholders participating in margin trading business (if any)  
Not applicable

Whether the top ten ordinary shareholders and the top ten shareholders not subject to lock-up made the repurchase transactions during the reporting period.

Yes  No

The top ten ordinary shareholders and the top ten shareholders not subject to lock-up did not undertake the repurchase transactions during the reporting period.

## 2. Total number of preferred shareholders and top ten preferred shareholders

Applicable  Not applicable

## PART 3 MATERIAL MATTERS

### I. CHANGES IN MAJOR FINANCIAL STATEMENTS AND FINANCIAL INDICATORS DURING THE REPORTING PERIOD AND THE REASONS THEREFOR

✓ Applicable    □ Not applicable

#### (I) The explanation for major changes of the Company's assets and liabilities structure during the reporting period

*Unit: RMB*

Items	31 March 2020 (Unaudited)	31 December 2019 (Audited)	Change (%)	Reason for difference
Bills receivable	128,311,569.99	257,635,279.11	-50.20%	(1)
Receivables financing	59,719,346.05	96,155,523.75	-37.89%	(2)
Bills payable	174,737,922.15	281,588,603.88	-37.95%	(3)
Contract liabilities	44,799,468.47	32,463,654.22	38.00%	(4)
Other current liabilities	48,428,824.30	87,557,572.20	-44.69%	(5)
Accrued Liabilities	3,051,264.99	5,734,176.25	-46.79%	(6)

Explanation:

- (1) Bills receivable decreased by 50.20% as compared with the beginning of the year, mainly due to the decline in operating income for the period and the corresponding decrease in commercial bills acceptance received.
- (2) Receivables financing decreased by 37.89% as compared with the beginning of the year, mainly due to the decline in operating income for the period and the corresponding decrease in bank's acceptance bills received.
- (3) Bills payable decreased by 37.95% as compared with the beginning of the year, mainly due to the decrease in the volume of purchase for the current period and the decrease in the use of bills payments to settle purchase amounts.
- (4) The contract liabilities increased by 38.00% as compared with the beginning of the year, mainly due to the increase in payment in advance for the current period.
- (5) Other current liabilities decreased by 44.69% as compared with the beginning of the year, mainly due to the decrease in commercial acceptance bills transferred by the Company undue.
- (6) The accrued liabilities decreased by 46.79% as compared with the beginning of the year, mainly due to the transfer to other payables line item of the judged litigation claims of investors for the period for audit purpose.

**(II) The explanation for major changes of profit or loss indicators year on year during the reporting period**

*Unit: RMB*

<b>Items</b>	<b>January to March 2020 (Unaudited)</b>	<b>January to March 2019 (Unaudited)</b>	<b>Change (%)</b>	<b>Reason for difference</b>
Operating income	<b>526,079,581.62</b>	1,116,519,044.75	-52.88%	(1)
Operating cost	<b>475,063,948.93</b>	1,015,289,282.91	-53.21%	(2)
Operating expense	<b>14,358,309.92</b>	21,013,426.06	-31.67%	(3)
Administrative expenses	<b>58,132,503.25</b>	31,486,734.72	84.63%	(4)
Assets impairment losses (loss expressed with “-”)	<b>-2,068,041.57</b>			(5)
Credit impairment losses (loss expressed with “-”)	<b>-3,836,940.14</b>	-769,629.18		(6)
Other income	<b>30,107.74</b>	11,166,723.00	-99.73%	(7)
Investment income		250,262.22	-100.00%	(8)
Gain on disposal of assets	<b>46,389.96</b>	163,034.11	-71.55%	(9)
Non-operating income	<b>222,851.14</b>	515,755.08	-56.79%	(10)
Non-operating expenses	<b>367,744.50</b>	24,736.58	1,386.64%	(11)
Income tax	<b>1,432,996.79</b>	348,406.85	311.30%	(12)

Explanation:

- (1) The operating income decreased by 52.88% compared with the same period of last year, mainly due to the impact of novel coronavirus pneumonia epidemic in the period and the delay in resumption of operation and production downstream enterprises, which led to a decrease in shipments.
- (2) The operating cost decreased by 53.21% compared with the same period of last year, mainly due to the impact of novel coronavirus pneumonia epidemic in the period, which led to a decrease in operating income.
- (3) Operating expenses decreased by 31.67% compared with the same period of last year, mainly due to the impact of the novel coronavirus pneumonia epidemic in the period, and therefore, the decrease in shipments resulted in a decrease in transportation fees.
- (4) The administrative expenses increased by 84.63% compared with the same period of last year, mainly due to the impact of the epidemic in the current period, the company delayed resumption of operation and production, and the depreciation and labor costs during the shutdown period were transferred to the accounting of the item.

- (5) The asset impairment loss increased as compared with the same period last year, mainly due to the increase in the provision for inventory impairment loss for the period.
- (6) Credit impairment losses increased as compared with the same period last year, mainly due to the increase in the provision for credit impairment losses of trade receivables, in accordance with the accounting standards for the period.
- (7) Other income has decreased by 99.73% compared with the same period last year, mainly due to the fact that the subsidiary did not receive recycled resources subsidies and funds for enterprises in the same period last year.
- (8) Investment income has decreased by 100% compared with the same period last year, mainly due to the fact that there was no wealth management business of bank for the period.
- (9) The gain on disposal of assets decreased by 71.55% compared with the same period of last year, mainly due to the decrease in disposal of assets for the period.
- (10) Non-operating income decreased by 56.79% compared with the same period of last year, mainly due to the decrease in the income of breach of contract claim received in the same period of last year.
- (11) Non-operating expenses increased by 1,386.64% compared with the same period of last year, mainly due to the provision for the loss of litigation claims of investors in the period.
- (12) Income tax expenses have increased by 311.30% compared with the same period last year, mainly due to the increase in deferred income tax expense recognized for the period.



**(III) The explanation for changes of cash flow statement year on year during the reporting period**

*Unit: RMB*

<b>Items</b>	<b>January to March 2020 (Unaudited)</b>	<b>January to March 2019 (Unaudited)</b>	<b>Change (%)</b>	<b>Reason for difference</b>
Net cash flow from operating activities	<b>-121,768,899.10</b>	161,071,277.26	-175.60%	(1)
Net cash flows from investing activities	<b>-11,021,698.76</b>	-18,581,097.43	40.68%	(2)
Net cash flow from financing activities	<b>73,991,695.09</b>	-122,645,984.89	160.33%	(3)

Explanation:

- (1) Net cash flow from operating activities has decreased by 175.60% compared with the same period last year, mainly due to the significant decrease in revenue for the period and the reduction in margins for maturities over 3 months of the same period last year.
- (2) Net cash flow from investing activities increased by 40.68% compared with the same period of last year, mainly due to the decrease in cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets during the period.
- (3) The net cash flow from financing activities increased by 160.33% compared with the same period of last year, mainly due to the change of bank financing business from current loans to discounted differential bank's acceptance.

## **II. THE PROGRESS OF SIGNIFICANT EVENTS, THEIR IMPACT AND THE ANALYSIS OF SOLUTIONS**

Applicable    Not Applicable

As at the end of the reporting period, the cases against the Company brought by investors regarding false statements about securities have been entertained by the intermediate people's court of Jinan, and the aggregate sum involved was RMB89,060,428.43. Currently, the total amount involved in cases that have been adjudicated or concluded through mediation was RMB85,470,704.91, with settlement amount of RMB43,919,097.75. For concluded cases, the Company is performing its obligations according to the judgment results; and the provisions made for the estimated liabilities was RMB3,051,264.99 based on 85% for those cases that have been heard but pending for judgment and those cases have not been heard with reference to the previous case. The Company has made a total of provisions of RMB46,970,362.74 for estimated liabilities for such matter.

### **The implementation of share repurchase**

Applicable    Not Applicable

### **The implementation of reducing shareholdings in share repurchase through centralized bidding**

Applicable    Not Applicable

## **III. OBLIGATED PARTIES SUCH AS ACTUAL CONTROLLERS, SHAREHOLDERS, RELATED PARTIES, ACQUIRER AND THE COMPANY WHO HAVE NOT FULFILLED THEIR OBLIGATIONS DURING THE REPORTING PERIOD AS SCHEDULED**

Applicable    Not Applicable

There were no obligations in the reporting period that the obligated parties such as actual controllers, shareholders, related parties, acquirer and the Company who have not fulfilled their obligations during the reporting period as scheduled.

## **IV. INFORMATION ON SECURITIES INVESTMENT**

Applicable    Not Applicable

The Company was not involved in any securities investment during the reporting period.

**V. ENTRUSTED WEALTH MANAGEMENT**

Applicable  Not applicable

During the reporting period, the Company has no entrusted wealth management activity.

**VI. INFORMATION ON DERIVATIVES INVESTMENT**

Applicable  Not applicable

During the Reporting Period, the Company had no derivatives investment

**VII. CONDITION OF VIOLATION OF EXTERNAL GUARANTEES**

Applicable  Not applicable

There was no violation of external guarantees during the reporting period.

**VIII. NON-OPERATING OCCUPATION OF FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES**

Applicable  Not applicable

There was no non-operating occupation of funds by the controlling shareholder and its related parties during the reporting period.

**IX. ACTIVITY REGISTRATION FORM OF RECEPTION INVESTIGATION, COMMUNICATION, INTERVIEWS AND OTHER ACTIVITIES DURING THE REPORTING PERIOD**

Applicable  Not applicable

There were no such activities during the reporting period.

## PART 4 FINANCIAL STATEMENT

### I. FINANCIAL STATEMENT

#### 1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

31 March 2020

*Unit: RMB*

Items	31 March 2020	31 December 2019
<b>Current assets:</b>		
Cash and bank balances	<b>636,335,958.89</b>	539,942,128.18
Balances with clearing companies		
Placements with banks and other financial institution		
Financial assets held for trading		
Derivative financial assets		
Bills receivable	<b>128,311,569.99</b>	257,635,279.11
Accounts receivable	<b>536,963,822.33</b>	507,559,024.95
Receivables financing	<b>59,719,346.05</b>	96,155,523.75
Loans and advances disbursements	<b>17,046,915.97</b>	17,046,915.97
Account prepaid	<b>46,713,355.91</b>	41,184,464.45
Premiums receivable		
Reinsurance accounts receivable		
Deposits receivable from reinsurance treaty		
Other receivables	<b>28,393,609.97</b>	29,289,226.01
Among which: Interest receivable	<b>1,703,347.49</b>	2,308,030.91
Dividends receivables		
Redemptory monetary capital for sale		
Inventories	<b>858,775,151.46</b>	934,907,320.58
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	<b>31,480,159.25</b>	35,206,341.97
<b>Total current assets</b>	<b><u>2,343,739,889.82</u></b>	<b><u>2,458,926,224.97</u></b>

<b>Items</b>	<b>31 March 2020</b>	31 December 2019
<b>Non-current assets:</b>		
Loans and advances granted		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investment	<b>2,557,061.01</b>	2,557,061.01
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	<b>2,670,542,926.27</b>	2,726,157,716.13
Construction in progress	<b>54,773,592.40</b>	55,034,853.27
Productive biological assets		
Oil and gas assets		
Right-of-use asset		
Intangible assets	<b>438,493,210.24</b>	443,223,548.01
Development expenses	<b>4,974,182.34</b>	
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	<b>38,733,853.40</b>	40,231,904.91
Other non-current assets	<b>10,251,036.29</b>	9,621,036.29
<b>Total non-current assets</b>	<b><u>3,220,325,861.95</u></b>	<b><u>3,276,826,119.62</u></b>
<b>Total assets</b>	<b><u>5,564,065,751.77</u></b>	<b><u>5,735,752,344.59</u></b>

Items	31 March 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings	<b>2,070,411,474.22</b>	1,929,510,883.39
Loans from central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	<b>174,737,922.15</b>	281,588,603.88
Accounts payable	<b>856,004,502.36</b>	924,020,613.80
Advance receipts		
Contract liabilities	<b>44,799,468.47</b>	32,463,654.22
Disposal of repurchased financial assets		
Deposit taking and deposit in inter-bank market		
Customer deposits for trading in securities		
Customer deposits for underwriting		
Salaries payable	<b>62,173,760.51</b>	57,276,942.10
Tax payable	<b>13,620,288.16</b>	13,393,461.51
Other payables	<b>54,339,796.05</b>	61,423,531.25
Among which: Interest payable	<b>10,539,403.34</b>	6,389,751.57
Dividends payable		
Fee and commission payable		
Reinsurance accounts payable		
Liabilities divided into holding for sale		
Non-current liabilities due within 1 year	<b>467,236,355.68</b>	482,636,906.78
Other current liabilities	<b>48,428,824.30</b>	87,557,572.20
<b>Total current liabilities</b>	<b><u>3,791,752,391.90</u></b>	<b><u>3,869,872,169.13</u></b>

**Items****31 March 2020** 31 December 2019**Non-current liabilities:**

Reserve for insurance policies

Long-term borrowings

Debentures payable

Among which: Preferred stock

Perpetual bond

Lease liabilities

Long-term payables

Long-term payroll payables

Estimated liabilities

Deferred income

Deferred income tax liabilities

Other non-current liabilities

**47,572,425.54**

58,045,884.69

**3,051,264.99**

5,734,176.25

**7,386,306.54**

7,386,306.54

**5,689,244.66**

5,754,299.38

**Total non-current liabilities****63,699,241.73**

76,920,666.86

**Total liabilities****3,855,451,633.63****3,946,792,835.99**

Items	31 March 2020	31 December 2019
<b>Total owners' equity:</b>		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments		
Among which: Preferred stock		
Perpetual capital securities		
Capital reserve	863,169,158.42	863,169,158.42
Less: treasury stock		
Other comprehensive income	-3,305,406.08	-3,055,060.57
Special reserve		
Surplus reserve	187,753,923.88	187,753,923.88
General risk reserve	11,236.91	11,236.91
Undistributed profit	<u>-172,255,293.51</u>	<u>-98,208,687.79</u>
<b>Total equity attributable to owners of the parent company</b>	<b>1,673,222,019.62</b>	<b>1,747,518,970.85</b>
Minority interests	<u>35,392,098.52</u>	<u>41,440,537.75</u>
<b>Total owners' equity</b>	<b><u>1,708,614,118.14</u></b>	<b><u>1,788,959,508.60</u></b>
<b>Total liabilities and owners' equity</b>	<b><u>5,564,065,751.77</u></b>	<b><u>5,735,752,344.59</u></b>

*Legal representative:*  
**Liu Yun Long**

*Chief financial officer:*  
**Liu Min**

*Head of finance section:*  
**Ding Zhi Shui**



## 2. Balance sheet of the parent company

*Unit: RMB*

<b>Items</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Current assets:</b>		
Cash and bank balances	<b>611,557,557.01</b>	515,419,364.09
Financial assets held for trading		
Derivative financial assets		
Bills receivable	<b>128,311,569.99</b>	257,635,279.11
Accounts receivable	<b>651,985,863.21</b>	614,469,903.11
Receivables financing	<b>10,859,012.80</b>	13,745,135.20
Prepayments	<b>505,052,829.63</b>	466,070,802.57
Other receivable	<b>655,248,245.33</b>	742,034,322.28
Among which: Interest receivable	<b>1,703,347.49</b>	2,308,030.91
Dividends receivables		
Inventories	<b>592,796,392.87</b>	627,068,241.69
Contract assets		
Assets classified as held-for-sale		
Non-current assets due within one year		
Other current assets		
<b>Total current assets</b>	<b><u>3,155,811,470.84</u></b>	<b><u>3,236,443,048.05</u></b>

Items	31 March 2020	31 December 2019
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investment	<b>1,144,019,921.73</b>	1,144,019,921.73
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	<b>1,030,083,968.22</b>	1,056,055,848.38
Construction in progress	<b>577,820.97</b>	486,984.53
Productive biological assets		
Oil and gas assets		
Right-of-use asset		
Intangible assets	<b>129,554,769.19</b>	132,088,784.23
Development expenses	<b>4,974,182.34</b>	
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	<b>36,430,354.72</b>	37,883,413.51
Other non-current assets		
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<b>Total non-current asset</b>	<b><u><u>2,345,641,017.17</u></u></b>	<b><u><u>2,370,534,952.38</u></u></b>
<b>Total assets</b>	<b><u><u>5,501,452,488.01</u></u></b>	<b><u><u>5,606,978,000.43</u></u></b>

Items	31 March 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings	<b>1,576,811,474.22</b>	1,765,910,883.39
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	<b>554,073,922.15</b>	456,088,603.88
Accounts payable	<b>291,833,961.43</b>	318,744,403.11
Advance receipts		
Contract liabilities	<b>32,660,173.81</b>	28,059,132.72
Salaries payable	<b>42,013,475.10</b>	37,751,734.57
Tax payable	<b>10,712,735.92</b>	10,297,524.70
Other payables	<b>254,222,875.83</b>	151,446,321.31
Among which: Interest payable	<b>5,785,016.58</b>	5,214,764.95
Dividends payable		
Liabilities classified as held-for-sale		
Non-current liabilities due within 1 year	<b>314,296,857.14</b>	329,697,408.24
Other current liabilities	<b>48,428,824.30</b>	87,557,572.20
<b>Total current liabilities</b>	<b><u>3,125,054,299.90</u></b>	<b><u>3,185,553,584.12</u></b>

Items	31 March 2020	31 December 2019
<b>Non-current liabilities:</b>		
Long-term borrowings		
Debentures payable		
Among which: Preferred stock		
Perpetual capital securities		
Lease liabilities		
Long-term payables	47,572,425.54	58,045,884.69
Long-term payroll payables		
Accrued liabilities	3,051,264.99	5,734,176.25
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>50,623,690.53</b>	<b>63,780,060.94</b>
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<b>Total liabilities</b>	<b>3,175,677,990.43</b>	<b>3,249,333,645.06</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Owners' equity:</b>		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments		
Among which: Preferred stock		
Perpetual capital securities		
Capital reserve	863,150,490.92	863,150,490.92
Less: treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	187,753,923.88	187,753,923.88
Undistributed profit	477,021,682.78	508,891,540.57
	<hr/>	<hr/>
<b>Total owners' equity</b>	<b>2,325,774,497.58</b>	<b>2,357,644,355.37</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and owners' equity</b>	<b>5,501,452,488.01</b>	<b>5,606,978,000.43</b>
	<hr/> <hr/>	<hr/> <hr/>

### 3. Consolidated income statement

*Unit: RMB*

Items	Amount for the period	Amount for the previous period
<b>I. Total revenue from operations</b>	<b>526,079,581.62</b>	1,116,519,044.75
Among which: operating income	<b>526,079,581.62</b>	1,116,519,044.75
Interest income		
Premium earned		
Fee and commission income		
<b>II. Total cost of operations</b>	<b>598,740,436.26</b>	1,122,330,945.96
Among which: Operating cost	<b>475,063,948.93</b>	1,015,289,282.91
Interest expenses		
Fees and commission expenses		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance deposits		
Policyholder dividend expenses		
Reinsurance costs		
Business tax and surcharges	<b>6,111,171.52</b>	7,015,701.42
Selling expenses	<b>14,358,309.92</b>	21,013,426.06
Administrative expenses	<b>58,132,503.25</b>	31,486,734.72
R&D expenses	<b>2,591,581.91</b>	2,770,753.00
Financial expenses	<b>42,482,920.73</b>	44,755,047.85
Among which: Interest expenses	<b>45,123,737.26</b>	41,334,903.03
Interest income	<b>1,343,525.86</b>	2,158,499.98
Add: Other income	<b>30,107.74</b>	11,166,723.00
Investment income (loss expressed with “-”)		250,262.22
Among which: Gains from investment in associates and joint ventures		
Investment income from derecognition of financial assets at amortised cost		
Gains from foreign currencies exchange (loss expressed with “-”)		
Net gain on exposure hedging (loss expressed with “-”)		
Gain on change in fair value (loss expressed with “-”)		
Credit impairment loss (loss expressed with “-”)	<b>-3,836,940.14</b>	-769,629.18
Assets impairment loss (loss expressed with “-”)	<b>-2,068,041.57</b>	
Gain on disposal of assets (loss expressed with “-”)	<b>46,389.96</b>	163,034.11

Items	Amount for the period	Amount for the previous period
<b>III. Operating profit (loss expressed with “-”)</b>	<b>-78,489,338.65</b>	4,998,488.94
Add: Non-operating income	222,851.14	515,755.08
Less: Non-operating expenses	367,744.50	24,736.58
<b>IV. Total profit (total loss expressed with “-”)</b>	<b>-78,634,232.01</b>	5,489,507.44
Less: Income tax expenses	1,432,996.79	348,406.85
<b>V. Net profit (net loss expressed with “-”)</b>	<b>-80,067,228.80</b>	5,141,100.59
(i) By continuity of operations		
1. Net profit from continuing operations (net loss expressed with “-”)	<b>-80,067,228.80</b>	5,141,100.59
2. Net profit from discontinued operations (net loss expressed with “-”)		
(ii) By ownership		
1. Net profit attributable to owners of the Company	<b>-74,046,605.73</b>	7,433,709.06
2. Minority interests	<b>-6,020,623.07</b>	-2,292,608.47
<b>VI. The net after-tax of other comprehensive income</b>	<b>-278,161.67</b>	334,008.82
The net after-tax of other comprehensive income attributable to owners of the parent company	<b>-250,345.51</b>	300,607.94
(i) Other comprehensive income cannot be reclassified into the profit or loss		
1. Change in remeasurement of defined benefit plans		
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		
3. Change in fair value of investments in other equity instruments		
4. Change in fair value of own credit risk		
5. Others		

Items	Amount for the period	Amount for the previous period
(ii) Other comprehensive income that will be reclassified into the profit or loss	-250,345.51	300,607.94
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Change in fair value of other debt investments		
3. Amount included in other comprehensive income on reclassification of financial assets		
4. Provision for credit impairment of other debt investments		
5. Cash flows hedging reserve		
6. Exchange differences arising from translation of foreign currency financial statements	-250,345.51	300,607.94
7. Others		
The net after-tax of other comprehensive income attributable to the minority shareholders	-27,816.16	33,400.88
<b>VII. Total comprehensive income</b>	<b>-80,345,390.47</b>	<b>5,475,109.41</b>
Total comprehensive income attributable to owners of the parent company	-74,296,951.24	7,734,317.00
Total comprehensive income attributable to the minority shareholders	-6,048,439.23	-2,259,207.59
<b>VIII. Earnings per share:</b>		
(i) Basic earnings per share	-0.0928	0.0093
(ii) Diluted earnings per share	-0.0928	0.0093
<i>Legal representative:</i> <b>Liu Yun Long</b>	<i>Chief financial officer:</i> <b>Liu Min</b>	<i>Head of finance section:</i> <b>Ding Zhi Shui</b>

#### 4. Income statement of the parent company

*Unit: RMB*

Items	Amount for the period	Amount for the previous period
<b>I. Operating income</b>	<b>464,193,684.53</b>	930,491,717.09
Less: Operating cost	419,046,230.31	826,634,014.81
Business tax and surcharges	4,752,890.37	3,209,769.97
Selling expenses	11,175,804.94	17,275,442.24
Administrative expenses	23,473,938.87	14,251,553.99
R&D expenses	2,591,581.91	2,770,753.00
Financial expenses	27,344,167.61	33,239,171.55
Among which: Interest expenses	29,867,294.04	31,132,813.94
Interest income	1,373,123.92	2,077,965.54
Add: Other income	25,983.64	
Investment income (loss expressed with “-”)		
Among which: Gains from investment in associates and joint ventures		
Gain on derecognition of financial assets measured at amortised cost (loss expressed with “-”)		
Net gain on exposure hedging (loss expressed with “-”)		
Gain on change in fair value (loss expressed with “-”)		
Credit impairment loss (loss expressed with “-”)	-3,930,744.20	-769,629.18
Assets impairment loss (loss expressed with “-”)	-2,068,041.57	
Gain on disposal of assets (loss expressed with “-”)		163,034.11
<b>II. Operating profit (loss expressed with “-”)</b>	<b>-30,163,731.61</b>	32,504,416.46
Add: Non-operating income	68,688.11	177,714.15
Less: Non-operating expenses	321,755.50	12,911.98
<b>III. Total profit (total loss expressed with “-”)</b>	<b>-30,416,799.00</b>	32,669,218.63
Less: Income tax expenses	1,453,058.79	350,302.81
<b>IV. Net profit (net loss expressed with “-”)</b>	<b>-31,869,857.79</b>	32,318,915.82
(i) Net profit from continuing operations (net loss expressed with “-”)	-31,869,857.79	32,318,915.82
(ii) Net profit from discontinued operations (net loss expressed with “-”)		



Items	Amount for the period	Amount for the previous period
<b>V. The net after-tax of other comprehensive income</b>		
(i) Other comprehensive income cannot be reclassified into the profit or loss		
1. Change in remeasurement of defined benefit plans		
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		
3. Change in fair value of investments in other equity instruments		
4. Change in fair value of own credit risk		
5. Others		
(ii) Other comprehensive income that will be reclassified into the profit or loss		
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Change in fair value of other debt investments		
3. Amount included in other comprehensive income on reclassification of financial assets		
4. Amount included in other comprehensive income on reclassification of financial assets		
5. Cash flows hedging reserve		
6. Balance arising from the translation of foreign currency financial statements		
7. Others		
<b>VI. Total comprehensive income</b>	<b>-31,869,857.79</b>	32,318,915.82
<b>VII. Earnings per share:</b>		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

*Unit: RMB*

Items	Amount for the period	Amount for the previous period
<b>I. Cash flows from operating activities:</b>		
Cash received from selling goods and rendering services	<b>622,939,983.78</b>	1,196,319,834.67
Net increase in deposits from customers and placements from banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investments		
Cash received from interest, handling charges and commissions		
Net increase in borrowing funds		
Net increase in repurchases business fund		
Net cash received from securities brokerage deposits		
Tax rebate received	<b>6,810,368.90</b>	5,121,979.46
Other cash received relating to operating activities	<b>11,173,995.56</b>	112,032,184.42
<b>Sub-total of cash inflow from operating activities</b>	<b>640,924,348.24</b>	1,313,473,998.55

Items	Amount for the period	Amount for the previous period
Cash paid for purchasing goods and receiving services	<b>524,263,205.81</b>	950,000,841.80
Net increase in loans and advances to customers	<b>-145,974.85</b>	-488,950.00
Net increase in placements with central bank and other financial institutions		
Cash paid for claims on original insurance contracts		
Net increase in Placements with banks and other financial institution		
Cash payment for interest, handling charges and commissions		
Cash payment for policyholder dividend		
Cash paid to and on behalf of employees	<b>41,431,460.65</b>	78,652,543.42
Taxes and surcharges paid	<b>6,601,164.50</b>	80,208,585.43
Other cash paid relating to operating activities	<b>190,543,391.23</b>	44,029,700.64
<b>Sub-total of cash outflow from operating activities</b>	<b>762,693,247.34</b>	1,152,402,721.29
<b>Net cash flows from operating activities</b>	<b>-121,768,899.10</b>	161,071,277.26
 <b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments		10,000,000.00
Cash received from return on investments		250,262.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		276,666.35
Net cash received from disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		
<b>Sub-total of cash inflow from investing activities</b>		10,526,928.57
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	<b>11,021,698.76</b>	29,108,026.00
Cash paid for investment		
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		
<b>Sub-total of cash outflow from investing activities</b>	<b>11,021,698.76</b>	29,108,026.00
<b>Net cash flows from investing activities</b>	<b>-11,021,698.76</b>	-18,581,097.43

Items	Amount for the period	Amount for the previous period
<b>III. Cash flows from financing activities:</b>		
Cash received from equity investments		
Among which: Cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	<b>1,218,151,500.00</b>	637,561,000.00
Other cash received relating to financing activities		
<b>Sub-total of cash inflow from financing activities</b>	<b>1,218,151,500.00</b>	637,561,000.00
Cash paid for repayment of liabilities	<b>1,103,736,783.31</b>	725,872,060.75
Cash paid for dividends, profits distribution or interest repayment	<b>40,423,021.60</b>	34,334,924.14
Among which: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid relating to financing activities		
<b>Sub-total of cash outflow from financing activities</b>	<b>1,144,159,804.91</b>	760,206,984.89
<b>Net cash flows from financing activities</b>	<b>73,991,695.09</b>	-122,645,984.89
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>	<b>-3,401,974.52</b>	2,729,883.71
<b>V. Net increase in cash and cash equivalents</b>	<b>-62,200,877.29</b>	22,574,078.65
Add: Balance of cash and cash equivalents at the beginning of the period	<b>496,256,836.18</b>	578,924,482.20
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>434,055,958.89</b>	601,498,560.85

## 6. Cash Flow Statement of the Parent Company

*Unit: RMB*

Items	Amount for the period	Amount for the previous period
<b>I. Cash flows from operating activities:</b>		
Cash received from selling goods and rendering services	551,853,857.37	917,449,630.53
Tax rebate received	6,722,591.72	1,864,314.65
Other cash received relating to operating activities	1,857,741.03	98,282,972.25
<b>Sub-total of cash inflow from operating activities</b>	<b>560,434,190.12</b>	<b>1,017,596,917.43</b>
Cash paid for purchasing goods and receiving services	169,508,007.03	808,571,984.96
Cash paid to and on behalf of employees	26,146,448.77	51,658,743.51
Taxes and surcharges paid	4,941,242.62	35,207,638.62
Other cash paid relating to operating activities	175,624,282.78	23,764,067.45
<b>Sub-total of cash outflow from operating activities</b>	<b>376,219,981.20</b>	<b>919,202,434.54</b>
<b>Net cash flows from operating activities</b>	<b>184,214,208.92</b>	<b>98,394,482.89</b>
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		
<b>Sub-total of cash inflow from investing activities</b>		
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	161,000.00	6,584,838.00
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		
<b>Sub-total of cash outflow from investing activities</b>	<b>161,000.00</b>	<b>6,584,838.00</b>
<b>Net cash flows from investing activities</b>	<b>-161,000.00</b>	<b>-6,584,838.00</b>

Items	Amount for the period	Amount for the previous period
<b>III. Cash flows from financing activities:</b>		
Cash received from equity investments		
Cash received from borrowings	<b>762,551,500.00</b>	541,961,000.00
Other cash received relating to financing activities		
<b>Sub-total of cash inflow from financing activities</b>	<b>762,551,500.00</b>	541,961,000.00
Cash paid for repayment of liabilities	<b>978,136,783.31</b>	616,872,060.75
Cash paid for dividends, profits distribution or interest repayment	<b>27,464,641.02</b>	30,857,460.25
Other cash paid relating to financing activities		
<b>Sub-total of cash outflow from financing activities</b>	<b>1,005,601,424.33</b>	647,729,521.00
<b>Net cash flows from financing activities</b>	<b>-243,049,924.33</b>	-105,768,521.00
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		
	<b>-3,459,799.67</b>	2,580,361.10
<b>V. Net increase in cash and cash equivalents</b>		
	<b>-62,456,515.08</b>	-11,378,515.01
Add: Balance of cash and cash equivalents at the beginning of the period	<b>471,734,072.09</b>	563,255,887.34
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		
	<b>409,277,557.01</b>	551,877,372.33

## II. DESCRIPTION OF FINANCIAL STATEMENT ADJUSTMENT

1. **Adjusting to the first implementation of the financial statements at the beginning of the year via the first implementation of new income standards and new lease standards since 2020**

Applicable     Not applicable

2. **Description of the first implementation of new income standards and new lease standards on the retrospective adjustment of comparative figures for the previous period since 2020**

Applicable     Not applicable

### III. AUDITORS' REPORT

**Whether the first quarterly report has been audited**

Yes  No

The first quarterly report of the Company is unaudited.

By order of the Board  
**Shandong Molong Petroleum Machinery Company Limited\***  
**Liu Yun Long**  
*Chairman*

Shandong, the PRC, 29 April 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 purpose only