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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Molong Petroleum Machinery Company Limited*, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(1) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
(2) PROPOSED PURCHASE OF LIABILITY INSURANCE FOR
THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR
MANAGEMENT OF THE COMPANY
(3) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF
SUPERVISORY COMMITTEE MEETINGS
AND
(4) NOTICE OF EGM**

Capitalised terms used in this cover page have the same meanings as defined in the circular.

A letter from the Board is set out on pages 3 to 6 of this circular.

The notice of the EGM to be convened and held on 3 March 2021 at 2:00 p.m. at the conference room, at No. 999 Wensheng Street, Shouguang City, Shandong Province, the People's Republic of China is set out on pages 12 to 13 of this circular.

Shareholders who are entitled to attend and vote at the EGM should appoint one or more proxies to attend and vote on their behalves. A proxy need not be a member of the Company. Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). In order to be valid, the proxy form for the EGM must be deposited by hand or post, for holders of H Shares of the Company, to the H Share registrar of the Company, Tricor Investor Services Ltd at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and, for holders of A Shares of the Company, to the Company's registered address at No. 999 Wensheng Street, Shouguang City, Shandong Province, the People's Republic of China for taking the poll. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the following meanings:

“Articles of Association”	the articles of association of the Company
“A Share(s)”	ordinary domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the SZSE and traded in RMB
“Board”	the board of Directors
“Company”	山東墨龍石油機械股份有限公司 (Shandong Molong Petroleum Machinery Company Limited*)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 2:00 p.m. on 3 March 2021, or any adjournment thereof
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in HK\$
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Listing Rules”	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yang Yunlong (*Chairman*)
Mr. Yuan Rui (*Deputy Chairman*)
Mr. Liu Min
Mr. Li Zhi Xin

Registered Office:

No. 999 Wensheng Street
Shouguang City
Shandong Province
PRC

Non-Executive Director:

Mr. Yao You Ling
Mr. Wang Quan Hong

Principal place of business in

Hong Kong:
Suite A, 11th Floor
Ho Lee Commercial Building
38-44 D'Aguiar Street
Central, Hong Kong

Independent Non-Executive Directors:

Mr. Tang Qing Bin
Mr. Song Zhi Wang
Mr. Cai Zhong Jie

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
(2) PROPOSED PURCHASE OF LIABILITY INSURANCE FOR
THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR
MANAGEMENT OF THE COMPANY
(3) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF
SUPERVISORY COMMITTEE MEETINGS
AND
(4) NOTICE OF EGM**

1. INTRODUCTION

The purpose of this circular is to give you notice convening the EGM and to provide you with information regarding the resolutions to be proposed at the EGM, including among others, the proposed amendments to Articles of Association, the proposed purchase of liability insurance for the Company, Directors, Supervisors and senior management of the Company and the proposed amendments to the “Rules of Procedures of Supervisory Committee Meetings”. This circular gives all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions at the EGM.

* for identification purpose only

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 8 February 2021. As stated in such announcement, in order to improve corporate governance of the Company, according to the relevant legal and regulatory requirements under the “Company Law of the People’s Republic of China*” (中華人民共和國公司法), the “Securities Law of the People’s Republic of China*” (中華人民共和國證券法), the “Rules Governing Listing of Shares on Shenzhen Stock Exchange*” (深圳證券交易所股票上市規則) and the “Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Listed Companies*” (深圳證券交易所上市公司規範運作指引), the Board proposes to obtain approval from the Shareholders at the EGM for amendments to the Articles of Association. Details of the proposed amendments to the Articles of Association are set out in Appendix I to this circular.

As advised by its Hong Kong and PRC legal advisers, the proposed amendments to the Articles of Association do not breach the respective requirements of the Hong Kong Listing Rules and PRC laws. The Company has also confirmed that there is nothing unusual about the proposed amendments to the Articles of Association for companies listed on the Hong Kong Stock Exchange.

3. PROPOSED PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Considering the risks of domestic and overseas litigations or regulatory investigations that the Directors, Supervisors and senior management of the Company may be exposed to when carrying out their duties in executing the business decisions and information disclosure, in order to promote and procure fulfillment of the duties and responsibilities amongst the Directors, Supervisors and senior management of the Company and to minimize the operational risk of the Company, the Board proposes to obtain Shareholder’s approval for the proposed purchase of liability insurance for the Company, Directors, Supervisors and senior management of the Company at the EGM, in accordance with the relevant regulations including the “Code of Corporate Governance for Listed Companies” and the “Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies” promulgated by the China Securities Regulatory Commission. The insured period is one (1) year, insurance fee being RMB200,000 per year and the limit for a single claim under the insurance is RMB50,000,000. The management will be authorised to handle matters such as extension of insurance upon expiry of the insurance agreement and change of the subjects of the insurance etc.

4. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF SUPERVISORY COMMITTEE MEETINGS

Reference is made to the overseas regulatory announcement of the Company dated 8 February 2021. As stated in such announcement, in order to improve corporate governance of the Company, standardize the actions of the Company and taking into account the actual condition of the Company, according to the relevant legal and regulatory requirements under the “Company Law of the People’s Republic of China*” (中華人民共和國公司法), the “Securities Law of the People’s Republic of China*” (中華人民共和國證券法) and the

LETTER FROM THE BOARD

“Guidance for the Articles of Listed Company*” (上市公司章程指引) the Board proposes to obtain approval from the Shareholders at the EGM for amendments to the “Rules of Procedures of Supervisory Committee Meetings of Shandong Molong Petroleum Machinery Company Limited”. Details of the proposed amendments to the “Rules of Procedures of Supervisory Committee Meetings of Shandong Molong Petroleum Machinery Company Limited” are set out in to the overseas regulatory announcement of the Company dated 8 February 2021.

5. EGM

The notice of the EGM is set out on pages 12 to 13 of this circular. The Company will convene the EGM on Wednesday, 3 March 2021 for the purpose of seeking Shareholders’ approval for the resolutions including but not limited to the proposed amendments to Articles of Association, proposed purchased of liability insurance for the Company, Directors, Supervisors and senior management of the Company and proposed amendments to the “Rules of Procedures of Supervisory Committee Meetings”.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the registrar for H Shares of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H Shares), and to the Company’s registered address at No. 999 Wensheng Street, Shouguang City, Shandong Province, the PRC (for holders of A Shares) no later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish.

In accordance with the Rule 13.39 of the Hong Kong Listing Rules, except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution will be put to vote by way of poll at the EGM. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 February 2021 to Wednesday, 3 March 2021, both days inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the EGM, all instruments of transfer must be lodged with the registrar for H Shares of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H Shares), for registration no later than 4:30 p.m. on Wednesday, 24 February 2021. The Company will publish specific announcement on the SZSE setting out details of the eligibility of holders of A Shares to attend the EGM.

LETTER FROM THE BOARD

7. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

8. RECOMMENDATION

The Directors are of the view that all resolutions proposed for consideration and approval by the Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions as set out in the notice of EGM.

Yours faithfully,

Shandong Molong Petroleum Machinery Company Limited

Liu Yunlong

Chairman

Shandong, the PRC
8 February 2021

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Below are the proposed amendments to the existing Articles of Association:

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
<p>Article 11</p>	<p>The business scope of the Company shall cover the items as approved by the Company registration authority.</p> <p>The Company’s main business scope includes: pump, sucker rod, oil pumping machine, oil machinery, textile machinery manufacturing, sales; petroleum machinery and relevant product development; commodity information services (excluding intermediary).</p> <p align="center">.....</p>	<p>The business scope of the Company shall cover the items as approved by the Company registration authority.</p> <p>The Company’s main business scope includes: pump, sucker rod, oil pumping machine, oil machinery, textile machinery, <u>steel rolling and processing, special equipment, gear and gearbox, oil drilling special equipment, valve and cock, metallurgy special equipment, mechanical parts processing</u> manufacturing, sales; petroleum machinery and relevant product development; commodity information services (excluding intermediary); <u>technology promotion services; energy-saving technology promotion services; technology imports and exports; goods imports and exports; inspection services; measurement services.</u> <u>(Project approved by law can only be carried out with the approval of the relevant department, and the validity period shall be subject to the license).</u></p> <p align="center">.....</p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 113	Without approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and admin-istration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.	Without approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and admin-istration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.
Article 145	<p align="center">.....</p> <p>(10) To appoint or dismiss the general manager of the Company, secretary to the board of directors; appoint or dismiss members of the senior management including the Company’s senior managerial officers such as deputy managers and financial controller according to the nomination of the general manager, and determine matters in relation to their remunerations and sanctions; and to appoint, replace or nominate shareholders’ representatives, directors and supervisors of controlled subsidiaries and investee subsidiaries;</p> <p align="center">.....</p> <p>(16) To consider and review the working report and the work of the president of the Company;</p> <p align="center">.....</p>	<p align="center">.....</p> <p>(10) To appoint or dismiss the general manager of the Company, secretary to the board of directors; appoint or dismiss members of the senior management including the Company’s senior managerial officers such as deputy managers and financial controller according to the nomination of the general manager, and determine matters in relation to their remunerations and sanctions; and to appoint, replace or nominate shareholders’ representatives, directors and supervisors of controlled subsidiaries and investee subsidiaries;</p> <p align="center">.....</p> <p>(16) To consider and review the working report and the work of the <u>general manager</u> of the Company;</p> <p align="center">.....</p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 151	<p>Special committees shall be set for the board of directors.</p> <p align="center">.....</p>	<p>Special committees shall be set for the board of directors. <u>Special committees, including the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy Committee,</u> shall be set for the board of directors.</p> <p align="center">.....</p> <p align="center"><u>(IV) Major responsibilities and authorities of the Strategy Committee:</u></p> <p align="center"><u>1. Conduct research and make proposals on the strategic planning for long-term development of the Company;</u></p> <p align="center"><u>2. Conduct research and make proposals on major investment and financing plans that require approval from the Board under the Articles of Association;</u></p> <p align="center"><u>3. Conduct research and make proposals on major capital operation and asset management projects that require approval from the Board under the Articles of Association;</u></p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
		<p align="center"><u>4. Conduct research and make proposals on other major issues affecting the development of the Company, including research and development of major products and technologies of the Company, major business programs or plans, and key strategic cooperation arrangements;</u></p> <p align="center"><u>5. Excusive the implementation of the above matters;</u></p> <p align="center"><u>6. Other matters delegated by the Board.</u></p>
Article 172	The scope of work of the manager shall be defined by the manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.	The scope of work of the general manager shall be defined by the general manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.
Article 173	The scope of work of the manager includes the followings: (1) The conditions, procedures and participants of the manager meeting; (2) The specific duties and each respective division of manager and other senior officers;	The scope of work of the general manager includes the followings: (1) The conditions, procedures and participants of the general manager meeting; (2) The specific duties and each respective division of general manager and other senior officers;
Article 174	The manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the manager shall be specified in the employment contract concluded by the manager and the Company.	The general manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the general manager shall be specified in the employment contract concluded by the general manager and the Company.

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	The existing Articles of Association	The amended Articles of Association (showing changes to the existing Articles of Association)
Article 187	<p align="center">.....</p> <p>(7) To initiate legal proceedings against directors or senior management in accordance with Article 152 of the Company Law;</p> <p>(8) To investigate any irregularities in the operation of the Company and to engage accounting firms, law firms and other professional institutions to assist in the investigation when necessary at the expense of the Company.</p>	<p align="center">.....</p> <p>(7) To initiate legal proceedings against directors or senior management in accordance with Article 15<u>1</u>2-of the Company Law;</p> <p>(8) To investigate any irregularities in the operation of the Company and to engage accounting firms, law firms and other professional institutions to assist in the investigation when necessary at the expense of the Company;:-</p> <p><u>(9) To attend meetings of the Board;</u></p> <p><u>(10) Other duties and powers required under the Articles of Association or authorized in the general meeting.</u></p>
Article 188	<p>The procedure of meetings of the supervisory committee shall be as follows: a written notice of meeting shall be given to all supervisors not less than 10 days and not more than 30 days prior to the date of meeting. The quorum for a meeting of supervisors shall be two-thirds or more of the supervisors. Each supervisor shall have one vote.</p> <p align="center">.....</p>	<p>The procedure of meetings of the supervisory committee shall be as follows: a written notice of meeting shall be given to all supervisors not less than 10 days and not more than 30 days prior to the date of meeting. For regular meetings and extraordinary meetings of the supervisory committee, a notice of meeting shall be given to all supervisors <u>10 and 5 days respectively prior to the date of meeting through direct delivery, facsimile, email or other ways.</u></p> <p><u>In the event of emergency requiring convening extraordinary meetings of the supervisory committee, a notice of meeting can be issued through telephone or other verbal means, but the convener should make explanations in the meeting.</u></p> <p align="center">.....</p>

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Shandong Molong Petroleum Machinery Company Limited* (the “Company”) will be convened and held at 2:00 p.m. on Wednesday, 3 March 2021 at the conference room at No. 999 Wensheng Street, Shouguang City, Shandong Province, the People’s Republic of China (the “PRC”), to consider and, if thought fit, approve the following resolutions.

SPECIAL RESOLUTION

1. To consider and, if thought fit, approve the resolution in relation to the change of business scope of the Company and amendments to the Articles of Association.

ORDINARY RESOLUTIONS

2. To consider and, if thought fit, approve the resolution in relation to the purchase of liability insurance for the company, directors, supervisors, senior management;
3. To consider and, if thought fit, approve the resolution in relation to the amendments to the “Rules of Procedures of Supervisory Meetings”;

The above resolution 1 is a special resolution, and shall be passed by more than two-thirds of the votes cast by the shareholders (including proxies) of the Company present at the EGM; while the remaining resolutions are ordinary resolutions.

Shandong Molong Petroleum Machinery Company Limited

Liu Yunlong

Chairman

Shandong, the PRC

8 February 2021

NOTICE OF EGM

Notes:

- (A) The register of members of the Company for H Shares will be closed from Thursday, 25 February 2021 to Wednesday, 3 March 2021, both days inclusive, during which period no H Share transfer will be effected. In order to qualify for attending the EGM and voting, all instruments of transfer of H Shares, accompanied by the relevant share certificates, must be lodged with the registrar for H Shares of the Company no later than 4:30 p.m. on Wednesday, 24 February 2021.

The address of the registrar for H Shares is as follows:

Tricor Investor Services Limited

Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

The Company will publish specific announcement on the Shenzhen Stock Exchange setting out details of the eligibility of holders of A Shares to attend the EGM.

- (B) A proxy form for use at the EGM is enclosed. Such proxy form is also published on the websites of The Stock Exchange of Hong Kong Limited and the Company. Whether or not you intend to attend the EGM, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.
- (C) If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her proof of identity and the instrument signed by the proxy or his/her legal representative, which specifies the date of its issuance. If the legal representative of a legal person shareholder attends the EGM, such legal representative should produce his/her proof of identity and valid documents evidencing his/her capacity as such legal representative. If a legal person shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his/her proof of identity and an authorisation instrument affixed with the seal of the legal person Shareholder and duly signed by its legal representative.
- (D) The EGM is expected to last for an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

As at the date of this notice, 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*