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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 FIRST QUARTER REPORT OF 2018

This report 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 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 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.

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 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

	The current reporting period	The corresponding period of last year	Increase/decrease as compared to the corresponding period of last year
Revenue (RMB)	842,583,183.58	471,784,269.19	78.60%
Net profit attributable to shareholders of the Company (RMB)	10,667,578.43	(54,788,681.90)	119.47%
Net profit attributable to shareholders of the Company excluding extraordinary gain or loss (RMB)	8,650,090.71	(106,454,092.42)	108.13%
Net cash flow from operating activities (RMB)	(161,410,159.29)	38,746,115.52	-516.58%
Basic earnings per share (RMB per share)	0.0134	(0.069)	119.42%
Diluted earnings per share (RMB per share)	0.0134	(0.069)	119.42%
Weighted average return on net assets	0.57%	-3.06%	3.63%
	At the end of the current reporting period	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)	6,015,350,682.42	6,222,802,967.54	-3.33%
Net assets attributable to shareholders of the Company (RMB)	1,882,239,393.98	1,869,595,561.71	0.68%

Extraordinary gain or loss items and amounts

Applicable Not applicable

Unit: RMB

Items	From the beginning of the year to the end of the reporting period	Note
Gains or losses on disposal of non-current assets (including written-off of provisions for assets impairment)	(33,290.56)	
Tax rebate or tax credits resulted from unauthorised approvals or items without duly approved documents	1,810,511.67	
Other non-operating income and expenses other than the above items	270,980.89	
Less: Effect of income tax	23,250.96	
Effect of minority interests (after tax)	<u>7,463.32</u>	
Total	<u><u>2,017,487.72</u></u>	—

Explain the reasons for determination of the extraordinary gain 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 Gain 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 gain or loss items that are in conformity with the definition of “extraordinary gain or loss items” as set out in the above-mentioned document.

Applicable Not applicable

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

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	41,288	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	32.06%	255,808,590	0	—	—
Zhang En Rong	Domestic natural person	29.53%	235,617,000	176,712,750	Pledged	85,000,000
Zhang Yun San	Domestic natural person	4.03%	32,168,400	17,331,000	—	—
Lin Fulong	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	Domestic non-state owned legal person	0.48%	3,821,452	0	—	—
Wang Haibo (王海波)	Domestic natural person	0.39%	3,082,608	0	—	—
Hangzhou Yirun Hongrui Investment Limited Partnership (杭州益潤宏瑞投資合夥企業(有限合夥))	Domestic non-state owned legal person	0.34%	2,681,700	0	—	—
Yuan Shunhong (袁順紅)	Domestic natural person	0.21%	1,652,300	0	—	—
Jin Tao	Domestic natural person	0.15%	1,200,000	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	255,808,590	Overseas listed foreign shares		—
Zhang En Rong	58,904,250	RMB ordinary shares		—
Lin Fulong	26,162,000	RMB ordinary shares		—
Zhang Yun San	14,837,400	RMB ordinary shares		5,777,000
		Overseas listed foreign shares		9,060,400
Central Huijin Asset Management Co., Ltd	13,536,100	RMB ordinary shares		—
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	3,821,452	RMB ordinary shares		—
Wang Haibo (王海波)	3,082,608	RMB ordinary shares		—
Hangzhou Yirun Hongrui Investment Limited Partnership (杭州益潤宏瑞投資合夥企業(有限合夥))	2,681,700	RMB ordinary shares		—
Yuan Shunhong (袁順紅)	1,652,300	RMB ordinary shares		—
Jin Tao	1,200,000	RMB ordinary shares		—

Connected relationship or concert-party relationship among the above shareholders
 Zhang En Rong is the controlling shareholder of the Company. 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	31 March 2018 (Unaudited)	31 December 2017 (Audited)	Change (%)	Reason for difference
Cash and bank balances	515,218,608.01	879,371,103.17	-41.41%	(1)
Bills receivable	130,965,188.71	94,525,409.69	38.55%	(2)
Accounts receivable	549,338,014.58	378,729,615.88	45.05%	(3)
Interest receivable	1,929,074.50	4,220,913.66	-54.30%	(4)
Construction in progress	42,617,000.03	170,880,899.68	-75.06%	(5)
Bills payable	33,550,005.57	213,984,811.00	-84.32%	(6)
Interest payable	12,474,265.27	5,458,818.99	128.52%	(7)
Other comprehensive income	(355,394.41)	(1,402,748.25)	74.66%	(8)

- (1) Cash and bank balances decreased by 41.41% as compared to the beginning of the year, mainly due to the fact that more deposits were due and the accounts receivable were not recovered in a timely manner for the period, resulting in a decrease in cash and bank balances compared with the beginning of the year.
- (2) Bills receivable increased by 38.55% as compared to the beginning of the year, mainly due to the fact that the income of the Company increased substantially and the bills received haven't been used for payment.
- (3) Accounts receivable increased by 45.05% as compared to the beginning of the year, mainly due to the fact that the products delivered were mainly casing and tubing during the period, and the credit period of accounts receivable for oilfield customers is relatively longer with slow payment.
- (4) Interest receivable decreased by 54.3% as compared to the beginning of the year, mainly due to a decrease in the deposits of the Company, resulting in a corresponding decrease in the interests accrued on margin deposits.

- (5) Construction in progress decreased by 75.06% as compared to the beginning of the year, mainly due to the fact that the second phase of the 90 tons electric arc furnace in Shouguang Baolong has achieved expected use and transferred to the fixed assets.
- (6) Bills payable decreased by 84.32% as compared to the beginning of the year, mainly due to a decrease in bills payment of the Company during the period.
- (7) Interest payable increased by 128.52% as compared to the beginning of the year, mainly due to the Company charged interests on borrowings that are not yet due.
- (8) Other comprehensive income increased by 74.66% as compared to the beginning of the year, mainly due to difference in the translation of foreign currency statements resulting from the changes in the exchange rate of RMB against US dollar.

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

Unit: RMB

Items	January to March 2018 (Unaudited)	January to March 2017 (Unaudited)	Change (%)	Reason for difference
Operating income	842,583,183.58	471,784,269.19	78.60%	(1)
Operating cost	750,191,632.97	523,460,600.54	43.31%	(2)
Business tax and surcharges	7,070,448.01	5,428,659.73	30.24%	(3)
Operating expenses	13,441,952.01	5,940,927.88	126.26%	(4)
Financial expenses	47,347,492.51	28,871,512.06	63.99%	(5)
Assets impairment losses	(71,473.59)	0	-100.00%	(6)
Gains from disposal of assets	0	59,321,431.24	-100.00%	(7)
Other income	1,810,511.67	10,000.00	18,005.12%	(8)
Non-operating income	280,982.33	1,477,201.58	-80.98%	(9)
Non-operating expenses	43,292.00	4,039.29	971.77%	(10)
Income tax	(1,067,271.97)	598,270.55	-278.39%	(11)

- (1) Operating income has increased by 78.96% compared with the same period last year, mainly due to the significant increase in sales volume and price of oil casing pipe as compared with the same period last year resulted from the improvement in oil casing pipe market.
- (2) Operating cost has increased by 43.31% compared with the same period last year, mainly due to the significant increase in sales income during the period as compared with the same period last year.
- (3) Business tax and surcharges have increased by 30.24% compared with the same period last year, mainly due to the increase in relevant surcharges resulted from the increase in income during the period.
- (4) Operating expenses have increased by 126.26% compared with the same period last year, mainly due to the significant increase in transportation expenses of operating expenses in line with the increase in products sales volume during the period.
- (5) Financial expenses have increased by 63.99% compared with the same period last year, mainly due to the increase in borrowings and financing cost during the period.

- (6) Assets impairment losses have decreased by 100% compared with the beginning of the year, mainly due to the change of the provision of bad debts resulted from foreign currency receivable with impairment provision previously made due to changes in foreign currency exchange rates.
- (7) Gains from disposal of assets have decreased by 100% compared with the same period last year, mainly due to the gains from the disposal of idle land after relocation from the urban area to industrial zones during the same period last year.
- (8) Other income has increased by 18,005.12% compared with the same period last year, mainly due to the subsidies of renewable resources received during the period.
- (9) Non-operating income has decreased by 80.98% compared with the same period last year, mainly due to the recognition of income in respect of liabilities non-repayable during the same period last year.
- (10) Non-operating expenses have increased by 971.77% compared with the same period last year, mainly due to the disposal of retired assets during the period.
- (11) Income tax expenses have decreased by 278.39% compared with the same period last year, mainly due to the recognition of deferred assets for unrealized internal income of internal transactions during the period.

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

Unit: RMB

Items	January to March 2018 (Unaudited)	January to March 2017 (Unaudited)	Change (%)	Reason for difference
Net cash flow from operating activities	(161,410,159.29)	38,746,115.52	-516.58%	(1)
Net cash flow from investing activities	(20,433,314.84)	43,806,254.93	-146.64%	(2)
Net cash flow from financing activities	(110,265,193.57)	(335,503,036.25)	67.13%	(3)

- (1) Net cash flow from operating activities has decreased by 516.58% compared with the same period last year, mainly due to the increase in accounts receivable and the decrease in cash flow from operating activities during the period.

- (2) Net cash flow from investing activities has decreased by 146.64% compared with the same period last year, mainly due to the cash received from the disposal of idle land after relocation from the urban area to industrial zones during the same period last year.
- (3) Net cash flow from financing activities has increased by 67.13% compared with the same period last year, mainly due to the decrease in cash paid for repayment of borrowings by the Company during the period as compared with the same period last year.

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

Applicable Not applicable

As of 31 March 2018, the Company received an amount of 33 claims on false statement by the investors. The cases have been accepted by the Intermediate People's Court of Jinan City. The amount involved was RMB 12.50 million. At present, 9 trials have been held and the amount involved is RMB 1,999,857.00. No judgment has been issued as of the date of this report.

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 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 reporting period as scheduled.

IV. OPERATING RESULT FORECAST FOR THE FIRST HALF OF 2018

Expected business performance in the first half of 2018: net profit attributable to shareholders of the Company is positive and does not represent turning losses into gains

Net profit attributable to shareholders of the Company is positive and does not represent turning losses into gains

In the first half of 2018, change of net profit attributable to shareholders of the Company	184.87%	to	327.31%
In the first half of 2018, range of change of net profit attributable to shareholders of the Company (RMB'0000)	2,000	to	3,000
In the first half of 2017, net profit attributable to shareholders of the Company (RMB'0000)			702.07

Reasons for change in results Affected by the market factors, the price of crude oil recovered gradually, while the demand for pipe products picked up, and thus the product prices in 2018 have increased significantly as compared with the same period last year. Besides, in light of the sufficient orders held by the Company as well as the successive operation and sound development of new projects in recent years, the results for the first half of 2018 had a relatively significant improvement.

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

31 March 2018

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balances	515,218,608.01	879,371,103.17
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	130,965,188.71	94,525,409.69
Accounts receivable	549,338,014.58	378,729,615.88
Loans and advances disbursements	88,752,411.40	88,102,411.40
Account prepaid	100,295,130.41	91,643,819.19
Premiums receivable	—	—
Reinsurance accounts receivable	—	—
Deposits receivable from reinsurance treaty	—	—
Interest receivable	1,929,074.50	4,220,913.66
Dividends receivables	—	—
Other receivables	46,985,851.67	44,428,243.02
Redemptory monetary capital for sale	—	—
Inventories	920,195,515.16	925,772,719.28
Assets classified as held-for-sale	—	—
Non-current assets due within one year	—	—
Other current assets	86,188,304.20	118,436,141.88
Total current assets	<u>2,439,868,098.64</u>	<u>2,625,230,377.17</u>

Item	Closing balance	Opening balance
Non-current assets:		
Loans and advances granted	—	—
Available-for-sale financial assets	20,000.00	20,000.00
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	2,639,321.48	2,639,321.48
Investment properties	—	—
Fixed assets	2,986,609,976.31	2,891,875,882.19
Construction in progress	42,617,000.03	170,880,899.68
Construction materials	—	—
Disposal of fixed assets	—	—
Productive biological assets	—	—
Oil and gas assets	—	—
Intangible assets	438,998,444.79	443,968,124.33
Development expenses	17,062,598.67	—
Goodwill	26,683,383.21	26,683,383.21
Long-term deferred expenses	—	—
Deferred income tax assets	5,366,236.96	4,391,835.90
Other non-current assets	<u>55,485,622.33</u>	<u>57,113,143.58</u>
Total non-current assets	<u>3,575,482,583.78</u>	<u>3,597,572,590.37</u>
Total assets	<u>6,015,350,682.42</u>	<u>6,222,802,967.54</u>

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	2,119,662,000.02	2,141,086,600.02
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	33,550,005.57	213,984,811.00
Accounts payable	854,012,303.93	843,834,731.51
Advance receipts	80,724,090.62	68,937,156.42
Disposal of repurchased financial assets	—	—
Fee and commission payable	—	—
Salaries payable	40,058,644.84	51,245,591.21
Tax payable	23,822,135.00	18,916,357.37
Interest payable	12,474,265.27	5,458,818.99
Dividends payable	—	—
Other payables	50,264,766.90	32,518,520.13
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	155,946,611.23	155,946,611.23
Other current liabilities	—	—
Total current liabilities	<u>3,370,514,823.38</u>	<u>3,531,929,197.88</u>

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings	681,468,234.31	737,259,900.98
Debtures payable	—	—
Among which: preferred stock	—	—
perpetual bond	—	—
Long-term payables	—	—
Long-term payroll payables	—	—
Special payables	—	—
Estimated liabilities	8,000,000.00	8,000,000.00
Deferred income	6,954,855.00	6,954,855.00
Deferred income tax liabilities	7,247,874.35	7,325,919.30
Other non-current liabilities	—	—
	<hr/>	<hr/>
Total non-current liabilities	<u>703,670,963.66</u>	<u>759,540,675.28</u>
Total liabilities	<u>4,074,185,787.04</u>	<u>4,291,469,873.16</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	861,446,358.42	860,517,458.42
Less: treasury stock	—	—
Other comprehensive income	(355,394.41)	(1,402,748.25)
Special reserve	—	—
Surplus reserve	176,686,903.51	176,686,903.51
General risk reserve	11,236.91	11,236.91
Undistributed profit	<u>46,601,889.55</u>	<u>35,934,311.12</u>
Total equity attributable to owners of the parent company	1,882,239,393.98	1,869,595,561.71
Minority interests	<u>58,925,501.40</u>	<u>61,737,532.67</u>
Total owners' equity	<u>1,941,164,895.38</u>	<u>1,931,333,094.38</u>
Total liabilities and owners' equity	<u>6,015,350,682.42</u>	<u>6,222,802,967.54</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	446,602,359.59	773,947,067.08
Financial assets measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial assets	—	—
Bills receivable	93,003,015.51	72,924,479.69
Accounts receivable	710,330,977.89	471,120,191.29
Prepayments	587,732,840.52	505,965,265.70
Interest receivable	1,929,074.50	4,220,913.66
Dividends receivables	—	—
Other receivable	362,398,023.53	523,913,640.90
Inventories	683,863,190.66	695,259,975.82
Assets classified as held-for-sale	—	—
Non-current assets due within one year	—	—
Other current assets	—	—
Total current assets	<u>2,885,859,482.20</u>	<u>3,047,351,534.14</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	1,187,315,495.61	1,220,914,534.22
Construction in progress	—	—
Construction materials	—	—
Disposal of fixed assets	—	—
Productive biological assets	—	—
Oil and gas assets	—	—
Intangible assets	141,208,164.90	145,039,514.50
Development expenses	17,062,598.67	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	<u>2,922,972.59</u>	<u>2,922,972.59</u>
Total non-current asset	<u>2,492,599,153.50</u>	<u>2,512,966,943.04</u>
Total assets	<u>5,378,458,635.70</u>	<u>5,560,318,477.18</u>

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	1,358,562,000.02	1,254,744,600.02
Financial liabilities measured at fair value and the changes are recorded into the current profits and losses	—	—
Derivative financial liabilities	—	—
Bills payable	803,650,005.57	1,042,444,811.00
Accounts payable	330,766,185.85	302,549,838.78
Advance receipts	38,197,119.99	62,536,928.81
Salaries payable	24,914,549.95	33,949,349.08
Tax payable	15,272,038.17	9,956,505.15
Interest payable	3,074,265.27	2,704,194.54
Dividends payable	—	—
Other payables	28,503,071.66	26,825,514.17
Liabilities classified as held-for-sale	—	—
Non-current liabilities due within 1 year	148,403,413.66	148,403,413.66
Other current liabilities	—	—
	<hr/>	<hr/>
Total current liabilities	<u>2,751,342,650.14</u>	<u>2,884,115,155.21</u>

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings	389,011,431.88	444,803,098.55
Debtures payable	—	—
Among which: preferred stock	—	—
perpetual capital securities	—	—
Long-term payables	—	—
Long-term payroll payables	—	—
Special payables	—	—
Accrued liabilities	8,000,000.00	8,000,000.00
Deferred income	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
	<hr/>	<hr/>
Total non-current liabilities	<u>397,011,431.88</u>	<u>452,803,098.55</u>
Total liabilities	<u>3,148,354,082.02</u>	<u>3,336,918,253.76</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	861,427,690.92	860,498,790.92
Less: treasury stock	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	176,686,903.51	176,686,903.51
Undistributed profit	<u>394,141,559.25</u>	<u>388,366,128.99</u>
	<hr/>	<hr/>
Total owners' equity	<u>2,230,104,553.68</u>	<u>2,223,400,223.42</u>
Total liabilities and owners' equity	<u>5,378,458,635.70</u>	<u>5,560,318,477.18</u>

3. Consolidated income statement

	<i>Unit: RMB</i>	
Item	Amount for the period	Amount for the previous period
I. Total revenue from operations	842,583,183.58	471,784,269.19
Among which: operating income	842,583,183.58	471,784,269.19
Interest income	—	—
Premium earned	—	—
Fee and commission income	—	—
II. Total cost of operations	837,902,867.00	585,647,299.06
Among which: Operating cost	750,191,632.97	523,460,600.54
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	7,070,448.01	5,428,659.73
Selling expenses	13,441,952.01	5,940,927.88
Administrative expenses	19,922,815.09	21,945,598.85
Financial expenses	47,347,492.51	28,871,512.06
Assets impairment losses	(71,473.59)	—
Add: Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Gains from foreign currencies exchange	—	—
Gains from disposal of assets	—	59,321,431.24
Other income	1,810,511.67	10,000.00

Item	Amount for the period	Amount for the previous period
III. Operating profit	6,490,828.25	(54,531,598.63)
Add: Non-operating income	280,982.33	1,477,201.58
Less: Non-operating expenses	43,292.00	4,039.29
IV. Total profit	6,728,518.58	(53,058,436.34)
Less: Income tax expenses	(1,067,271.97)	598,270.55
V. Net profit	7,795,790.55	(53,656,706.89)
(1) Net profit from continuing operations		
(2) Net profit from discontinued operations		
Net profit attributable to owners of the Company	10,667,578.43	(54,788,681.90)
Minority interests	(2,871,787.88)	1,131,975.01

Item	Amount for the period	Amount for the previous period
VI. The net after-tax of other comprehensive income	1,107,110.45	163,867.13
The net after-tax of other comprehensive income attributable to owners of the parent company	1,047,353.84	155,258.73
(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	1,047,353.84	155,258.73
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	1,047,353.84	155,258.73
6. Others	—	—
The net after-tax of other comprehensive income attributable to the minority shareholders	59,756.61	8,608.40
VII. Total comprehensive income	8,902,901.00	(53,492,839.76)
Total comprehensive income attributable to owners of the parent company	11,714,932.27	(54,633,423.17)
Total comprehensive income attributable to the minority shareholders	(2,812,031.27)	1,140,583.41

Item	Amount for the period	Amount for the previous period
VIII. Earnings per share:		
(1) Basic earnings per share	0.0134	-0.069
(2) Diluted earnings per share	0.0134	-0.069

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

	<i>Unit: RMB</i>	
Item	Amount for the period	Amount for the previous period
I. Operating income	728,740,440.08	449,788,505.95
Less: Operating cost	660,848,632.50	427,775,398.43
Business tax and surcharges	4,979,504.11	3,838,514.57
Selling expenses	12,058,459.87	4,758,028.87
Administrative expenses	14,026,225.39	15,429,652.98
Financial expenses	31,224,271.56	22,346,665.57
Assets impairment losses	(71,473.59)	—
Add: Gains from changes in fair value	—	—
Investment income	—	—
Among which: Gains from investment in associates and joint ventures	—	—
Income from disposal of assets	—	59,321,431.24
Other income	—	10,000.00
II. Operating profit	5,674,820.24	34,971,676.77
Add: Non-operating income	133,771.90	1,356,517.58
Less: Non-operating expenses	33,161.88	3,439.29
III. Total profit	5,775,430.26	36,324,755.06
Less: Income tax expenses	—	—
IV. Net profit	5,775,430.26	36,324,755.06
(1) Net profit from continuing operations	5,775,430.26	36,324,755.06
(2) Net profit from discontinued operations	—	—

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 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	—	—
6. Others	—	—
VI. Total comprehensive income	5,775,430.26	36,324,755.06
VII. Earnings per share:		
(1) Basic earnings per share	—	—
(2) Diluted earnings per share	—	—

5. Consolidated Cash Flow Statement

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	768,498,369.73	487,390,342.90
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	—	3,218,515.91
Net increase in borrowing funds	—	—
Net increase in repurchases business fund	—	—
Tax rebate received	4,854,202.82	2,823,568.89
Other cash received relating to operating activities	73,403,995.61	11,202,763.15
Sub-total of cash inflow from operating activities	846,756,568.16	504,635,190.85
Cash paid for purchasing goods and receiving services	907,526,509.20	403,219,334.94
Net increase in loans and advances to customers	650,000.00	(19,521,778.71)
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	—	—

Item	Amount for the period	Amount for the previous period
Cash paid to and on behalf of employees	63,461,267.63	26,610,357.44
Taxes and surcharges paid	18,383,882.97	10,887,774.73
Other cash paid relating to operating activities	18,145,067.65	44,693,386.93
Sub-total of cash outflow from operating activities	1,008,166,727.45	465,889,075.33
Net cash flows from operating activities	(161,410,159.29)	38,746,115.52
II. Cash flows from investing activities:	—	—
Cash received from disposal of investments	—	—
Cash received from return on investments	—	65,374.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	—	64,534,542.00
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	—	64,599,916.57
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	20,433,314.84	20,793,661.64
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	20,433,314.84	20,793,661.64
Net cash flows from investing activities	(20,433,314.84)	43,806,254.93

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	1,050,231,300.00	568,892,200.00
Cash received from issue of bonds	—	—
Other cash received relating to financing activities	—	—
Sub-total of cash inflow from financing activities	1,050,231,300.00	568,892,200.00
Cash paid for repayment of liabilities	1,069,194,900.00	881,659,147.28
Cash paid for dividends, profits distribution or interest repayment	35,301,593.57	16,748,200.09
Among which: Dividend and profit paid by subsidiaries to minority shareholders	—	—
Other cash paid relating to financing activities	56,000,000.00	5,987,888.88
Sub-total of cash outflow from financing activities	1,160,496,493.57	904,395,236.25
Net cash flows from financing activities	(110,265,193.57)	(335,503,036.25)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	(443,833.03)	5,239,677.54
V. Net increase in cash and cash equivalents	(292,552,500.73)	(247,710,988.26)
Add: Balance of cash and cash equivalents at the beginning of the period	661,396,103.17	508,498,755.91
VI. Balance of cash and cash equivalents at the end of the period	368,843,602.44	260,787,767.65

6. Cash Flow Statement of the Parent Company

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	603,218,048.62	533,815,136.65
Tax rebate received	2,819,202.82	2,823,568.89
Other cash received relating to operating activities	72,919,293.12	3,303,160.11
Sub-total of cash inflow from operating activities	678,956,544.56	539,941,865.65
Cash paid for purchasing goods and receiving services	887,905,048.66	345,284,573.69
Cash paid to and on behalf of employees	43,252,580.26	19,712,699.60
Taxes and surcharges paid	10,813,979.59	4,383,842.24
Other cash paid relating to operating activities	15,796,971.52	38,916,719.56
Sub-total of cash outflow from operating activities	957,768,580.03	408,297,835.09
Net cash flows from operating activities	(278,812,035.47)	131,644,030.56
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	64,534,542.00	—
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	64,534,542.00	—
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	182,337.36	881,000.00
Cash paid for investment	—	—
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	182,337.36	881,000.00
Net cash flows from investing activities	(182,337.36)	63,653,542.00

Item	Amount for the period	Amount for the previous period
III. Cash flows from financing activities:		
Cash received from equity investments	—	—
Cash received from borrowings	822,631,300.00	428,799,200.00
Cash received from issue of bonds	—	—
Other cash received relating to financing activities	—	—
Sub-total of cash inflow from financing activities	822,631,300.00	428,799,200.00
Cash paid for repayment of liabilities	718,813,900.00	812,666,147.28
Cash paid for dividends, profits distribution or interest repayment	25,626,163.50	16,409,421.07
Other cash paid relating to financing activities	56,000,000.00	—
Sub-total of cash outflow from financing activities	800,440,063.50	829,075,568.35
Net cash flows from financing activities	22,191,236.50	(400,276,368.35)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	1,058,423.27	5,625,338.85
V. Net increase in cash and cash equivalents	(255,744,713.06)	(199,353,456.94)
Add: Balance of cash and cash equivalents at the beginning of the period	555,972,067.08	428,147,430.73
VI. Balance of cash and cash equivalents at the end of the period	300,227,354.02	228,793,973.79

II. AUDITORS' REPORT

The first 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 April 2018

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