SECTION I IMPORTANT, CONTENTS AND DEFINITIONS

The board of directors, the supervisory committee and the directors, supervisors and senior management of the Company hereby warrant that there are no false representations, misleading statements or material omissions contained in this interim report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of its contents.

Yang Yun Long, the legal representative of the Company, Hao Yun Feng, the person in charge of accounting department and Zhu Lin, the head of the accounting department, declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

All Directors attended the Board meeting for considering this report.

This report involves forward-looking statements about future plans, which do not constitute actual commitments to investors by the Company. Investors and the parties concerned should maintain sufficient knowledge of the underlying risks and understand the differences among plans, projections and commitments. Investors are advised to make themselves aware of the risks associated with investment.

The Company has described in detail the potential risks in the section headed "X. Risk exposures and contingency measures of the Company" under "Management Discussion and Analysis" in Section III of this report. Investors are advised to read carefully the contents thereof.

The Company does not propose any payment of cash dividends or any issue of bonus shares or any transfer of reserve to capital.

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Documents Available for Inspection

(1) The financial statements which were signed and sealed by the responsible person, chief accountant and head of accounting department (person in charge of accounting matters) of the Company.

(2) The master copy of the 2022 interim report affixed with company seal and signature of the legal representative of the Company.

(3) All of the originals of documents and master copies of announcements of the Company publicly disclosed on the websites as designated by CSRC during the reporting period.

(4) Place for inspecting the above documents: Office of the board of directors of the Company.

Definitions

Term	Definition
"Company", "parent company" and "Shandong Molong"	山東墨龍石油機械股份有限公司 (Shandong Molong Petroleum Machinery Company Limited)
"Group"	collectively, the Company and its subsidiaries
"SZSE"	Shenzhen Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"CSRC	China Securities Regulatory Commission
"Shouguang Maolong"	壽光懋隆新材料技術開發有限公司 (Shouguang Maolong New Materials Technology Development Co., Ltd.)
"Shouguang Baolong"	壽光寶隆石油器材有限公司 (Shouguang Baolong Petroleum Equipment Co., Ltd.)
"Weihai Baolong"	威海市寶隆石油專材有限公司 (Weihai Baolong Special Petroleum Materials Co., Ltd.)
"Molong Energy"	山東墨龍能源科技有限公司 (Shandong Molong Energy Technology Co., Ltd.)
"Molong I&E"	山東墨龍進出口有限公司 (Shandong Molong Import & Export Co., Ltd.)
"MPM"	MPM International Limited
"Molong Logistic"	壽光墨龍物流有限公司 (Shouguang Molong Logistic Co., Ltd.)
"Molong Electro-mechanical"	壽光墨龍機電設備有限公司 (Shouguang Molong Electro-mechanical Equipment Company Limited)
"Shouguang Jinxin"	山東壽光金鑫投資發展控股集團有限公司 (Shandong Shouguang Jinxin Investment Development Holdings Group Limited)
"Shouguang SAB"	壽光市國有資產監督管理局 (State-owned Assets Supervision and Administration Bureau of Shouguang City)
"Molong Holdings"	壽光墨龍控股有限公司 (Shouguang Molong Holdings Co., Ltd.)
"reporting period"	1 January 2022 to 30 June 2022
"RMB", "RMB thousand", "RMB ten thousand"	Renminbi, thousand Renminbi, ten thousand Renminbi

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company Profile

Stock Name Abbreviation	Shandong Molong	Stock Code	002490, 00568
Stock Name Abbreviation before change (if any)	Not applicable		
Stock exchanges of listed shares	SZSE, SEHK		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Abbreviation of the Chinese Name (if any)	山東墨龍		
English Name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the English Name (if any)	Shandong Molong		
Legal Representative of the Company	Yang Yun Long		

II. Contact Person and Contact Information

	Secretary to the Board
Name	Zhao Xiao Tong
Contact Address	No. 999 Wen Sheng Street, Shouguang City, Shandong Province
Telephone	0536-5100890
Facsimile	0536-5100888
Email Address	dsh@molonggroup.com

III. Others

1. Contact methods of the Company

Any changes in the registered address, office address and postal code, website, e-mail address of the Company during the reporting period

Applicable ☐ Not applicable

Registered Address of the Company	No. 99 Xing Shang Road, Gucheng Subdistrict, Shouguang City, Shandong Province
Postal code of the registered address	262711
Office address of the Company	No. 999 Wen Sheng Street, Shouguang City, Shandong Province
Postal code of the office address	262700
Website of the Company	https://www.molonggroup.com
Email address of the Company	dsh@molonggroup.com
Date of disclosure of the adhoc announcement for searching on the designated website (if any)	17 June 2022
Search index of the designated website on which the adhoc announcement was disclosed (if any)	cninfo (http://www.cninfo.com.cn)

2. *Information Disclosure and Places for keeping records*

Any changes in information disclosures and places for keeping records during the reporting period

☐ Applicable Not applicable

There were no changes in the designated newspapers for information disclosure, the website designated by CSRC for the publication of interim reports and the place of keeping interim reports of the Company during the reporting period. For details, please see the Annual Report 2021.

3. *Other Relevant Information*

Any changes in other relevant information during the reporting period

☐ Applicable Not applicable

IV. Key Accounting Data and Financial Indicators

Whether the Company made retroactive adjustment or restated accounting data in previous years

☐ Yes No

	For the reporting period	For the same period last year	**Year-on-Year increase/ decrease**
Operating revenue (RMB)	**1,570,941,941.65**	1,898,127,577.08	–17.24%
Net profit attributable to shareholders of listed company (RMB)	**(172,717,715.72)**	(68,250,795.42)	–153.06%
Net profit after extraordinary gains or losses attributable to shareholders of listed company (RMB)	**(181,365,553.51)**	(67,526,958.21)	–168.58%
Net cash flows generated from operating activities (RMB)	**56,906,850.11**	(19,471,631.29)	392.26%
Basic earnings per Share (RMB/share)	**(0.2165)**	(0.0855)	–153.22%
Diluted earnings per Share (RMB/share)	**(0.2165)**	(0.0855)	–153.22%
Weighted average rate of return on net assets	**(13.02%)**	(3.91%)	–9.11%

	As at the end of the reporting period	As at the end of last year	**Year-on-Year increase/ decrease**
Total assets (RMB)	**5,047,427,676.07**	4,457,611,299.31	13.23%
Net assets attributable to shareholders of listed company (RMB)	**1,240,443,655.86**	1,413,238,861.87	–12.23%

V. Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profits and net assets in the financial statements as disclosed under the International Accounting Standards ("IASs") and PRC Generally Accepted Accounting Principles ("PRC GAAP")

☐ Applicable Not applicable

During the reporting period, there were no differences in net profit and net assets in the financial statements as disclosed under the IASs and PRC GAAP.

2. Differences in net profit and net assets in the financial statements as disclosed under the overseas accounting standards and PRC GAAP

☐ Applicable Not applicable

During the reporting period, there were no differences in net profit and net assets in the financial statements as disclosed under the overseas accounting standards and PRC GAAP.

VI. Extraordinary gain or loss items and amounts

Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Descriptions
Gains or losses arising from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	(217,577.50)	Mainly comprised of the losses on disposal and retirement of certain assets of the Company.
Government grant recognised in current profit and loss (excluding those grants that are closely related to the Company's normal business operation, that met the requirements of national policy, and that were continuously granted in accordance with the certain standard amount or volume prescribed by the State)	49,128.67	Mainly comprised of the refunds of handlings fees for withholding and remitting of individual income tax.
Write-back of provision for receivables subject to individual impairment test	6,941,179.49	Mainly attributable to the recovery of accounts receivables subject to individual impairment testing.
Non-operating income and expenses other than the above items	4,107,748.52	Mainly attributable to the recovery of assets offset in previous periods during the current period.
Less: Effect on income tax	1,075,135.53	
Effect on minority interests (after tax)	1,157,505.86	
Total	8,647,837.79	

Details of other profit or loss items that fall within the definition of extraordinary gain or loss:

☐ Applicable Not applicable

The Company did not have any extraordinary profit and loss items that fall within the definition of extraordinary gain or loss.

Explanation for defining the non-extraordinary gain or loss items listed in the Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as extraordinary gain and loss items

☐ Applicable Not applicable

The Company did not define any non-extraordinary profit or loss items listed in the Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as extraordinary gain and loss items.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. Principal businesses of the Company during the reporting period

(I) Descriptions of the Group's principal businesses during the reporting period

During the reporting period, the Company was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and high-end castings and forgings products, etc. These products were mainly used in the manufacture of equipment in connection with industries such as oil and gas drilling, machinery processing, urban pipe network and wind turbine castings. The Company's main products are pipe products and high-end castings and forgings. The Company has adopted a "sales-based production" business model for production under which the production system of the Company manufactures, inspects and delivers products according to the orders placed by customers specifying the required specifications and quantity and based on the market sales initiatives of the sales department. The Company has adopted a centralised procurement model under which the procurement department is responsible for the purchase of all raw materials, moulds and equipment, including the signing of procurement contracts, procurement status tracking, facilitating quality improvement of raw materials, etc. The procurement department strictly controls the selection of suppliers based on a comprehensive overall evaluation index system. It fosters quality partners and develops long-term and stable strategic partnership. The Company has a relatively mature sales network and has established a professional team dedicated to sales and import and export operations with members responsible for domestic and international market research and study, development, product sales and after-sales services, respectively.

During the reporting period, the implementation of pandemic prevention and control measures in some regions limited the volumes of raw material procurement and products sales and delivery. Some of the Company's production lines were under-utilised which led to an increase in production costs and administrative expenses. In line with the market trends, certain products registered a year-on-year decline in both production and sales volumes, resulting in a year-on-year decrease in operating revenue during the reporting period.

As at the end of the reporting period, the Company had total assets of RMB5.047 billion, representing an increase of 13.23% from the beginning of the year. Net assets attributable to shareholders of the listed company were RMB1.240 billion, representing a decrease of 12.23% from the beginning of the year. During the reporting period, the Company realised an operating revenue of RMB1.571 billion, representing a year-on-year decrease of 17.24%. Net profit attributable to shareholders of the listed company was –RMB173 million.

(II) General overview of the Group's industry during the reporting period

The Company operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which falls within the scope of the petroleum and natural gas special equipment manufacturing and services industry. Therefore, the development and prosperity of the petroleum and natural gas exploitation industry have direct impact to the development of the Company's industry. In the long run, global economic growth rate, price trends of and consumers' demand for petroleum and natural gas, global spendings in exploration and development of petroleum and scale of oil and gas exploitation, and the carbon neutrality policy around the world, are determinants of the prosperity of the Company's industry.

During 2022, with the restoration of demand for refined oil, international oil prices have been on the rise and global energy prices maintained at relatively high levels. A gradual increase in oil and gas exploitation activities was seen in the domestics and overseas markets, which drove the oilfield services industry to become more prosperous. Apart from the positive impact of the rising oil prices, the repeated emphasis of relevant authorities on making greater efforts in the domestic oil and gas exploration and development for safeguarding energy security is also conducive to the oilfield equipment manufacturing industry. The Seven-Year Action Plan launched by the National Energy Administration for the promotion of increasing oil and gas reserves and production continued to raise capital expenditures in oil and gas exploration and production while ensuring national energy security.

During the period of the 14th Five-Year Plan, China will continue to vigorously develop oil and gas resources. The National Development and Reform Commission and the National Energy Administration has issued the 14th Five-year Plan for Modern Energy System, proposing to increase efforts in promoting the development of shale gas and other unconventional oil and gas, which have become strategic resources for stabilising oil market and increasing demand in China. The rapid development of unconventional oil and gas resources in China will undoubtedly drive continuous growth in the demand for relevant equipment and present new opportunities for the Company's equipment manufacturing and provision of technical services.

II. Analysis of core competitiveness

1. Strength in technological research and development and innovation

The Company has strong R&D capabilities in the field of special equipment for energy equipment, and has undertaken nearly 80 national and provincial-level related scientific research projects, including 1 national torch program project, 1 national science and technology program project, and over 70 Shandong provincial-level technological innovation projects. We are a new high-technology enterprise and a leading enterprises in China's energy equipment base with Shandong Provincial Enterprise Technology Center, Shandong Petroleum Special Pipe Engineering Technology Research Center, and National Accreditation Laboratory and Weifang Petroleum Machinery Engineering Technology Research Center and other innovation platforms in place. The Company has built a professional and stable scientific research team through independent training, introduction of talents, and cooperation with universities and research institutes, which is creating the enterprises-based and market-oriented technology innovation system with in-depth integration of production, education and research.

2. Strength in product quality

The Company attaches importance to management of product quality. The Company is well-equipped with inspection and monitoring equipment. The Company has long been accredited ISO9001 international quality system certification, ISO14001 environmental management system certification and OHSAS18001 occupational health and safety management system certification and passed the QES management system follow-up recertification. With the main products being approved to use the industry logo of American Petroleum Institute (abbreviated as "API"), the Company successfully gained access to the domestic and global oil field markets. The main products, namely casings, valves, mud pump liners, precision stainless steel forgings, three kinds of oil pumping units and accessories, are highly marketable globally in major oil-producing regions such as Europe, the Americas and the Middle East, and are well-received by local and overseas customers.

3. *Strength in marketing*

The Company sets foothold in China and goes global. Over the years of development, the Company has built a network providing long-term, stable, fast and effective sales services and established a loyal, long-lasting and winwin partnership with mass customers. In the domestic market, the Company has a relatively stable customer base which includes, without limitation to, oil and gas companies such as PetroChina, Sinopec, CNOOC and Yanchang Petroleum. The major overseas markets are countries and regions in the Middle East, the Americas, Europe and North Africa. The Company's marketing team consists of talents who are professionals in international trade and marketing and have relatively extensive experience and strong business competence, which allows the Company to enjoy, to a certain extent, competitive edge in marketing of energy equipment products.

4. *Strength in furnace rehabilitation technology*

HIsmelt furnace rehabilitation technology is a furnace rehabilitation metallurgical technology of Shandong Molong which actively follows the national manufacturing transformation and upgrade, continues to develop the recycling economy and builds a green metallurgical enterprise. The Company has obtained HIsmelt furnace rehabilitation technology series patents and authorizations. After the identification of scientific and technological achievements organised by the Chinese Society for Metals, Shandong Molong HIsmelt furnace rehabilitation technology has reached the international leading level. Riding on the continuous expansion of the sales market of high-end castings and forgings developed with the current furnace rehabilitation technology of the Company, it can be broadly applied to the manufacturing of equipment for wind turbine castings and high-end machine tools. The application and promotion of HIsmelt furnace rehabilitation technology is expected to become a new profit growth point for the Company's future development.

5. *Strength in new products*

During the reporting period, in order to meet market demand, the Company developed a series of new products and improved its technical know-how by further pushing forward its product R&D activities. Full set installation and factory inspection and testing were completed for the Company's self-developed heater blower gun equipment which has met the criteria for use. The Group developed and commenced small-batch trial production of EH sucker rods, which have been up to standard in terms of all performance indicators and covers the preparatory works for preliminary development of smart logistic oil pumps. The Group designed and manufactured high tensile strength and high-resistance deformation anti-galling tubes, which have commenced mass production for use. The Group also developed a manufacturing process of boronised pump barrels for oil pumps and commenced small-batch production for Xinjiang market. The specialised double-channel oil pump product was completed with its design and manufacturing and has been put into mass production for the oilfields in Xinjiang market. As to the newly developed hydraulic and cold-drawn cylinder tube products, the Group worked on the design and improvement of cold drawing machine, cold drawing dies, special thread casings and other equipment. The efforts in research and development of new products and improvement of technical know-how will help the Group further increase its overall competitiveness in the industry.

6. *Strength in brand name*

The Company is a listed company that specialises in the design, research and development, process manufacturing, sales and exports of energy equipment. The Company is also a qualified supplier of the largest four oil conglomerates in China. The Company has always adhered to its principle of "encouraging all people, absorbing all thinks, collecting all contributions and creating all achievements". Through expansion of scale and extension of production chains, the Company has gained good reputation and solid position in the energy equipment market sector. The "Molong" trademark of the Company is named as a famous trademark of Shandong Province, and the products of the Company have become a key export brand for nurturing and development in Shandong Province.

III. Analysis of principal businesses

Overview

See “I. Principal businesses of the Company during the reporting period” for details.

Year-on-year changes in key financial data

Unit: RMB

	For the reporting period	For the same period last year	Year-on-year increase/ decrease	Reason(s) for the change
Operating revenue	1,570,941,941.65	1,898,127,577.08	–17.24%	Mainly attributable to the decline in product sales volumes, resulting from the underutilisation of some workshops and the limitation of transportation due to implementation of pandemic prevention and control measures in some regions during the current period.
Operating costs	1,517,239,001.79	1,726,169,152.48	–12.10%	Mainly attributable to the decrease in revenue for the current period.
Selling expenses	7,124,810.84	5,871,146.55	21.35%	Mainly attributable to the increase in salaries of sales staff in the current period.
Administrative expenses	136,188,184.82	114,235,240.60	19.22%	Mainly attributable to the underutilisation of some workshops during the current period, the expenses incurred therefrom were transferred to this item for accounting purpose.
Finance costs	54,037,626.23	59,928,458.91	–9.83%	Mainly attributable to the increase in exchange gains during the current period.
Income tax expenses	2,063,592.49	3,033,465.40	–31.97%	Mainly attributable to the decrease in deferred income tax expenses as a result of an increase in deferred income tax assets.
Research and development expenditures	24,397,415.04	33,718,872.51	–27.64%	Mainly attributable to the less inputs to the research and development of new products during the current period.
Net cash flow generated from operating activities	56,906,850.11	(19,471,631.29)	392.26%	Mainly attributable to the decrease in payments made during the current period.
Net cash flow generated from investing activities	(6,599,680.18)	117,818,189.36	–105.60%	Mainly attributable to the absence of cash proceeds from the disposal of assets during the current period.
Net cash flow generated from financing activities	16,622,008.79	(405,003,055.57)	104.10%	Mainly attributable to the increase in cash received from fund-raising activities during the current period.
Net increase in cash and cash equivalents	64,739,091.05	(305,871,029.79)	121.17%	Mainly attributable to the combined effect of the above operating, investing and financing activities.

Significant changes in profit composition or sources of the Group for the reporting period

☐ Applicable Not applicable

There were no significant changes in the profit composition or sources of Group during the reporting period.

Composition of operating revenue

Unit: RMB

	For the reporting period		For the same period last year		
	Amount	**Percentage of operating revenue**	Amount	Percentage of operating revenue	Year-on-year increase/ decrease
Total operating revenue	**1,570,941,941.65**	**100%**	1,898,127,577.08	100%	–17.24%
By industry					
Special equipment manufacturing	**1,570,941,941.65**	**100.00%**	1,898,127,577.08	100.00%	–17.24%
By product					
Pipe products	**593,912,032.35**	**37.81%**	1,053,440,211.21	55.50%	–43.62%
Tube blanks	**0.00**	**—**	706,827,222.90	37.24%	—
High-end castings and forgings	**878,006,892.23**	**55.89%**	74,500,029.58	3.92%	1,078.53%
Three kinds of pumping units	**16,732,788.46**	**1.07%**	12,529,223.05	0.66%	33.55%
Petroleum machinery parts	**8,763,820.61**	**0.56%**	3,907,356.56	0.21%	124.29%
Others	**73,526,408.00**	**4.68%**	46,923,533.78	2.47%	56.69%
By region					
Within China	**1,507,525,783.97**	**95.96%**	1,804,034,637.51	95.04%	–16.44%
Outside China	**63,416,157.68**	**4.04%**	94,092,939.57	4.96%	–32.60%

Industries, products or regions that accounted for over 10% of the Company's operating revenue or operating profits

Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	**Operating costs**	**Gross profit margin**	**Year-on-year increase/ decrease in operating revenue**	**Year-on-year increase/ decrease in operating costs**	**Year-on-year increase/ decrease in gross profit margin**
By industry						
Special equipment manufacturing	1,570,941,941.65	1,517,239,001.79	3.42%	–17.24%	–12.10%	–5.64%
By product						
Pipe products	593,912,032.35	551,780,464.25	7.09%	–43.62%	–41.56%	–3.28%
High-end castings and forgings	878,006,892.23	876,796,811.22	0.14%	1,078.53%	1,167.01%	–6.97%
By region						
Within China	1,507,525,783.97	1,463,724,447.43	2.91%	–16.44%	–10.85%	–6.08%

After adjustments were made to the data statistical caliber of the Company's principal businesses in the reporting period, the data of the Company's principal businesses for the most recent 1 period as adjusted based on the caliber at the end of the reporting period

☐ Applicable Not applicable

Reason(s) for year-on-year changes of over 30% in the underlying data

Applicable ☐ Not applicable

1. Operating revenue and operating costs from pipe products decreased by 43.62% and 41.56% respectively from the same period of last year, primarily attributable to the decrease in the production and sales volume of the products due to the limited transportation and under-utilisation of production lines under the implementation of pandemic prevention and control measures in some regions during the reporting period.

2. Revenue and operating costs from high-end castings and forgings increased by 1,078.53% and 1,167.01% respectively from the same period of last year, primarily attributable to the increased effort of the Company in the production and sales of the products.

3. There were no external sales of tube blank products during the current period as they were mainly used to meet the Company's internal requirements for production during the reporting period taking into account of the market situation of the products.

4. Revenue from three kinds of pumping units for the current period increased by 33.55% from the same period of last year, primarily attributable to the increase in sales volume of sucker rods during the current period.

5. Revenue from petroleum machinery parts increased by 124.29% from the same period of last year, primarily attributable to the increase in the number of contracts for export of the products during the current period.

6. Revenue from other products increased by 56.69% from the same period of last year, primarily attributable to the increase in sales of the Company's operating revenue as more augmented products of the Company were sold during the reporting period.

IV. Analysis of non-principal businesses

Applicable ☐ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s) for the incurrence	Is it recurring
Non-operating income	4,960,223.84	–2.74%	Mainly attributable to the recovery of assets written-off in prior periods for the current period.	No
Non-operating expenses	1,061,228.98	–0.59%	Mainly comprised of donations for external pandemic support, loss on disposal of certain assets and compensations for termination of leases of assets in the current period.	No
Asset impairment losses	(15,000,113.67)	8.28%	Mainly attributable to the provision for impairment loss on inventories after performing impairment test on inventories.	No
Credit impairment losses	5,831,665.58	–3.22%	Mainly comprised of the recovery of accounts receivable from individual customer for which impairment losses have been provided for the current period.	No
Other income	49,128.67	–0.03%	Mainly comprised of the refund received for the handling fees for the withholding and remittance of personal income tax during the current period.	No

V. Analysis of assets and liabilities

1. *Significant changes in the composition of assets*

Unit: RMB

	As at the end of the reporting period		As at the end of last year			
	Amount	**Percentage of total assets**	Amount	Percentage of total assets	Increase/ decrease in percentage	Descriptions of the significant change
Monetary funds	**804,218,264.79**	**15.93%**	475,191,176.69	10.66%	5.27%	Mainly attributable to the increase in cash financing proceeds during the current period.
Accounts receivables	**371,450,687.22**	**7.36%**	299,530,976.41	6.72%	0.64%	—
Inventories	**1,049,870,058.59**	**20.80%**	715,282,787.11	16.05%	4.75%	Mainly attributable to the Company's failure of prompt delivery of certain products as at the end of the current period.
Investment properties	**—**	**—**	9,929,101.58	0.22%	–0.22%	Mainly attributable to the termination of leasing of certain equipment and plants by the Company during the current period.
Long-term equity investments	**2,144,833.69**	**0.04%**	2,144,833.69	0.05%	–0.01%	—
Fixed assets	**2,099,679,832.56**	**41.60%**	2,181,361,123.66	48.94%	–7.34%	Mainly attributable to the depreciations provided for the current period.
Construction-in-progress	**4,084,504.22**	**0.08%**	10,029,521.56	0.22%	–0.14%	Mainly attributable to the transfer of certain projects to fixed assets during the current period for accounting purposes.
Right-of-use assets	**—**	**—**	1,530,636.81	0.03%	–0.03%	Mainly attributable to the completion of amortisation of right-of-use assets in the current period.
Short-term borrowings	**2,307,863,719.72**	**45.72%**	1,916,706,214.72	43.00%	2.72%	Mainly attributable to the increase in financings from bill discounting and borrowings from letter of credit during the current period.
Contract liabilities	**151,720,589.80**	**3.01%**	70,368,931.26	1.58%	1.43%	Mainly attributable to the increase in receipts in advance at the end of the current period.
Long-term borrowings	**—**	**—**	37,141,617.50	0.83%	–0.83%	Mainly attributable to the transfer of long-term borrowings that were due within one year as at the end of the current period to non-current liabilities due within one year for accounting purpose according to the accounting policy.
Bills receivables	**125,821,059.44**	**2.49%**	235,005,278.71	5.27%	–2.78%	Mainly attributable to the decrease in settlement amount of trade acceptance bills during the current period as compared to the same period of last year.
Financing receivables	**125,635,423.74**	**2.49%**	28,539,024.92	0.64%	1.85%	Mainly attributable to an increase in the amount of goods settled by bank acceptances and not transferred.
Prepayments	**24,991,960.33**	**0.50%**	49,598,390.41	1.11%	–0.61%	Mainly attributable to the decrease in prepayments for materials as at the end of the current period.
Other receivables	**28,964,650.51**	**0.57%**	17,440,781.64	0.39%	0.18%	disposal of assets during the current period.
Other current assets	**12,857,399.75**	**0.25%**	26,180,538.95	0.59%	–0.34%	Mainly attributable to the decrease in input value-added tax as at the end of the current period.
Bills payable	**58,451,284.51**	**1.16%**	101,209,067.42	2.27%	–1.11%	Mainly attributable to the decrease in settlement amount of bank acceptance bills during the current period.
Accounts payable	**1,013,193,967.90**	**20.07%**	599,514,345.81	13.45%	6.62%	Mainly attributable to the Company's failure of timely payment for accounts payable during the current period.

2. *Major overseas assets*

☐ Applicable Not applicable

3. *Assets and liabilities measured at fair value*

Applicable ☐ Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or loss on fair value changes in the current period	Cumulative fair value changes included in equity	Provision for impairment for the current period	Purchases during the current period	Disposals during the current period	Other changes	Amount at the end of the period
Financial assets								
Financing receivables	28,539,024.92	0.00	0.00	0.00	0.00	0.00	97,096,398.82	125,635,423.74
Total of the above	28,539,024.92	0.00	0.00	0.00	0.00	0.00	97,096,398.82	125,635,423.74
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other changes

Other changes in the financing receivables are the net amount of new and matured or endorsed bank acceptance bills during the current period.

Any material changes in the measurement attributes of the Company's major assets during the reporting period

☐ Yes No

4. *Restrictions on asset rights as at the end of the reporting period*

Unit: RMB

Item	Book value at the end of the period	Reason(s) for the restriction
Monetary funds	**589,047,645.96**	Security deposits
Accounts receivables	**134,219,391.10**	Factoring financing of accounts receivables
Bills receivable	**4,251,000.00**	Pledge of bills
Fixed assets	**322,952,264.10**	Charge for borrowings
Intangible assets	**143,213,416.42**	Charge for borrowings
Total	**1,193,683,717.58**	—

VI. Analysis of investments

1. General

☐ Applicable Not applicable

2. Significant equity investments acquired during the reporting period

☐ Applicable Not applicable

3. Significant non-equity investments in progress during the reporting period

☐ Applicable Not applicable

VIII. Analysis of major controlled and invested companies

Applicable ☐ Not applicable

Major subsidiaries and invested companies affecting over 10% of net profit of the Company

Unit: RMB

Name of company	Type of company	Principal businesses	Registered capital (RMB ten thousand)	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
Shouguang Baolong	Subsidiary	Production and sale of oil equipment and castings and forgings	15,000	548,240,879.71	(209,418,904.93)	381,079,288.00	(55,650,922.12)	(51,796,949.66)
Shouguang Maolong	Subsidiary	Research of new materials for energy equipment; production and sale of metal castings and forgings; sea water desalination; waste heat and gas power generation	71,238	1,486,802,516.74	139,545,031.96	957,834,994.41	(47,801,930.11)	(47,212,981.82)

Acquisitions and disposals of subsidiaries during the reporting period

☐ Applicable Not applicable

Information on major controlled and invested companies

(1) Shouguang Baolong realised an operating revenue of RMB381 million for the current period, representing a decrease of 78.84% as compared with the same period of last year. Loss for the period amounted to RMB5,179.69 ten thousand, as compared to the profit of RMB9,191.83 ten thousand for the same period of

2. *Financial highlights*

A summary of the interim results and of the assets and liabilities of the Group for the past 2 financial years is as follows:

Results

Item	For the six months ended 30 June 2022 RMB'000	2021 RMB'000
Total operating revenue	**1,570,942**	1,898,128
Operating (loss)/profit	**(185,006)**	(42,710)
Total (loss)/profit	**(181,107)**	(44,738)
Net profit/(loss)	**(183,171)**	(47,772)
Minority interests	**(10,453)**	20,479
Net (loss)/profit attributable to shareholders of the parent company	**(172,718)**	(68,251)
Basic (loss)/earnings per share (RMB)	**(0.2165)**	(0.0855)

Assets and liabilities

Item	As at 30 June 2022 RMB'000	As at 30 June 2021 RMB'000
Total assets	**5,047,428**	4,913,626
Total liabilities	**3,871,015**	3,159,662
Net assets	**1,176,413**	1,753,964

3. *Changes in share capital*

For details of changes in the share capital of the Company during the first half of 2022, please refer to the section headed "Changes in shares and shareholders".

4. *Reserves and distributable reserves*

Details of changes in the reserves and distributable reserves of the Group during the first half of 2022 are set out in sub-section headed "Undistributed profit" under the "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.

5. *Property, plant and equipment*

Details of changes in the property, plant and equipment of the Group during the first half of 2022 are set out in the section of "financial report".

6. *Capitalised interests*

During the first half of 2022, the Group capitalised interests of RMB nil.

7. *Service contracts or letters of appointment of directors and supervisors*

Each of the Directors and Supervisors (including the independent non-executive Directors and the Supervisors) has entered into a service contract or letter of appointment with the Company. None of the Directors or Supervisors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment compensation (other than statutory compensation).

8. *Continuing connected transactions*

In the first half of 2022, the Company did not conduct any connected transaction and none of the related party transactions disclosed in the "Financial Report" section in this report constituted a discloseable connected transaction under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

9. *Directors', supervisors' and chief executive's interests in securities under the Securities and Futures Ordinance ("SFO") of Hong Kong*

As at 30 June 2022, interests of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix 10 of the Listing Rules, to be notified to the Company and to the Stock Exchange, were as follows:

Long posi ions in he shares of he Compan

Name	Nature of interest	Number of A shares	Approximate percentage of A shares	Approximate percentage of the total registered share capital
Wang Quan Hong	Beneficial interest	139,500	0.03%	0.02%

Save as disclosed above, as at 30 June 2022, to the best knowledge of the Directors, Supervisors and chief executive, none of the Directors, the Supervisors or chief executive had any interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the SEHK under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix 10 of the Listing Rules, to be notified to the Company and to the Stock Exchange.

10. *Directors' and supervisors' rights to acquire shares or debentures*

None of the Directors or Supervisors or their respective associates (as defined under the Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any rights to acquire any shares in or debentures of the Company or had exercised any such rights in the first half of 2022.

11. *Share option scheme*

The Company does not operate any share option scheme.

12. *Substantial shareholders*

Details are set out in "Number of corporate shareholders of the Company and their shareholdings" under the section headed "Changes in Shares and Shareholders" in this interim report.

13. *Directors' and supervisors' interests in contracts*

No directors or supervisors or any entity related to any of the directors of the Company has directly or indirectly interested in any transaction, arrangement or contract to which the Company or any of its subsidiaries is a party that has not been or has been in force in the first half of 2022 or as at 30 June 2022, and has a material relationship with the business of the Group.

14. *Material contracts*

No contract of significance has been entered into between the Company (or any of its subsidiaries) and the controlling shareholders of the Company (or any of their subsidiaries), and no contract of significance for the provision of services to the Company (or any of its subsidiaries) by any of the controlling shareholders of the Company (or any of their subsidiaries) has been entered.

15. *Purchase, sale or redemption of securities*

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the first half of 2022.

16. *Pre-emptive rights*

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

17. *Corporate governance*

The Company has strictly complied with requirements of laws, regulations and regulatory documents including the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies and the Guidelines for Articles of Association of Listed Companies since its establishment and continued to raise its corporate governance standards. During the reporting period, the Company continued to enhance its governance system and operation procedures in accordance with the work plan of the regulatory authorities and the latest regulatory requirements. There were no differences between the actual conditions of the Company's corporate governance and the requirements under the CSRC's related laws and regulations. The Company has adopted all code provisions set out in the Corporate Governance Code of Appendix 14 to the Listing Rules of the SEHK of Hong Kong.

During the reporting period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited without any deviation. None of the directors of the Company was aware of any information that would reasonably indicate that the Company was not in compliance with the code provisions of the Code at any time during the reporting period.

18. *Directors' securities transactions*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the SEHK and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code during the six months ended 30 June 2022.

19. *Sufficiency of public float*

According to information publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient public float throughout the first half of 2022 and up to the date of this interim report.

20. *Substantial shareholders' interests in securities*

As at 30 June 2022, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as shown in the register of interests and/or short positions required to be maintained pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or the register required to be kept under Section 336 of SFO, the substantial shareholders and other persons had the following interests and/or short positions in the Shares or underlying Shares of the Company as follows:

Long positions in the shares of the Company

Substantial shareholder	Nature of interest	Number of A shares/ H shares	Approximate percentage of A shares/ H shares	Approximate percentage of the total registered share capital
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	Beneficial interest	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司)	Interest in controlled corporation (2)	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	Beneficial interest	64,740,000 H shares	25.28% (H shares)	8.11%
	Beneficial interest	8,654,911 A shares	1.60% (A shares)	1.08%
	Interest under Section 317 of the SFO (1)	200,000 A shares	0.03% (A shares)	0.03%
	Interest under Section 317 of the SFO (1)	85,974,800 H shares	33.57% (H shares)	10.78%
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	Beneficial interest	30,800,000 H shares	12.03% (H shares)	3.86%
	Beneficial interest	200,000 A shares	0.037% (A shares)	0.03%
	Interest under Section 317 of the SFO (1)	8,654,911 A shares	1.60% (A shares)	1.08%
	Interest under Section 317 of the SFO (1)	119,914,800 H shares	46.82% (H shares)	15.03%
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Beneficial interest	31,800,000 H shares	12.42% (H shares)	3.99%
	Interest under Section 317 of the SFO (1)	8,854,911 A shares	1.63% (A shares)	1.11%
	Interest under Section 317 of the SFO (1)	118,914,800 H shares	46.43% (H shares)	14.90%
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	Beneficial interest	23,374,800 H shares	9.13% (H shares)	2.93%
	Interest under Section 317 of the SFO (1)	8,854,911 A shares	1.63% (A shares)	1.11%
	Interest under Section 317 of the SFO (1)	127,340,000 H shares	48.16% (H shares)	15.96%

Notes:

(1) Shandong Zhimeng Holdings Co., Ltd., Shouguang Panjin Property Co., Ltd., Shouguang Hongsen Logistics Co., Ltd. and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party agreement pursuant to which, they are parties acting in concert for the purpose of the shares of the Company. As such, they were deemed to be collectively interested in the total shares held by them by virtue of the SFO.

(2) Shouguang Molong Holdings Co., Ltd. is a wholly-owned subsidiary of Shandong Shouguang Jinxin Investment Development Holdings Group Limited. Therefore, Shandong Shouguang Jinxin Investment Development Holdings Group Limited are deemed to be interested in the 235,617,000 A shares in which Shouguang Molong Holdings Co., Ltd. is interested.

(3) The approximate percentage is based on the 541,722,000 A shares, 256,126,400 H shares and 797,848,400 shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, no persons (other than being a Director, Supervisor or chief executive of the Company) had any interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the SEHK pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and which were required to be recorded in the register to be kept pursuant to section 336 of the SFO.

21. Liquidity and financial resources

As at 30 June 2022, the Group recorded a current ratio of 66.41%, quick ratio of 39.00%, receivable turnover ratio of 468.25% and inventory turnover ratio of 171.91%. The main source of the Group's capital is the cash inflow from operating activities, borrowings from financial institutions and others. The Group's capital needs do not have obvious seasonal pattern.

As at 30 June 2022, the Group had total borrowings of RMB2,432 million (as at the end of last year, the Group had total borrowings of RMB2,093 million). As at 30 June 2022, the Group had monetary funds of RMB804 million (monetary funds as at the end of last year of RMB475 million).

22. Gearing ratio

As at 30 June 2022, the Group's gearing ratio was approximately 76.69% (2021: approximately 69.50%) which is calculated based on the Group's total liabilities of approximately 3,871,014 thousand (2021: approximately RMB3,097,863 thousand) and total assets of approximately RMB5,047,428 thousand (2021: approximately 4,457,611 thousand).

23. Treasury policy

The Group has established a sound and strict internal control system for cash and fund management so as to strengthen its financial management. Most of the Group's revenues are denominated in RMB. The Group's liquidity and solvency are in good condition.

24. Restricted assets

As at 30 June 2022, the Group had restricted assets as follows:

Item	**Book value at the end of the period**	**Reason(s) for the restriction**
Monetary funds	589,047,645.96	Security deposits
Accounts receivables	134,219,391.10	Factoring financing for accounts receivables
Bills receivable	4,251,000.00	Pledge of bills
Fixed assets	322,952,264.10	Charge for borrowings
Intangible assets	143,213,416.42	Charge for borrowings
Total	1,193,683,717.58	—

25. Contingent liabilities

As at 30 June 2022, the Group did not have any contingent liabilities except those disclosed in the "Commitments and Contingencies" in this report.

26. *Material investments, acquisitions and disposals*

For the six months ended 30 June 2022, save as disclosed in this report, the Group did not carry out any major acquisitions or disposal of subsidiaries and associates or major investments, nor did it plan to make major investments or purchase capital assets in the future.

27. *Tax concessions and exemptions*

The Company is not aware of any tax concessions provided to shareholders due to their holding of the Company's listed securities.

28. *Equity-linked agreements*

The Company has not entered into any equity-linked agreements at the end of the six months ended 30 June 2022 or at any time during the half-year period.

29. *Business review*

Key financial and business performance indicators

Key financial and business performance indicators comprise profitability growth, return on equity and gearing ratio. Details of the analysis are set out in the section headed "Management Discussion and Analysis" in this interim report.

Risk management

It is a development strategy of the Group to establish a risk management system covering all the business segments that monitors, assesses and manages various risks in the Group's activities. The management has identified the major risks of the Group and regularly reviews its exposure to industry, policy, operational and currency risks.

Sustainability initiatives

The Group has been committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff and promoting sustainable relationships with customers, suppliers, service vendors, regulators and shareholders, and contributes to the community in which we conduct our businesses for creating a sustainable return to the Group. The Group has implemented energy saving practices in offices and branch premises where applicable.

We have compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

SECTION IV CORPORATE GOVERNANCE

I. Annual general meeting and extraordinary general meeting held in the reporting period

1. *General meetings held in the reporting period*

Session of meeting	Type of meeting	Attendance of investors	Date of meeting	Date of Disclosure	Meeting resolutions
2021 annual general meeting	Annual general meeting	34.59%	19 May 2022	20 May 2022	Announcement on the resolutions passed at the annual general meeting 2021 (2022-017); Legal opinions on the annual general meeting 2021. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

2. *Preferred shareholders who are recovered by voting power request convening extraordinary general meeting*

☐ Applicable Not applicable

II. Change of Directors, Supervisors and Senior Management

☐ Applicable Not Applicable

There were no changes in directors, supervisors and senior management of the Company during the reporting period. Please refer to the 2021 Annual Report for details.

III. Profit distribution and transfer of capital reserve to share capital during the reporting period

☐ Applicable Not applicable

The Company did not plan to pay any cash dividends or issue any bonus shares or transfer any reserve to capital for the half year.

IV. Operation of stock incentive schemes, employee share schemes or other employee incentive measures of the Company

☐ Applicable Not applicable

The Company did not have or operate any stock incentive schemes, employee share schemes or other employee incentive measures during the reporting period.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. Major environmental issues

Whether the listed company and its subsidiaries are listed by the environmental authorities as a critical pollutant discharging entity

Yes ☐ No

The Company or name of subsidiary	Name of major pollutant and specific pollutant	Method of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Implemented standards for pollutant discharge	Total volume of discharge	Approved total volume of discharge	Excessive discharge
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	20.4mg/m³	35mg/m³	11.217 tons	—	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	7.51mg/m³	100mg/m³	4.011 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	0.939mg/m³	5mg/m³	0.51 ton	—	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	16mg/m³	50mg/m³	0.67 ton	—	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	42mg/m³	100mg/m³	1.65 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	4.1mg/m³	10mg/m³	0.24 ton	—	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	30mg/m³	50mg/m³	2.35 tons	—	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	39mg/m³	100mg/m³	3.07 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	3.7mg/m³	10mg/m³	0.417 ton	—	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	29mg/m³	50mg/m³	1.6 tons	—	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	39mg/m³	100mg/m³	2.13 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	3.8mg/m³	10mg/m³	0.31 ton	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	3.6mg/m³	10mg/m³	1.98 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	3.5mg/m³	10mg/m³	4.9 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	3.5mg/m³	10mg/m³	2.75 tons	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.67mg/m³	10mg/m³	0.295 ton	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.49mg/m³	10mg/m³	0.21 ton	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.65mg/m³	10mg/m³	0.15 ton	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.65mg/m³	10mg/m³	17.23 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	6.6mg/m³	10mg/m³	19.15 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.11mg/m³	10mg/m³	12.4 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.79mg/m³	10mg/m³	15.01 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.87mg/m³	10mg/m³	93.11 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.75mg/m³	10mg/m³	14.08 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.46mg/m³	10mg/m³	24.2 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.55mg/m³	10mg/m³	47.4 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.87mg/m³	10mg/m³	37.8 kg	—	No
Shouguang Maolong	Volatile organic compounds	Organised	1	Production complex	3.56mg/m³	60mg/m³	21.42 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.46mg/m³	10mg/m³	39.8 kg	—	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	30mg/m³	50mg/m³	3.49 kg	—	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	67mg/m³	100mg/m³	5.34 kg	—	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	5.6mg/m³	10mg/m³	0.65 kg	—	No

Note: Shandong Molong and Shouguang Baolong are not listed above because they are no longer critical pollutant discharging entities as announced by the environmental authorities.

Construction and operation of pollution prevention and control facilities

The Company and its subsidiaries conducted their environmental works in strict compliance with the environmental laws and regulations such as the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise and the Law of the People's Republic of China on Prevention and Control of Water Pollution.

Wastewater treatment facilities: The Company has equipped all production plants with integrated sewage treatment facilities in all factories which have been in normal operation. Wastewater discharged from production process are treated and recycled without outward discharge;

Exhaust treatment facilities: The Company has equipped production lines in all production complexes with the corresponding environmental facilities, including denitration and electrostatic/electric precipitator, fabric filter, acid mist treatment equipment, alkali desulfurization and volatile organic compounds treatment equipment, to ensure effective treatment and discharge of exhausts generated from the production process.

Environmental impact assessment of construction projects and other administrative permissions for environmental protection

The Company strictly complied with the requirements of the environmental laws and regulations to carry out environmental impact assessment of contraction project. The construction projects have all passed the environmental impact assessment procedures and been accepted by the relevant competent authorities, where filing procedures have been carried out. The Company's pollutants discharge permits were all valid.

Emergency plans for sudden environmental incidents

Each of the Company and its subsidiaries has engaged a qualified firm to prepare its emergency plans for sudden environmental incidents, which have been filed to environment authorities after reviewed by experts. The Company and its subsidiaries also organised trainings and drills on a regular basis to rectify the problems in the area of emergency management, so as to strengthen the control of environmental risks.

Environmental self-monitoring program

During the reporting period, the Company and its subsidiaries worked closely with local environmental inspection departments on periodic supervisory inspections. Four sets of exhaust online monitoring equipment were in normal operation. It engaged third party inspection firms to monitor their discharge statistics on a regular basis, with an aim to meet industry standards and requirements of local environmental authorities. Monthly statistical disclosure on the related environmental statistics, supervision on stable operation of wastewater and exhaust treatment facilities are conducted to effectively ensure sound management of internal discharge of wastewater and exhaust.

Administrative penalties arising from environmental issues during the reporting period

The Company or name of subsidiary	Reason for the penalty	Details of non-compliance	Penalty outcome	Impacts on the production and operation of the listed company	Rectification measures of the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Other discloseable environmental information

There was no other discloseable environmental information.

Meas res aken for carbon emissions red c ion and heir res l s d ring he repor ing period

☐ Applicable Not applicable

O her en ironmen all rela ed informa ion

There was no other environmentally related information.

II. Social Responsibility

During the reporting period, the Company attached great importance to the performance of social responsibility, and has taken a proactive stance in fulfilling social responsibility which was epitomised in the following aspects:

1. Safeguarding shareholders' interest

The Company had established a relatively well-established governance structure and a comprehensive internal control system. Such measures guaranteed the soundness and the level of control of the decision making mechanism of the Company on material issues. At general meetings, the Company adopted both on-the-spot plus online voting to enhance the participation of shareholders. The assembly, convention and voting procedures of the meeting complied with the requirements of the laws, regulations and the Articles of Association. The Company established various forms of communication platforms and channels with the investors through different measures and conducted timely, true, accurate and comprehensive regular information disclosure in strict compliance with the relevant laws, regulations, the Articles of Association and the requirements of the relevant system of the Company in order to ensure that all shareholders of the Company were given fair, just, open and adequate opportunities to acquire the information of the Company, which is aim at protecting various legal rights of all shareholders as stipulated by the laws, regulations and articles in a fair manner.

2. Safeguarding employees' interest

The Company highly emphasised the nurture of talents. We strived to improve the quality of our staff and realised mutual growth of our staff and the enterprise by offering our staff with career planning and organising various corporate training. The Company offered various social insurance to our staff and established relief fund to care and support staff in difficult times and created a harmonious working environment. In the first half of 2022, the Company paid visits to the staff who were in difficulties, and helped them by disbursing the relief fund.

3. Actively participating in social undertakings

The Company pays great attention to the creation of social value and places our focus of fulfilling social responsibility on actively participating in social services. We spare no effort to join social undertakings and charity activities and organised numerous donations with a view to rewarding the society within our capacity. In the first half of 2022, to cooperate with local governments in pandemic prevention and control, the Company donated RMB100 thousand to support anti-pandemic work. Meanwhile, the Company offered services to the government by providing rounds of buses and business cars to give free rides to vaccination and nucleic acid test staff, in order to give full support to the local anti-pandemic work. The Company also proactively participated in social welfare undertakings by actively liaising with blood donation centres in the central district of Weifang City, advocating and arranging more than 100 staff members to participate in voluntary blood donation public welfare activities, which demonstrated the social responsibility and undertaking of the Company.

SECTION VI MATERIAL MATTERS

I. Commitments fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period and their outstanding commitments as at the end of the reporting period

☐ Applicable Not applicable

There were no commitments that were fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period, and there were no outstanding commitments as at the end of the reporting period.

II. Occupation of non-operating funds of the listed company by controlling shareholders and other related parties

☐ Applicable Not applicable

There was no occupation of non-operating funds of the listed company by controlling shareholders and other related parties during the reporting period.

III. Illegal external guarantees

☐ Applicable Not applicable

There were no illegal external guarantees during the reporting period.

IV. Appointment and dismissal of accounting firm

Whether the interim financial report has been audited

☐ Yes No

The Company's interim report is unaudited.

V. Opinions of the board and the supervisory committee regarding the "modified auditor's report" issued by accounting firm for the reporting period

☐ Applicable Not applicable

VI. Opinions of the board regarding the "modified auditor's report" for the prior year

☐ Applicable Not applicable

VII. Matters related to bankruptcy and reorganisation

☐ Applicable Not applicable

There were no matters related to bankruptcy and reorganisation during the reporting period.

VIII. Litigations

Significant litigations and arbitrations

☐ Applicable Not applicable

The Company was not involved in any significant litigations or arbitrations during the reporting period.

Other lawsuits

Applicable ☐ Not applicable

As at the date of these financial statements, the proceedings against the Company by investors regarding false statements about securities have been entertained by the Intermediate People's Court of Jinan, and the aggregate sum involved was RMB123,757,110.17. Currently, all cases have been adjudicated or concluded through mediation with an amount of RMB73,006,542.25, of which RMB72,792,738.42 has been paid and the remaining balance amounted to RMB213,803.83. The Company is performing its obligations according to the verdicts.

IX. Punishments and rectifications

☐ Applicable Not applicable

X. Integrity of the Company, its controlling shareholders and actual controllers

☐ Applicable Not applicable

XI. Significant related party transactions

1. Related party transactions associated with the day-to-day operations

☐ Applicable Not applicable

The Company did not enter into any related party transaction associated with the day-to-day operations during the reporting period.

2. Related party transactions in connection with acquisition or disposal of assets or equity interests

☐ Applicable Not applicable

There were no related party transactions in connection with acquisition or disposal of assets or equity interest during the reporting period.

3. Related party transactions in connection with joint external investment

☐ Applicable Not applicable

There were no related party transactions in connection with joint external investment during the reporting period.

4. *Amounts due from/to related parties*

Applicable ☐ Not applicable

Any non-trade amounts due from/to related parties

Yes ☐ No

Debts due to related parties

Related Party	Related relationship	Reason	Balance at the beginning of the period (RMB ten thousand)	Amount increased during the current period (RMB ten thousand)	Amount repaid during the current period (RMB ten thousand)	Interest rate	Interest for the current period (RMB ten thousand)	Balance at the end of the period (RMB ten thousand)
Shouguang Jinxin	Controlling shareholder of the controlling shareholder	Financial assistance	5,000	69,000	72,500	0.00%	0	1,500

Impact of the related debts on the operating results and financial position of the Company	On 26 November 2021, after the consideration and approval at the first special meeting of the seventh session of the board of directors of the Company, Shouguang Jinxin, the related party, provided non-interest bearing borrowings of up to RMB500 million to the Company for a term of less than one year. During the reporting period, the maximum single-day balance of the borrowings was RMB205 million, which fell within the above limit.

5. *Amounts due from/to related financial companies*

☐ Applicable Not applicable

The Company did not have any deposit, loan, credit or other financial business with its related financial companies, controlled financial companies with related parties.

6. *Amounts due from/to financial companies controlled by the Company with related parties*

☐ Applicable Not applicable

The financial companies controlled by the Company did not have any deposit, loan, credit or other financial business with related parties.

7. *Other significant related party transactions*

☐ Applicable Not applicable

There were no other significant related party transactions during the reporting period.

XII. Material contracts and their performance

1. *Entrustment, Contracting and leasing*

(1) Entrustment

☐ Applicable Not applicable

The Company had no entrustment during the reporting period.

(2) Contracting

☐ Applicable Not applicable

The Company had no contracting during the reporting period.

(3) Leasing

Applicable ☐ Not applicable

Descriptions of the leasing

(1) In December 2020, the Company disposed the land, ground attachments and other assets of the production complex in science park to Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司). On 17 March 2021, the Company entered into a lease agreement with Shandong Shouguang Vegetable Wholesale Market Co., Ltd., pursuant to which, during the relocation period of the park, the Company shall lease back certain assets it disposed for a term ending on 30 June 2022 at an annual rent of RMB10.72 million. Since there was a change of relocation plan, the parties agreed, after negotiation, to extend the lease term for the Company to 31 December 2022.

(2) In order to further reduce production costs, Weihai Baolong, a subsidiary, entered into the Asset Lease Framework Agreement regarding the Casting and Forging Production Line of Weihai Baolong with Weihai Senming Metal Materials Co., Ltd. (威海森銘金屬材料有限公司) ("Weihai Senming") on 5 March 2021, whereby Weihai Baolong shall lease the related facilities of the casting and forging production line to Weihai Senming for use for a term of 8 years, and Weihai Baolong shall charge rental fee based on the benchmark production volume of such lease. During the reporting period, the parties agreed, after negotiation, to terminate the above lease agreement. On 18 May 2022, Weihai Baolong and Weihai Senming entered into the Agreement for the Termination of the Asset Lease Framework Agreement to terminate the lease.

(3) After consideration at the twelfth meeting of the sixth session of the board of directors of the Company, in order to further expand financing channels, the Company has development the sale-and-leaseback financing business jointly with Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB60 million and the term is within 36 months. During the lease period, the Company shall continue to use such certain production equipment by way of sale and leaseback until the lease period as agreed in the lease ends. Details can be found in the Announcement on the Development of Finance Lease Business disclosed by the Company (Announcement #2021-052).

Leases with profit or loss contribution accounting for over 10% of the total profit of the Company during the reporting period

☐ Applicable Not applicable

There were no leases with profit or loss contribution accounting for over 10% of the total profit of the Company during the reporting period.

2. *Significant guarantees*

Applicable ☐ Not applicable

Unit: RMB ten thousand

External guarantees of the Company and its subsidiaries (excluding guarantee in favour of subsidiaries)

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not

Guarantees of the Company in favour of subsidiaries

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not
Shouguang Maolong	31 March 2022	30,000	Not yet occurred	–	–	–	–	–	–	–
Shouguang Maolong	16 May 2020	14,510.78	30 June 2020	5,580.01	Security	Certain properties and land use rights	–	3 years	No	No
Total line of guarantees granted to subsidiaries during the reporting period (B1)			30,000	Total actual amount of guarantees in favour of subsidiaries during the reporting period (B2)						5,580.01
Total line of guarantees granted to subsidiaries as at the end of the reporting period (B3)			44,510.78	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (B4)						5,580.01

Guarantees of subsidiaries in favour of subsidiaries

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not
Shouguang Maolong	16 May 2020	4,048.95	30 June 2020	1,556.99	Security	Certain properties and land use rights	–	3 years	No	No
Shouguang Maolong	16 May 2020	1,440.27	30 June 2020	553.85	Security	Certain properties and land use rights	–	3 years	No	No
Total line of guarantees granted to subsidiaries during the reporting period (C1)			0	Total actual amount of guarantees in favour of subsidiaries during the reporting period (C2)						2,110.84
Total line of guarantees granted to subsidiaries as at the end of the reporting period (C3)			5,489.22	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (C4)						2,110.84
Total guarantees of the Company (being the sum of the above three guarantees)										
Total line of guarantees granted during the reporting period (A1+B1+C1)			30,000	Total actual amount of guarantees during the reporting period (A2+B2+C2)						7,690.85
Total line of guarantees granted as at the end of the reporting period (A3+B3+C3)			50,000	Total actual amount of guarantees as at the end of the reporting period (A4+B4+C4)						7,690.85
Proportion of total actual guarantees (i.e. A4+B4+C4) to net assets of the Company										6.20%
Including:										
Balance of guarantees given for shareholders, actual controllers and their related parties (D)										0
Balance of debt guarantees direct or indirectly given for guarantee parties with gearing ratio of over 70% (E)										7,690.85
Amount of total guarantees in excess of 50% of net assets (F)										0
Total of the above three guarantee amounts (D+E+F)										7,690.85
For unexpired guarantee contracts, descriptions about the guarantee liabilities occurred or possible joint and several liabilities of repayment with evidence during the reporting period (if any)										Nil
External guarantees in breach of procedural requirements (if any)										Nil

Details of shareholding guarantees

On 15 May 2020, the third special meeting of the sixth session of the board of directors of the Company considered and passed the "Proposal for the provision of guarantee for Shouguang Maolong" (《關於為壽光懋隆提供擔保的議案》). It was agreed that Shouguang Maolong (a wholly-owned subsidiary) should commence the provision of comprehensive financial services with China Great Wall Asset Management Co., Ltd. Shandong Branch with a total amount of not exceeding RMB20,000 ten thousand for a period of no longer than 36 months, and that the Company, Shouguang Baolong and Weihai Baolong should provide certain of their real properties and land use rights, respectively, as security of guarantee in respect of the commencement of the above business by Shouguang Maolong. Such guarantee has been considered and approved at the annual general meeting 2019 of the Company. Details are available in the "Announcement on the Provision of Guarantee to a Wholly-Owned Subsidiary" (Announcement No. 2020-030) posted on the information disclosure website of cninfo (http://www.cninfo.com.cn).

3. *Entrusted wealth management*

☐ Applicable Not applicable

The Company had no entrusted wealth management during the reporting period.

4. *Other significant contracts*

☐ Applicable Not applicable

The Company had no other significant contracts during the reporting period.

XIII. Descriptions of other significant events

Applicable ☐ Not applicable

1. *Change of the registered address of the Company*

At the first meeting of the seventh session of the board of directors convened on 30 March 2022 the 2021 annual general meeting of the Company convened on 19 May 2022, the Resolution on the Change of the Registered Address of the Company and the Amendments to the Articles of Association was passed, the details of which can be found in the Announcement on the Change of the Registered Address of the Company (Announcement No. 2022-012) and the Announcement on the Resolutions Passed at the 2021 Annual General Meeting (Announcement No. 2022-017) posted on the information disclosure website of cninfo (http://www.cninfo.com.cn). On 14 June 2022, the Company completed the procedures for the change of industrial and commercial registration and was reissued a business licence by the Weifang Municipal Administration for Market Regulation (濰坊市市場監督管理局).

2. *Progress of material disposal of assets*

The Company convened the sixth extraordinary meeting of the sixth session of the board of directors on 18 November 2020, and at which the "Proposal for the Disposal of Assets" (《關於出售資產的議案》) was considered and passed, which was also considered and passed by the Company's second extraordinary general meeting in 2020. Details are set out in the Announcement in relation to Disposal of Assets (《關於出售資產的公告》) (Announcement No. 2020-056) dated 19 November 2020 and disclosed on the designated information disclosure media, namely China Securities Journal, Securities Daily and Securities Times, and the website of cninfo (www.cninfo.com.cn). As at the end of the reporting period, the Company received an aggregate amount of RMB490 million (representing 97.45% of the total proceeds) pursuant to the agreement.

XIV. Significant events of subsidiaries of the Company

☐ Applicable Not applicable

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

I. Changes in Shares

1. Changes in shares

Unit: share

	Prior to the change		Increase/decrease as a result of the change (+, –)					After the change	
	Number of shares	Percentage	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	Number of shares	Percentage
I. Shares subject to lock-up	106,500	0.01%	–	–	–	(1,875)	(1,875)	104,625	0.01%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	–	–	–	–	–	–	–	–	–
3. Other domestic shares	106,500	0.01%	–	–	–	(1,875)	(1,875)	104,625	0.01%
Including: Domestic legal person shares	–	–	–	–	–	–	–	–	–
Domestic natural person shares	106,500	0.01%	–	–	–	(1,875)	(1,875)	104,625	0.01%
4. Foreign shares	–	–	–	–	–	–	–	–	–
Including: Overseas legal person shares	–	–	–	–	–	–	–	–	–
Overseas natural person shares	–	–	–	–	–	–	–	–	–
II. Shares not subject to lock-up	797,741,900	99.99%	–	–	–	1,875	1,875	797,743,775	99.99%
1. RMB ordinary shares	541,615,500	67.88%	–	–	–	1,875	1,875	541,617,375	67.88%
2. Domestically-listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas-listed foreign shares	256,126,400	32.10%	–	–	–	–	–	256,126,400	32.10%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	797,848,400	100.00%	–	–	–	–	–	797,848,400	100.00%

Reason(s) for change in shares

Applicable ☐ Not applicable

According to the Administrative Rules on Shares of Listed Company Held by Directors, Supervisors or Senior Management and Changes in Such Shareholdings (《上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則》), during the reporting period, partial of the RMB ordinary shares (A shares) subject to lock-up held by departed senior management members were changed to shares not subject to lock-up, being 1,875 shares.

Approval for the change in shares

☐ Applicable Not applicable

Transfer for the change in shares

☐ Applicable Not applicable

Progress of share repurchases

☐ Applicable Not applicable

Progress of reduction of repurchased shares through centralised bidding

☐ Applicable Not applicable

Effects of the change in shares on financial indicators such as basic earnings per share, diluted earnings per share and net assets attributable to ordinary shareholders of the Company per Share for the most recent year and period

☐ Applicable Not applicable

Other disclosures where were considered necessary by the Company or required by securities regulatory authorities

☐ Applicable Not applicable

2. *Changes in locked-up shares*

Applicable ☐ Not applicable

Unit: share

Name of shareholder	Number of locked-up shares at the beginning of the period	Number of locked-up shares released during the period	Number of locked-up shares increased during the period	Number of locked-up shares at the end of the period	Reason(s) for the lock-up	Date of release from the lock-up
Liu Yun Long	1,875	1,875	0	0	Locked-up shares of senior management	2022-06-20
Total	1,875	1,875	0	0	—	—

II. Issuance and listing of securities

☐ Applicable Not applicable

III. Number of shareholders of the Company and their shareholdings

Unit: share

Total number of ordinary shareholders at the end of reporting period	38,055 (including 38,012 A shareholders and 43 H shareholders)	Total number of preferred shareholders with restored voting rights as at the end of reporting period (if any)	0

Shareholdings of ordinary shareholders holding over 5% of shares or the top 10 ordinary shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of ordinary shares held as at the end of the reporting period	Change (increase or decrease) during the reporting period	Number of ordinary shares subject to lock-up held	Number of ordinary shares not subject to lock-up held	Pledged, charged or frozen	
							Status of the shares	Number of shares
Shouguang Molong Holdings Co., Ltd.	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	–	–
HKSCC Nominees Limited	Overseas legal person	13.19%	105,215,330	12,400	0	105,215,330	–	–
Shandong Zhimeng Holdings Co., Ltd.	Domestic non-state owned legal person	9.20%	73,394,911	0	0	73,394,911	–	–
Shouguang Hongsen Logistics Co., Ltd.	Domestic non-state owned legal person	3.99%	31,800,000	0	0	31,800,000	–	–
Shouguang Panjin Property Co., Ltd.	Domestic non-state owned legal person	3.89%	31,000,000	0	0	31,000,000	–	–
Shouguang Ruisen New Building Materials Co., Ltd.	Domestic non-state owned legal person	2.93%	23,374,800	0	0	23,374,800	–	–
Zhang Yun San	Domestic natural person	2.90%	23,108,000	0	0	23,108,000	–	–
Chen Xiao Mao	Domestic natural person	0.70%	5,620,000	5,620,000	0	5,620,000	–	–
Ma Li Ke	Domestic natural person	0.59%	4,700,622	(748,300)	0	4,700,622	–	–
Fan Xi Sheng	Domestic natural person	0.51%	4,040,900	840,900	0	4,040,900	–	–

Strategic investors or ordinary legal person becoming top 10 ordinary shareholders upon placing of new shares (if any)	Not applicable
Connected relationship or concert party relationship among the above shareholders	Among the above shareholders, Shandong Zhimeng Holdings Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., Shouguang Panjin Property Co., Ltd., and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party relationship by signing a concert party agreement and have no control over each other. Other than the above, the Company is not aware of the existence of any relationship or concerted relationship between other shareholders.
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Not applicable
Specific descriptions of special repurchase account of top 10 shareholders (if any)	Not applicable

Shareholdings of the top 10 non-locked up ordinary shareholders

Name of shareholder	Number of non-locked up ordinary shares held at the end of the reporting period	Type of shares	
		Type of shares	Number of shares
Shouguang Molong Holdings Co., Ltd.	235,617,000	RMB ordinary shares	235,617,000
HKSCC Nominees Limited	105,215,330	Overseas listed foreign shares	105,215,330
Shandong Zhimeng Holdings Co., Ltd.	73,394,911	RMB ordinary shares	8,654,911
		Overseas listed foreign shares	64,740,000
Shouguang Hongsen Logistics Co., Ltd.	31,800,000	RMB ordinary shares	31,800,000
Shouguang Panjin Property Co., Ltd.	31,000,000	RMB ordinary shares	200,000
		Overseas listed foreign shares	30,800,000
Shouguang Ruisen New Building Materials Co., Ltd.	23,374,800	Overseas listed foreign shares	23,374,800
Zhang Yun San	23,108,000	RMB ordinary shares	23,108,000
Chen Xiao Mao	5,620,000	RMB ordinary shares	5,620,000
Ma Li Ke	4,700,622	RMB ordinary shares	4,700,622
Fan Xi Sheng	4,040,900	RMB ordinary shares	4,040,900

Connected relationship or acting in concert among the top 10 non-locked up ordinary shareholders, and between the top 10 non-locked up ordinary shareholders and the top 10 ordinary shareholders	Among the above shareholders, Shandong Zhimeng Holdings Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., Shouguang Panjin Property Co., Ltd., and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party relationship by signing a concert party agreement and have no control over each other. Other than the above, the Company is not aware of the existence of any relationship or concerted relationship between other shareholders.
Description of the top 10 ordinary shareholders participating in margin trading business (if any)	Not applicable

Any contracted repurchase transactions were entered into by the top 10 ordinary shareholders and the top 10 non-locked up ordinary shareholders during the reporting period

☐ Yes No

The top 10 ordinary shareholders and the top 10 non-locked up ordinary shareholders did not enter into any contracted repurchase transactions during the reporting period.

IV. Changes in shareholdings of directors, supervisors and senior management

☐ Applicable Not applicable

There were no changes in the shareholdings of the Company's directors, supervisors and senior management during the reporting period. Details can be found in the Annual Report 2021.

V. Changes in controlling shareholders or actual controllers

Changes in controlling shareholders during the reporting period

☐ Applicable Not applicable

There were no changes in the controlling shareholders of the Company during the reporting period.

Changes in actual controllers during the reporting period

☐ Applicable Not applicable

There were no changes in the actual controllers of the Company during the reporting period.

SECTION VIII PREFERRED SHARES

☐ Applicable Not applicable

The Company did not have any preferred shares during the reporting period.

SECTION IX BONDS

☐ Applicable Not applicable

SECTION X FINANCIAL REPORT

I. Auditor's report

Whether the interim report has been audited

☐ Yes No

The Company's interim financial report is unaudited.

II. Financial statements

Unit used in the notes to the financial statements: RMB

1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	30 June 2022	1 January 2022
Current assets:		
Monetary funds	**804,218,264.79**	475,191,176.69
Settlement deposits	**—**	—
Lending funds	**—**	—
Financial assets held for trading	**—**	—
Derivative financial assets	**—**	—
Bills receivable	**125,821,059.44**	235,005,278.71
Accounts receivable	**371,450,687.22**	299,530,976.41
Financing receivables	**125,635,423.74**	28,539,024.92
Prepayments	**24,991,960.33**	49,598,390.41
Insurance receivables	**—**	—
Reinsurance receivables	**—**	—
Reinsurance contract reserves receivable	**—**	—
Other receivables	**28,964,650.51**	17,440,781.64
Including: Interest receivables	**—**	—
Dividends receivable	**—**	—
Purchases of sell-back financial assets	**—**	—
Inventories	**1,049,870,058.59**	715,282,787.11
Contract assets	**—**	—
Assets held for sale	**—**	—
Non-current assets due within one year	**—**	—
Other current assets	**12,857,399.75**	26,180,538.95
Total current assets	**2,543,809,504.37**	1,846,768,954.84

Unit: RMB

Item	30 June 2022	1 January 2022
Non-current assets:		
Loans and advances	—	—
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	**2,144,833.69**	2,144,833.69
Investments in other equity instruments	—	—
Other non-current financial assets	—	—
Investment properties	—	9,929,101.58
Fixed assets	**2,099,679,832.56**	2,181,361,123.66
Construction-in-progress	**4,084,504.22**	10,029,521.56
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	—	1,530,636.81
Intangible assets	**367,487,139.37**	376,053,902.88
Development expenditures	**2,591,455.48**	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	**26,902,298.78**	29,065,116.69
Other non-current assets	**728,107.60**	728,107.60
Total non-current assets	**2,503,618,171.70**	2,610,842,344.47
Total assets	**5,047,427,676.07**	4,457,611,299.31

Unit: RMB

Item	30 June 2022	1 January 2022
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	**—**	—
Including: Preferred shares	**—**	—
Perpetual bonds	**—**	—
Capital reserve	**864,052,733.42**	863,356,311.20
Less: Treasury shares	**—**	—
Other comprehensive income	**(2,445,860.80)**	(1,671,948.29)
Special reserve	**—**	—
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve	**—**	—
Undistributed profits	**(606,765,540.64)**	(434,047,824.92)
Total equity attributable to owners of the parent company	**1,240,443,655.86**	1,413,238,861.87
Minority interests	**(64,030,437.65)**	(53,491,100.48)
Total owners' equity	**1,176,413,218.21**	1,359,747,761.39
Total liabilities and owners' equity	**5,047,427,676.07**	4,457,611,299.31

Legal representative:	Chief accountant:	Head of accounting department:
Yang Yun Long	Hao Yun Feng	Zhu Lin

2. *Balance sheet of the parent company*

Unit: RMB

Item	30 June 2022	1 January 2022
125955.9.3496		
Current assets:		
Monetary funds	**691,268,529.20**	436,544,593.46
Financial assets held for trading	**—**	—
Derivative financial assets	**—**	—
Bills receivable	**125,821,059.44**	235,005,278.71
Accounts receivable	**606,450,915.82**	479,545,005.49
Financing receivable熠窡諮ソズ蘾螾襦		

Unit: RMB

Item	30 June 2022	1 January 2022
Non-current assets:		
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	**1,144,019,921.73**	1,144,019,921.73
Investments in other equity instruments	—	—
Other non-current financial assets	—	—
Investment properties	—	—
Fixed assets	**742,934,437.08**	784,931,166.70
Construction-in-progress	—	—
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	—	1,530,636.81
Intangible assets	**78,298,457.36**	82,472,382.44
Development expenditures	**2,591,455.48**	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	**25,003,734.55**	27,076,567.03
Other non-current assets	**378,107.60**	378,107.60
Total non-current assets	**1,993,226,113.80**	2,040,408,782.31
Total assets	**5,165,833,465.23**	4,872,621,886.01
Current liabilities:		
Short-term borrowings	**1,397,163,719.72**	1,418,106,214.72
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	**873,051,284.51**	609,535,150.42
Accounts payable	**316,385,981.29**	223,914,737.78
Receipts in advance	—	—
Contract liabilities	**111,429,203.39**	42,114,515.40
Salaries payable	**32,289,050.96**	37,321,606.89
Taxes payable	**14,973,597.48**	20,493,658.49
Other payables	**51,543,690.36**	36,511,456.64
Including: Interests payable	—	—
Dividends payable	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	**19,993,311.93**	29,335,550.92
Other current liabilities	**61,242,527.44**	63,768,573.13
Total current liabilities	**2,878,072,367.08**	2,481,101,464.39

Unit: RMB

Item	30 June 2022	1 January 2022
Non-current liabilities:		
Long-term borrowings	—	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	—	—
Long-term payables	**28,052,450.54**	37,742,329.02
Long-term salaries payable	—	—
Estimated liabilities	—	558,467.38
Deferred revenue	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
Total non-current liabilities	**28,052,450.54**	38,300,796.40
Total liabilities	**2,906,124,817.62**	2,519,402,260.79
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	**864,034,065.92**	863,337,643.70
Less: Treasury shares	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	**187,753,923.88**	187,753,923.88
Undistributed profits	**410,072,257.81**	504,279,657.64
Total owners' equity	**2,259,708,647.61**	2,353,219,625.22
Total liabilities and owners' equity	**5,165,833,465.23**	4,872,621,886.01

3. *Consolidated income statement*

Unit: RMB

Item	Interim 2022	Interim 2021
I. Total operating revenue	**1,570,941,941.65**	1,898,127,577.08
Including: Operating revenue	**1,570,941,941.65**	1,898,127,577.08
Interest income	**—**	—
Insurance premium earned	**—**	—
Brokerage and commission income	**—**	—
II. Total operating costs	**1,746,829,087.21**	1,938,925,728.63
Including: Operating costs	**1,517,239,001.79**	1,726,169,152.48
Interest expenses	**—**	—
Brokerage and commission expenses	**—**	—
Surrenders	**—**	—
Net compensation expenses	**—**	—
Net amount of insurance contract reserves provided	**—**	—
Policyholder dividend expenses	**—**	—
Reinsurance premiums	**—**	—
Tax and surcharges	**7,134,994.01**	6,681,418.77
Selling expenses	**7,124,810.84**	5,871,146.55
Administrative expenses	**136,188,184.82**	114,235,240.60
Research and development expenses	**25,104,469.52**	26,040,311.32
Finance costs	**54,037,626.23**	59,928,458.91
Including: Interest expenses	**58,378,820.98**	57,876,192.60
Interest income	**3,752,773.33**	2,892,675.32
Add: Other gains	**49,128.67**	1,266,838.69
Investment income	**—**	—
Including: Gains on investment in associates and joint ventures	**—**	—
Gain on derecognition of financial assets measured at amortised cost	**—**	—
Exchange gains	**—**	—
Net gains on exposure hedges	**—**	—
Gain on fair value changes	**—**	—
Credit impairment losses	**5,831,665.58**	1,642,377.15
Asset impairment losses	**(15,000,113.67)**	(4,830,609.84)
Gain on disposal of assets	**—**	9,832.15
III. Operating profit	**(185,006,464.98)**	(42,709,713.40)
Add: Non-operating income	**4,960,223.84**	1,211,776.85
Less: Non-operating expenses	**1,061,228.98**	3,240,554.91
IV. Total profit	**(181,107,470.12)**	(44,738,491.46)
Less: Income tax expenses	**2,063,592.49**	3,033,465.40
V. Net profit	**(183,171,062.61)**	(47,771,956.86)
(i) By business continuity		
1. Net profit from continuing operations	**(183,171,062.61)**	(47,771,956.86)
2. Net profit from discontinued operations	**—**	—
(ii) By attributable ownership		
1. Net profit attributable to the shareholders of the parent company	**(172,717,715.72)**	(68,250,795.42)
2. Loss or profit attributable to minority interests	**(10,453,346.89)**	20,478,838.56

Unit: RMB

Item	Interim 2022	Interim 2021
VI. Other comprehensive income, net of tax	**(859,902.79)**	165,833.59
Other comprehensive income attributable to owners of the parent company, net of tax	**(773,912.51)**	149,250.25
(i) Other comprehensive income that may not be reclassified to profit or loss	—	—
1. Changes on remeasurement of defined benefit plans	—	—
2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	—	—
3. Fair value changes in investments in other equity instruments	—	—
4. Fair value changes in credit risk of the Company	—	—
5. Others	—	—
(ii) Other comprehensive income that will be reclassified to profit or loss	**(773,912.51)**	149,250.25
1. Other comprehensive income that may be transferred to profit or loss under equity accounting	—	—
2. Fair value changes in other debt investments	—	—
3. Reclassification of financial assets to other comprehensive income	—	—
4. Credit-impaired provision for other debt investments	—	—
5. Cash flow hedge reserve	—	—
6. Exchange differences on translation of foreign financial statements	**(773,912.51)**	149,250.25
7. Others	—	—
Other comprehensive income attributable to minority shareholders, net of tax	**(85,990.28)**	16,583.34
VII. Total comprehensive income	**(184,030,965.40)**	(47,606,123.27)
Total comprehensive income attributable to owners of the parent company	**(173,491,628.23)**	(68,101,545.17)
Total comprehensive income attributable to minority interests	**(10,539,337.17)**	20,495,421.90
VIII. Earnings per share:		
(i) Basic earnings per share	**(0.2165)**	(0.0855)
(ii) Diluted earnings per share	**(0.2165)**	(0.0855)

Legal representative:	Chief accountant:	Head of accounting department:
Yang Yun Long	Hao Yun Feng	Zhu Lin

4. *Income statement of the parent company*

Unit: RMB

Item	Interim 2022	Interim 2021
I. Operating revenue	**674,212,344.85**	1,124,494,963.72
Less: Operating costs	**637,651,438.21**	1,075,489,871.48
Taxes and surcharges	**2,855,752.14**	3,187,488.96
Selling expenses	**6,118,594.53**	5,353,699.32
Administrative expenses	**63,217,793.45**	29,573,007.59
Research and development expenses	**25,104,469.52**	26,040,311.32
Finance costs	**32,563,009.35**	42,665,585.96
Including: Interest expenses	**37,423,908.35**	40,248,914.19
Interest income	**3,648,308.59**	2,084,560.75
Add: Other gains	**38,174.68**	1,037,529.57
Investment income	**—**	—
Including: Gains on investment in associates and joint ventures	**—**	—
Gain on derecognition of financial assets measured at amortised cost	**—**	—
Net gains on exposure hedges	**—**	—
Gain on fair value changes	**—**	—
Credit impairment losses	**5,554,900.69**	(261,198.71)
Asset impairment losses	**(4,585,342.04)**	(4,830,609.84)
Gain on disposal of assets	**—**	2,736.08
II. Operating profit	**(92,290,979.02)**	(61,866,543.81)
Add: Non-operating income	**464,804.25**	704,563.34
Less: Non-operating expenses	**308,392.58**	2,693,337.63
III. Total profit	**(92,134,567.35)**	(63,855,318.10)
Less: Income tax expenses	**2,072,832.48**	2,405,329.01
IV. Net profit	**(94,207,399.83)**	(66,260,647.11)
(i) Net profit from continuing operations	**(94,207,399.83)**	(66,260,647.11)
(ii) Net profit from discontinued operations	**—**	—

Unit: RMB

Item	Interim 2022	Interim 2021
V. Other comprehensive income, net of tax	**—**	—
(i) Other comprehensive income that may not be reclassified to profit or loss	**—**	—
1. Changes on remeasurement of defined benefit plans	**—**	—
2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	**—**	—
3. Fair value changes in investments in other equity instruments	**—**	—
4. Fair value changes in credit risk of the company	**—**	—
5. Others	**—**	—
(ii) Other comprehensive income that will be reclassified to profit or loss	**—**	—
1. Other comprehensive income that may be transferred to profit or loss under equity accounting	**—**	—
2. Fair value changes in other debt investments	**—**	—
3. Reclassification of financial assets to other comprehensive income	**—**	—
4. Provision for credit impairment on other debt investments	**—**	—
5. Cash flow hedge reserve	**—**	—
6. Exchange differences on translation of foreign financial statements	**—**	—
7. Others	**—**	—
VI. Total comprehensive income	**(94,207,399.83)**	(66,260,647.11)
VII. Earnings per share:		
(i) Basic earnings per share	**—**	—
(ii) Diluted earnings per share	**—**	—

5. *Consolidated statement of cash flows*

Unit: RMB

Item	Interim 2022	Interim 2021
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**1,810,421,028.53**	2,163,057,674.77
Net increase in customer deposits and due to banks and other financial institutions	**—**	—
Net increase in borrowings from the central bank	**—**	—
Net increase in borrowing funds from other financial institutions	**—**	—
Cash received from receiving premiums of original insurance contracts	**—**	—
Net cash received from reinsurance business	**—**	—
Net increase in deposits from policyholders and investments	**—**	—
Cash received of interests, brokerages and commissions	**—**	—
Net increase in borrowing funds	**—**	—
Net increase in repurchase business capital	**—**	—
Net cash proceeds from securities brokerage	**—**	—
Receipts of tax refunds	**651,781.97**	21,927,407.90
Other cash received relating to operating activities	**71,529,506.03**	14,439,075.32
Sub-total of cash inflows from operating activities	**1,882,602,316.53**	2,199,424,157.99
Cash paid for purchasing goods and receiving services	**1,568,274,489.14**	1,996,176,263.79
Net increase in loans and advances to customers	**—**	(3,320,474.50)
Net increase in deposits with the central bank and other financial institutions	**—**	—
Cash paid for compensations of original insurance contracts	**—**	—
Net increase in lending funds	**—**	—
Cash paid for interests, brokerages and commissions	**—**	—
Cash paid for policyholder dividends	**—**	—
Cash paid to and on behalf of employees	**141,848,731.91**	111,793,101.95
Taxes paid	**34,207,113.88**	31,800,103.42
Cash paid relating to other operating activities	**81,365,131.49**	82,446,794.62
Sub-total of cash outflows from operating activities	**1,825,695,466.42**	2,218,895,789.28
Net cash flow generated from operating activities	**56,906,850.11**	(19,471,631.29)

Unit: RMB

Item	Interim 2022	Interim 2021
II. Cash flows from investing activities:		
Cash received from return on investments	—	—
Cash received from gains on investments	—	—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	—	140,023,427.58
Net cash received from disposal of subsidiaries and other business units	—	—
Other cash received relating to investing activities	—	—
Sub-total of cash inflows from investing activities	—	140,023,427.58
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**6,599,680.18**	22,205,238.22
Cash paid for investments	—	—
Net increase in pledged loans	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—
Cash paid relating to other investing activities	—	—
Sub-total of cash outflows from investing activities	**6,599,680.18**	22,205,238.22
Net cash flow generated from investing activities	**(6,599,680.18)**	117,818,189.36
III. Cash flows from financing activities:		
Cash received from capital contributions	—	—
Including: Cash received from capital contributions from minority shareholders by subsidiaries	—	—
Cash received from borrowings	**2,459,716,777.52**	1,834,214,757.03
Other cash received relating to financing activities	—	—
Sub-total of cash inflows from financing activities	**2,459,716,777.52**	1,834,214,757.03
Cash paid for repayment of debts	**2,117,306,394.73**	2,089,977,909.48
Cash paid for distribution of dividends and profits or repayment of interests	**57,429,874.00**	56,324,403.12
Including: Dividends and profits paid to minority shareholders by subsidiaries	—	—
Cash paid relating to other financing activities	**268,358,500.00**	92,915,500.00
Sub-total of cash outflows from financing activities	**2,443,094,768.73**	2,239,217,812.60
Net cash flow generated from financing activities	**16,622,008.79**	(405,003,055.57)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	**(2,190,087.67)**	785,467.71
V. Net increase in cash and cash equivalents	**64,739,091.05**	(305,871,029.79)
Add: Balance of cash and cash equivalents at the beginning of the period	**414,209,197.66**	699,989,196.48
VI. Balance of cash and cash equivalents at the end of the period	**478,948,288.71**	394,118,166.69

6. *Statement of cash flows of the parent company*

Unit: RMB

Item	Interim 2022	Interim 2021
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**834,290,226.86**	1,268,254,259.65
Refunds of taxes received	**651,781.97**	21,927,407.90
Other cash received relating to operating activities	**45,111,271.72**	12,122,436.74
Sub-total of cash inflows from operating activities	**880,053,280.55**	1,302,304,104.29
Cash paid for purchasing goods and receiving services	**381,519,517.78**	1,366,230,393.33
Cash paid to and on behalf of employees	**92,040,854.91**	70,633,032.71
Cash paid for taxes	**22,516,374.21**	22,378,072.06
Other cash paid relating to operating activities	**320,163,708.43**	139,107,415.89
Sub-total of cash outflows from operating activities	**816,240,455.33**	1,598,348,913.99
Net cash flow generated from operating activities	**63,812,825.22**	(296,044,809.70)
II. Cash flows from investing activities		
Cash received from disposal of investments	**—**	—
Cash received from gains on investments	**—**	—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	**—**	140,002,736.08
Net cash received from disposal of subsidiaries and other operating entities	**—**	—
Other cash received relating to investing activities	**—**	—
Sub-total of cash inflows from investing activities	**—**	140,002,736.08
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**454,414.00**	2,981,100.00
Cash paid for investments	**—**	—
Net cash paid for acquisition of subsidiaries and other operating entities	**—**	—
Other cash paid relating to investing activities	**—**	—
Sub-total of cash outflows from investing activities	**454,414.00**	2,981,100.00
Net cash flow generated from investing activities	**(454,414.00)**	137,021,636.08
III. Cash flows from financing activities:		
Cash received from capital contributions	**—**	—
Cash received from borrowings	**1,564,016,777.52**	1,427,614,757.03
Other cash received relating to financing activities	**—**	—
Sub-total of cash inflows from financing activities	**1,564,016,777.52**	1,427,614,757.03
Cash paid for repayment of liabilities	**1,595,206,394.73**	1,560,877,909.48
Cash paid for dividend and profit distributions or interest repayments	**37,529,024.24**	36,184,753.53
Other cash paid relating to financing activities	**—**	—
Sub-total of cash outflows from financing activities	**1,632,735,418.97**	1,597,062,663.01
Net cash flow generated from financing activities	**(68,718,641.45)**	(169,447,905.98)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	**(2,311,704.03)**	809,419.96
V. Net increase in cash and cash equivalents	**(7,671,934.26)**	(327,661,659.64)
Add: Balance of cash and cash equivalents at the beginning of the period	**375,994,555.19**	664,816,726.15
VI. Balance of cash and cash equivalents at the end of the period	**368,322,620.93**	337,155,066.51

7. *Consolidated statement of changes in owners' equity*

Amounts for the current period

Unit: RMB

	Interim 2022													
	Equity attributable to owners of the parent company													
		Other equity instruments												
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I. Balance at the end of the same period last year	**797,848,400.00**	–	–	–	**863,356,311.20**	–	**(1,671,948.29)**	–	**187,753,923.88**	–	**(434,047,824.92)**	–	**1,413,238,861.87**	**(53,491,100.48)**	**1,359,747,761.39**
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	**797,848,400.00**	–	–	–	**863,356,311.20**	–	**(1,671,948.29)**	–	**187,753,923.88**	–	**(434,047,824.92)**	–	**1,413,238,861.87**	**(53,491,100.48)**	**1,359,747,761.39**
III. Changes in the current period	–	–	–	–	**696,422.22**	–	**(773,912.51)**	–	–	–	**(172,717,715.72)**	–	**(172,795,206.01)**	**(10,539,337.17)**	**(183,334,543.18)**
(i) Total comprehensive income	–	–	–	–	–	–	**(773,912.51)**	–	–	–	**(172,717,715.72)**	–	**(173,491,628.23)**	**(10,539,337.17)**	**(184,030,965.40)**
(ii) Owners' capital contribution and reduction	–	–	–	–	**696,422.22**	–	–	–	–	–	–	–	**696,422.22**	–	**696,422.22**
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	**696,422.22**	–	–	–	–	–	–	–	**696,422.22**	**0.00**	**696,422.22**
(iii) Profit distribution															
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriations to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity															
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve															
1. Charge for the period	–	–	–	–	–	–	–	**13,594,754.41**	–	–	–	–	**13,594,754.41**	–	**13,594,754.41**
2. Utilised during the period	–	–	–	–	–	–	–	**13,594,754.41**	–	–	–	–	**13,594,754.41**	–	**13,594,754.41**
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	**797,848,400.00**	–	–	–	**864,052,733.42**	–	**(2,445,860.80)**	–	**187,753,923.88**	–	**(606,765,540.64)**	–	**1,240,443,655.86**	**(64,030,437.65)**	**1,176,413,218.21**

Amo n s for he prior period

Unit: RMB

Item	Interim 2021														
	Equity attributable to owners of the parent company														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I Balance at the end of the same period last year	797,848,400.00	–	–	–	863,169,158.42	–	(2,015,577.82)	–	187,753,923.88	11,236.91	(66,030,056.80)	–	1,780,737,084.59	20,832,805.21	1,801,569,889.80
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	797,848,400.00	–	–	–	863,169,158.42	–	(2,015,577.82)	–	187,753,923.88	11,236.91	(66,030,056.80)	–	1,780,737,084.59	20,832,805.21	1,801,569,889.80
III. Changes in the current period	–	–	–	–	–	–	149,250.25	–	–	–	(68,250,795.42)	–	(68,101,545.17)	20,495,421.90	(47,606,123.27)
(i) Total comprehensive income	–	–	–	–	–	–	149,250.25	–	–	–	(68,250,795.42)	–	(68,101,545.17)	20,495,421.90	(47,606,123.27)
(ii) Owners' capital contribution and reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Profit distribution															
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriations to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity															
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve															
1. Charge for the period	–	–	–	–	–	–	–	14,492,760.59	–	–	–	–	14,492,760.59	–	14,492,760.59
2. Utilised during the period	–	–	–	–	–	–	–	14,492,760.59	–	–	–	–	14,492,760.59	–	14,492,760.59
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	797,848,400.00	–	–	–	863,169,158.42	–	(1,866,327.57)	–	187,753,923.88	11,236.91	(134,280,852.22)	–	1,712,635,539.42	41,328,227.11	1,753,963,766.53

Amo n s for he prior period

Unit: RMB

Item	Interim 2021											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners'equity
I. Balance at the end of the same period last year	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	686,906,157.86	–	2,535,658,972.66
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	686,906,157.86	–	2,535,658,972.66
III. Changes in the current period	–	–	–	–	–	–	–	–	–	(66,260,647.11)	–	(66,260,647.11)
(i) Total comprehensive income	–	–	–	–	–	–	–	–	–	(66,260,647.11)	–	(66,260,647.11)
(ii) Owners' capital contribution and reduction												
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity												
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve												
1. Charge for the period	–	–	–	–	–	–	–	7,063,563.65	–	–	–	7,063,563.65
2. Utilised during the period	–	–	–	–	–	–	–	7,063,563.65	–	–	–	7,063,563.65
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	620,645,510.75	–	2,469,398,325.55

III. General Information of the Company

Shandong Molong is a joint stock limited company registered in the People's Republic of China, the predecessor company is Shandong Molong Holdings Company, which was established jointly by Zhang En Rong, Lin Fu Long, Zhang Yun San, Xie Xin Cang, Liu Yun Long, Cui Huan You, Liang Yong Qiang, Shengli Oil Field Kaiyuan Oil Exploitation Company Limited (勝利油田凱源石油開發有限責任公司) and Gansu Industrial University Alloy Materials Factory (甘肅工業大學合金材料總廠) on 27 December 2001 with the approval from Office for Restructuring the Economic System of Shandong Province (山東省經濟體制改革辦公室) with the letter Lu Ti Gai Han Zi [2001] No. 53 (魯體改函字[2001]53號文).

Upon the approval by the CSRC with Zheng Jian Guo He Zi [2003] No. 50 (證監國合字[2003]50號文), on 15 April 2004, the Company issued 134,998,000 additional overseas listed foreign shares (H Shares) at the issuing price of HKD0.70 per share with a nominal value of RMB0.10 each, which were listed in the Growth Enterprise Market of the SEHK.

Upon the approval by the CSRC with Zheng Jian Guo He Zi [2005] No. 13 (證監國合字[2005]13號文), on 12 May 2005, the Company issued 108,000,000 additional overseas listed foreign shares (H Shares) at the issuing price of HKD0.92 per share with a nominal value of RMB0.10 each.

Upon the approval by Zheng Jian Guo He Zi [2007] No. 2 (證監國合字[2007]2號文) issued and signed by the CSRC on 26 January 2007 and the approval issued by the SEHK on 6 February 2007, the listing status of the Company's overseas listed foreign shares (H Shares) in the Growth Enterprise Market of the SEHK has been cancelled on 7 February 2007, and changed to list on the Main Board of the SEHK.

Upon the approval by the CSRC with Zheng Jian Xu Ke [2010] No. 1285 (證監許可[2010]1285號文), on 11 October 2010, the Company offered 70,000,000 Renminbi ordinary shares (A Shares) with nominal value of RMB1 each at an offering price of RMB18 per share, and listed for trading on the SZSE since 21 October 2010. The Company's registered capital has changed to RMB398,924,200.00, and the total number of shares has changed to 398,924,200 shares.

Pursuant to the resolutions of 2011 Annual General Meeting convened on 25 May 2012, on the basis of a total of 398,924,200 shares as at 31 December 2011, the Company enlarged its share capital through conversion from capital reserve in the proportion of 1 shares for each existing share, converting 398,924,200 shares in aggregate, and the conversion date was 19 July 2012. Upon the conversion, the Company's registered capital has changed to RMB797,848,400.00, and the total number of shares has changed to 797,848,400 shares.

On 23 February 2021, Mr. Zhang En Rong, the original controlling shareholder and the actual controller of the Company, entered into the Share Transfer Agreement with Molong Holdings. Mr. Zhang En Rong transferred 235,617,000 A shares of the Company (representing 29.53% of the total share capital of the Company) held by him to Molong Holdings by way of transfer agreement.

As at 30 June 2022, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

The registered address of the Company is at No. 99 Xing Shang Road, Gucheng Subdistrict, Shouguang City, Shandong Province, PRC.

The office address of the is at No. 999 Wen Sheng Street, Shouguang City, Shandong Province.

The Company and its subsidiaries operate in the special equipment manufacturing industry and are mainly engaged in the manufacture of special equipment for petroleum machinery. The scope of business covers the production and sale of oil pumps, sucker rods, pumping units, tubing, petroleum machinery, textile machinery, steel rolling and processing, special equipment, gear and gearbox, special equipment for oil drilling, valve and cock, special metallurgy equipment, mechanical parts processing; development of petroleum machinery and related products; commodity information services (excluding intermediaries); technology promotion services; energy-saving technology promotion services; technology imports and exports; goods imports and exports; inspection services; measurement services. (Project approved by law can only be carried out with the approval of the relevant department, and the validity is subject to the licence).

The controlling shareholder of the Company is Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司) and the actual controller of the Company is the State-owned Assets Supervision and Administration Commission of Shouguang City (壽光市國有資產監督管理局).

The Group's consolidated financial statements covers eight companies including Shouguang Baolong, Shouguang Maolong and Weihai Baolong. Compared to last year, Shouguang Baolong Management and Consultancy Co., Ltd. (壽光市寶隆管理諮詢有限公司) is excluded for this year due to its deregistration in last year.

Particulars of the subsidiaries of the Group are described in "VIII. Change in the scope of consolidation" of this note and "IX. Interests in other entities" of this note.

IV. Basis of preparation of the financial statements

1. Basis of preparation

The financial statements of the Group have been prepared using the going-concern basis and the transactions and events actually occurred and in accordance with the Companies Ordinance of Hong Kong and the Listing Rules of the SEHK, on the basis of the accounting policies and accounting estimates as stated in "V. Significant accounting policies and accounting estimates" of this note.

2. Going concern

In order to improve the company's liquidity and cash flow to maintain the company's continuing operations, the Company has implemented or prepared to implement the following measures:

1) the Company received a financial assistance of RMB500 million from Shouguang Jinxin, the controlling shareholder of the Company's controlling shareholder.

2) the Company entered into cooperation with Zhejiang Zhongda Yuantong Finance Leasing Co., Ltd. (浙江中大元通融資租賃有限公司) to obtain a financing of RMB85 million for a term of 3 years through finance lease business.

3) the Company increased its efforts in the promotion and sales of new products with higher gross margin, strengthened its internal management, deepened the internal tapping, intensified inputs to technological upgrade, adopted multiple measures to reduce production cost and enhance the profitability of the Company.

4) the cooperation between the Group and financial institutions is currently well advanced. While maintain the existing financing channels and credit lines, the Company diversified into other financing channels and modes.

5) the Group is adopting measures to actively explore new investment and business opportunities such as further promoting the furnace rehabilitation technology, in order to make profit and gain adequate working capital.

As at the date of this financial report, the Group had unutilised credit facilities from financial institutions of RMB243 million, and had stable cash flows from operating activities as there was a large number of orders unfulfilled. The Company has launched its newly-developed products into the market and the prospect is promising.

Based on the forgoing, management of the Company believes that the Company is able to repay its debts when they become due and can continue its business as a going concern.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

The Group has adopted the accounting policies and accounting estimates specific to the characteristics of its actual production and operation, including the business cycle, recognition and measurement of financial assets, measurement of inventory dispatched, classification and depreciation of fixed assets, amortisation of intangible assets, criteria for capitalisation of research and development expenditures, recognition and measurement of revenue and others.

1. Statement of compliance with the ASBEs

The Company have prepared the financial statements in accordance with the ASBEs, which gives a true and complete view of the financial position, trading results, cashflows and other information of the Company and of the Group.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Business cycle

The Group's business cycle is 12 months. The period from 1 January to 31 December every year is regarded as a business cycle, which is used for determining the classification of the liquidity of assets and liabilities.

4. Reporting currency

The reporting currency of the Group is RMB.

5. Accounting for business combinations under common and uncommon control

The assets and liabilities that the Group acquires as the combining party in a business combination under common control shall be measured at their book value of the combined party on the combining date in the consolidated statements of the ultimate controlling party. The balance between the book value of the net assets acquired and that of the consideration paid shall be used to adjust capital reserves. If capital reserves are insufficient for offsetting, retained earnings will be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in a business combination not under common control shall be measured at fair value on the acquisition date. The combination costs shall be the aggregate of the fair value of cash or non-cash assets paid by the Group on the acquisition date to obtain control over the acquiree, the debts issued or undertaken by the Group and the equity securities issued as well as all relevant direct costs for the business combination (for a business combination realised by multiple transactions, the combination costs shall be the aggregate of the costs of all separate transactions). The amount of the combination costs in excess of the fair value of the identifiable net assets of the acquiree shall be recognised as goodwill. If the combination costs are less than the fair value of the identifiable net assets of the acquiree, the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the combination as well as the fair value of the non-cash assets or the equity securities issued for paying the consideration will be reviewed. If the combination costs are still less than the fair value of the identifiable net assets after review, the balance shall be accounted for as non-operating income for the current period.

6. *Preparation of consolidated financial statements*

The Group incorporates all controlled subsidiaries and structured entities into the scope of the consolidated financial statements.

In preparation of the consolidated financial statements, necessary adjustments will be made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies if there is inconsistency on the accounting policies and accounting period between the Company and its subsidiaries.

Significant intra-group transactions, current balance and unrealised profits within the scope of consolidation shall be offset in preparing the consolidated financial statements. The shares of owners' equity in subsidiaries not attributable to the parent company and the net loss or profit for the current period, other comprehensive income and total comprehensive income attributable to minority interests shall be presented in the consolidated financial statements as "minority interests, profit or loss attributable to minority interests, other comprehensive income attributable to minority interests and total comprehensive income attributable to minority interests", respectively.

The operating results and cash flows of a subsidiary acquired from business combination under common control shall be included in the consolidated financial statements from the beginning of the current period of the combination. When preparing the comparative consolidated financial statements, relevant items in the financial statements of the previous year will be adjusted as if the reporting entity formed after the combination had been in existence since the ultimate controlling party gains control.

In preparing consolidated financial statements, equity interests acquired by two or more transactions, which finally achieves the business combination, shall be adjusted as if they had been in existence in the current state since the ultimate controlling party gains control. When preparing the comparative statements, to the extent that the Group and the combined party are both under the control of the ultimate controlling party, the relative assets and liabilities of the combined party shall be included in the comparative statements of the Group's consolidated financial statements, and the increase in net assets arising from the combination will be adjusted against the related items under owners' equities in the comparative statements. To avoid double counting the value of the net assets of the combined party, long-term equity investments before the combination, as well as the relevant recognised profit or loss, other comprehensive income and other changes in net assets from the day of acquiring the original equity interest or the day when the Group and the combined party are under the same ultimate control, whichever is later, to the combination date shall be offset against the retained earnings at the beginning of the period and the profit or loss for the current period in the comparative statements, respectively.

The operating results and cash flows of a subsidiary acquired from a business combination not under common control unit shall be included in the consolidated financial statements since the Group gains control. When preparing the consolidated financial statements, the financial statements of the subsidiary shall be adjusted based on the fair value of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

For equity interests in an investee not under common control acquired by two or more transactions, which finally achieves the business combination, when the Group prepares the consolidated statements, equity interests in the investee before the acquisition date shall be re-measured at fair value on the acquisition date and the balance between the fair value and the book value shall be included in the investment gains for the current period. Except for other comprehensive income arising from changes as a result of remeasurement of net liabilities or net assets of the defined benefit plan of the investee, other comprehensive income under the equity method involving the equity interests in the investee held before the acquisition date and other changes in equity except net profit or loss, other comprehensive income and profit distribution shall be converted into investment gains or loss in the period in which the acquisition date falls.

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing controls and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to capital premium or share premium in the consolidated financial statements. Adjustments shall be made to retained earnings in the event that capital reserves are not sufficient.

When the Group loses the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equity shall be re-measured in accordance with the fair value on the date of losing control upon preparation of the consolidated financial statements. The amount of the sum of the consideration obtained from equity disposal and the fair value of remaining equity deducting the difference between shared net asset of original subsidiaries that were started to be calculated on the acquisition date or merging date, shall be recorded as investment gain or loss in the period of losing control, and a written down to goodwill shall be made at the same time. Other comprehensive income related to former equity investment in subsidiaries shall be recognised as current investment income upon losing of controls.

For the Group's disposal on the subsidiaries' equity investment by steps until the loses of controls, if transactions in disposal of subsidiaries' equity investment until losing control are in a package deal, each transaction shall be treated as one transaction of disposal on subsidiaries and loses of control; but the difference between considerations from each disposal of investment and shared net asset of the subsidiary before losing controls shall be recognised as other comprehensive income in the consolidated financial statements, and transferred to investment income for the period of losing controls.

7. Classifications of joint arrangement and accounting treatment of joint operation

The joint arrangement of the Group includes joint operations and joint ventures. For joint operation projects, as a joint operation party the Group recognises assets and liabilities solely held by the Group and assets and liabilities held on proportion. Revenue and expenses solely or proportionally recognised in accordance with relevant agreements. Transactions on asset purchase or sales with joint ventures, that do not form normal business activity shall only recognise parts of profits and losses generated in above transactions belonging to other joint operation parties.

8. Criteria for determination of cash and cash equivalents

Cash in cash flow statement of the Group shall be cash on hand and deposits available for payment at any time. Cash equivalents in cash flow shall be investments which shall be short-term (normally become due within 3 months after purchasing date), highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

9. Foreign currency operations and translation of foreign currency statements

(1) Foreign currency transactions

For foreign currency transactions, the Group translate the foreign currency amounts into RMB amounts at the spot rates of exchanges on a trade-date basis. On balance sheet date, foreign currency monetary items are translated into RMB at the prevailing exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalisation.

(2) Translation of foreign currency financial statements

Assets and liabilities in foreign currency balance sheet are translated at the spot rate prevailing at the balance sheet date. Except for “undistributed profits”, items under the owners’ equity are translated at the spot exchange rate when they occur. Income and expenses in income statement are translated at the exchange rate prevailing on the first day of each month. The resulting differences are presented under other comprehensive income. Cash flow dominated in foreign currency are translated at the annual average exchange rate. Effects on cash arising from the change of exchange rate are presented as separate item in the cash flow statement.

10. Financial instruments

Financial asset or financial liability is recognised when the Group becomes a contractual party of a financial instrument.

(1) Financial assets

The Group classifies its financial assets into the following category based on the business model within which the financial asset is managed and the characteristics of contractual cashflow of the financial asset: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss for the period.

A financial asset is classified as financial assets at amortised cost if it meets both of the following conditions: It is managed within a business model whose objective is to collect contractual cash flows. k The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially measured at fair value, with the related transaction costs included in the amount initially recognised. The financial assets are subsequently measured at amortised cost. Financial assets of this kind not included in any hedge relationship are depreciated using effective interest method, with impairment, exchange gain or loss and any gain or loss arising from derecognisation included in the profit or loss for the current period. The Group’s financial assets of this kind include: accounts receivable, bills receivable and other receivables.

Financial assets are classified as financial assets at fair value through other comprehensive income if both of the following conditions are met: the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and k the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal. Financial assets of this kind are initially measured at fair value and relevant transaction costs are recorded in the initially recognised amount. All gains or loss arising from financial assets of this kind not included in any hedge relationship (excluding the credit impairment loss or gain, the profit or loss on currency exchange, interests on financial assets measured by effective interest method) shall be recorded in other comprehensive income. At the time of derecognition of financial assets, the cumulative profit or loss previously recorded in other comprehensive income shall be released from other comprehensive income and recorded in the profit or loss of the current period. The Group’s financial assets of this kind include: other debt investments and financing receivables.

The Group recognises interest income using the effective interest method. The interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, with the following exceptions: For a purchased or originated credit-impaired financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted effective interest rate to its amortised cost. k For a financial asset that is not a purchased or originated credit-impaired financial asset but has subsequently become credit-impaired, whose interest income is then calculated by applying the effective interest rate to its amortised cost.

The Group designates non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through other comprehensive income is recognised initially at fair value, and related transaction expense is included in the initially recognised amount. Except for dividends (excluding any portion as return of investment cost) received and recorded in the current profit and loss, other related gains and losses (including exchange gains and losses) are included in other comprehensive income and subsequently may not be transferred to the current profits and losses. When it is derecognised, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and is included in retained earnings. The Group currently does not have any investment in equity instruments designated at fair value through other comprehensive income.

Except those classified as financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group classifies the remaining financial assets as financial assets at fair value through profit or loss. Financial assets of this kind are initially measured at fair value and relevant transaction costs are included directly in the initially recognised amount. The profit or loss on financial assets of this kind is included in the profit or loss of the current period.

When the Group changes the business model for managing financial assets, all financial assets being affected are reclassified. There were no such circumstances in the year.

A financial asset is derecognised if any one of the following conditions is satisfied: the contractual rights to receive cash flows from the financial asset have ceased; k the financial asset has been transferred and the Group has transferred substantially all the risks and rewards incidental to the ownership of the financial asset; l the financial asset has been transferred and the Group has neither transferred nor retained substantially all the risks and rewards incidental to the ownership of the financial asset, and has not retained its control over the financial asset.

Where the transfer of a financial asset in whole satisfies the criteria of derecognition, the difference between the carrying amount of the financial asset transferred at the date of derecognisation and the sum of consideration received for the transfer and any cumulative gain or loss of fair value that has been recognised directly in other comprehensive income for the part derecognised (the transferred financial assets shall meet the following criteria simultaneously: it is held by the Group within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest on the principal amount) is included in profit or loss for the current period.

Where the transfer of financial asset in part satisfies the criteria of derecognition, the carrying amount of the entire financial asset transferred is allocated between the part to be derecognised and the part not to be derecognised in proportion to their respective relative fair values, and the difference between the sum of the consideration received for the transfer and any cumulative gain or loss of fair value for the part derecognised that has been recognised directly in other comprehensive income for the part derecognised (the transferred financial assets shall meet the following criteria simultaneously: it is held by the Group within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest on the principal amount) and the carrying amount of the entire financial asset abovementioned for allocation is included in profit or loss for the current period.

(2) Financial liabili ies

Except for the following, the Group classifies financial liabilities as financial liabilities at amortised cost using the effective interest method and are subsequently measured at amortised cost:

Financial liabilities at fair value through profit or loss for the current period (including derivatives that are financial liabilities) include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. These financial liabilities are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

k Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Financial liabilities of this kind are measured by the Group according to the standard for transferring financial assets.

l Financial guarantee contracts that do not fall into or k above, and commitments to provide a loan at a below-market interest rate that do not fall into above. The Company, as an issuer of the financial liabilities of this kind, will measure subsequent to initial recognition at the higher of the amount of provision for losses as determined according to standard for impairment on financial instruments and the surplus after accumulative amortisation as determined according to the standard for revenue.

For financial liabilities arising from contingent consideration recognised by the Group as an acquirer in a business combination not under the common control, they shall be measured at fair value with changes recognised in profit or loss for the current period.

When the present obligations of financial liabilities are released in whole or in part, such financial liabilities are derecognised to the extent of the obligations released. Where the Group enters into an agreement with its creditor to replace existing financial liabilities by assuming new financial liabilities with contractual terms substantively differ from those of the existing financial liabilities, the existing financial liabilities are derecognised while the new financial liabilities are recognised. Where the Group substantively revises, in whole or in part, the contractual terms of existing financial liabilities, such existing financial liabilities are derecognised in whole or in part, while those financial liabilities with their terms revised are recognised as new financial liabilities. The difference between the carrying amount of the derecognised part and the consideration paid is included in the profit or loss for the current period.

(3) Me hod for de erminą ion of fair al es of financial asse s and financial liabili ies

Fair values of financial assets and financial liabilities of the Group are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Group: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level of fair value measurement is determined by the lowest level of inputs which are significant to the measurement of fair value as a whole.

The Group measures investments in equity instruments at fair value. However, in limited circumstances, if recent information on determining fair value is insufficient, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, the cost may be an appropriate estimate of fair value with that range.

(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and shall not be offset. However, when all of the following conditions are met, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet: the Group has a legal right that is currently enforceable to set off the recognised amount, and the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Classification and measurement of financial liabilities and equity instruments

The Group classifies financial liabilities and equity instruments on the following principles: Where the Group is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. Where a financial instrument will or may be settled in the Group's own equity instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Group's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

When classifying a financial instrument (or a component thereof) in consolidated financial statements, the Group shall consider all terms and conditions agreed between members of the Group and the holders of the financial instrument. If the Group as a whole has an obligation in respect of the instrument to settle it by delivering cash or another financial asset or in such a way that it would be a financial liability, such instrument shall be classified as a financial liability.

If the financial instrument or its component is attributable to the financial liability, the relevant interests, dividends, gains or losses, and gains or losses arising from redemption or refinancing, shall be recorded in the profit or loss of the current period.

If the financial instrument or its component is attributable to equity instrument, the Group treats it as change in equity when it is issued (including refinanced), repurchased, sold or cancelled, and does not recognise changes in fair value of equity instrument.

11. *Bills receivable*

The business model of the Group's bills receivable is trade acceptance bills that collect contractual cash flows. Impairment provision of bills receivable as at the end of the period shall be made on the basis of expected credit loss of accounts receivable.

12. *Accounts receivable*

For the accounts receivable arising from the transactions regulated by the "Accounting Standards for Business Enterprises No. 14 — Revenue" and including no significant financing components, the Group always measures its loss allowance at an amount equal to the lifetime expected credit losses.

Judgment of whether credit risk has increased significantly since initial recognition. By comparing the default probability of the financial instrument within the estimated duration determined at initial recognition against the default probability of such instrument within the estimated duration determined on the balance sheet date, the Group determines whether the credit risk of financial instrument has increased significantly. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since initial recognition. In normal circumstance, if the financial instrument is more than 30 days past due, it indicates that the credit risk of financial instrument has increased significantly; unless the Group can obtain reasonable and supportable information without undue cost or effort, which demonstrates that even if it is more than 30 days past due, the credit risk has not increased significantly since the initial confirmation. When determining whether the credit risk has increased significantly since the initial confirmation, the Group shall consider the reasonable and supportable information, including forward-looking information, that is available without undue cost or effort. Information considered by the Group includes:

— the issuer or debtor has significant financial difficulty;

— the debtor has a breach of the contract, such as default or delay in payment of interest or principal;

— after consideration for relevant economic or contractual conditions based on the debtor's financial difficulty, the creditor grants the debtor a concession which would not be granted for any other situation;

— the debtor will probably enter bankruptcy or financial restructuring;

— the issuer's or debtor's financial difficulty conduces to the disappearance of the active market of the financial asset;

— a financial asset is purchased or originated at a large discount and the discount reflects the occurrence of credit loss.

For bills receivable and accounts receivable, the Group adopts expected credit loss approach to provide for allowances for bad debts. For bills receivable and accounts receivable which have significant different credit risk, expected credit loss is determined on an individual basis. Apart from determining expected credit loss on accounts receivable and bills receivable on an individual basis, the Group also determines the expected credit losses on a collective basis based on the age distribution and whether it is the common risk characteristics of related party amounts within the scope of consolidation. For the combination of expected credit losses based on aging characteristics and the combination of expected credit loss of related parties within the scope of consolidation, the Group calculates the expected credit loss on accounts receivable and bills receivable using the exposure to default risk and expected credit loss rate of on accounts receivable and bills receivable, and determine the expected credit loss rate based on default probability and default loss rate.

Assessment based on combination. For bills receivable and accounts receivable, the Group is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the level of individual instruments, whereas it is feasible to assess whether credit risk increases significantly on the basis of portfolio. Therefore, the Group divides the bills receivable and accounts receivable into groups, considers and assesses whether there is a significant increase in credit risk on portfolio-basis by taking the dates of initial recognition of bills receivable and accounts receivable as the common risk characteristics. Using the age as a common risk feature, the Group divides bills receivable and accounts receivable into groups and assesses whether credit risk significantly increases on a combined basis.

Measurement of expected credit loss. The expected credit loss means that the risk of default is the weighted average of credit list of weighted financial instrument. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows receivable, that is, the present value of all cash shortages.

The Group measures the expected credit loss on bills receivable and accounts receivable as of the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for the bills receivable and accounts receivable at that time, the Group recognises the difference as loss allowance for the bills receivable and accounts receivable which shall be charged to “credit impairment loss” or credited to “provision for bad debts”. In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant notes receivable and accounts receivable cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to “provision for bad debts” and credited to “bills receivable” or “accounts receivable”. If the amount written off is greater than the loss allowance, the difference is charged to “credit impairment loss” for the relevant period.

Based on the actual credit loss in previous years and taking into account of forward-looking information of the year, the Group’s accounting estimation policies for measuring expected credit losses by age group, are as follows:

Item	Within 1 year	1–2 years	2–3 years	3–5 years	Over 5 years
Default loss rate	1.00%	50.00%	75.00%	85.00%	100.00%

13. *Financing receivables*

For those bills receivable and accounts receivable which the contractual cash flow characteristics are consistent with the basic lending arrangements and the Company’s business model for managing such financial assets is to collect the contractual cash flows and for sale, the Company classifies such bills receivable and accounts receivable as financing receivables and measures them at fair value through other comprehensive income. At initial recognition, the fair value is always the transaction price and any change in fair value is accounted through other comprehensive income. Upon derecognition, the cumulative gain or loss previously included in other comprehensive income is transferred from other comprehensive income and credited to the profit or loss for the period.

14. *Other receivables*

Recognition and accounting methods for expected credit loss on other receivables

The Group provides for the loss of other receivables according to the following circumstances: for financial assets that the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount of future 12-month expected credit losses; k for financial assets that the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses of the financial instrument; l for purchased or originated credit-impaired financial assets, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

Assessment made on a combined basis: For other receivables, the Group is unable to obtain sufficient evidence for any significant increase in credit risk at reasonable cost for one instrument, but finds it feasible to assess whether there is any significant increase in credit risk on a combined basis, therefore, by taking the payment nature of other receivables as the common characteristics of risk, the Group categorizes other receivables into different groups and considers and assesses on a combined basis whether the credit risk significantly increase the expected credit loss of other receivables of the Group measured at the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for other receivables at that time, the Group recognises the difference as loss allowance for other receivables which shall be charged to “credit impairment loss” or credited to “provision for bad debts”. In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant other receivables cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to “provision for bad debts” and credited to “other receivables”. If the amount written off is greater than the loss allowance, the difference is charged to “credit impairment loss” for the relevant period.

15. *Inventories*

Inventories of the Group mainly include raw materials, entrusted processed materials, work-in-progress and finished products.

The inventory taking system shall be on a perpetual basis. Inventories are initially measured at cost; when inventories are delivered, weight average method is adopted to determine the actual cost of inventories delivered. Low-value consumable and packaging materials are amortised by one-time written-off.

Net realisable value of goods-in-stock, work-in-progress or held-for-sale raw materials are determined by their estimated sales less the related selling expenses and taxes. Net realisable value of held-for-production raw materials are determined by their estimated sales price of finished products less the production cost, related selling expenses and taxes.

16. *Contract assets*

Recognition and criteria of contract assets

A contract asset is the Group’s right to consideration in exchange for goods that it has transferred to a customer, and the right is conditioned on factors other than the passage of time. If the Group sells two clearly distinguishable goods to the customer, and it has the right to receive payment because one of the goods has been delivered, but the receipt of such payment is conditioned on the delivery of another goods, the Group shall recognise such right to receive payment as contract asset.

For the recognition of expected credit losses on contract assets, please refer to the method for accounts receivable in note 12 above.

The Group measures the expected credit loss on contract assets as of the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for the contract assets at that time, the Group recognises the difference as impairment loss which shall be charged to “asset impairment loss” or credited to “impairment allowance for contract assets”. In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant contract assets cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to “impairment allowance for contract assets” and credited to “contract assets”. If the amount written off is greater than the loss allowance, the difference is charged to “credit impairment loss” for the relevant period.

17. Contract costs

(1) Method for determining the amount of assets related to contract costs

The Group’s assets relating to contract costs include costs to fulfil a contract and costs of obtaining a contact.

Contract performance costs represent the costs incurred by the Group in performing its contract. When the costs are not within the scope of other accounting standards for business enterprises, the Group recognizes those costs as an asset if they meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify, including direct labor cost, directly material cost, manufacturing overheads, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Group has entered into the contract; the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and the costs are expected to be recovered.

The cost of obtaining a contract is the incremental cost that the Group incurs to obtain a contract. If the cost is expected to be recovered, it is treated as the cost of obtaining a contract and recognised as an asset; if the amortisation period of such asset is less than one year, it is recorded in profit or loss for the current period when incurred. Incremental costs are the costs that they would not have incurred if the Group had not obtained the contract (for example, sales commission). For other expenses incurred by the Group for obtaining a contract in addition to the incremental costs expected to be recovered (such as travel expenses incurred regardless of whether the contract is obtained or not), they are recorded in profit or loss for the current period when incurred. However, those expressly bore by the customer are excluded.

(2) Amortisation of assets related to contract costs

The Group amortises the asset relating to contract costs on a basis that is consistent with the revenue recognition relating to the asset and recognises it in profit or loss.

(3) Impairment of assets related to contract costs

When determining the impairment loss of an asset related to the contract cost, the Group first determines the impairment loss for other assets related to the contract, which is determined in accordance with other relevant accounting standards for business enterprises; then, the Group provides for impairment allowance and recognises as an impairment loss of asset to the extent that the carrying amount of such asset exceeds the difference between the following: the remaining amount of consideration that the Group expects to receive for the transfer of goods to which the asset relates; and the costs that are estimated to be incurred for the transfer of the relevant goods.

The Group shall recognise in profit or loss a reversal of an impairment loss previously recognised when the impairment conditions change and the aforesaid difference is higher than the carrying amount of the asset. The increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

18. Assets held for sale

(1) The Group classifies non-current assets or disposal group that meet the following criteria as held for sale: 1) can immediately be disposed of under the current conditions based on cases of disposals of such assets or disposal groups in similar transactions; 2) the disposal is highly probable that a decision has been made on a plan for the disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year. Relevant approval is required for disposals requiring approval from the relevant authorities or regulators as required by the relevant regulations. Before the Group first classifies a non-current asset or disposal group as held for sale, the book value of the non-current asset or each asset and liability in the disposal group is measured according to the requirements of the relevant accounting standards. On initial measurement or remeasurement on the balance sheet date of a non-current asset or a disposal group held for sale, where the book value is higher than the fair value less cost of disposal, the book value is written down to the fair value less disposal. The amount of write-down is recognised as an impairment loss of the asset and charged to profit and loss of the period. At the same time, provision is made for impairment of assets held for sale.

(2) Non-current assets or disposal groups which the Group acquired specifically for disposal, satisfy the criterion of "disposal is expected to be completed within one year" on the date of acquisition, and is probable to satisfy other criteria of classifying as held for sale shortly (usually within 3 months), are classified as held for sale on the date of acquisition. At initial measurement, the amounts initially measured assuming it is not classified as held for sale and the fair value less cost of disposal are compared, and the lower of the two is measured. Other than non-current assets or disposal groups acquired in a business combination, the difference arising from recognising the fair value less cost of disposal of non-current assets or disposal groups as initial measurement is recognised in profit and loss in the period.

(3) Where the Group has lost control of a subsidiary due to reasons such as disposal of investment in the subsidiary, regardless of the Group retains any part of equity investment after disposal, upon the investment in the subsidiary intended to be disposed satisfying the criterion for classification as held for sale, the investment in the subsidiary will be entirely classified as held for sale in the separate financial statements of the parent company, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

(4) Where there is an increase in fair value less cost of disposal of a non-current asset held for sale on subsequent balance sheet dates, the amount previously written down should be recovered and reversed in the impairment loss of assets recognised after classification as held for sale, with the reversed amount recognised in profit and loss of the period. Asset impairment loss recognised before classification as held for sale is not reversible.

(5) Asset impairment loss recognised for disposal groups held for sale is first offset against the book value of goodwill of disposal groups, and then offset against the book values proportionally according to the share of book value of each non-current asset.

Where there is an increase in fair value less cost of disposal of a disposal group held for sale in subsequent balance sheet dates, the amount previously written down should be recovered and reversed in asset impairment loss of non-current assets recognised as required by the appropriate relevant measurement after classification as held for sale, with the reversed amount recognised in profit and loss of the period. The book value of the offset goodwill and impairment loss of non-current assets recognised before classification as held as for sale are not reversible.

Reversed amount after the recognition of asset impairment loss of the disposal group held for sale should be added proportionally to the book value share according to the share of the book value of each non-current asset in the disposal group other than goodwill.

(6) No provision for depreciation or amortisation of non-current assets or non-current assets in disposal groups held for sale is made, and the interest on liabilities and other expenses of disposal groups held for sale continues to be recognised.

(7) When a non-current asset or a disposal group held for sale no longer satisfies the criteria of classification as held for sale and ceases to be classified as held for sale, or a non-current asset is removed from the disposal group held for sale, it is measured is based on the lower of the following: 1) the book value before classification as held for sale adjusted by recognition of depreciation, amortisation or impairment assuming there was no classification as held for sale; 2) the recoverable amount.

(8) Upon derecognition of a non-current asset or a disposal group held for sale, the unrecognised gain or loss is accounted for in profit or loss of the period.

19. Long-term equity investments

Long-term equity investments include the Group's investments in subsidiaries, investments in associates and jointly ventures.

Our judgement of joint control is based on the fact of arrangements that all participants involved or groups of participants jointly control and that policies of relevant activities must be unanimously agreed by participants who jointly control the arrangement.

When the Group owns 20% above but less than 50% of the voting right of the investee directly, or indirectly through subsidiaries, it is considered to have a significant influence on the investee. If the voting right in the investee is less than 20%, the influence on investee will be decided based on facts and circumstances including representatives in the board of directors of similar authority of the investee, or participation in the process of formulating the financial and operating policies of the investee, having significant transactions with the investee, dispatching management personnel to the investee, and providing key technology and data to the investee.

An investee that is under the control of the Group is deemed as a subsidiary of the Group. For long-term equity investments acquired through a business combination under common control, they will be used as the initial investment cost of long-term equity investment according to the share of the consolidated party in the book value of net assets in the financial statements of the ultimate controlling party on the date of consolidation. If the book value of net assets of the consolidated party at the date of consolidation is negative, long-term equity investment cost is recognised as nil.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to a basket of transactions, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to a basket of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investments acquired through business combination under uncommon control, consolidation cost will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to a basket of transactions, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to a basket of transactions, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly disposes related assets or liabilities upon disposal. For shareholding which it holds before acquisition and designated as equity instruments not held for trading at fair value through other comprehensive income, the accumulated change in fair value which is originally included in other comprehensive income shall not be transferred to profit or loss for the current period.

Apart from the long-term equity investments acquired through business merger, long-term equity investments acquired by cash will be used as investment cost according to the actual payment of the purchase price; long-term equity investments acquired through issuance of equity securities will be used as investment cost according to the fair value of the equity securities issued; long-term equity investments from investors will be used as investment cost according to the investment contracts or agreement value.

The Group's investments in subsidiaries are accounted for using the cost method and using equity method for the investments in joint ventures and associates.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognised as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognised after adjustment is made to the net profit of the investees.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For the long-term equity investment calculated by equity method, the other comprehensive income related to the accounting of the original equity method shall be treated on the same basis as the direct disposal of related assets or liabilities by the invested company when terminating the accounting of the equity method. The owner's equity recognized as a result of changes in the owner's equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the equity method is terminated.

When the Company ceases to have common control or significant influence on the invested company due to the reasons such as disposal of part of its equity investment, if ASBE 22 — Recognition and Measurement of Financial Asset (Cai Hui [2017] No. 7) is applicable for accounting, the remaining shareholding after disposal shall be accounted for in accordance with the relevant provisions of the standard on recognition and measurement of financial instruments, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognised as a result of the equity method of accounting for the original equity investment is treated on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting and is carried forward proportionately. Owner's equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution should be transferred proportionately to current investment income. For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, if ASBE 22 — Recognition and Measurement of Financial Assets (Cai Hui [2017] No. 7) is applicable to accounting treatment, it can be accounted as under the relevant provisions of the standard on recognition and measurement of financial instrument, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting for each transaction shall be conducted separately. For the package transaction, the accounting for each transaction shall be treated as disposing subsidiary and loss of its control. However, the difference between each disposal price before loss of control and the carrying value of the corresponding long-term investment of the equity disposed, shall be recognised as other comprehensive income, and shall be transfer to the profit or loss for the current period upon loss of control.

20. *Investment properties*

Meas remen model for in es men proper ies

Method for depreciation or amortisation
The Group's investment properties are leased buildings, which are measured using cost model.

The Group depreciates investment properties using straight line method. The expected useful lives, residual values and annual rates of depreciation (amortisation) are as follows:

No.	Type	Depreciation period (year)	Expected residual value rate (%)	Annual depreciation rate (%)
1	Buildings	20	5	4.75

21. *Fixed assets*

(1) Criteria for recognition

Fixed assets are tangible assets with significant value and useful lives for more than one year, and held for use in the production goods, renting of services, for rental, or for administrative purposes.

Fixed assets are recognised when it is highly probable of economic benefits inflow to the Group and their costs can be measured reliably. The Group's fixed assets include buildings, machinery, electronic equipment, vehicles and other equipment, etc..

(2) Depreciation method

Type	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line	20	5%	4.75%
Machinery	Straight-line	5–20	5%	19.00%–4.75%
Electronic equipment	Straight-line	3–5	5%	31.67%–19.00%
Vehicles	Straight-line	5	5%	19.00%
Other equipment	Straight-line	5	5%	19.00%

The Group reviews the expected life of use, estimated net residual value and depreciation method of fixed assets at the end of each year, and changes, if any, are treated as changes in accounting estimates.

22. *Construction-in-progress*

Construction in progress is carried forward to fixed assets from the date when it is ready for its intended use according to its project budget, project fee or actual project cost, and depreciation is provided commencing from the next following month. Upon the completion of final account audit of the completed project, adjustment will be made for any difference from the original value of the fixed assets.

23. *Borrowing costs*

In terms of the borrowing costs involving fixed assets, investment real estate and inventory directly attributable to over one year construction or production to achieve its intended use or sale, the capitalization of the borrowing costs can commence only when all of the conditions are satisfied; expenditures for the asset are being incurred, borrowing costs are being incurred, and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. When the qualified asset under acquisition, construction or production is ready for the intended use or sale, the capitalisation of the borrowing costs shall be ceased. The amount of other borrowing costs shall be recognised in profits of losses in the current period. If the qualified asset is interrupted abnormally during construction or production, and interruption has lasted for three consecutive months, the capitalisation of the borrowing costs shall be suspended until the construction or production of a fixed assets is resumed.

The amount of interest of specific borrowings occurred for the period shall be capitalised after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalisation period. The capitalised amount of general borrowings shall be determined on the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings). The rate of capitalisation is determined by the weighted average interest rate of general borrowing.

24. *Right-of-use assets*

A right-of-use asset is a right to use a leased asset by the Group, as a lessee, within a lease term.

(1) Initial measurement

At the commencement of a lease term, the Group initially measures a right-of-use asset at cost, which comprises the following four elements: the amount of lease liability initially measured; k the lease payment made on or before the commencement date of lease term, net of any incentives received; l any initial expenses directly incurred, that is the incremental cost incurred to obtain the lease; the costs expected to be incurred in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease, unless it is incurred from the production of inventories.

(2) Subsequent measurement

After the commencement date of lease term, the Group subsequently measures the right-of-use asset on a cost basis, that is to measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses. The Group remeasures lease liabilities according to the requirements under the standard of leases and makes corresponding adjustment to the carrying amount of right-of-use assets.

(3) Depreciation of right-of-use assets

A right-of-use asset is depreciated from the commencement date of lease term. Generally, depreciation of a right-of-use asset starts from the month when the lease commences. The depreciation amount is charged to the cost of the right-of-use asset or profit or loss according to the use of the underlying asset.

When determining the depreciation method of a right-of-use asset, the Group considers the expected consumption of economic benefits in respect of the right-of-use asset and depreciates the asset on a straight-line basis.

In determining the useful life of a right-of-use assets, the Group follows the principles below: if it can reasonably be certain that the ownership right will be obtained upon expiry of the lease term, the right-of-use asset is depreciated over the remaining useful life; if it cannot reasonably be certain that the ownership right will be obtained upon expiry of the lease term, the right-of-use asset is depreciated over the shorter of the lease term and the remaining useful life of the right-of-use asset.

If the right-of-use asset is impaired, depreciation is made at the carrying amount of the right-of-use asset after deduction the impairment losses.

25. *Intangible assets*

(1) Measurement method, useful life and impairment tests

The Group's intangible assets mainly include land use right, maritime use right, patented technology, non-patented technology and software, etc. Intangible assets are measured at the actual costs at acquisition. For purchased intangible assets, actual paid cost and other relevant expenses are used as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the values specified in the investment contract or agreement, while for the unfair agreed value in contract or agreement, the actual cost is determined at the fair value. The intangible asset, which is owned by the acquiree in a combination under different control but is not confirmed in the financial statement, shall be confirmed as intangible asset at its fair value upon the initial recognition on the acquiree's assets.

For intangible assets with definite useful lives, the Group adopts straight-line method for amortisation at the month of acquisition. The Group amortises land use right, maritime use right on the basis of its useful life by straight-line method since it is acquired. The patent technology, non-patented technology and other intangible assets are amortised evenly on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortisation amount is accounted into profit and loss in the current period. The Group makes the assessment on the estimated useful life and amortisation method of intangible assets with limited useful life at the end of each year. Any changes will be dealt with as changes on accounting estimates.

Those without foreseeable period to bring economic benefits to the Group due to various reasons are recognised as intangible assets with indefinite useful life. The Group will review the useful lives on those intangible assets with indefinite useful lives at each of the accounting period.

(2) Accounting policy regarding the expenditure on the internal research and development

The Group's major research and development projects relate to tubing and casing of different models and materials.

With reference to the nature of expenditures and uncertainty of the final achievement, expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

From early investigations to the applications after maturity, the new product R&D projects of the Group shall undergo two phases, namely research and development. The research phase includes such stages as investigation, substantiation, the initiation and approval of annual new product R&D plans, early researches (including formula design, process design, equipment selection, formulation of technical standards, etc.), the preparation and approval of monthly new product R&D plans and so on, among which the completion of approval of monthly new product R&D plans symbolises the end of the phase of research for a new product. The development phase includes specifically such stages as trial production of the new product, project acceptance, etc., the latter of which symbolises the end of the phase of development for a new product.

Start time of the phase of development: the point when the approval of monthly new product R&D plans is completed, the early researches are completed and the formula, production process and technical standards for the product are finalised.

Expenditure at the research phase is recognised in profit or loss of the period in which it is incurred.

Expenditure on the development phase is recognised as an intangible asset when all of the following criteria are met:

1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

2) the management's intention to complete, use or sell the intangible asset;

3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure on the development phase which does not meet the above criteria is included in profit or loss of the period in which it is incurred. Expenditure in the development phase which has been included in the profit or loss in the prior period will not be recognised as asset in subsequent period. The capitalised expenditures in development phase are presented as development expenditures in the balance sheet and it is carried down into the intangible asset since the date when the asset is ready for its intended use.

26. Impairment of long-term assets

The Company assesses items such as long-term equity investments, investment properties measured at cost, fixed assets, construction-in-progress, right-of-use assets, intangible assets with definite life and operating lease assets, the Company conducts impairment test where there is any indication of impairment. Intangible assets with indefinite goodwill and useful life are tested at the end of each year for impairment, whether indication of impairment exist or not.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

When performing impairment test on goodwill that is separately presented in the financial statements, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

If the carrying amount of such asset exceeds its recoverable amount after impairment test, the difference is recognised as impairment losses. The above impairment losses is irreversible in the subsequent accounting period once recognised.

27. Long-term deferred expenses

The Group's long-term deferred expenses will be amortised evenly during its beneficial period, If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the current period.

28. *Contract liabilities*

Contract liabilities represent the obligation of the Group to transfer goods to customers for the consideration which has been received or receivable from customers. Where customers have already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration before the Group transfers the goods to customers, the amount received or receivable is recognised as contract liabilities when the customers' payment is actually made or is due, whichever is earlier.

29. *Employee compensations*

(1) Accounting for short-term employee compensations

The Group's employee compensations include short-term compensation, post-employment benefits, termination benefits and other long-term benefits.

Short-term employee benefits include staff salaries, bonuses, allowances and subsidies, employee welfare expenditures, social security contributions (e.g. compensation insurance, work injury insurance and birth insurance), housing funds, union running costs, employee education costs, short-term paid leaves, short-term profit sharing schemes, non-monetary welfare and other short-term salaries. The Group recognises employee remuneration payables as liabilities during the accounting period in which employees render their services and included in profits or losses in the current period or related cost of assets based on the beneficiaries of the services.

(2) Accounting for post-employment benefits

Post-employment benefits mainly include basic pension insurance, unemployment insurance and others. Based on the Company's risks and obligations, they are classified as defined contribution plans and defined benefit plans. As for the defined contribution plans, the contributions which are made for individual subjects in exchange for the staff's services rendered in the accounting period shall be recognised as liabilities on the balance sheet date and included in profit or loss of the period or relevant asset costs according to the beneficiaries. The Group has currently no defined benefit plan.

(3) Accounting for termination benefits

The Group has currently no termination benefits.

(4) Accounting for other long-term compensations

The Group has currently no other long-term compensations.

30. *Lease liabilities*

(1) Initial measurement

The Group initially measures a lease liability at the present value of outstanding lease payments at the commencement date of the lease term.

A lease payment refers to the amount paid by the Group to a lessor in relation to the right to use a leased asset during the lease term, which includes: the fixed payments and the substantial fixed payments, net of the lease incentive amount, if any; k the variable lease payments depending on an index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; l the price of exercising the option to purchase, if the Company can reasonably be certain that it will exercise the option; the amount payable to exercise the option to terminate the lease, if the lease term reflects that the Group will exercise the option to terminate the lease; the amount payable based on the residual value of the guarantee provided by the Group.

In calculating the present value of a lease payment, the Group uses the average borrowing rate of the main lease as the discount rate.

(2) S bseq en meas remen

After the commencement date of the lease term, the Group follows the principles below for the subsequent measurement of a lease liability: to increase the carrying amount of the lease liability when recognising the interest on the lease liability; k to reduce the carrying amount of the lease liability when a lease payment is made; l to remeasure the carrying amount of the lease liability when there is a change in lease payment due to a change of reassessment or the lease.

The interest expenses of a lease liability in each period during the lease term based on fixed periodic interest rate are charged to the profit of loss of the current period, except those are capitalised. Periodic interest rate is the discount rate used by the Group for initial measurement of the lease liability, or the revised discount rate used by the Group when remeasuring the lease liability at the revised discount rate due to a change of lease payments or a change of the lease.

(3) Remeas remen

After the commencement date of the lease term, the Group remeasures the lease liability based on the lease payments after the change, with a corresponding adjustment made to the carrying amount of the right-of-use asset. The carrying amount of the right-of-use asset is reduced to zero. If there is any further reduction of the lease liability, the Group charge the remaining amount to the profit or loss for the current period. There is a change in the substantial fixed payment (in that case, the original discount rate is used for discounting); k There is a change in projected payable of the guarantee residual value (in that case, the original discount rate is used for discounting); l There is a change in the index or ratio used for determining the lease payment (in that case, the revised discount rate is used for discounting); There is a change in the assessment result of the purchase option (in that case, the revised discount rate is used for discounting); There is a change in the assessment result of the extension or termination option or the actual exercise of the option (in that case, the original revised rate is used for discounting).

31. Provisions

A provision is recognised as a liabilities when an obligation related to a contingency, such as guarantees provided to outsiders, pending litigations or arbitrations, product warranties, redundancy plan, onerous contract, reconstructing, expected disposal of fixed assets, satisfied all of the following conditions: the obligation is a present obligation of the Group; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. Considering the factors, such as risk, uncertainties, and time value of money related to the contingencies. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

If all or part of the expense necessary for settling the provisions is expected to be compensated by the third party, the amount of compensation is separately recognised as an asset when it is basically determined to be recoverable, and the recognised amount of the compensation shall not exceed the carrying amount of the provisions.

The Group reviews the carrying amount of provisions at the balance sheet date and makes appropriate adjustments to reflect the current best estimate.

32. *Safety Production*

The Group collects, utilises and reviews the production safety fee pursuant to the relevant requirements of Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Qi [2012] No. 16) and Notice of the Ministry of Finance on Issuing Interpretation No. 3 of the Accounting Standards for Business Enterprises (Cai Hui [2009] No. 8).

The provision of Group's machinery production enterprise safety production costs is based on the actual sales revenue in last year, which is extracted monthly by taking excess regressive manner in accordance with the following standard. The provision will be used for enhancing and improving safe production conditions of enterprises or projects.

(1) Operating income of RMB10 million and below, accrued in accordance with 2%;

(2) Operating income of RMB10 million to RMB100 million (inclusive), accrued in accordance with 1%;

(3) Operating income of RMB100 million to RMB1,000 million (inclusive), accrued in accordance with 0.2%;

(4) Operating income of RMB1,000 million to RMB5,000 million (inclusive), accrued in accordance with 0.1%;

(5) Operating income above RMB5,000 million, accrued in accordance with 0.05%.

The provision of the production safety fee for newly established enterprises and machinery production enterprise with production less than one year is based on actual sales revenue for the year. The provision is accrued monthly.

The provision of production safety fee is recognised in profit and loss for the current period and special reserve account shown separately under owner's equity. When using the reserve for maintaining production safety fee, the amount will be debited from the special reserve if the fee is expenses nature. When using the reserve for maintaining production safety fee of fixed asset, the amount will be debited from the "construction-in-progress" item for the amount recorded in the cost of related assets. When the status of the project is ready for intended use, the costs of such production safety fee should be recognised as fixed assets. Meanwhile, special reserve will be offset by the cost forming fixed asset. If the balance of special reserve is inadequate for offsetting purpose, the production safety fee will be recognised in profit and loss for the current period.

33. *Revenue*

Accounting policies adopted for the recognition and measurement of revenue

The Group's operation revenue is mainly from sale of goods and rendering of services.

(1) Principles of revenue recognition

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognizes the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

2) the customer can control the asset created or enhanced during the Group's performance.

3) the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, which is determined by input method. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

1) the Group has a present right to payment for the goods or services.

2) the Group has transferred the legal title of the goods to the customer.

3) the Group has transferred physical possession of the goods to the customer.

4) the Group has transferred the significant risks and rewards of ownership of the goods to the customer.

5) the customer has accepted the goods or services.

The Group's right to consideration in exchange for goods or services that it has transferred to a customer is stated as contract asset. The Group recognises allowances for impairment loss for expected credit loss on contract assets. Receivable is the Group's unconditional right to consideration to be received from a customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the consideration is received or receivable by the Group from the customer.

(2) Specific accounting policies related to the main activities of the Company's revenue are described below:

Contracts for sale of goods between the Group and its customers usually include only the performance obligations in respect of the transfer of goods. In general, the Group recognises revenue at the point in time when the customer accepts the control of the goods, taking into full consideration of the following factors: obtaining the present right to receiving payment in respect of the goods; transfer of substantial risks and returns in respect of the title to the goods; transfer of legal title in respect of the goods; transfer of the physical asset of the goods; and the acceptance of goods by customers.

k

Contracts for provision of services between the Group and its customers usually contain performance obligations such as technical services and after-sale maintenance services. While the Group performs the contract, the customer obtains and consumes the economic benefit brought by the Group's performance, and in respect of the portion of revenue arising from the Group's performance completed to date, the Group is entitled, during the entire validity period of the contract, to recognise revenue according to progress of performance within such period for satisfying such performance obligations during a period of time, however other than circumstances that the progress of performance cannot be reasonably determined. The Group determines progress of performance in respect of the provision of services using input method. When the progress of performance cannot be reasonably determined, if the costs incurred are expected to be compensated, the Group recognises revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

34. *Government grants*

The Group's government grants include financial funding, interest subsidy for loans and tax rebates, of which government grants related to assets represent the government grants obtained by the Group and applied towards acquiring and constructing or otherwise develop long-term assets. Government grants related to income represent the government grants other than those related to assets. If no grantee is specified in the government documents, the Group shall determine based on the above classification principles, otherwise, it is classified as a government grant related to income in its entirety.

If a government grant is a monetary asset, it is measured at the amount actually received. For the grants being allocated in accordance with fixed quotas, or if there is sufficient evidence at end of the year to show that the entity complies with the conditions of financial policies and is expected to receive supporting funds, the grants shall be measured at receivable amount. If a government grant is a non-monetary asset, it is measured at its fair value, and in the event the fair value cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

Government grants related to assets are recognised as deferred income and are allocated evenly to profit or loss for the period over the useful life of the relevant asset. The balance of undistributed deferred income of a related asset which is disposed, transferred, retired or damaged before the end of its useful life is transferred to gain or loss of disposal of assets for the period.

If a government grant related to income is to compensate the related cost, expenses or losses to be incurred in subsequent periods, it is recognised as deferred income, and is recognised in profit or loss for the period when the related cost, expenses or losses incurred. If a government grant is related to the ordinary activities, it is included in other income based on the economic substance of the business. Government grants not related to the ordinary activities are included in non-operating income or expenses.

Interest subsidies for policy-related preferential loans obtained by the Group are classified as interest subsidy funds paid to lending banks or interest subsidy funds directly paid to the Group, which are accounted for based on the following principles:

(1) for interest subsidy funds paid to lending banks, the lending banks provide loans to the Group at policy-related preferential rates, and the Group recognises the borrowing amount actually received as the book value of the borrowing, and calculates the relevant borrowing expenses based on the principal and the policy-related preferential rate of the borrowing.

(2) For interest subsidy funds paid directly to the Group, the Group will offset the corresponding interest subsidy against the relevant borrowing expenses.

For government grants recognised that needs to be returned, the Group accounts the returning amount in the period according to the following:

(1) Where it has been offset against the carrying value of the relevant asset on initial recognition, the carrying value of the asset is adjusted.

(2) Where relevant deferred income exists, the balance of the carrying amount of the relevant deferred income is offset and the excess is recognised in profit or loss for the period.

(3) In other cases, it is directly recognised in profit or loss for the period.

35. *Deferred income tax assets/deferred income tax liabilities*

Deferred income tax assets and deferred income tax liabilities of the Group are calculated and recognised based on the difference between tax bases and carrying amounts of assets and liabilities (temporary differences). Deferred income tax asset is recognised for the deductible losses that are deductible against taxable profit in subsequent years in accordance with the requirements under tax laws. No deferred tax liability is recognised for temporary difference arising from initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognised for a temporary difference arising from initial recognition of asset or liability due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period when the asset is expected to be realised or the liability is expected to be settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available to deduct from the deductible temporary difference, deductible losses and tax credits.

36. *Leases*

(1) Iden ifica ion of leases

A lease is a contract under which the lessor conveys the right to use an asset to the lessee for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the

If the modification of lease is not accounted for as a separate lease, on the effective date of the modification of lease, the Group allocates the consideration of the modified contract in accordance with the accounting standard in respect of leases and re-determines the lease term after modification; and discount the lease payments after modification at the discount rate after modification for remeasurement of lease liability. When calculating the present value of the lease payment after modification, the Group uses the interest rate implicit in lease of the remaining lease term as the discount rate. If the interest rate implicit in lease of the remaining lease term cannot be determined, the Group uses lessee's incremental borrowing rate at the effective date of the modification of the lease as the discount rate. The Group accounts for the consequences of the above adjustment under the following circumstances: If the modification of lease results in a narrower scope of lease or a shorter lease term, the lessor reduces the carrying amount of the right-of-use asset to reflect the gain or loss on partly or wholly termination of the lease in the profit or loss of the current year. k For other modifications of lease that result in remeasurement of lease liability, the lessee made corresponding adjustment to the carrying amount of the right-of-use asset.

For short-term leases with lease term of less than 12 months and leases of a single lease asset which is of relatively low value when it is new, the Group has elected not to recognise right-of-use asset and lease liability. The Group charges the lease payments of short-term leases and the low-value asset leases to the cost of the underlying assets or the profit or loss for the current period in each period of the lease term on a straight-line basis.

(3) The Group as a lessor

On the basis of determining the contract is or contains a lease as mentioned in "V. 36.(1)", the Group, as a lessor, classifies the lease as finance lease and operating lease at the inception of the lease.

If a lease transfers, in substance, substantially all of the risks and rewards of the ownership of the leased asset, the lessor classifies the lease as finance lease. Other than that, all leases are classified as operating leases.

A lease is usually classified as a finance lease by the Group when one or more of the following conditions are satisfied: When the lease term expires, the ownership of the leased asset is transferred to the lessee; k The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, it can be reasonably certain at the commencement date of the lease that the lessee will exercise the option; l The ownership of the asset is not transferred, but the lease term takes up most of the useful life of the leased assets (not less than 75% of the useful life of the leased asset); On the commencement date of the lease, the present value of the lease receipt is basically equivalent to the fair value of the leased asset (not less than 90% of the fair value of the leased asset); The leased assets are of a special nature. If no major modifications are made, it can only be used by the lessee. If one or more of the following indications exist in a lease, the Group may also classify it as a finance lease: If the lessee cancels the lease and the loss caused to the lessor arising from the cancellation of lease is borne by the lessee; k The gain or loss arising from the fair value change in the balance of the asset belongs to the lessee; l The lessee is able to continue the lease for the next period at a rent far below the market level.

Initial measurement

At the commencement date of the lease, the Group recognises the finance lease receivables for finance leases and derecognises finance lease assets. On initial measurement of finance lease receivables, the net lease investment is used to record the value of the finance lease receivable.

The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease receipts at the commencement date of the lease term (discounted by the interest rate implicit in the lease). A lease receipt is the payment receivable from the lessee by the lessor for conveying the right to use a leased asset within the lease period, which comprises: ①
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Incentive measures provided

For rent-free period, the Group allocates the total rent over the lease term without deducting rent-free period on a straight line basis, and recognises rental income during the rent-free period. If the Group bears certain expenses on behalf of the lessee, such expenses are deducted from the rental income and the balance of rental income after deduction is allocated over the lease term.

Initial direct expenses

The initial direct expenses incurred by the Group in relation to the operating leases are capitalised as cost of the leased asset, and equally charged to the profit or loss for the current period over the lease term in accordance with the same basis of recognition as rental income.

Depreciation

For the fixed assets in operating lease assets, they are depreciated using the policy similar to the depreciation of assets. For other operating lease assets, they are amortised on a systematic and reasonable manner.

Variable lease payments

The variable lease payments received by the Group that have not included in lease receipts relating the operating leases are credited to the profit or loss of the current period when they occur.

Modifications of operating leases

A modification of operating lease is accounted for by the Group as a new lease since its effective date. Any prepaid lease payments or lease receivables relating to the modification is treated as a receipt for new lease.

37. Other Significant Accounting Policies and Accounting Estimates

(1) Accounting for income tax

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying value of goodwill. All other current tax and deferred tax are recognised in profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred tax liabilities that should be recognised using the balance sheet liabilities approach at the end of period and their balances originally recognised.

(2) Segment information

The Group's operating segments are identified based on internal organisation structure, management requirements and internal reporting system. The reportable segments are determined and disclosed based on the operating segments.

Operating segment is a component of the Group that satisfies the following criteria simultaneously: the component can generate revenue and expenses in business activities; the management of the Group can assess the operating performance of the component in order to allocate resources and assess performance; and the Group can acquire accounting information such as the financial position, operating performance and cash flow of the component. If two or more operating segments carry similar economic characteristics, and satisfy certain criteria, they are combined as one operating segment.

(3) Discontinued operations

Discontinued operations refer to components of the Group which satisfy any of the following conditions and can be individually distinguished, and such components have been disposed of or classified as available-for-sale: (1) the components represent an independent major business or a separate major region of operation; (2) the components are part of an intended disposal plan related to an independent major business or a separate major region of operation; (3) the components are subsidiaries acquired specifically for resale.

38. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable Not applicable

(2) Changes in significant accounting estimates

☐ Applicable Not applicable

VI. Taxation

1. *Main tax types and tax rates*

Type	Calculation basis	Rate
Value-added tax	Value-added tax payable is the balance of output tax after deducting deductible import tax	13%, 9%, 5%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable profits	15%, 16.5%, 25%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%

Disclosures regarding taxpaying entities subject to different enterprise income tax rates

Name of taxpaying entity	Income tax rate
The Company	15%
Molong Logistic	25%
MPM	16.5%
Shouguang Baolong	25%
Shouguang Maolong	25%
Molong Electro-mechanical	25%
Weihai Baolong	25%
Molong I&E	20%
Molong Energy	25%

2. *Tax incentives*

(1) According to the document of "Letter Regarding 2020 2nd Batch Filing of High-tech Enterprises of Shandong Province" (Guo Ke Huo Zi [2021] No. 25) issued by the Leading Group Office of National Hightech Enterprises Recognition and Management, the Company has been recognised as a high-tech enterprise and obtained a certificate of high-tech enterprise No. GR202037004362. The certificate of high-tech enterprise was issued on 8 December 2020 and is valid for a term of three years.

According to the regulations of high-tech enterprise recognition and relevant national tax policies, the Company can enjoy preferential national tax policies for three consecutive years (from 2020 to 2022) from the re-recognition of high-tech enterprises, i.e. paying enterprise income tax at a rate of 15%.

(2) According to the Announcement on Matters Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Entities of the State Administration of Taxation (SAT Announcement [2021] No. 8), from 1 January 2021 to 31 December 2022, small low-profit enterprises shall calculate taxable income at a reduced rate of 12.5% for the part of taxable income not exceeding RMB1 million, which is subject to enterprise income tax at the rate of 20%; and shall calculate taxable income at a reduced rate of 50% for the part of annual taxable income exceeding RMB1 million but not exceeding RMB3 million, which is subject to enterprise income tax at the rate of 20%. Shandong Molong Import & Export Co., Ltd. (山東墨龍進出口有限公司), a subsidiary of the Company, met the criteria and thus enjoy the preferential income tax rate of 20% as a small low-profit enterprise.

2. *Bills receivable*

(1) Presen a ion of bills recei able b pe

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Trade acceptance bills	**125,821,059.44**	235,005,278.71
Total	**125,821,059.44**	235,005,278.71

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		**Provision for bad debts**			Book balance		Provision for bad debts		
Type	**Amount**	**Percentage**	**Amount**	**Provision rate**	**Book value**	Amount	Percentage	Amount	Provision rate	Book value
Bills receivable provided for bad debts on a collective basis	**127,091,979.23**	**100.00%**	**1,270,919.79**	**1.00%**	**125,821,059.44**	237,379,069.40	100.00%	2,373,790.69	1.00%	235,005,278.71
Including:										
Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**127,091,979.23**	**100.00%**	**1,270,919.79**	**1.00%**	**125,821,059.44**	237,379,069.40	100.00%	2,373,790.69	1.00%	235,005,278.71
Total	**127,091,979.23**	**100.00%**	**1,270,919.79**	**1.00%**	**125,821,059.44**	237,379,069.40	100.00%	2,373,790.69	1.00%	235,005,278.71

Provision for bad debts on a collected basis: Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	Balance at the end of the period		
Name	**Book balance**	**Bad debt provision**	**Provision rate**
Within 1 year	127,091,979.23	1,270,919.79	1.00%
Total	127,091,979.23	1,270,919.79	

Basis for determining the group:

Age of the bills receivable as at the end of the period: The bills receivable of the Group as at the end of the period were all aged within 1 year.

If provision for bad debts of bills receivable was made using the general approach of expected credit loss, please disclose the information on provision for bad debts with reference to the disclosures of other receivables:

☐ Applicable Not applicable

(2) Pro ision, reco er or re ersal of pro ision for bad deb s for he c rren period

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of period	Movement during the current period: Provision	Recovery or reversal	Write-off	Others	Balance at the end of the period
Provisions for bad debts of bills receivable	2,373,790.69	(1,102,870.90)	—	—	—	1,270,919.79
Total	2,373,790.69	(1,102,870.90)	—	—	—	1,270,919.79

Including any significant recovery or reversal of provision for bad debts for the period:

☐ Applicable Not applicable

(3) Pledged bills recei able of he Compan a he end of he period

Unit: RMB

Item	Pledged amount at the end of the period
Trade acceptance bills	4,251,000.00
Total	4,251,000.00

(4) Bill receivables that have been endorsed or discounted at the end of the period and have not expired at the balance sheet date

Unit: RMB

Item	Amount derecognised as at the end of the period	Amount not derecognised as at the end of the period

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Bad debt provision	Provision rate
Within 1 year	371,997,296.25	3,719,972.96	1.00%
1–2 years	4,702,946.79	2,351,473.40	50.00%
2–3 years	1,813,517.44	1,360,138.08	75.00%
3–4 years	1,816,730.95	1,544,221.31	85.00%
4–5 years	640,010.24	544,008.70	85.00%
Over 5 years	92,974,904.82	92,974,904.82	100.00%
Total	473,945,406.49	102,494,719.27	

Basis for determining the group:

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss, please disclose the information on provision for bad debts with reference to the disclosures of other receivables:

☐ Applicable Not applicable

Unit: RMB

Age	Balance at the end of the period
Within 1 year (inclusive)	371,997,296.25
1 to 2 years	4,702,946.79
2 to 3 years	1,813,517.44
Over 3 years	95,431,646.01
3 to 4 years	1,816,730.95
4 to 5 years	640,010.24
Over 5 years	92,974,904.82
Total	473,945,406.49

(2) Pro ision, reco er or re ersal of pro ision for bad deb s for he c rren period

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period: Provision	Recovery or reversal	Write-off	Others	Balance at the end of the period
Provision for bad debts of accounts receivable	107,309,683.67	3,810,975.64	8,625,940.04	—	—	102,494,719.27
Total	107,309,683.67	3,810,975.64	8,625,940.04	—	—	102,494,719.27

Including material recovery or reversal of provision for bad debts for the period:

Unit: RMB

Name of entity	Amount of recovery or reversal	Method of recovery
Hebei Zhongtai Steel Pipes Manufacturing Company Limited (河北中泰鋼管製造有限公司)	6,941,179.49	Monetary payments
Cangzhou Xinxiangtai Steel Pipes Co., Ltd. (滄州鑫祥泰鋼管有限公司)	1,684,760.55	Monetary payments
Total	8,625,940.04	

(3) Acco n s recei ables ac all ri en off d ring he c rren period

There were no accounts receivable actually written off during the current period.

(4) Balance of fi e larges acco n s recei able as a he end of he period b deb ors

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Percentage of the total balance of accounts receivable at the end of the period	Balance of bad debt provision at the end of the period
Entity I	111,134,644.81	23.45%	1,111,346.45
Entity II	98,801,871.82	20.85%	3,047,395.57
Entity III	98,000,810.22	20.68%	980,008.10
Entity IV	46,983,958.92	9.91%	46,983,958.92
Entity V	30,212,384.97	6.37%	302,123.85
Total	385,133,670.74	81.26%	

(5) Acco n s recei able derecognised on ransfer of financial asse s

As at 30 June 2022, the Group had no accounts receivable derecognised on the transfer of financial assets.

(6) Amo n of asse s or liabili ies arising from ransfer of acco n s recei able i h con in o s in ol emen

As at 30 June 2022, the Group had no assets or liabilities arising from transfer of accounts receivable with continuous involvement.

Other descriptions:

As at 30 June 2022, accounts receivable of the Group amounting to RMB134,219,391.10 were restricted for use as they have been applied for factoring financing.

4. *Financing receivables*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	**125,635,423.74**	28,539,024.92
Total	**125,635,423.74**	28,539,024.92

Increase or decrease movements and fair value changes of financing receivables during the current period

Applicable ☐ Not applicable

The Group uses the carrying amount of the bank acceptance bills as their fair value due to their short remaining terms and their carrying amount approximates to their fair value.

If provision for impairment of financing receivables was made using the general approach of expected credit loss, please disclose the information on provision for impairment with reference to the disclosures of other receivables:

Applicable ☐ Not applicable

No provision for asset impairment was made by the Group as the acceptors of the bank acceptance bills it holds are all financial institutions with good credit standing.

Other descriptions:

(1) There ere no pledged financing recei ables as a he end of he period.

(2) Financing recei ables ha ha e been endorsed or disco n ed a he end of he period and ha e no e e pired a he balance shee da e

Unit: RMB

Item	Amount derecognised as at the end of the period	Amount not derecognised as at the end of the period
Bank acceptance bills	502,798,376.44	—
Total	502,798,376.44	—

5. *Prepayments*

(1) Presentation of prepayments by age

Unit: RMB

Age	Balance at the end of the period		Balance at the beginning of the period	
	Amount	**Percentage**	Amount	Percentage
Within 1 year	**24,127,890.08**	**96.54%**	48,617,999.52	98.02%
1 to 2 years	**57,430.39**	**0.23%**	799,233.62	1.61%
2 to 3 years	**625,482.59**	**2.50%**	0.00	0.00%
Over 3 years	**181,157.27**	**0.73%**	181,157.27	0.37%
Total	**24,991,960.33**		49,598,390.41	

Reason(s) for significant prepayments with an age over 1 year and not settled when due:

The Group did not have any material prepayments with an age over one year as at the end of the current period.

(2) Balance of five largest prepayments as at the end of the period by prepaid entity

Unit: RMB

Name of entity	Balance at the end of the year	Age	Percentage of total balance of prepayments at the end of the period (%)
Entity I	8,825,039.12	Within 1 year	35.31%
Entity II	2,936,518.37	Within 1 year	11.75%
Entity III	1,270,030.60	Within 1 year	5.08%
Entity IV	1,074,182.80	Within 1 year	4.30%
Entity V	1,016,190.14	Within 1 year	4.07%
Total	15,121,961.03		60.51%

6. *Other receivables*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Other receivables	**28,964,650.51**	17,440,781.64
Total	**28,964,650.51**	17,440,781.64

(1) Other receivables

Unit: RMB

Payment nature	**Book balance at the end of the period**	Book balance at the beginning of the period
Staff turnover loans	**743,000.00**	871,000.00
Deposits/margins	**15,429,364.27**	3,543,428.90
Amounts due from administrative entities	**1,300,000.00**	1,390,351.30
Amounts due from other entities	**14,477,014.61**	14,534,560.09
Less: Provision for bad debts of other receivables	**(2,984,728.37)**	(2,898,558.65)
Total	**28,964,650.51**	17,440,781.64

Unit: RMB

Provision for bad debts	Stage 1 Next 12-month expected credit loss	Stage 2 Lifetime expected credit loss (without credit impairment)	Stage 3 Lifetime expected credit loss (with credit impairment)	Total
Balance at 1 January 2022	1,714,676.93	1,183,881.72	—	2,898,558.65
Balance at 1 January 2022 during the current period	—	—	—	—
Charge for the period	3,932.34	82,237.38	—	86,169.72
Balance at 30 June 2022	1,718,609.27	1,266,119.10	—	2,984,728.37

Movements of book balance of significant changes in loss allowance for the current period

☐ Applicable Not applicable

Disclosure by age

Unit: RMB

Age	Balance at the end of the period
Within 1 year (inclusive)	16,478,277.13
1 to 2 years	13,236,935.00
2 to 3 years	313,404.23
Over 3 years	1,920,762.52
3 to 4 years	69,800.00
Over 5 years	1,850,962.52
Total	31,949,378.88

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movements during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts of other receivables	2,898,558.65	86,169.72	—	—	—	2,984,728.37
Total	2,898,558.65	86,169.72	—	—	—	2,984,728.37

There were no other receivables actually written off during the current period.

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of bad debt provision at the end of the period
Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司)	Final payment for transfer of assets	12,808,000.00	1–2 years	40.09%	1,536,960.00
Shaanxi Energy Chemical Industry Exchange Co., Ltd. (陝西能源化工交易所股份有限公司)	Security deposits	10,469,075.40	Within 1 year	32.77%	—
Sinopec International Business Co., Ltd., Nanjing Bidding Centre (中國石化國際事業有限公司南京招標中心)	Security deposits	1,310,338.30	Within 1 year	4.10%	—
Sinopec International Business Co., Ltd., Nanjing Bidding Centre (中國石化國際事業有限公司南京招標中心)	Security deposits	696,127.60	1–2 years	2.18%	—
Wendeng Gaocun Town People's Government (文登市高村鎮人民政府)	Amounts due from administrative entities	1,300,000.00	Over 5 years	4.07%	702,000.00
CNPC Chuanqing Drilling Engineering Company Limited (中國石油集團川慶鑽探工程有限公司)	Security deposits	1,240,119.00	Within 1 year	3.88%	—
Total	—	27,823,660.30	—	87.09%	2,238,960.00

Nil

As at 30 June 2022, the Group had no other receivables derecognised on transfer of financial assets.

As at 30 June 2022, there were no assets or liabilities arising from transfer of other receivables with continuous involvement.

Other descriptions:

As at 30 June 2022, the Group did not have any pledged other receivables.

7. *Inventories*

Should the Company comply with the disclosure requirements for property industry

No

(1) Category of inventories

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Allowance for impairment of inventories or provision for devaluation of costs of contract performance**	**Book value**	Book balance	Allowance for impairment of inventories or provision for devaluation of costs of contract performance	Book value
Raw materials	**318,946,365.42**	**15,734,281.61**	**303,212,083.81**	324,678,268.84	9,534,159.35	315,144,109.49
Work-in-progress	**161,194,459.13**	**3,055,051.71**	**158,070,965.31**	87,623,375.56	2,519,968.24	85,103,407.32
Goods in stock	**582,278,810.86**	**11,572,048.59**	**570,775,204.38**	313,040,362.71	11,692,151.69	301,348,211.02
Sub-contracting materials	**17,846,584.52**	**34,779.43**	**17,811,805.09**	15,714,830.09	2,027,770.81	13,687,059.28
Total	**1,080,266,219.93**	**30,396,161.34**	**1,049,870,058.59**	741,056,837.20	25,774,050.09	715,282,787.11

8. *Other current assets*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Deductible input tax	**9,462,974.83**	23,399,318.58
Prepaid income tax	**764,789.16**	738,122.56
Interests receivable on acceptance deposits	**2,629,635.76**	2,043,097.81
Total	**12,857,399.75**	26,180,538.95

9. *Long-term equity investments*

Unit: RMB

		Movement during the current period									
Investee	**Balance at the beginning of the period (Book value)**	**Increase in investment**	**Decrease in investment**	**Gain or loss on investments recognised under the equity method**	**Adjustment to other comprehensive income**	**Other changes in equity**	**Cash dividend or profits declared**	**Provision for impairment**	**Others**	**Balance at the end of the period (Book value)**	**Balance of provision for impairment at the end of the period**
I. Joint Ventures											
II. Associates											
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)	2,144,833.69	–	–	–	–	–	–	–	–	2,144,833.69	–
Sub-total	2,144,833.69	–	–	–	–	–	–	–	–	2,144,833.69	–
Total	2,144,833.69	–	–	–	–	–	–	–	–	2,144,833.69	–

10. *Investment properties*

(1) In es men proper ies nder cos model

Applicable ☐ Not applicable

Unit: RMB

Item	Buildings and structures	Total
I. Carrying amount at cost		
1. Balance at the beginning of the period	29,316,909.77	29,316,909.77
2. Increased during the current period	—	—
(1) Purchases	—	—
(2) Transfer from inventories/fixed assets/ construction-in-progress	—	—
(3) Additions from business combinations	—	—
3. Decreased during the current period	29,316,909.77	29,316,909.77
(1) Disposals	—	—
(2) Other transfers	29,316,909.77	29,316,909.77
4. Balance at the end of the period	0.00	0.00
II. Accumulated depreciation and accumulated amortisation		
1. Balance at the beginning of the period	14,771,329.91	14,771,329.91
2. Increased during the current period	449,999.56	449,999.56
(1) Provision or amortisation	449,999.56	449,999.56
3. Decreased during the current period	15,221,329.47	15,221,329.47
(1) Disposals	—	—
(2) Other transfers	15,221,329.47	15,221,329.47
4. Balance at the end of the period	0.00	0.00
III. Provision for Impairment		
1. Balance at the beginning of the period	4,616,478.28	4,616,478.28
2. Increased during the current period	—	—
(1) Provision	—	—
3. Decreased during the current period	4,616,478.28	4,616,478.28
(1) Disposals	—	—
(2) Other transfers	4,616,478.28	4,616,478.28
4. Balance at the end of the period	—	—
IV. Book value		
1. Book value at the end of the period	—	—
2. Book value at the beginning of the period	9,929,101.58	9,929,101.58

(2) In es men proper ies nder fair al e model

☐ Applicable Not applicable

(3) In es men proper ies i h incomple e proper o nership cer ifica e

Nil

11. *Fixed assets*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	**2,099,679,832.56**	2,181,361,123.66
Total	**2,099,679,832.56**	2,181,361,123.66

(1) Details of fixed assets

Unit: RMB

Item	Buildings	Machinery	Electronics and others	Vehicles	Total
I. Carrying amount at cost					
1. Balance at the beginning of the period	922,874,878.60	3,300,358,159.90	116,136,360.19	14,256,299.07	4,353,625,697.76
2. Increased during the current period	29,316,909.77	11,843,269.16	160,371.26	1,306,324.22	42,626,874.41
(1) Purchases	—	195,205.29	160,371.26	1,306,324.22	1,661,900.77
(2) Transfer from construction-in-progress	—	11,648,063.87	—	—	11,648,063.87
(3) Additions from business combinations	—	—	—	—	—
(4) Transfer from investment properties	29,316,909.77	—	—	—	29,316,909.77
3. Decreased during the current period	100,000.00	20,630,379.58	850,531.44	320,000.00	21,900,911.02
(1) Disposals or retirements	100,000.00	20,630,379.58	850,531.44	320,000.00	21,900,911.02
4. Balance at the end of the period	952,091,788.37	3,291,571,049.48	115,446,200.01	15,242,623.29	4,374,351,661.15
II. Accumulated depreciation					
1. Balance at the beginning of the period	309,484,784.63	1,602,838,957.19	93,952,603.52	8,734,242.65	2,015,010,587.99
2. Increased during the current period	36,904,271.57	74,542,686.83	2,237,931.92	1,134,128.10	114,819,018.42
(1) Provision	22,132,941.66	74,542,686.83	2,237,931.92	1,134,128.10	100,047,688.51
(2) Transfer from investment properties	14,771,329.91	—	—	—	14,771,329.91
3. Decreased during the current period	72,832.72	16,103,014.90	788,414.69	63,979.90	17,028,242.21
(1) Disposals or retirements	72,832.72	16,103,014.90	788,414.69	63,979.90	17,028,242.21
4. Balance at the end of the period	346,316,223.48	1,661,278,629.12	95,402,120.75	9,804,390.85	2,112,801,364.20
III. Impairment provision					
1. Balance at the beginning of the period	1,275,320.54	155,977,815.57	850.00	—	157,253,986.11
2. Increased during the current period	4,616,478.28	—	—	—	4,616,478.28
(1) Provision	—	—	—	—	—
(2) Transfer from investment properties	4,616,478.28	—	—	—	4,616,478.28
3. Decreased during the current period	—	—	—	—	—
(1) Disposals or retirements	—	—	—	—	—
4. Balance at the end of the period	5,891,798.82	155,977,815.57	850.00	0.00	161,870,464.39
IV. Book value					
1. Book value at the end of the period	599,883,766.07	1,474,314,604.79	20,043,229.26	5,438,232.44	2,099,679,832.56
2. Book value at the beginning of the period	612,114,773.43	1,541,541,387.14	22,182,906.67	5,522,056.42	2,181,361,123.66

(2) Temporaril idle fi ed asse s

Unit: RMB

Item	Carrying amount at cost	Accumulated depreciation	Impairment provision	Book value	Remark
Buildings	91,982,936.35	53,985,665.07	5,891,798.82	32,105,472.46	—
Machinery	512,949,422.68	363,616,935.34	79,682,656.47	69,649,830.87	—
Vehicles	991,834.83	682,534.52	—	309,300.31	—
Electronics and others	39,465,332.07	37,242,380.12	850.00	2,222,101.95	—
Total	645,389,525.93	455,527,515.05	85,575,305.29	104,286,705.59	—

(3) Fi ed asse s i h incomple e proper o nership cer ifica e

Unit: RMB

Item	Book value	Reason for incomplete property ownership certificate
Workshop plant, office building and staff canteen of Shouguang Maolong	**220,677,690.37**	Not yet applied

Other descriptions

The Group had no fixed assets that were leased in under finance leases.

12. *Construction-in-progress*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction-in-progress	**4,084,504.22**	10,029,521.56
Total	**4,084,504.22**	10,029,521.56

(1) Details of construction-in-progress

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Other miscellaneous projects	**4,084,504.22**	**—**	**4,084,504.22**	10,029,521.56	—	10,029,521.56
Total	**4,084,504.22**	**—**	**4,084,504.22**	10,029,521.56	—	10,029,521.56

(2) Provision for impairment of construction-in-progress for the current period

No impairment was provided for construction-in-progress as there were no indication of impairment of construction-in-progress at the end of the period.

13. *Right-of-use assets*

Unit: RMB

Item	Buildings and related land use rights	Total
I. Carrying amount at cost		
1. Balance at the beginning of the period	4,591,910.73	4,591,910.73
2. Increased during the current period	—	—
3. Decreased during the current period	—	—
4. Balance at the end of the period	4,591,910.73	4,591,910.73
II. Accumulated depreciation		
1. Balance at the beginning of the period	3,061,273.92	3,061,273.92
2. Increased during the current period	1,530,636.81	1,530,636.81
(1) Provision	1,530,636.81	1,530,636.81
3. Decreased during the current period	—	—
(1) Disposals	—	—
4. Balance at the end of the period	4,591,910.73	4,591,910.73
III. Impairment provision		
1. Balance at the beginning of the period	—	—
2. Increased during the current period	—	—
(1) Provision	—	—
3. Decreased during the current period	—	—
(1) Disposals	—	—
4. Balance at the end of the period	—	—
IV. Book value		
1. Book value at the end of the period	0.00	0.00
2. Book value at the beginning of the period	1,530,636.81	1,530,636.81

14. *Intangible assets*

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patents	Non-patented technology	Software	Total
I. Carrying amount at cost					
1. Balance at the beginning of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
2. Increased during the current period	—	—	—	—	—
(1) Acquisitions	—	—	—	—	—
(2) Internal research and development	—	—	—	—	—
(3) Additions from business combinations	—	—	—	—	—
3. Decreased during the current period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
II. Accumulated amortisation					
1. Balance at the beginning of the period	87,519,092.07	2,846,874.62	360,120,069.94	770,036.72	451,256,073.35
2. Increased during the current period	5,250,019.85	18,233.70	3,298,509.96	—	8,566,763.51
(1) Provision	5,250,019.85	18,233.70	3,298,509.96	—	8,566,763.51
3. Decreased during the current period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	92,769,111.92	2,865,108.32	363,418,579.90	770,036.72	459,822,836.86
III. Provision for Impairment					
1. Balance at the beginning of the period	—	—	33,968,375.45	—	33,968,375.45
2. Increased during the current period	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Decreased during the current period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	—	—	33,968,375.45	—	33,968,375.45
IV. Book value					
1. Book value at the end of the period	353,414,647.56	21,139.87	14,051,351.94	—	367,487,139.37
2. Book value at the beginning of the period	358,664,667.41	39,373.57	17,349,861.90	—	376,053,902.88

The intangible assets generated through internal research and development accounted for 3.82% of the balance of intangible assets as at the end of the period.

15. *Development expenditures*

Unit: RMB

Project	Balance at the beginning of the period	Increase during the current period: Internal development expenditures	Increase during the current period: Others	Decrease during the current period: Recognised as intangible assets	Decrease during the current period: Transfer to profit or loss for the current period	Balance at the end of the period
Project I	—	5,958,345.07	—	—	5,958,345.07	—
Project II	—	2,591,455.48	—	—	—	2,591,455.48
Project III	—	4,075,095.95	—	—	4,075,095.95	—
Project IV	—	5,118,794.70	—	—	5,118,794.70	—
Total	—	17,743,691.20	—	—	15,152,235.72	2,591,455.48

Other descriptions

Please refer to V.25 of this note for the division in the phase of research and development expenditures and the phase of development, the time and basis of capitalisation of development phase.

16. *Deferred income tax assets/deferred income tax liabilities*

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Balance at the end of the period: Deductible temporary difference	Balance at the end of the period: Deferred income tax assets	Balance at the beginning of the period: Deductible temporary difference	Balance at the beginning of the period: Deferred income tax assets
Unrealised profits from intragroup transactions	**7,594,256.92**	**1,898,564.23**	7,954,198.64	1,988,549.66
Provision for bad debts of bills receivable	**1,270,919.79**	**190,637.97**	2,373,790.69	356,068.60
Provision for bad debts of accounts receivable	**102,440,878.78**	**15,366,131.82**	106,898,400.53	16,034,760.08
Provision for bad debts of other receivables	**1,728,396.71**	**259,259.51**	1,722,904.75	258,435.71
Allowance for impairment of inventories	**15,474,658.61**	**2,321,198.79**	14,728,514.57	2,209,277.19
Difference in amortisation of intangible assets	**45,776,709.74**	**6,866,506.46**	54,228,368.96	8,134,255.34
Estimated liabilities	**—**	**—**	558,467.38	83,770.11
Total	**174,285,820.55**	**26,902,298.78**	188,464,645.52	29,065,116.69

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Long-term equity investments	**15,237.52**	**3,809.38**	15,237.52	3,809.38
Intangible assets	**21,036,652.88**	**5,259,163.22**	21,433,554.56	5,358,388.64
Total	**21,051,890.40**	**5,262,972.60**	21,448,792.08	5,362,198.02

(3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Unit: RMB

Item	**Offsetting between deferred income tax assets and liabilities at the end of the period**	**Balance of deferred income tax assets or liabilities after offsetting at the end of the period**	Offsetting between deferred income tax assets and liabilities at the beginning of the period	Balance of deferred income tax assets or liabilities after offsetting at the beginning of the period
Deferred income tax assets	**—**	**26,902,298.78**	—	29,065,116.69
Deferred income tax liabilities	**—**	**5,262,972.60**	—	5,362,198.02

(4) Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Deductible temporary differences	**178,102,139.27**	174,502,936.99
Deductible losses	**1,496,079,921.24**	1,249,185,686.71
Total	**1,674,182,060.51**	1,423,688,623.70

(5) Ded c ible losses of nrecognised deferred income a asse s e piring in he follo ing ears

Unit: RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Remark
2022	**175,248,363.36**	175,248,363.36	—
2023	**52,476,863.76**	52,476,863.76	—
2024	**219,261,742.73**	219,261,742.73	—
2025	**163,165,974.67**	163,165,974.67	—
2026	**295,336,582.84**	295,336,582.84	—
2029	**72,537,498.48**	72,537,498.48	—
2031	**271,158,660.87**	271,158,660.87	—
2032	**246,894,234.53**	—	—
Total	**1,496,079,921.24**	1,249,185,686.71	—

17. Other non-current assets

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Prepayments for equipment	**350,000.00**	**—**	**350,000.00**	350,000.00	—	350,000.00
Prepayment for construction works	**378,107.60**	**—**	**378,107.60**	378,107.60	—	378,107.60
Total	**728,107.60**	**—**	**728,107.60**	728,107.60	—	728,107.60

18. *Short-term borrowings*

(1) Ca egor of shor - erm borro ings

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Pledged borrowings	**65,989,754.50**	—
Guaranteed borrowings	**994,033,185.56**	1,024,227,167.50
Credit borrowings	**305,420,500.00**	353,379,047.22
Borrowings for bills discounting and letters of credit	**942,420,279.66**	539,100,000.00
Total	**2,307,863,719.72**	1,916,706,214.72

Explanations about the classification of short-term borrowings:

Details of the interest rate: In the first half of 2022, the weighted average annual interest rate for shortterm borrowings of the Group was 4.82% (2021: 4.69%).

(2) De ails of o s anding o erd e shor - erm borro ings

The Group did not have any outstanding overdue short-term borrowing as at the end of the period.

19. *Bills payable*

Unit: RMB

Type	**Balance at the end of the period**	Balance at the beginning of the period
Bank acceptance bills	**58,451,284.51**	101,209,067.42
Total	**58,451,284.51**	101,209,067.42

As at the end of the period, total outstanding overdue bills payable amounted to RMB0.00.

20. *Accounts payable*

(1) Presentation of accounts payable

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Amounts due to suppliers	**1,013,193,967.90**	599,514,345.81
Total	**1,013,193,967.90**	599,514,345.81

(2) Material accounts payable with an age of more than one year

Unit: RMB

Item	**Balance at the end of the period**	**Reasons for outstanding or carrying forward**
Entity I	8,112,052.57	Settlement conditions unfulfilled
Entity II	6,464,725.24	Settlement conditions unfulfilled
Entity III	5,333,245.98	Settlement conditions unfulfilled
Entity IV	3,906,684.00	Settlement conditions unfulfilled
Entity V	2,803,233.89	Settlement conditions unfulfilled
Total	26,619,941.68	—

Other descriptions:

Presentation of accounts payable by age

An aging analysis of accounts payable (including amounts due from related parties) based on transaction dates is as follows:

Unit: RMB

Item	**Amount at the end of the period**	Amount at the beginning of the period
Within 2 months	**559,450,018.89**	229,215,757.87
2–3 months	**92,289,841.03**	33,827,947.46
3–4 months	**80,289,245.05**	33,924,584.31
4 months –1 year	**112,492,446.48**	136,448,161.09
1–2 years	**70,575,051.22**	60,116,780.67
2–3 years	**24,053,285.19**	36,152,773.49
Over 3 years	**74,044,080.04**	69,828,340.92
Total	**1,013,193,967.90**	599,514,345.81

21. *Contract liabilities*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Receipts in advance	**151,720,589.80**	70,368,931.26
Total	**151,720,589.80**	70,368,931.26

22. *Salaries payable*

(1) Presentation of salaries payable

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
I. Short-term salaries	57,833,087.83	117,804,412.24	126,517,560.64	49,119,939.43
II. Post-employment benefits — defined contribution plans	—	15,478,868.71	15,478,868.71	—
Total	57,833,087.83	133,283,280.95	141,996,429.35	49,119,939.43

(2) Presentation of short-term salaries

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
1. Wages, bonuses, allowances and subsidies	40,569,610.17	100,558,370.20	111,802,297.65	29,325,682.72
2. Staff welfare	—	3,090,872.81	3,090,872.81	—
3. Social insurances	—	8,552,145.38	8,552,145.38	—
Including: Medical insurance	—	6,771,479.06	6,771,479.06	—
Work injury insurance	—	813,312.17	813,312.17	—
Maternity insurance	—	967,354.15	967,354.15	—
4. Housing provident fund	—	2,862,834.80	2,862,834.80	—
5. Union fund and staff education fund	17,263,477.66	2,740,189.05	209,410.00	19,794,256.71
Total	57,833,087.83	117,804,412.24	126,517,560.64	49,119,939.43

(3) Presentation of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
1. Basic pension insurance	—	14,831,250.72	14,831,250.72	—
2. Unemployment insurance	—	647,617.99	647,617.99	—
Total	—	15,478,868.71	15,478,868.71	—

Other descriptions

The Group participates in social insurance plans established by government agencies as required. According to the plans, the Group pays premiums to these plans in accordance with the relevant regulations of the local government. In addition to the above payment of premiums, the Group no longer undertakes further payment obligations. After the payment of relevant premiums, the Company has no right to utilise the above premiums. The corresponding expenditures are charged to the current profit or loss or related asset cost when incurred.

Salaries payables of the Group as at the end of the period included accrued wages, bonuses and allowances of RMB49,119,939.43 in total, which were expected to be paid in the second half of 2022.

As at 30 June 2022, contributions to all planned pension insurances and unemployment insurances of the Group have made.

For each of the two financial years ended 30 June 2021 and 2022, the Group did not have any forfeited contributions (by employers on behalf of employees who leave the plans prior to fully vesting in such contributions) under defined contribution plans available for the Group to reduce the existing level of contributions.

23. *Taxes Payable*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Value-added tax	**10,152,114.47**	14,640,926.26
Enterprise income tax	**6,185,479.78**	6,222,288.30
Individual income tax	**183,034.75**	99,319.08
Urban maintenance and construction tax	**2,745.99**	1,283,658.93
Property tax	**934,499.40**	936,701.23
Land use tax	**869,314.20**	869,314.20
Education surcharge	**1,176.85**	916,899.23
Local water resources fund	**—**	—
Stamp duty	**232,609.20**	673,404.96
Others	**195,586.28**	151,326.34
Total	**18,756,560.92**	25,793,838.53

24. *Other payables*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Other payables	**68,905,056.91**	64,231,003.43
Total	**68,905,056.91**	64,231,003.43

(1) Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Accrued energy charges	**29,229,840.97**	38,246,747.14
Deposits	**12,200,286.28**	11,346,486.34
Rents	**16,080,367.87**	10,191,315.95
Others	**11,394,561.79**	4,446,454.00
Total	**68,905,056.91**	64,231,003.43

As at the end of the period, the Group did not have any material other payables with an age of more than 1 year.

25. *Non-current liabilities due within one year*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term borrowings due within one year	**76,493,315.87**	77,665,842.90
Long-term payables due within one year	**19,993,311.93**	23,753,396.36
Lease liabilities due within one year	**—**	5,582,154.56
Total	**96,486,627.80**	107,001,393.82

26. *Other current liabilities*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Unmatured endorsed trade acceptance bills	**46,830,139.24**	58,359,800.00
Output tax to be transferred	**19,404,493.31**	9,074,588.00
Total	**66,234,632.55**	67,434,388.00

27. *Long-term borrowings*

(1) Category of long-term borrowings

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Secured borrowings	**76,493,315.87**	114,807,460.40
Less: Amounts due within one year	**(76,493,315.87)**	(77,665,842.90)
Total	**0.00**	37,141,617.50

Explanation about the classification of long-term borrowings:

Profile of maturity dates of long-term borrowings is as follows:

Unit: RMB

Item	**Amount at the end of the period**	Amount at the beginning of the period
Secured borrowings	**76,493,315.87**	114,807,460.40
Pledged borrowings	**—**	—
Total	**76,493,315.87**	114,807,460.40
The carrying amounts of the above borrowings are repayable:		
Within one year	**76,493,315.87**	77,665,842.90
After one year from the balance sheet date but within two years	**0.00**	37,141,617.50
Less: Amount due within one year shown under current liabilities	**76,493,315.87**	77,665,842.90
Amount shown under non-current liabilities	**0.00**	37,141,617.50

Other descriptions, including interest rate intervals:

In the first half of 2022, the Group had only one long-term borrowing which bore an interest rate of 6.70%.

Profile of maturity dates of long-term payables

Unit: RMB

Item	**Amount at the end of the period**	Amount at the beginning of the period
Leaseback financings	**48,045,762.47**	61,495,725.38
Total	**48,045,762.47**	61,495,725.38
The carrying amounts of the above borrowings are repayable:		
Within one year	**19,993,311.93**	23,753,396.36
After one year from the balance sheet date but within two years	**20,303,933.53**	19,674,948.82
After two years from the balance sheet date but within five years	**7,748,517.01**	18,067,380.20
Less: Amount due within one year shown under current liabilities	**19,993,311.93**	23,753,396.36
Amount shown under non-current liabilities	**28,052,450.54**	37,742,329.02

30. Estimated liabilities

Unit: RMB

Item	**Balance at the end of the period**	**Balance at the beginning of the period**	**Cause**
Pending litigations	0.00	558,467.38	—
Total	—	558,467.38	—

31. *Deferred income*

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period	Cause
Government grants	6,966,655.18	—	—	6,966,655.18	Asset-related government grants
Total	6,966,655.18	—	—	6,966,655.18	

Projects involving government grants:

Unit: RMB

Liability	Balance at the beginning of the period	Amount of new grants during the current period	Amount included in non-operating income during the current period	Amount included in other income during the current period	Amount charged against costs and expenses during the current period	Other movements	Balance at the end of the period	Asset-related/ income-related
Grants for ancillary infrastructure	6,607,112.24	–	–	–	–	–	6,607,112.24	Asset-related
Grants for defense basement construction	359,542.94	–	–	–	–	–	359,542.94	Asset-related
Total	6,966,655.18	–	–	–	–	–	6,966,655.18	Asset-related

Other descriptions:

According to Notice on Finance of Shouguang Molong Logistic Company Limited's Subsidy Funds for Infrastructure (Shangzhengfa [2016] No.3) issued by the People's government of Shangkou Town, the Group received subsidy funds for infrastructure of RMB6,954,855.00 on 24 February 2016, and recognised the government grant as the government grant related to assets.

According to the Request for return of preferential policy to the phase II project of Weihai Baolong Special

32. *Share capital*

Unit: RMB

	Balance at the beginning of the period	Increase or decrease on the change (+, –)					Balance at the end of the period
		Issue of new shares	Bonus issue	Transfer of reserves into shares	Others	Sub-total	
Total number of shares	797,848,400.00	—	—	—	—	—	797,848,400.00

33. *Capital Reserves*

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
Capital premium (share capital premium)	849,481,990.92	—	—	849,481,990.92
Other capital reserves	13,874,320.28	696,422.22	—	14,570,742.50
Total	863,356,311.20	696,422.22	—	864,052,733.42

Other descriptions, including the increase or decrease during the current period and the reason(s) for such changes:

The controlling shareholder of the controlling shareholder of the Company provided the Company with a nil consideration financial assistance, the interest on the borrowing was recognised as a capital reserve according to the relevant requirements.

34. *Other comprehensive income*

Unit: RMB

Item	Balance at the beginning of the period	Amount for the period						Balance at the end of the period
		Amount before income tax for the current period	Less: Transfer of amount previously included in other comprehensive income to profit or loss for the current	Less: Transfer of amount previously included in other comprehensive income to retained earnings for the current period	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive income that will be reclassified to profit or loss	(1,671,948.29)	(859,902.79)	—	—	—	(773,912.51)	(85,990.28)	(2,445,860.80)
Exchange differences on translation of foreign financial statements	(1,671,948.29)	(859,902.79)	—	—	—	(773,912.51)	(85,990.28)	(2,445,860.80)
Total other comprehensive income	(1,671,948.29)	(859,902.79)	—	—	—	(773,912.51)	(85,990.28)	(2,445,860.80)

35. *Special Reserve*

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
Safety production fees	—	13,594,754.41	13,594,754.41	—
Total	—	13,594,754.41	13,594,754.41	—

Other descriptions, including the increase or decrease during the current period and the reason(s) for such changes:

The Group provided for and utilised production safety fee in accordance with the Measures on the Withholding and Usage of Safety Production Fees of Enterprises (企業安全生產費用提取和使用管理辦法) (Caiqi [2012] No.16) jointly issued by the Ministry of Finance and the State Administration of Work Safety.

36. *Surplus Reserve*

Unit: RMB

Item	Balance at the beginning of the period	Increase during the current period	Decrease during the current period	Balance at the end of the period
Statutory surplus reserve	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

37. *Undistributed profits*

Unit: RMB

Item	Current period	Last period
Undistributed profits at the end of the prior period before adjustments	**(434,047,824.92)**	(66,030,056.80)
Undistributed profits at the beginning of the period after adjustments	**(434,047,824.92)**	(66,030,056.80)
Add: Net profit attributable to owners of the parent company for the period	**(172,717,715.72)**	(68,250,795.42)
Undistributed profits at the end of the period	**(606,765,540.64)**	(134,280,852.22)

Note: The Company did not distribute any dividends for the current period. During the track record period, the Company did not distribute any dividends in 2021 either. As at 30 June 2022, the Company had no profit available for distribution to shareholders.

Breakdown of adjustments to undistributed profits as at the beginning of the period:

1). The effect of the retrospective adjustments according to ASBE and their new related requirements on the undistributed profits as at the beginning of the period amounted to RMB0.00.

2). The effect of the changes in accounting policies on the undistributed profits as at the beginning of the period amounted to RMB0.00.

3). The effect of corrections of significant accounting errors on the undistributed profits as at the beginning of the period amounted to RMB0.00.

4). The effect of the change of the scope of combination under common control on the undistributed profits as at the beginning of the period amounted to RMB0.00.

5). The effect of other adjustments on the undistributed profits as at the beginning of the period amounted to RMB0.00.

38. *Minority interests*

Minority interests attributable to minority shareholders of each subsidiary

Unit: RMB

Name of subsidiary	Proportion of minority shareholding (%)	Balance at the end of the period	Balance at the beginning of the period
Shouguang Baolong	30	(63,861,907.97)	(53,415,263.28)
MPM	10	(168,529.68)	(75,837.20)
Total	—	(64,030,437.65)	(53,491,100.48)

39. *Operating revenue and operating costs*

Unit: RMB

	Amount for the current period		Amount for the last period	
Item	**Revenue**	**Costs**	Revenue	Costs
Principal operations	**1,510,822,002.24**	**1,468,395,267.79**	1,858,207,262.11	1,690,763,057.70
Other operations	**60,119,939.41**	**48,843,734.00**	39,920,314.97	35,406,094.78
Total	**1,570,941,941.65**	**1,517,239,001.79**	1,898,127,577.08	1,726,169,152.48

Information on revenue:

Unit: RMB

Contract category	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	High-end castings and forgings	Others	Total
Type of goods	593,912,032.35	16,732,788.46	8,763,820.61	—	878,006,892.23	73,526,408.00	1,570,941,941.65
Including:							
Pipe products	593,912,032.35	—	—	—	—	—	593,912,032.35
Three kinds of pumping units	—	16,732,788.46	—	—	—	—	16,732,788.46
Petroleum machinery parts	—	—	8,763,820.61	—	—	—	8,763,820.61
Tube blanks	—	—	—	—	—	—	—
High-end castings and forgings	—	—	—	—	878,006,892.23	—	878,006,892.23
Others	—	—	—	—	—	73,526,408.00	73,526,408.00
By business location							
Including:							
China	540,994,320.69	13,677,073.25	1,345,716.80	—	878,006,892.23	73,501,781.00	1,507,525,783.97
Outside China	52,917,711.66	3,055,715.21	7,418,103.81	—	—	24,627.00	63,416,157.68
Type of contracts							
Including:							
Revenue recognised at a point in time	593,912,032.35	16,732,788.46	8,763,820.61	—	878,006,892.23	73,526,408.00	1,570,941,941.65
Total	593,912,032.35	16,732,788.46	8,763,820.61	—	878,006,892.23	73,526,408.00	1,570,941,941.65

Information on performance obligations:

The Group as primary obligor satisfies its obligations of supplying products to customers in a timely manner by reference to the category, standard and time requested by the customers in accordance with the provisions of the contracts. There are different payments terms for different customers and different products: domestic customers of pipes are normally subject to payment in advance of delivery, and domestic provisions and decasing are normally subject to payment terms of 3-6 months after invoicing for account

The Group on perform Transhement on debie

40. *Taxes and surcharges*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Urban maintenance and construction tax	**856,143.61**	1,018,549.18
Education surcharge	**609,894.36**	677,383.91
Resources tax	**—**	0.00
Property tax	**1,868,998.80**	1,869,381.80
Land use tax	**1,738,628.40**	1,738,628.40
Vehicle and vessel use tax	**8,985.90**	10,320.00
Stamp duty	**1,647,482.14**	742,217.70
Local water resource fund	**—**	—
Other taxes	**404,860.80**	624,937.78
Total	**7,134,994.01**	6,681,418.77

41. *Selling expenses*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Agency fees	**—**	130,623.29
Wages	**4,755,247.44**	2,645,448.42
Travelling expenses	**203,512.33**	390,105.02
Entertainment expenses	**1,317,534.91**	1,170,912.63
Office expenses	**141,660.00**	128,022.82
Commissions	**50,523.23**	166,123.75
Depreciation charges	**117,004.48**	122,062.45
Bidding service charges	**335,284.94**	748,114.68
Others	**204,043.51**	369,733.49
Total	**7,124,810.84**	5,871,146.55

42. *Administrative expenses*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Amortisation of intangible assets	**5,268,253.55**	4,943,785.54
Depreciation charges	**46,019,803.24**	35,358,329.18
Staff remunerations	**48,119,060.92**	29,253,531.88
Travelling expenses	**381,959.62**	455,391.64
Machinery material consumables	**8,624,437.78**	3,520,209.59
Entertainment expenses	**1,868,752.56**	1,687,892.19
Board of directors' expenses	**707,975.29**	509,990.72
Utilities	**5,123,671.96**	17,049,314.77
Commissions	**2,584,096.45**	2,513,049.88
Repair charges	**10,118,951.22**	10,990,150.99
Others	**7,371,222.23**	7,953,594.22
Total	**136,188,184.82**	114,235,240.60

43. *Research and development expenditures*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Research and development of new products during the current year	**21,805,959.56**	22,036,363.29
Amortisation of non-patented technology for the current year	**3,298,509.96**	4,003,948.03
Total	**25,104,469.52**	26,040,311.32

44. *Finance costs*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Interest expenses	**58,378,820.98**	57,876,192.60
Interest income	**(3,752,773.33)**	(2,892,675.32)
Foreign exchange losses	**(3,432,565.42)**	(808,887.43)
Other expenses	**2,844,144.00**	5,753,829.06
Total	**54,037,626.23**	59,928,458.91

45. *Other income*

Unit: RMB

Source of other income	**Amount for the current period**	Amount for the last period
Work-based training subsidies	**—**	998,000.00
Others	**49,128.67**	268,838.69
Total	**49,128.67**	1,266,838.69

46. *Credit impairment losses*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Loss on bad debts of other receivables	**(86,169.72)**	363,737.41
Impairment loss on loans	**—**	1,991,573.70
Loss on bad debts of accounts receivable	**4,843,687.17**	(1,429,323.04)
Loss on bad debts of bills receivable	**1,074,148.13**	716,389.08
Total	**5,831,665.58**	1,642,377.15

47. *Assets impairment losses*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Loss on allowance of inventories	**(15,000,113.67)**	(4,830,609.84)
Total	**(15,000,113.67)**	(4,830,609.84)

48. *Gain on disposal of assets*

Unit: RMB

Source of gain on disposal of assets	**Amount for the current period**	Amount for the last period
Gains on disposal of fixed assets	**0.00**	9,832.15

49. *Non-operating Income*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period	**Amount credited to non-recurring profit or loss for the current period**
Others	**4,960,223.84**	1,211,776.85	**4,960,223.84**
Total	**4,960,223.84**	1,211,776.85	**4,960,223.84**

50. *Non-operating expenses*

Unit: RMB

Item	**Amount for the current period**	Amount for the last period	**Amount charged to non-recurring profit or loss for the current period**
Donations to external parties	**100,000.00**	230,000.00	**100,000.00**
Loss on scrapping and retirement of non-current assets	**252,500.84**	399,687.46	**252,500.84**
Estimated liabilities	**—**	2,227,197.33	**—**
Others	**708,728.14**	352,041.65	**708,728.14**
Total	**1,061,228.98**	3,240,554.91	**1,061,228.98**

51. *Income tax expenses*

(1) Lis of income a e penses

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Current income tax expenses	**—**	637,696.33
Deferred income tax expenses	**2,063,592.49**	2,395,769.07
Total	**2,063,592.49**	3,033,465.40

(2) Reconciliations between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the current period
Total profit	(181,107,470.12)
Income tax expenses calculated at statutory/applicable tax rate	(25,972,466.59)
Effect of different tax rates applicable to subsidiaries	(9,888,277.74)
Effect of non-deductible costs, expenses and loss	468,711.40
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	2,452,453.58
Effect of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in the period	40,042,339.76
Effect of additions and deductions in research and development expenditures	(5,039,167.92)
Income tax expenses	2,063,592.49

52. *Other comprehensive income*

Refer to note VII.34 for details.

53. *Statement of cash flows line items*

(1) Other cash received relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Government grants	**49,128.67**	1,266,838.69
Interest income	**3,755,558.59**	**1,2688**

(2) Other cash paid relating to operating activities

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Expenditures for research and development of new products	**15,768,813.14**	16,625,512.07
Consumables	**8,766,097.78**	3,546,305.28
Agency fees	**—**	130,623.29
Travelling expenses	**585,471.95**	845,496.66
Commissions	**3,342,594.97**	2,679,173.63
Repair charges	**10,118,951.22**	10,990,150.99
Utilities	**5,123,671.96**	17,049,314.77
Entertainment expenses	**3,186,287.47**	2,858,804.82
Handling charges by financial institutions	**2,844,144.00**	5,753,829.06
Increase in frozen bank deposits	**1,910,817.80**	2,264,189.64
Compensations for investors' claims	**3,667,304.14**	11,053,960.15
Others	**26,050,977.06**	8,649,434.26
Total	**81,365,131.49**	82,446,794.62

(3) Other cash paid relating to financing activities

Unit: RMB

Item	**Amount for the current period**	Amount for the last period
Increase in financing margins	**268,358,500.00**	92,915,500.00
Total	**268,358,500.00**	92,915,500.00

54. *Supplemental information of statement of cash flows*

(1) Supplemental information of statement of cash flows

Unit: RMB

Supplemental information	Amount for the current period	Amount for the last period
1. Reconciliations of net profit to cash flows from operating activities:		
Net profit	**(183,171,062.61)**	(47,771,956.86)
Add: Provision for impairment of assets	**9,168,448.09**	3,188,232.69
Depreciation of fixed assets, oil and gas assets and productive biological assets	**100,047,688.51**	112,243,636.18
Depreciation of right-of-use assets	**1,530,636.81**	1,530,636.96
Amortisation of intangible assets	**8,566,763.51**	9,272,644.96
Amortisation of long-term deferred expenses	**—**	—
Loss on disposal of fixed assets, intangible assets and other long-term assets	**220.00**	(7,096.07)
Loss on retirement of fixed assets	**199,568.74**	425,560.76
Loss on fair value changes	**—**	—
Finance expenses	**56,486,694.64**	57,876,192.60
Loss on investments	**—**	—
Decrease in deferred income tax assets	**2,162,817.91**	2,621,469.07
Increase in deferred income tax liabilities	**—**	—
Decrease in inventories	**(342,544,964.34)**	(249,100,035.40)
Decrease in trade receivables	**(35,455,148.87)**	22,445,535.52
Increase in trade payables	**439,915,187.72**	67,803,548.30
Others	**—**	—
Net cash flows generated from operating activities	**56,906,850.11**	(19,471,631.29)
2. Significant investing and financing activities not involving cash receipts or payments:		
Transfer of debts to capital	**—**	—
Convertible corporate bonds due within one year	**—**	—
Fixed assets under finance leases	**—**	—
3. Net changes in cash and cash equivalents:		
Balance of cash at the end of the period	**478,948,288.71**	394,118,166.69
Less: Balance of cash at the beginning of the period	**414,209,197.66**	699,989,196.48
Add: Balance of cash equivalents at the end of the period	**—**	—
Less: Balance of cash equivalents at the beginning of the period	**—**	—
Net increase in cash and cash equivalents	**64,739,091.05**	(305,871,029.79)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	**478,948,288.71**	414,209,197.66
Including: Cash on hand	**119,924.24**	58,440.85
Bank deposits readily available for payments	**214,435,798.18**	229,127,335.39
Other monetary funds readily available for payments	**264,392,566.29**	185,023,421.42
III. Balance of cash and cash equivalents at the end of the period	**478,948,288.71**	414,209,197.66

Other descriptions:

At the end of the period, the Company had security deposits for bank acceptance bills with maturity date over 3 months of RMB322,788,500.00.

As at 30 June 2022, the Company had balances of monetary funds of RMB804,218,264.79, which was included in the statement of cash flows under the balance of cash at the end of the period amounting to RMB478,948,288.71. The difference was the security deposits for bank acceptance bills due over 3 months of RMB322,788,500.00 and the frozen bank deposits of RMB2,481,476.08 due to litigations. As it is restricted for use, it was not accounted for as cash and cash equivalents.

55. Assets with ownership or right to use restrictions

Unit: RMB

Item	Book value at the end of the period	Reason for restriction
Monetary funds	589,047,645.96	Acceptance margins
Bills receivable	4,251,000.00	Pledge of bills
Fixed assets	322,952,264.10	Charge for borrowings
Intangible assets	143,213,416.42	Charge for borrowings
Accounts receivable	134,219,391.10	Factoring financing for accounts receivable
Total	1,193,683,717.58	—

56. *Foreign currency monetary items*

(1) Foreign c rrenc mone ar i ems

Unit: RMB

Item	Balance in foreign currency at the end of the period	Translation rate	Balance translated to RMB at the end of the period
Monetary funds	—	—	66,006,022.17
Including: USD	9,769,273.09	6.7114	65,565,499.42
EUR	62,856.39	7.0084	440,522.72
HKD	0.03	0.8552	0.03
Accounts receivable	—	—	102,298,459.13
Including: USD	15,104,105.35	6.7114	101,369,692.65
EUR	132,521.90	7.0084	928,766.48
HKD	—	—	—
Accounts payables	—	—	6,871,541.59
Including: USD	1,023,861.13	6.7114	6,871,541.59
Contract liabilities	—	—	78,974,201.58
Including: USD	11,767,172.51	6.7114	78,974,201.58

(2) Informa ion on foreign opera ing en i ies incl ding (in case of major foreign opera ing en i ies), he disclos res of, heir o erseas principal place of b siness, repor ing c rrenc and basis for selec ion, and reasons for changes of, he repor ing c rrenc .

Applicable ☐ Not applicable

MPM, a controlled subsidiary of the Company (having 90% of its shareholdings and voting rights) is domiciled and principally operated in Hong Kong and its reporting currency is USD.

IX. Interests in other entities

1. *Interests in subsidiaries*

(1) Structure of the business group

Name of subsidiary	Principal place of operation	Place of registration	Business nature	Registered capital	Percentage of shareholding Direct	Percentage of shareholding Indirect	Type of legal entity	Method of acquisition
MPM	Hong Kong, China	Hong Kong, China	Trading	USD100 ten thousand	90.00%	0.00%	For-profit corporation	Business combination under uncommon control
Shouguang Maolong	Shouguang, China	Shouguang, China	Manufacturing	RMB71,238 ten thousand	100.00%	0.00%	For-profit corporation	Business combination under uncommon control
Molong Electro-mechanical	Shouguang, China	Shouguang, China	Manufacturing	USD100 ten thousand	0.00%	100.00%	For-profit corporation	Business combination under uncommon control
Shouguang Baolong	Shouguang, China	Shouguang, China	Manufacturing	RMB15,000 ten thousand	70.00%	0.00%	For-profit corporation	Establishment by investment
Weihai Baolong	Weihai, China	Weihai, China	Manufacturing	RMB2,600 ten thousand	61.54%	38.46%	For-profit corporation	Business combination under uncommon control
Molong Logistic	Shouguang, China	Shouguang, China	Services	RMB300 ten thousand	100.00%	0.00%	For-profit corporation	Establishment by investment
Molong I&E	Shouguang, China	Shouguang, China	Import and export	RMB1,000 ten thousand	100.00%	0.00%	For-profit corporation	Establishment by investment
Molong Energy	Shouguang, China	Shouguang, China	Services	RMB1,000 ten thousand	51.00%	0.00%	For-profit corporation	Establishment by investment

Other descriptions:

Save as disclosed above, as at 30 June 2022, none of the subsidiaries of the Company has issued any share capital or debt securities.

(2) Significant non-holl o ned s bsidiar

Unit: RMB

Name of subsidiary	Percentage of shareholding of minority shareholders	Profit and loss attributable to minority shareholders for the current period	Dividends declared to minority shareholders for the current period	Balance of minority interests at the end of the period
Shouguang Baolong	30.00%	(10,446,644.69)	0.00	(63,861,907.97)

(3) Ke financial informa ion of significan non- holl o ned s bsidiar

Unit: RMB

	Balance at the end of the period						Balance at the beginning of the period					
Name of subsidiary	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shouguang Baolong	**246,126,415.05**	**302,114,464.66**	**548,240,879.71**	**757,659,784.64**	**0.00**	**757,659,784.64**	155,974,302.80	315,579,583.39	471,553,886.19	629,175,841.46	0.00	629,175,841.46

Unit: RMB

	Amount for the current period				Amount for the last period			
Name of subsidiary	**Operating revenue**	**Net profit**	**Total comprehensive income**	**Cash flows from operating activities**	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shouguang Baolong	**381,079,288.00**	**(51,796,949.66)**	**(51,796,949.66)**	**97,765,619.56**	1,800,604,326.08	91,918,278.16	91,918,278.16	57,579,524.75

(4) Major res ric ions on he se of asse s and se lemen of deb s of he b siness gro p

Nil

(5) Pro ision of financial or o her s ppor for s r c red en i ha is consolida ed in o he consolida ed financial s a emen s

Nil

2. *Transactions with changes in share of owners' equity but retain control over subsidiaries*

(1) Details of the change in owners' equities of subsidiaries

Nil

3. *Interests in joint arrangements or associates*

(1) Summarised financial information of insignificant joint ventures or associates

Unit: RMB

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the last period
Joint ventures:		
Total amount of the following items based on percentage of shareholdings	**—**	—
Associates:		
Gross carrying amount of investments	**2,144,833.69**	2,144,833.69
Total amount of the following items based on percentage of shareholdings	**—**	—
— Net profit	**(246,394.47)**	(63,119.70)

(2) Significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

There were no significant restrictions on the ability of associates to transfer funds to the Company.

(3) Excessive losses incurred by joint ventures or associates

None of the associates incurred any excessive losses.

(4) Unrecognised commitments associated with investment in joint ventures

The Group had no unrecognised commitments associated with investment in joint ventures.

(5) Contingent liabilities associated with investment in joint ventures or associates

The Group had no contingent liabilities associated with investment in joint ventures.

4. *Interest in structured entities not consolidated in the consolidated financial statements*

The Group had no structured entities not consolidated in the consolidated financial statements.

X. Risks associated with financial instruments

The Group's major financial instruments include borrowings, accounts receivable, accounts payable and others. Detailed information about these financial instruments are set out in this note VII. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are described below. Management of the Group manages and monitors these risk exposures to ensure such risks are contained within a prescribed scope.

1. Objectives and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and revenue, where the negative effects of risks against the Group's operating results are minimised, with a view to maximise the benefits of shareholders and other stakeholders. Based on such objective of risk management, the underlying strategy of the Group's risk management is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

(1) Market risks

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rate. The Group is mainly exposed to foreign exchange risks in connection with USD, HKD and EUR, except for the parent company and its subsidiaries MPM of the Group which entered purchases and sales in USD, EUR and HKD, other principal operating activities of the Group are settled in RMB. As at 30 June 2022, except for the USD balances in assets and liabilities, odd monies in EUR and HKD balances as set out below, all balances of assets and liabilities of the Group were denominated in RMB. The foreign exchange risk arising from these assets and liabilities in USD balances may affect the operating results of the Group.

Unit: RMB

Item	**30 June 2022**	31 December 2021
Monetary funds — USD	**65,565,499.42**	35,030,460.36
Monetary funds — EUR	**440,522.72**	620,528.52
Monetary funds — HKD	**0.03**	0.02
Accounts receivable — USD	**101,369,692.65**	114,736,549.46
Accounts receivable — EUR	**928,766.48**	1,010,561.26
Accounts payable — USD	**6,871,541.59**	15,066,905.75
Contract liabilities — USD	**78,974,201.58**	9,281,633.63

The Group closely monitors the effect of changes in foreign exchange rates on the Group. The Group has always placed its concern on the research of foreign exchange risk management policies and strategies. It maintains close co-operation with financial institutions engaging in foreign exchange business, and arranges favourable settlement terms in contracts to reduce foreign exchange risk. Meanwhile, with the continuous increase in the proportion of international market, if risks beyond the control of the Group, such as the appreciation of RMB, the Group will mitigate such risk via suitable adjustment of sales strategies. The Group closely monitors the effect of changes in foreign exchange rates on the Group.

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market interest rate. The Group's interest rate risk arises from interest-bearing liabilities, such as borrowings from financial institutions. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2022, the Group's interest-bearing liabilities were mainly floating-rate loan contracts denominated in RMB amounting to RMB486,750,000.00 (31 December 2021: RMB496,800,000.00) and fixed-rate loan contracts denominated in RMB and USD amounting to RMB1,943,969,450.76 (31 December 2021: RMB1,591,509,067.97).

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates was mainly associated with fixed-rate bank loans. The Group aims at maintaining these fixed-rate bank loans at floating rates.

The Group's risk of changes in cash flow of financial instruments resulted from the changes in interest rates was mainly associated with floating-rate bank loans. The Group's policy is to maintain these loans at floating rates, so as to eliminate fair value risks arising from changes in interest rate.

The Company designs rationally credit lines, various credit types and the term of credit lines through the establishment of good relations between banks and enterprise to ensure sufficient bank line of credit and meet the Company's various types of needs for short-term financing. Meanwhile, the Company reduce rationally risk of interest rate fluctuations by shortening the duration of a single borrowing and special agreement on early repayment terms.

The Group sells steel products at market prices. Therefore, it is vulnerable to the fluctuation of these price.

(2) Credi risk

As at 30 June 2022, the maximum credit risk exposure that may cause financial loss to the Group mainly derived from the loss on financial assets of the Group due to the failure of performing obligations by contract counterparties. Specifically:

The book value of the financial asset which has been recognised in the consolidated balance sheet; in respect of financial instruments that are measured by fair value, the book value reflects its risk exposure, but not its biggest risk exposure, the biggest risk exposure will change as the future fair value changes.

In order to minimise the credit risk, the Group conducts a review on the determination and approval of credit limits, and carries out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Group's credit risk is significantly reduced.

The Group maintains its working capital with reputable banks. Therefore, the credit risk for such is minimal.

The Group has adopted necessary policies to ensure that all the trade customers have good credit history. Apart from the top five accounts receivable, the Group has no other significant concentration of credit risk.

Total amount of top 5 account receivables: RMB385,133,670.74.

(3) Liquidity risk

Liquidity risk is the Group's impossibility to perform its financial obligations after the maturity date. In the management of the liquidity risk, the Group monitors and maintains a level of working capital deemed adequate by the management to perform the Group's obligations, thus will not cause loss or damage to the reputation of the Group. Moreover, the Group analyses its debt structure and deadline regularly and maintains sufficient fund. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. Meanwhile, the management keeps in touch with financial institutions and makes consultations on financing issues, to maintain enough credit limits and mitigate liquidity risk.

The Group considers borrowings from financial institutions as a main source of funds. As at 30 June 2022, the Group had unutilised credit facilities provided by financial institutions of RMB243,000,000.00 (31 December 2021: RMB350,000,000.00), of which the unutilised short-term borrowings of the Group amounted to RMB243,000,000.00 (31 December 2021: RMB350,000,000.00). Analysis of the financial assets and financial liabilities held by the Group based on the maturity of undiscounted remaining contractual obligations is as follows:

Amount at 30 June 2022:

Unit: RMB

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Monetary funds	804,218,264.79	—	—	—	804,218,264.79
Bills receivable	125,821,059.44	—	—	—	125,821,059.44
Accounts receivable	371,450,687.22	—	—	—	371,450,687.22
Financing receivables	125,635,423.74	—	—	—	125,635,423.74
Other receivables	28,964,650.51	—	—	—	28,964,650.51
Financial liabilities					
Short-term borrowings	2,307,863,719.72	—	—	—	2,307,863,719.72
Bills payable	58,451,284.51	—	—	—	58,451,284.51
Accounts payable	1,013,193,967.90	—	—	—	1,013,193,967.90
Other payables	68,905,056.91	—	—	—	68,905,056.91
Non-current liabilities due within one year	96,486,627.80	—	—	—	96,486,627.80
Other current liabilities	66,234,632.55	—	—	—	66,234,632.55
Long-term borrowings	—	—	—	—	—
Long-term payables	—	20,253,933.53	7,798,517.01	—	28,052,450.54

2. *Sensitivity analysis*

The Group applies sensitivity to analyse the rationality of technical risk variables and the effects of possible changes on profit and loss or shareholders' equity. As any risk variable seldom varies, and correlation among variables will play a major role in the ultimate amount of a special risk variable. Therefore, the followings are carrying out on the assumed condition that each variable change independently.

(1) Sensi i i anal sis of foreign e change

The assumption for analysing sensitivity to foreign exchange risk: all hedges of net investment in foreign operations and cash flow hedges are highly effective.

Based on the above assumption, with all other variables held constant, the post-tax effects of possible reasonable changes in exchange rates on profit and loss and equity for the current period are set out below:

Unit: RMB

		30 June 2022		2021	
Item	**Movement in exchange rate**	**Impact on net profit**	**Impact on owners' equity**	Impact on net profit	Impact on owners' equity
All foreign currencies	5% appreciation against RMB	**3,502,863.57**	**3,502,863.57**	5,398,191.68	5,398,191.68
All foreign currencies	5% depreciation against RMB	**(3,502,863.57)**	**(3,502,863.57)**	(5,398,191.68)	(5,398,191.68)

(2) Sensi i i anal sis of in eres ra e risk

Sensitivity analysis of interest rate risk is based on the following assumptions:

Changes in market interest rate affect the interest income or expense of financial instruments at variable interest rate;

For fixed rate financial instruments measured at fair value, the changes in market interest rates only affect its interest income or expenses;

The changes in fair value of derivative financial instrument and other financial assets and liabilities were calculated by the discounted cash flow method with the market interest rate at the balance sheet date.

Based on the above assumptions, on the basis that od with the D(8 on ti8 a4 0 h 0 0 8..and tt9nd m6c5hat su -3.0m an

XI. Fair value disclosures

1. Others

As at 30 June 2022, the Group's financing receivables were measured at fair value. As the related bank acceptance bills had short maturities, the difference between their fair value and carrying amount was minimal.

The Group's financial assets and liabilities not measured at fair value mainly included: accounts receivable, short-term borrowings, accounts payable and long-term borrowings. The difference between the book value and fair value of financial assets and liabilities not measured at fair value was immaterial.

XII. Related parties and related party transactions

1. Parent company of the Company

Not applicable

The ultimate controller of the Company is State-owned Assets Supervision and Administration Bureau of Shouguang City.

Other descriptions:

The controlling shareholder of the Company is Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)
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4. *Other related parties*

Name of other related party	Relationship between the other related party and the Company
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	The controlling shareholder of the Company
Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司)	The controlling shareholder of the controlling shareholder of the Company
Weifang Huayuan Heat Co., Ltd. (濰坊華源熱力有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Rongyuan Agricultural Technology Co., Ltd. (壽光市融源農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Medical Services Co., Ltd. (壽光市金投醫療服務有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jindun Motorist Training Co., Ltd. (壽光市金盾機動車駕駛員培訓有限責任公司)	A subsidiary of Shouguang Jinxin
Shouguang Hi-tech Zone Investment and Development Group Co., Ltd. (壽光高新區投資開發集團有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jinsheng Investment Co., Ltd. (壽光金盛投資有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Fenghui Agricultural Technology Co., Ltd. (壽光市豐匯農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Construction Engineering Quality Testing Co., Ltd. (壽光市建設工程質量檢測有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xingyunganghang Investment Management Center (Limited Partnership) (壽光市星雲港航投資管理中心(有限合夥))	A subsidiary of Shouguang Jinxin
Shouguang Gaoxin District Infrastructure Development Co., Ltd. (壽光市高新區基礎設施開發有限公司)	A subsidiary of Shouguang Jinxin
Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Kefa Investment Co.,Ltd. (壽光科發投資有限公司)	A subsidiary of Shouguang Jinxin
Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Fruit and Vegetable Variety Right Transaction Center Co., Ltd. (壽光果菜品種權交易中心有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司)	A company in which a director of the Company holds a position
Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司)	A company in which a director of the Company holds a position
Shouguang Jintou Culture Industry Development Co., Ltd. (壽光市金投文化產業發展有限公司)	A company in which a director of the Company holds a position
Shouguang Jintou Non Financing Guarantee Co., Ltd. (壽光市金投非融資性擔保有限公司)	A company in which a director of the Company holds a position
Weifang Jinxuan Equity Investment Fund Management Co., Ltd. (濰坊金萱股權投資基金管理有限公司)	A company in which a director of the Company holds a position
Kunpeng Qinghai Asset Management Co., Ltd. (昆朋青海資產管理股份有限公司)	A company in which a director of the Company holds a position
Shouguang ZRCB Country Bank Co., Ltd. (壽光張農商村鎮銀行股份有限公司)	A company in which a director of the Company holds a position
Shouguang Jintou Agricultural Technology Development Group Co., Ltd. (壽光市金投農業科技發展集團有限公司)	A company in which a director of the Company holds a position
Shouguang Industrial Investment Holdings Group Co., Ltd. (壽光市產業投資控股集團有限公司)	A company in which a director of the Company holds a position
Shandong Jiuan Insurance Broker Co., Ltd. (山東九安保險經紀股份有限公司)	A company in which a director of the Company holds a position
TATA Health International Holdings Limited (TATA健康國際控股有限公司)	A company in which a supervisor of the Company holds a position
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert

Descriptions of related guarantees:

On 15 May 2020, the Proposal for the Provision of Guarantee for Shouguang Maolong was considered and approved at the third extraordinary meeting of the sixth session of the Board of the Company. It was agreed that Shouguang Maolong (a wholly-owned subsidiary) should commence the provision of comprehensive financial services with China Great Wall Asset Management Co., Ltd. Shandong Branch with a total amount of not exceeding RMB20,000 ten thousand. Mr. Zhang En Rong, the original controlling shareholder and actual controller of the Company, provided a joint and several guarantee for the above business to be commenced by Shouguang Maolong.

(3) Borrowings from/lending to related parties

Unit: RMB

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Borrowings				
Shouguang Jinxin	50,000,000.00	17 June 2021	10 January 2022	—
Shouguang Jinxin	100,000,000.00	4 January 2022	7 January 2022	—
Shouguang Jinxin	20,000,000.00	4 January 2022	15 March 2022	—
Shouguang Jinxin	1,000,000.00	4 January 2022	18 March 2022	—
Shouguang Jinxin	29,000,000.00	4 January 2022	21 March 2022	—
Shouguang Jinxin	155,000,000.00	7 February 2022	21 February 2022	—
Shouguang Jinxin	93,000,000.00	24 February 2022	1 March 2022	—
Shouguang Jinxin	52,000,000.00	24 February 2022	4 March 2022	—
Shouguang Jinxin	100,000,000.00	7 March 2022	10 March 2022	—
Shouguang Jinxin	40,000,000.00	11 March 2022	18 March 2022	—
Shouguang Jinxin	70,000,000.00	15 March 2022	18 March 2022	—
Shouguang Jinxin	10,000,000.00	26 May 2022	13 June 2022	
Shouguang Jinxin	5,000,000.00	30 May 2022	13 June 2022	—
Shouguang Jinxin	15,000,000.00	30 May 2022	—	—

(4) Compensation of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Total remunerations	**1,600,178.12**	1,460,640.75

(5) Other connected transactions

The Group did not conduct any other connected transactions or continuing connected transactions.

6. *Amounts due from and due to related parties*

(1) Receivables

Unit: RMB

Item	Related party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	**Provision of bad debts**	Book balance	Provision of bad debts
Accounts receivable	Karamay Yalong Petroleum Machinery Co., Ltd.				

XIV. Commitments and contingencies

1. *Significant commitments*

Significant commitments at the balance sheet date

The Group did not have any capital commitments as at the end of the period.

2. *Contingencies*

(1) Ma erial con ingencies a he balance shee da e

Nil

(2) To s a e ha he compan has no ma erial con ingenc ha needs o be disclosed

The Company has no material contingency that needs to be disclosed.

XV. Events subsequent to the balance sheet date

1. *Profit Distribution*

Unit: RMB

Proposed profit distribution and dividend	0.00
Profits or dividends declared upon consideration and approval	0.00

2. *Sales Return*

As at the date of this financial report, the Group had no sales return.

3. *Descriptions of other events subsequent to the balance sheet date*

Nil

XVI. Other significant events

1. *Segment information*

(1) Basis for de ermining repor able segmen s and acco n ing policies

Based on its internal organisational structure, management requirements and internal reporting system, the Group's operating businesses are divided into six reportable segments. Management of the Group regularly evaluates the operating results of these reportable segments for the purposes of making decisions on resource allocation to and performance evaluation of these segments. The main products provided by the Group's reportable segments include oil casing, three kinds of pumping units, petroleum machinery parts, tube blanks, high-end castings and forgings, and others.

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

(2) Financial information of reportable segments

Unit: RMB

Item	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	High-end castings and forgings	Others	Unallocated	Intersegment elimination	Total
Operating revenue									
Revenue from external sales	593,912,032.35	16,732,788.46	8,763,820.61	0.00	878,006,892.23	73,526,408.00	–	–	1,570,941,941.65
Revenue from inter-segment sales	–	–	–	–	–	–	–	–	–
Total segment operating revenue	593,912,032.35	16,732,788.46	8,763,820.61	0.00	878,006,892.23	73,526,408.00	–	–	1,570,941,941.65
Total operating revenue as reported	593,912,032.35	16,732,788.46	8,763,820.61	0.00	878,006,892.23	73,526,408.00	–	–	1,570,941,941.65
Segment expenses	571,789,430.24	17,280,712.24	9,639,445.80	0.00	878,408,657.46	63,549,008.99	–	–	1,540,667,254.73
Segment operating profit	22,122,602.11	(547,923.78)	(875,625.19)	0.00	(401,765.23)	9,977,399.01	–	–	30,274,686.92
Adjusted for:									
Administrative expenses	–	–	–	–	–	–	136,188,184.82	–	136,188,184.82
Research and development expenses	–	–	–	–	–	–	25,104,469.52	–	25,104,469.52
Finance costs	–	–	–	–	–	–	54,037,626.23	–	54,037,626.23
Investment income	–	–	–	–	–	–	–	–	–
Gains on disposal of assets	–	–	–	–	–	–	–	–	–
Other income	–	–	–	–	–	–	49,128.67	–	49,128.67
Operating profit as reported	22,122,602.11	(547,923.78)	(875,625.19)	0.00	(401,765.23)	9,977,399.01	(215,281,151.90)	–	(185,006,464.98)
Non-operating income	–	–	–	–	–	–	4,960,223.84	–	4,960,223.84
Non-operating expenses	–	–	–	–	–	–	1,061,228.98	–	1,061,228.98
Total profit	22,122,602.11	(547,923.78)	(875,625.19)	0.00	(401,765.23)	9,977,399.01	(211,382,157.04)	–	(181,107,470.12)
Income tax	–	–	–	–	–	–	2,063,592.49	–	2,063,592.49
Net profit	22,122,602.11	(547,923.78)	(875,625.19)	0.00	(401,765.23)	9,977,399.01	(213,445,749.53)	–	(183,171,062.61)
Total segment assets	2,997,387,796.10	101,008,222.89	44,059,373.78	0.00	907,910,615.14	348,557,664.89	648,504,003.27	–	5,047,427,676.07
Total segment liabilities	1,444,404,422.26	37,864,728.49	25,325,004.45	0.00	803,645,729.05	103,122,507.93	1,456,652,065.68	–	3,871,014,457.86

2. *Other significant transactions and items affecting decision-making of investors*

In the first half of 2022 and 2021, the Group derived all revenue from external sales from the PRC and overseas. As all of its assets were located in the PRC, revenue from external sales by origin of revenue is disclosed as follows:

Unit: RMB

Revenue from external sales	**Amount for the current period**	Amount for the last period
PRC (excluding Hong Kong)	**1,507,525,783.97**	1,804,034,637.51
Hong Kong	**—**	—
Other overseas regions	**63,416,157.68**	94,092,939.57
Total	**1,570,941,941.65**	1,898,127,577.08

XVII. Notes to principal line items in the financial statements of the parent company

1. *Accounts receivable*

(1) Disclos re of acco n s recei able b pe

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
Type	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Accounts receivable provided for bad debts on an individual basis	–	–	–	–	–	17,352,948.73	2.96%	6,941,179.49	40.00%	10,411,769.24
Including:										
Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	–	–	–	–	–	17,352,948.73	2.96%	6,941,179.49	40.00%	10,411,769.24
Accounts receivable provided for bad debts on a collective basis	**708,891,794.60**	**100.00%**	**102,440,878.78**	**14.45%**	**606,450,915.82**	569,090,457.29	97.04%	99,957,221.04	17.56%	469,133,236.25
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**468,601,728.95**	**66.10%**	**102,440,878.78**	**21.86%**	**366,160,850.17**	355,931,314.21	60.69%	99,957,221.04	28.08%	255,974,093.17
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on related parties within the scope of consolidation	**240,290,065.65**	**33.90%**	–	–	**240,290,065.65**	213,159,143.08	36.35%	–	–	213,159,143.08
Total	**708,891,794.60**	–	**102,440,878.78**	–	**606,450,915.82**	586,443,406.02	–	106,898,400.53	–	479,545,005.49

Provision for bad debts on a collective basis: Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	Balance at the end of the period		
Name	**Book balance**	**Provision for bad debts**	**Provision rate**
Within 1 year	366,654,442.61	3,666,544.43	1.00%
1–2 years	4,702,122.89	2,351,061.45	50.00%
2–3 years	1,813,517.44	1,360,138.08	75.00%
3–4 years	1,816,730.95	1,544,221.31	85.00%
4–5 years	640,010.24	544,008.70	85.00%
Over 5 years	92,974,904.82	92,974,904.82	100.00%
Total	468,601,728.95	102,440,878.78	—

Basis for determining the group:

Provision for bad debts on a collective basis: Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on associates under consolidation

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Shouguang Maolong	220,721,561.23	—	—
MPM	19,568,504.42	—	—
Total	240,290,065.65	—	—

Basis for determining the group:

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss, please disclose the information on provision for bad debts with reference to the disclosures of other receivables:

☐ Applicable Not applicable

Disclosure by age

Unit: RMB

Age	Balance at the end of the period
Within 1 year (inclusive)	587,376,003.84
1 to 2 years	4,702,122.89
2 to 3 years	1,813,517.44
Over 3 years	115,000,150.43
3 to 4 years	1,816,730.95
4 to 5 years	20,208,514.66
Over 5 years	92,974,904.82
Total	708,891,794.60

(2) Pro ision, reco er or re ersal of pro ision for bad deb s for he c rren period

Provisions for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period: Provision	Recovery or reversal	Write-off	Others	Balance at the end of the period
Provision for bad debts of accounts receivable	106,898,400.53	4,168,418.29	8,625,940.04	—	—	102,440,878.78
Total	106,898,400.53	4,168,418.29	8,625,940.04	—	—	102,440,878.78

Including material recovery or reversal of provision for bad debts for the current period:

Unit: RMB

Name of entity	Amount of recovery or reversal	Method of recovery
Cangzhou Xinxiangtai Steel Pipes Co., Ltd. (滄州鑫祥泰鋼管有限公司)	**1,684,760.55**	Monetary payments
Hebei Zhongtai Steel Pipes Manufacturing Company Limited (河北中泰鋼管製造有限公司)	**6,941,179.49**	Monetary payments
Total	**8,625,940.04**	—

(3) Acco n s recei ables ac all ri en off d ring he c rren period

There were no accounts receivable actually written off during the current period.

(4) Balance of fi e larges acco n s recei able as a he end of he period b deb ors

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Percentage of the total balance of accounts receivable at the end of the period	Balance of bad debt provision at the end of the period
Entity I	220,721,561.23	31.14%	—
Entity II	111,134,644.81	15.68%	1,111,346.45
Entity III	98,801,871.82	13.94%	3,047,395.57
Entity IV	98,000,810.22	13.82%	980,008.10
Entity V	46,983,958.92	6.63%	46,983,958.92
Total	575,642,847.00	81.21%	—

(5) Acco n s recei able derecognised on ransfer of financial asse s

As at 30 June 2022, the Company had no accounts receivable derecognised on the transfer of financial assets.

(6) Amo n of asse s or liabili ies arising from ransfer of acco n s recei able i h con in o s in ol emen

As at 30 June 2022, the Group had no assets or liabilities arising from transfer of accounts receivable with continuous involvement.

(7) O her descrip ions:

As at 30 June 2022, the right-of-use for accounts receivables of RMB134,219,391.10 of the Company was restricted due to factoring financing.

2. *Other receivables*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	**575,736,568.90**	796,550,952.25
Total	**575,736,568.90**	796,550,952.25

(1) Other receivables

Unit: RMB

Payment nature	Balance at the end of the period	Balance at the beginning of the period
Staff turnover loans	**694,000.00**	816,000.00
Deposits/margins	**15,359,564.27**	3,543,428.90
Deposits/margins	**13,926,810.68**	13,984,457.50
Related parties within the scope of consolidation	**547,484,590.66**	779,929,970.60
Less: Provision for bad debts of other receivables	**(1,728,396.71)**	(1,722,904.75)
Total	**575,736,568.90**	796,550,952.25

Unit: RMB

Provision for bad debts	Stage 1 Next 12-month expected credit loss	Stage 2 Lifetime expected credit loss (non-credit impaired)	Stage 3 Lifetime expected credit loss (credit impaired)	Total
Balance at 1 January 2022	1,711,677.94	11,226.81	—	1,722,904.75
Balance at 1 January 2022 during the current period				
Charge for the current period	5,442.58	49.38	—	5,491.96
Balance as at 30 June 2022	1,717,120.52	11,276.19	—	1,728,396.71

Movements of book balance of significant changes in loss allowance for the current period

☐ Applicable Not applicable

Disclosure by age

Unit: RMB

Age	Balance at the end of the period
Within 1 year (inclusive)	468,706,114.92
1 to 2 years	16,223,673.67
2 to 3 years	2,193,801.51
Over 3 years	90,341,375.51
3 to 4 years	1,178,524.89
4 to 5 years	87,426,960.75
Over 5 years	1,735,889.87
Total	577,464,965.61

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Provision	Movement during the current period: Recovery or reversal	Write-off	Others	Balance at the end of the period
Provisions for bad debts of other receivables	1,722,904.75	5,491.96	—	—	—	1,728,396.71
Total	1,722,904.75	5,491.96	—	—	—	1,728,396.71

There were no other receivables actually written off during the current year.

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of bad debt provision at the end of the period
Shouguang Maolong	Amounts due from entities	450,957,270.26	Within 1 year	78.09%	—
Molong Logistic	Amounts due from entities	94,802,114.14	Within 5 years	16.42%	—
Molong Logistic	Amounts due from entities	1,725,206.26	Over 5 years	0.30%	—
Shandong Shouguang Vegetable Wholesale Market Co., Ltd.	Final payment for transfer of assets	12,808,000.00	1–2 years	2.22%	1,536,960.00
Shaanxi Energy Chemical Industry Exchange Co., Ltd.	Security deposits	10,469,075.40	Within 1 year	1.81%	—
Sinopec International Business Co., Ltd., Nanjing Bidding Centre	Security deposits	1,694,049.30	Within 2 years	0.29%	—
Sinopec International Business Co., Ltd., Nanjing Bidding Centre	Security deposits	312,416.60	2–3 years	0.05%	—
Total		572,768,131.96		99.18%	1,536,960.00

Nil

As at 30 June 2022, the Company had no other receivables derecognised on transfer of financial assets.

As at 30 June 2022, there were no assets or liabilities arising from transfer of other receivables with continuous involvement.

Other descriptions:

As at 30 June 2022, the Company did not have any pledged other receivables.

3. *Long-term equity investments*

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Investment in subsidiaries	**1,352,019,921.73**	**208,000,000.00**	**1,144,019,921.73**	1,352,019,921.73	208,000,000.00	1,144,019,921.73
Total	**1,352,019,921.73**	**208,000,000.00**	**1,144,019,921.73**	1,352,019,921.73	208,000,000.00	1,144,019,921.73

(1) Investment in subsidiaries

Unit: RMB

		Movements during the current period					
Investee	**Balance at the beginning of the period (Book value)**	**Increase in investment**	**Decrease in investment**	**Provision for impairment**	**Others**	**Balance at the end of the period (Book value)**	**Balance of impairment provision at the end of the period**
Shouguang Maolong	1,006,743,691.73	0.00	0.00	0.00	0.00	1,006,743,691.73	0.00
Weihai Baolong	117,000,000.00	0.00	0.00	0.00	0.00	117,000,000.00	103,000,000.00
MPM	7,276,230.00	0.00	0.00	0.00	0.00	7,276,230.00	0.00
Shouguang Baolong	0.00	0.00	0.00	0.00	0.00	0.00	105,000,000.00
Molong Logistic	3,000,000.00	0.00	0.00	0.00	0.00	3,000,000.00	0.00
Molong I&E	10,000,000.00	0.00	0.00	0.00	0.00	10,000,000.00	0.00
Total	1,144,019,921.73	0.00	0.00	0.00	0.00	1,144,019,921.73	208,000,000.00

4. *Operating revenue and operating costs*

Unit: RMB

Item	Amount for the current period Revenue	Amount for the current period Costs	Amount for the prior period Revenue	Amount for the prior period Costs
Principal operations	**617,523,324.34**	**584,928,781.23**	1,058,013,279.24	1,011,113,475.37
Other operations	**56,689,020.51**	**52,722,656.98**	66,481,684.48	64,376,396.11
Total	**674,212,344.85**	**637,651,438.21**	1,124,494,963.72	1,075,489,871.48

Information related to revenue:

Unit: RMB

Contract category	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Others	Total
Type of goods					
Including:					
Pipe products	593,077,327.20	—	—	—	593,077,327.20
Three kinds of pumping units	—	16,732,788.46	—	—	16,732,788.46
Petroleum machinery parts	—	—	7,418,103.81	—	7,418,103.81
Others	—	—	—	56,984,125.38	56,984,125.38
By business location					
Including:					
China	540,159,615.55	13,677,073.25	—	56,959,498.38	610,796,187.18
Outside China	52,917,711.65	3,055,715.21	7,418,103.81	24,627.00	63,416,157.67
Type of contracts					
Including:					
Revenue recognised at a point in time	593,077,327.20	16,732,788.46	7,418,103.81	56,984,125.38	674,212,344.85
Total	593,077,327.20	16,732,788.46	7,418,103.81	56,984,125.38	674,212,344.85

Information on performance obligations:

The Company as primary obligor satisfy its obligations of supplying products customers in a timely manner by reference to the category, standard and time requested by the customer in accordance with the provisions of the contracts. There are different payments terms for different customers and different products: domestic customers of tubes are normally subject to payment in advance of distribution, and domestic customers of oil casing is normally subject to payment terms of 3-6 months after bill settlement. As to export business, payment terms are mainly payment upfront. As to oil casing products, most of the customers are subject to payment in advance, under which customers are to make final payment before distribution of products. As to petroleum machinery parts, the credit term is normally 2 months.

Information on transaction price allocated to remaining performance obligations:

The corresponding revenue from performance obligations that have been contracted but not yet performed or completed amounted to RMB510 million as at the end of the reporting period, RMB510 million of which were expected to be recognised as revenue in 2022.

XVIII.

2. *Return on net assets and earnings per share*

Profit for the reporting period	Weighted average return on net assets	Earnings per share: Basic earnings per share (RMB/share)	Earnings per share: Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	–13.02%	(0.2165)	(0.2165)
Net profit after extraordinary gains or losses attributable to shareholders of the Company	–13.67%	(0.2273)	(0.2273)

It was calculated based on Article 4 "Companies should calculate basic earnings per share by dividing net profit for the period attributable to ordinary shareholders by weighted average number of ordinary shares in issue" under ASBE 34 "earnings per share".

3. *Differences in accounting data under domestic and overseas accounting standards*

(1) Differences in net profit and net assets in the financial report as disclosed in accordance with IASs and PRC GAAP

☐ Applicable Not applicable

(2) Differences in net profit and net assets in the financial report as disclosed under the overseas accounting standards and PRC GAAP

☐ Applicable Not applicable

(3) Reason(s) for accounting difference between domestic and international accounting standards; if adjustment has been made to data audited by overseas audit firm, specify the name of the overseas audit firm

Nil

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