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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 THIRD QUARTER REPORT OF 2017

This announcement is published simultaneously in the People's Republic of China pursuant to the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange and in Hong Kong pursuant to the disclosure obligations under Rule 13.10B of the Rules Governing the Listing of Securities (the "Listing Rules") 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 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.

The Board has approved this report. All directors attended the Board meeting for approving this report.

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

Unit adopted in this report is RMB (unless otherwise stated).

The reporting period is from 1 July 2017 to 30 September 2017.

PART 2 BASIC INFORMATION OF THE COMPANY

I. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

Does the reporting period have a retroactive adjustment or restatement on the previous period of financial data.

Yes No

	At the end of the reporting period	At the end of the previous year	Change compared to the previous year	
Total assets (RMB)	5,776,943,853.19	5,772,042,841.06	0.08%	
Net assets attributable to shareholders of the Company (RMB)	1,830,487,672.45	1,819,068,091.94	0.63%	
	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 (RMB)	837,175,384.41	150.51%	2,060,004,030.06	86.39%
Net profit attributable to shareholders of the Company (RMB)	3,145,895.79	104.33%	10,166,619.44	104.64%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses (RMB)	965,364.35	101.32%	(165,430,611.19)	27.26%
Net cash flow from operating activities (RMB)	(127,286,831.56)	18.38%	(85,893,060.00)	67.61%
Basic earnings per share (in RMB per share)	0.0039	104.30%	0.0127	104.64%
Diluted earnings per share (in RMB per share)	0.0039	104.30%	0.0127	104.64%
Weighted average return on net assets	0.17%	3.40%	0.56%	9.99%

Extraordinary items and amounts

Applicable Not applicable

Unit: RMB

Items	From the beginning of the year to the end of the reporting period	Note
Non-current assets disposal of profits and losses (Including the offset part of the provision for assets impairment provision)	59,524,402.98	
Recorded into the profits and losses of the current government subsidiaries (Closely associated with the enterprise business, with the exception of government subsidies granted in a fixed or quantitative manner in accordance with the uniform national standards)	151,509,571.00	
Other Non-operating income and expenditure in addition to the foregoing	(4,719,609.92)	
Less: Income tax impact	30,694,059.05	
Minority interests affected (after tax)	<u>23,074.38</u>	
Total	<u><u>175,597,230.63</u></u>	—

The non-recurring profit and loss items defined by the Company in accordance with the definitions of “Explanatory announcement No. 1 on information disclosure by companies offering securities to the public — non-recurring profit or loss”, and defining the non-recurring profit and loss project listed in “Explanatory announcement No. 1 on information disclosure by companies offering securities to the public — non-recurring profit or loss” as recurring profit and loss items, such reasons should be explained:

Applicable Not applicable

During the reporting period, no non-recurring gain or loss item was deemed to be recurring gain or loss item as defined and illustrated in the “Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Extraordinary Gains or Losses”.

II. TOTAL NUMBER OF SHAREHOLDERS AND TOP TEN SHAREHOLDERS NOT SUBJECT TO LOCK-UP 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	48,051	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	Shareholding ratio	Number of shares	Number of shares with sale restriction	Pledge or freeze Status of shares	Quantity
HKSCC Nominees Limited	Overseas legal person	32.06%	255,810,190	0	—	—
Zhang En Rong	Domestic natural person	29.53%	235,617,000	199,212,750	—	—
Zhang Yun San	Domestic natural person	4.03%	32,168,400	23,108,000	—	—
Lin Fulong	Domestic natural person	3.28%	26,162,000	13,081,000	—	—
Central Huijin Asset Management Co., Ltd	Domestic legal person	1.70%	13,536,100	0	—	—
Beijing Hao Shi Jia Gas Equipment Co., LTD	Domestic non-state owned legal person	0.42%	3,390,171	0	—	—
Yu Zhaogang	Domestic natural person	0.20%	1,606,900	0	—	—
Xie Shaozhe	Domestic natural person	0.17%	1,355,730	0	—	—
Jin Tao	Domestic natural person	0.17%	1,350,000	0	—	—
Li Guang Ming	Domestic natural person	0.13%	1,038,600	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	255,810,190	Overseas listed foreign shares		255,810,190
Zhang En Rong	36,404,250	RMB ordinary shares		36,404,250
Central Huijin Asset Management Co., Ltd	13,536,100	RMB ordinary shares		13,536,100
Lin Fulong	13,081,000	RMB ordinary shares		13,081,000
Zhang Yun San	9,060,400	Overseas listed foreign shares		9,060,400
Beijing Hao Shi Jia Gas Equipment Co., LTD	3,390,171	RMB ordinary shares		3,390,171
Yu Zhaogang	1,606,900	RMB ordinary shares		1,606,900
Xie Shaozhe	1,355,730	RMB ordinary shares		1,355,730
Jin Tao	1,350,000	RMB ordinary shares		1,350,000
Li Guang Ming	1,038,600	RMB ordinary shares		1,038,600

Connected relationship or concert-party relationship among the above shareholders Zhang En Rong is the father of Zhang Yun San. Save as disclosed, 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) N/A

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	30 September 2017 (Unaudited)	31 December 2016 (Audited)	Change (%)	Reason for difference
Interest receivable	5,331,877.40	8,196,910.73	-34.95%	(1)
Bills receivable	52,047,370.01	23,403,982.45	122.39%	(2)
Advance payment	125,384,857.50	37,042,473.89	238.49%	(3)
Assets classified as held-for-sale	—	10,765,552.13	-100.00%	(4)
Construction in progress	94,729,047.57	31,579,353.99	199.97%	(5)
Disposal of fixed assets	3,709,356.79	—	100.00%	(6)
Tax payable	32,602,225.78	9,905,721.00	229.13%	(7)
Interest payable	2,489,568.23	3,716,115.91	-33.01%	(8)
Long-term borrowings	241,000,000.00	145,000,000.00	66.21%	(9)

- (1) Interest receivable has decreased by 34.95% compared to the beginning of the year, mainly due to the receipt of interests from swap business provided in the previous year during the period.
- (2) Bills receivable has increased by 122.39% compared to the beginning of the year, mainly due to the delay of payment of notes to be received during the period.
- (3) Advance payment has increased by 238.49% compared to the beginning of the year, mainly due to the increase in prepayment for the purchase of materials required for production during the period.
- (4) Assets classified as held-for-sale has decreased by 100% compared to the beginning of the year, mainly due to disposal of assets classified as held-for-sale during the period.
- (5) Construction in progress has increased by 199.97% compared to the beginning of the year, mainly due to the second phase of the new electric arc furnace in Shouguang Baolong during the period.

- (6) Disposal of fixed assets has increased by 100% compared to the beginning of the year, mainly due to the relocation to Shaungkou Park of a subsidiary, Shouguang Molong Electro-mechanical Company.
- (7) Tax payable has increased by 229.13% compared to the beginning of the year, mainly due to the increase in value-added tax during the period.
- (8) Interest payable has decreased by 33.01% compared to the beginning of the year, mainly due to the change from due payment of principal and interests to the payment of quarterly interest for part of loans during the period.
- (9) Long-term borrowings has increased by 66.21% compared to the beginning of the year, mainly due to the increase in long-term financing borrowings of the Company during the period.

(II) The explanation for major changes of profit and loss indicators year on year from the beginning of the year to the end of the reporting period

Unit: RMB

Items	January to September 2017 (Unaudited)	January to September 2016 (Unaudited)	Change (%)	Reason for difference
Operating income	2,060,004,030.06	1,105,224,715.04	86.39%	(1)
Operating cost	2,014,822,417.43	1,201,951,879.20	67.63%	(2)
Business tax and surcharges	17,538,638.03	4,922,946.29	256.26%	(3)
Financial expenses	83,925,284.72	22,934,242.20	265.94%	(4)
Assets impairment losses	12,955,015.45	24,442.90	52,901.14%	(5)
Other income	118,600.00	—	100.00%	(6)
Non-operating income	213,826,026.90	10,990,914.72	1,845.48%	(7)
Non-operating expenses	7,613,206.55	128,507.71	5,824.32%	(8)
Income tax	484,541.00	10,862,614.44	-95.54%	(9)

- (1) Operating income has increased by 86.39% compared with the same period last year, mainly due to the increase in operating income resulted from the improvement in domestic market and enhancement on sales efforts by the Company during the period.
- (2) Operating cost has increased by 67.63% compared with the same period last year, mainly due to the corresponding increase in cost with the increase in corporate income.
- (3) Business tax and surcharges have increased by 256.26% compared with the same period last year, mainly due to change of the inclusion of taxes from management fees in the same period last year to business tax and surcharges during the period.
- (4) Financial expenses have increased by 265.94% compared with the same period last year, mainly due to the fact that part of the interests on loans included in financial expenses could not be capitalized and the increase in financing cost upon the completion of the Company's construction in progress.
- (5) Assets impairment losses has increased by 52,901.14% compared with the same period last year, mainly due to the provision of bad debts on the account receivable of the Company during the period.
- (6) Other income has increased by 100% compared with the same period last year, mainly due to the new amendments to "Corporate Accounting Standards No. 16-Government Grants" during the period, resulting in the inclusion of government grants related to daily activities into items under other income.

- (7) Non-operating income has increased by 1,845.48% compared with the same period last year, mainly due to subsidies on energy conservation and reduced emission received by the Company.
- (8) Non-operating expenses have increased by 5,824.32% compared with the same period last year, mainly due to the fact that Petroamazonas EP, a customer of the Company, issued its debentures through the Ministry of Finance of Ecuador by Citibank, USA, where the Company disposed the debentures in May this year and resulted in loss.
- (9) Income tax expenses have decreased by 95.54% compared with the same period last year, mainly due to the write-back of deferred assets in the same period last year and less income tax realized during the period.

(III) The explanation for changes of cash flow statement year on year from the beginning of the year to the end of the reporting period

Unit: RMB

Items	January to September 2017 (Unaudited)	January to September 2016 (Unaudited)	Change (%)	Reason for difference
Net cash flow from operating activities	(85,893,060.00)	(265,218,446.08)	67.61%	(1)
Net cash flow from investing activities	(50,049,285.31)	(96,790,399.72)	48.29%	(2)
Net cash flow from financing activities	(158,378,420.43)	275,451,706.45	-157.50%	(3)

- (1) Net cash flow from operating activities has increased by 67.61% compared with the same period last year, mainly due to the increase in efforts on loans recovery and the receipt of subsidies on energy conservation and reduced emission from the government by the Company during the period.
- (2) Net cash flow from investing activities has increased by 48.29% compared with the same period last year, mainly due to the proceeds from the disposal of assets held-for-sale by the Company during the period.
- (3) Net cash flow from financing activities has decreased by 157.50% compared with the same period last year, mainly due to the increase in funds for repayment of borrowings by the Company during the period.

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

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 REPORTED PERIOD AS SCHEDULED

Applicable Not applicable

There was 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 reported period as scheduled.

IV. OPERATING RESULT FORECAST FOR 2017

Expected business performance in 2017: Turn around compared to same period last year

Turn around compared to same period last year

Turnaround of net profit in 2017 compared to same period of the previous year (RMB'0000)	1,600	–	2,400
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In 2016, net profit attributable to shareholders of the Company (RMB'0000)			(61,248)
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Reasons for change in results

In 2017, the market for management products showed improvement with different degrees of increase in terms of products demand and price as compared with the same period last year. Meanwhile, the casting and forging technology modification project has gradually stabilized with excellent indicators upon production and operation, which has optimized the industry chain and lowered the production cost. With the above factor and government subsidies, the annual results managed to record a turn around.

V. FINANCIAL ASSETS MEASURED BY FAIR VALUE

Applicable Not applicable

VI. CONDITION OF VIOLATION OF EXTERNAL GUARANTEES

Applicable Not applicable

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

VII. 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.

VIII. 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

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balances	566,114,522.27	679,448,755.91
Balances with clearing companies	—	—
Placements with banks and other financial institutions	—	—
Financial assets measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial assets	—	—
Bills receivable	52,047,370.01	23,403,982.45
Accounts receivable	394,591,275.76	304,148,614.98
Loans and advances disbursements	123,585,953.23	142,887,708.94
Account prepaid	125,384,857.50	37,042,473.89
Premiums receivable	—	—
Reinsurance accounts receivable	—	—
Deposits receivable from reinsurance treaty	—	—
Interest receivable	5,331,877.40	8,196,910.73
Dividends receivables	—	—
Other receivables	59,133,115.29	55,703,355.24
Redemptory monetary capital for sale	—	—
Inventories	738,601,751.95	768,734,172.36
Assets classified as held-for-sale	—	10,765,552.13
Non-current assets due within one year	—	—
Other current assets	<u>138,218,977.91</u>	<u>112,973,607.82</u>
Total current assets	<u><u>2,203,009,701.32</u></u>	<u><u>2,143,305,134.45</u></u>

Item	Closing balance	Opening balance
Non-current assets:		
Loans and advances granted	—	—
Available-for-sale financial assets	50,000.00	50,000.00
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	2,620,572.57	2,707,572.57
Investment properties	—	—
Fixed assets	2,932,681,768.33	3,066,573,497.65
Construction in progress	94,729,047.57	31,579,353.99
Construction materials	—	—
Disposal of fixed assets	3,709,356.79	—
Productive biological assets	—	—
Oil and gas assets	—	—
Intangible assets	439,763,363.78	449,212,108.76
Development expenses	22,973,389.46	—
Goodwill	26,683,383.21	26,683,383.21
Long-term deferred expenses	—	—
Deferred income tax assets	3,465,431.48	3,465,431.48
Other non-current assets	<u>47,257,838.68</u>	<u>48,466,358.95</u>
Total non-current assets	<u>3,573,934,151.87</u>	<u>3,628,737,706.61</u>
Total assets	<u>5,776,943,853.19</u>	<u>5,772,042,841.06</u>

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	2,381,722,500.02	2,436,842,117.30
Loans from central bank	—	—
Deposit taking and deposit in inter-bank market	—	—
Placements from banks and other financial institutions	—	—
Financial assets measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial liabilities	—	—
Bills payable	242,444,811.00	241,427,907.86
Accounts payable	818,264,602.46	901,601,597.75
Advance receipts	79,070,621.88	73,674,754.30
Disposal of repurchased financial assets	—	—
Fee and commission payable	—	—
Salaries payable	36,023,999.41	30,194,232.47
Tax payable	32,602,225.78	9,905,721.00
Interest payable	2,489,568.23	3,716,115.91
Dividends payable	—	—
Other payables	26,774,515.58	29,429,211.29
Reinsurance accounts payable	—	—
Reserve for insurance policies	—	—
Customer deposits for trading in securities	—	—
Customer deposits for underwriting	—	—
Assets divided into holding for sale	—	—
Non-current liabilities due within 1 year	—	—
Other current liabilities	—	—
Total current liabilities	<u>3,619,392,844.36</u>	<u>3,726,791,657.88</u>

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings	241,000,000.00	145,000,000.00
Debtures payable	—	—
Among which: preferred stock	—	—
perpetual bond	—	—
Long-term payables	—	—
Long-term payroll payables	—	—
Special payables	—	—
Estimated liabilities	—	—
Deferred income	5,563,884.00	6,954,855.00
Deferred income tax liabilities	7,400,504.72	7,629,102.79
Other non-current liabilities	—	—
	<hr/>	<hr/>
Total non-current liabilities	<u>253,964,388.72</u>	<u>159,583,957.79</u>
Total liabilities	<u>3,873,357,233.08</u>	<u>3,886,375,615.67</u>

Item	Closing balance	Opening balance
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	—	—
Among which: preferred stock	—	—
perpetual capital securities	—	—
Capital reserve	849,718,158.42	849,718,158.42
Less: treasury stock	—	—
Other comprehensive income	(1,839,472.77)	(3,092,433.84)
Special reserve	—	—
Surplus reserve	176,686,903.51	176,686,903.51
General risk reserve	11,236.91	11,236.91
Undistributed profit	<u>8,062,446.38</u>	<u>(2,104,173.06)</u>
Total equity attributable to owners of the Company	1,830,487,672.45	1,819,068,091.94
Minority interests	<u>73,098,947.66</u>	<u>66,599,133.45</u>
Total owners' equity	<u>1,903,586,620.11</u>	<u>1,885,667,225.39</u>
Total liabilities and owners' equity	<u>5,776,943,853.19</u>	<u>5,772,042,841.06</u>

Legal representative:
Zhang En Rong

Chief financial officer:
Liu Min

Head of finance section:
Ding Zhi Shui

2. Balance sheet of the parent company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balances	514,496,690.48	599,097,430.73
Financial assets measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial assets	—	—
Bills receivable	48,178,370.01	20,668,982.45
Accounts receivable	876,595,329.27	576,856,586.89
Prepayments	496,462,155.92	428,363,237.40
Interest receivable	3,119,040.62	5,984,073.95
Dividends receivables	—	—
Other receivable	420,258,037.43	338,646,279.63
Inventories	545,293,965.14	600,619,996.95
Assets classified as held-for-sale	—	10,765,552.13
Non-current assets due within one year	—	—
Other current assets	—	2,453,338.22
	<hr/>	<hr/>
Total current assets	<u>2,904,403,588.87</u>	<u>2,583,455,478.35</u>

Item	Closing balance	Opening balance
Non-current assets:		
Available-for-sale financial assets	20,000.00	20,000.00
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	1,144,069,921.73	1,144,069,921.73
Investment properties	—	—
Fixed assets	1,231,413,430.81	1,311,349,758.67
Construction in progress	11,484,611.42	9,148,911.28
Construction materials	—	—
Disposal of fixed assets	—	—
Productive biological assets	—	—
Oil and gas assets	—	—
Intangible assets	146,859,393.29	150,781,549.00
Development expenses	22,973,389.46	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	—	—
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Total non-current asset	<u>2,556,820,746.71</u>	<u>2,615,370,140.68</u>
Total assets	<u>5,461,224,335.58</u>	<u>5,198,825,619.03</u>

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	1,634,353,500.02	1,572,921,489.30
Financial assets measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial liabilities	—	—
Bills payable	811,444,811.00	925,978,535.86
Accounts payable	297,955,747.02	354,013,293.48
Advance receipts	86,892,739.97	46,083,166.73
Salaries payable	25,940,978.47	21,715,692.23
Tax payable	25,552,320.32	3,645,957.07
Interest payable	2,171,550.08	3,375,485.69
Dividends payable	—	—
Other payables	130,350,453.01	121,252,406.87
Liabilities classified as held-for-sale	—	—
Non-current liabilities due within 1 year	—	—
Other current liabilities	—	—
	<hr/>	<hr/>
Total current liabilities	<u>3,014,662,099.89</u>	<u>3,048,986,027.23</u>

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings	241,000,000.00	145,000,000.00
Debentures payable	—	—
Among which: preferred stock	—	—
perpetual capital securities	—	—
Long-term payables	—	—
Long-term payroll payables	—	—
Special payables	—	—
Accrued liabilities	—	—
Deferred income	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
	<hr/>	<hr/>
Total non-current liabilities	<u>241,000,000.00</u>	<u>145,000,000.00</u>
Total liabilities	<u>3,255,662,099.89</u>	<u>3,193,986,027.23</u>
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	—	—
Among which: preferred stock	—	—
perpetual capital securities	—	—
Capital reserve	849,699,490.92	849,699,490.92
Less: treasury stock	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	176,686,903.51	176,686,903.51
Undistributed profit	381,327,441.26	180,604,797.37
	<hr/>	<hr/>
Total owners' equity	<u>2,205,562,235.69</u>	<u>2,004,839,591.80</u>
Total liabilities and owners' equity	<u>5,461,224,335.58</u>	<u>5,198,825,619.03</u>

3. Consolidated income statement for the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Total revenue from operations	837,175,384.41	334,192,841.82
Among which: operating income	837,175,384.41	334,192,841.82
Interest income	—	—
Premium earned	—	—
Fee and commission income	—	—
II. Total cost of operations	828,355,748.01	412,152,506.76
Among which: Operating cost	750,838,770.11	373,189,171.16
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	5,197,594.88	1,093,212.68
Selling expenses	13,274,672.21	11,137,095.82
Administrative expenses	37,535,169.41	26,429,107.30
Financial expenses	21,575,809.92	303,919.80
Assets impairment losses	(66,268.52)	—
Add:		
Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Gains from foreign currencies exchange	—	—
Other income	—	—

Item	Amount for the period	Amount for the previous period
VI. The net after-tax of other comprehensive income	605,310.88	(427,733.82)
The net after-tax of other comprehensive income attributable to owners of the Company	573,148.98	(397,596.10)
(1) Other comprehensive income cannot be reclassified into the profit and loss later	—	—
1. Remeasure defined benefit plans changes in net debt or net assets	—	—
2. The share in the other comprehensive income cannot be reclassified into the profit and loss by the invested entity under the equity method	—	—
(2) Other comprehensive income that will be reclassified into the profit and loss later	573,148.98	(397,596.10)
1. The share in the other comprehensive income that will be reclassified into the profit and loss by the investee under the equity method	—	—
2. Gains and losses from changes in fair value of available -for- sale financial assets	—	—
3. Held-to-maturity investment that are reclassified into the available-for-sale financial assets profit and loss	—	—
4. Effective part of the cash flow hedging gains and losses	—	—
5. Balance arising from the translation of foreign currency financial statements	573,148.98	(397,596.10)
6. Others	—	—
The net after-tax of other comprehensive income attributable to the minority shareholders	32,161.90	(30,137.72)

Item	Amount for the period	Amount for the previous period
VII. Total comprehensive income	11,846,903.44	(81,122,503.76)
Total comprehensive income attributable to owners of the Company	3,719,044.77	(73,092,864.67)
Total comprehensive income attributable to the minority shareholders	8,127,858.67	(8,029,639.09)
VIII. Earnings per share:		
(1) Basic earnings per share	0.0039	(0.091)
(2) Diluted earnings per share	0.0039	(0.091)

For the business combination under common control in this period, the net profit achieved by the combined party before the combination is RMB0.00, the net profit of last period achieved by the combined party is RMB0.00.

Legal representative:
Zhang En Rong

Chief financial officer:
Liu Min

Head of finance section:
Ding Zhi Shui

4. Income statement of the parent company for the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Operating income	717,334,277.58	315,998,870.69
Less: Operating cost	631,121,323.42	332,167,438.48
Business tax and surcharges	3,068,508.82	1,010,519.94
Selling expenses	11,943,878.06	10,335,849.08
Administrative expenses	12,303,633.08	17,540,337.56
Financial expenses	18,898,222.10	10,956,773.26
Assets impairment losses	—	—
Add: Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Other income	—	—
II. Operating profit	39,998,712.10	(56,012,047.63)
Add: Non-operating income	632,947.28	252,372.05
Among which: Profit from disposal of non- current assets	142,649.31	—
Less: Non-operating expenses	(74,551.31)	20,824.24
Among which: Loss from disposal of non- current assets	14,188.17	20,824.24
III. Total profit	40,706,210.69	(55,780,499.82)
Less: Income tax expenses	—	2,118,653.57
IV. Net profit	40,706,210.69	(57,899,153.39)

Item	Amount for the period	Amount for the previous period
V. The net after-tax of other comprehensive income	—	—
(1) Other comprehensive income cannot be reclassified into the profit and loss later	—	—
1. Remeasure defined benefit plans changes in net debt or net assets	—	—
2. The share in the other comprehensive income cannot be reclassified into the profit and loss by the invested entity under the equity method	—	—
(2) Other comprehensive income that will be reclassified into the profit and loss later	—	—
1. The share in the other comprehensive income that will be reclassified into the profit and loss by the invested entity under the equity method later	—	—
2. Gains and losses from changes in fair value of available -for- sale financial assets	—	—
3. Held-to-maturity investment that are reclassified into the available-for-sale financial assets profit and loss	—	—
4. Effective part of the cash flow hedging gains and losses	—	—
5. Balance arising from the translation of foreign currency financial statements	—	—
6. Others	—	—
VI. Total comprehensive income	40,706,210.69	(57,899,153.39)
VII. Earnings per share:		
(1) Basic earnings per share	—	—
(2) Diluted earnings per share	—	—

5. Consolidated income statement from the beginning of the year to the end of the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Total revenue from operations	2,060,004,030.06	1,105,224,715.04
Among which: Operating income	2,060,004,030.06	1,105,224,715.04
Interest income	—	—
Premium earned	—	—
Fee and commission income	—	—
II. Total cost of operations	2,249,254,896.94	1,354,422,629.06
Among which: Operating cost	2,014,822,417.43	1,201,951,879.20
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	17,538,638.03	4,922,946.29
Selling expenses	42,224,665.18	43,015,781.99
Administrative expenses	77,788,876.13	81,573,336.48
Financial expenses	83,925,284.72	22,934,242.20
Assets impairment losses	12,955,015.45	24,442.90
Add:		
Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Gains from foreign currencies exchange	—	—
Other income	118,600.00	—

Item	Amount for the period	Amount for the previous period
VI. The net after-tax of other comprehensive income	1,323,382.25	(1,038,313.25)
The net after-tax of other comprehensive income attributable to owners of the Company	1,252,961.07	(976,289.91)
(1) Other comprehensive income cannot be reclassified into the profit and loss later	—	—
1. Remeasure defined benefit plans changes in net debt or net assets	—	—
2. The share in the other comprehensive income that cannot be reclassified into the profit and loss by the investee under the equity method	—	—
(2) Other comprehensive income that will be reclassified into the profit and loss	1,252,961.07	(976,289.91)
1. The share in the other comprehensive income will be reclassified into the profit and loss by the invested entity under the equity method later	—	—
2. Gains and losses from changes in fair value of available -for- sale financial assets	—	—
3. Held-to-maturity investment reclassified into the available-for-sale financial assets profit and loss	—	—
4. Effective part of the cash flow hedging gains and losses	—	—
5. Balance arising from the translation of foreign currency financial statements	1,252,961.07	(976,289.91)
6. Others	—	—
The net after-tax of other comprehensive income attributable to the minority shareholders	70,421.18	(62,023.34)
VII. Total comprehensive income	17,919,394.72	(250,236,434.70)
Total comprehensive income attributable to owners of the Company	11,419,580.51	(219,948,418.49)
Total comprehensive income attributable to the minority shareholders	6,499,814.21	(30,288,016.21)

Item	Amount for the period	Amount for the previous period
VIII. Earnings per share:		
(1) Basic earnings per share	0.0127	(0.274)
(2) Diluted earnings per share	0.0127	(0.274)

For the business combination under common control in this period, the net profit achieved by the combined party before the combination is RMB0.00, the net profit of last period achieved by the combined party is RMB0.00.

6. The income statement of the parent company from the beginning of the year to the end of the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Operating income	1,805,093,800.22	961,578,185.26
Less: Operating cost	1,649,550,625.62	981,408,850.37
Business tax and surcharges	10,276,600.03	4,268,944.82
Selling expenses	38,144,180.16	41,555,294.82
Administrative expenses	39,268,916.72	54,221,572.84
Financial expenses	58,636,534.66	21,096,017.41
Assets impairment losses	12,955,015.45	24,442.90
Add: Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Other income	118,600.00	—
II. Operating profit	(3,619,472.42)	(140,996,937.90)
Add: Non-operating income	211,826,247.85	3,188,984.69
Among which: Profit from disposal of non-current assets	59,464,080.55	0.00
Less: Non-operating expenses	7,484,131.54	47,364.16
Among which: Loss from disposal of non-current assets	74,119.29	26,228.16
III. Total profit	200,722,643.89	(137,855,317.37)
Less: Income tax expenses	—	6,430,475.13
IV. Net profit	200,722,643.89	(144,285,792.50)

Item	Amount for the period	Amount for the previous period
V. The net after-tax of other comprehensive income	—	—
(1) Other comprehensive income cannot be reclassified into the profit and loss later	—	—
1. Remeasure defined benefit plans changes in net debt or net assets	—	—
2. The share in the other comprehensive income cannot be reclassified into the profit and loss by the invested entity under the equity method	—	—
(2) Other comprehensive income will be reclassified into the profit and loss later	—	—
1. The share in the other comprehensive income will be reclassified into the profit and loss by the invested entity under the equity method later	—	—
2. Available-for-sale financial assets changes in fair value recognised in profit or loss	—	—
3. Held-to-maturity investment reclassified into the available-for-sale financial assets profit and loss	—	—
4. Effective part of the cash flow hedging gains and losses	—	—
5. Balance arising from the translation of foreign currency financial statements	—	—
6. Others	—	—
VI. Total comprehensive income	200,722,643.89	(144,285,792.50)
VII. Earnings per share:		
(1) Basic earnings per share	—	—
(2) Diluted earnings per share	—	—

7. Consolidated Cash Flow Statement from the beginning of the year to the end of the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from selling goods and rendering services	2,141,967,183.61	1,010,137,895.89
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	—	—
Net increase of financial assets in disposal of fair value measurement and the changes are recorded into the current profit and loss	—	—
Cash received from interest, handling charges and commissions	3,528,827.68	8,490,516.14
Net increase in borrowing funds	—	—
Net increase in repurchases business fund	—	—
Tax rebate received	7,497,707.91	5,612,977.72
Other cash received relating to operating activities	159,130,268.74	48,198,059.79
Sub-total of cash inflow from operating activities	2,312,123,987.94	1,072,439,449.54
Cash paid for purchasing goods and receiving services	2,159,863,454.52	963,847,058.36
Net increase in loans and advances to customers	(19,301,755.71)	24,235,206.07

Item	Amount for the period	Amount for the previous period
Net increase in placements with central bank and other financial institutions	—	—
Cash paid for claims on original insurance contracts	—	—
Cash payment for interest, handling charges and commissions	—	—
Cash payment for policyholder dividend	—	—
Cash paid to and on behalf of employees	93,813,622.05	78,250,239.50
Taxes and surcharges paid	21,014,725.14	23,224,453.85
Other cash paid relating to operating activities	142,627,001.94	248,100,937.84
Sub-total of cash outflow from operating activities	2,398,017,047.94	1,337,657,895.62
Net cash flows from operating activities	(85,893,060.00)	(265,218,446.08)
II. Cash flows from investing activities:		
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	70,000,000.00	—
Net cash received from disposal of subsidiaries and other business entities	—	—
Other cash received relating to investing activities	—	—
Sub-total of cash inflow from investing activities	70,000,000.00	—
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	120,049,285.31	96,790,399.72
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	—	—
Sub-total of cash outflow from investing activities	120,049,285.31	96,790,399.72
Net cash flows from investing activities	(50,049,285.31)	(96,790,399.72)

Item	Amount for the period	Amount for the previous period
III. Cash flows from financing activities:		
Cash received from equity investments	—	—
Among which: Cash received by subsidiaries from minority shareholders’ investment	—	—
Cash received from borrowings	2,825,037,217.36	1,883,210,874.96
Cash received from issue of bonds	—	—
Other cash received relating to financing activities	—	757,072,823.59
Sub-total of cash inflow from financing activities	2,825,037,217.36	2,640,283,698.55
Cash paid for repayment of liabilities	2,819,403,165.21	2,052,388,806.45
Cash paid for dividends, profits distribution or interest repayment	83,324,539.25	73,423,870.65
Among which: Dividend and profit paid by subsidiaries to minority shareholders	—	—
Other cash paid relating to financing activities	80,687,933.33	239,019,315.00
Sub-total of cash outflow from financing activities	2,983,415,637.79	2,364,831,992.10
Net cash flows from financing activities	(158,378,420.43)	275,451,706.45
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	3,972,797.56	(9,735,271.30)
V. Net increase in cash and cash equivalents	(290,347,968.18)	(96,292,410.65)
Add: Balance of cash and cash equivalents at the beginning of the period	508,498,755.91	218,309,025.51
VI. Balance of cash and cash equivalents at the end of the period	218,150,787.73	122,016,614.86

8. Cash Flow Statement of the parent company from the beginning of the year to the end of the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from selling goods and rendering services	1,769,827,217.94	789,046,493.50
Tax rebate received	7,497,707.91	5,612,969.11
Other cash received relating to operating activities	158,071,771.94	38,265,878.57
Sub-total of cash inflow from operating activities	1,935,396,697.79	832,925,341.18
Cash paid for purchasing goods and receiving services	1,919,829,506.03	501,540,983.11
Cash paid to and on behalf of employees	66,573,326.21	55,707,776.69
Taxes and surcharges paid	11,711,368.91	15,735,045.74
Other cash paid relating to operating activities	137,362,737.93	249,858,258.84
Sub-total of cash outflow from operating activities	2,135,476,939.08	822,842,064.38
Net cash flows from operating activities	(200,080,241.29)	10,083,276.80
II. Cash flows from investing activities:		
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	70,000,000.00	—
Net cash received from disposal of subsidiaries and other business entities	—	—
Other cash received relating to investing activities	—	—
Sub-total of cash inflow from investing activities	70,000,000.00	—
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	11,502,764.65	6,860,960.65
Cash paid for investment	—	300,000,000.00
Net cash paid for acquisition of subsidiaries and other business entities	—	—
Other cash paid relating to investing activities	—	—

Item	Amount for the period	Amount for the previous period
Sub-total of cash outflow from investing activities	11,502,764.65	306,860,960.65
Net cash flows from investing activities	58,497,235.35	(306,860,960.65)
III. Cash flows from financing activities:		
Cash received from equity investments	—	—
Cash received from borrowings	2,686,193,217.36	1,816,432,874.96
Cash received from issue of bonds	—	—
Other cash received relating to financing activities	—	653,833,313.00
Sub-total of cash inflow from financing activities	2,686,193,217.36	2,470,266,187.96
Cash paid for repayment of liabilities	2,675,559,165.21	1,985,610,806.45
Cash paid for dividends, profits distribution or interest repayment	55,732,694.21	72,098,124.75
Other cash paid relating to financing activities	80,675,000.00	189,900,000.00
Sub-total of cash outflow from financing activities	2,811,966,859.42	2,247,608,931.20
Net cash flows from financing activities	(125,773,642.06)	222,657,256.76
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		
	5,636,096.75	(9,663,381.79)
V. Net increase in cash and cash equivalents	(261,720,551.25)	(83,783,808.88)
Add: Balance of cash and cash equivalents at the beginning of the period	428,147,430.73	195,410,068.33
VI. Balance of cash and cash equivalents at the end of the period	166,426,879.48	111,626,259.45

II. AUDITORS' REPORT

The third quarterly report of the Company is unaudited

Yes No

The third quarterly report of the Company is unaudited.

By Order of the Board
Shandong Molong Petroleum Machinery Company Limited
Zhang En Rong
Chairman

Shandong, the PRC
20 October 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*