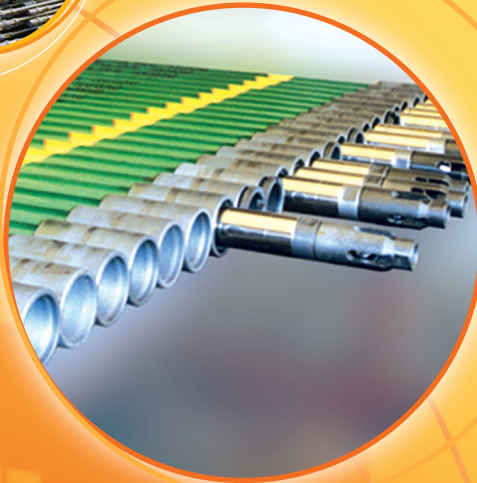




# 山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited\*

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 568)



**2024**  
Interim  
Report

\* For identification purpose only

# 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.

Han Gao Gui, the legal representative of the Company, Zhu Yan Li, the person in charge of accounting department and Zhu Lin, the head of the accounting department (person in charge of accounting matters), declare that they guarantee the truthfulness, accuracy and completeness of the financial report in this interim report.

All Directors attended the Board meeting for considering this interim 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 2024 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 the Company 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
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“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 I&E”	山東墨龍進出口有限公司 (Shandong Molong Import & Export Co., Ltd.)
“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)
“Molong Commercial”	山東墨龍商貿有限公司 (Shandong Molong Commercial Trading Company)
“MPM”	MPM International 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 2024 to 30 June 2024
“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 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 of the Company (if any)	山東墨龍		
English Name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the English Name of the Company (if any)	Shandong Molong		
Legal Representative of the Company	Han Gao Gui		

### II. Contact Person and Contact Information

#### Secretary to the Board

Name	Zhu Yan Li (Acting)
Contact Address	8 <sup>th</sup> -10 <sup>th</sup> Floor, Building 19, Enterprise Headquarters Group, Shengcheng Street, Shouguang City, Shandong Province
Telephone	0536-5789226
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, etc. of the Company during the reporting period

Applicable  Not applicable

There were no changes in the registered address, office address and postal code, website, e-mail address of the Company during the reporting period. For details, please see the Annual Report 2023.

#### 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 websites of stock exchanges and names and websites of media on which the interim report of the Company is disclosed and the place of keeping interim reports of the Company during the reporting period. For details, please see the Annual Report 2023.

#### 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

	<b>For the reporting period</b>	For the same period last year	<b>Year-on-Year increase/ decrease</b>
Operating revenue (RMB)	<b>604,627,930.88</b>	798,419,015.10	-24.27%
Net profit attributable to shareholders of listed company (RMB)	<b>170,134,914.07</b>	(158,242,397.13)	207.52%
Net profit after extraordinary gains or losses attributable to shareholders of listed company (RMB)	<b>(114,930,950.15)</b>	(159,715,581.43)	28.04%
Net cash flows generated from operating activities (RMB)	<b>121,341,347.40</b>	(23,770,597.65)	610.47%
Basic earnings per Share (RMB/share)	<b>0.2132</b>	(0.1983)	207.51%
Diluted earnings per Share (RMB/share)	<b>0.2132</b>	(0.1983)	207.51%
Weighted average rate of return on net assets	<b>33.42%</b>	-17.42%	Increased by 50.84 percentage points
	<b>As at the end of the reporting period</b>	As at the end of last year	<b>Year-on-Year increase/ decrease</b>
Total assets (RMB)	<b>2,785,815,580.65</b>	2,888,081,988.80	-3.54%
Net assets attributable to shareholders of listed company (RMB)	<b>594,758,642.76</b>	424,013,364.43	40.27%

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

### 1. Differences in net profits and net assets in the financial report 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 report of the Company as disclosed under the IASs and PRC GAAP.

### 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

During the reporting period, there were no differences in net profit and net assets in the financial report of the Company 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	Explanation
Gains or losses arising from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	281,321,729.97	Mainly comprised of the gains on disposal of equity interests in subsidiaries during the current period.
Government grant recognised in current profit and loss (excluding those that are closely related to the Company's normal business operation, that met the requirements of national policy, and that enjoy in accordance with the established standard and have a continuous impact on the Company's profit and loss)	106,235.78	Mainly comprised of the amortisation of deferred revenue during the current period.
Non-financial enterprises' gains and losses from changes in fair value arising from holding financial assets and financial liabilities and gains and losses arising from the disposal of financial assets and financial liabilities, except for the effective hedging business related to the Company's normal business operation	767,204.43	Mainly due to the fact that during the reporting period, the 1.92% equity interests in Weihai Baolong held by Molong Electro-mechanical, a subsidiary of the Company, were converted from long-term equity investments to investments in other equity instruments as Weihai Baolong was no longer consolidated after the transfer of the equity interests in Weihai Baolong.
Non-operating income and expenses other than the above items	3,181,423.55	Mainly comprised of the liquidated damages received from foreign customers and the accounts payable that are no longer required to be paid during the current period.
Less: Effect on income tax	290,354.40	
Effect on minority interests (after tax)	20,375.11	
<b>Total</b>	<b>285,065,864.22</b>	

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 other extraordinary profit and loss items that fall within the definition of extraordinary gain or loss.

Explanation for defining the 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 recurring gain and loss items

Applicable  Not applicable

The Company did not define any 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 recurring gain and loss items.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### I. Principal businesses of the Company during the reporting period

#### (I) Descriptions of the Company'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 castings and forgings, 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. During the reporting period, the Company's main products are pipe products, accounting for nearly 90% of the Company's operation revenue, and particularly, the proportion of export businesses sales has increased significantly. 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 Company completed the disposal of 70% and 98.0769% equity interest in Shouguang Baolong and Weihai Baolong respectively, resulting in an investment gain included in extraordinary profit or loss, and such impact on the net profit attributable to shareholders of the listed company amounted to approximately RMB281 million. During the reporting period, the Company strengthened basic management and attached importance to cost control, thus achieving significant results in cost reduction and efficiency enhancement and substantial decrease in various expenses. The combination of the abovementioned factors has contributed to the turning of losses to profits in the Company's operating results.

As at the end of the reporting period, the Company had total assets of approximately RMB2.786 billion, representing a decrease of 3.54% from the beginning of the year. Net assets attributable to shareholders of the listed company were approximately RMB0.595 billion, representing an increase of 40.27% from the beginning of the year. During the reporting period, the Company realised an operating revenue of approximately RMB0.605 billion, representing a year-on-year decrease of 24.27%. Net profit attributable to shareholders of the listed company was approximately RMB170 million.

#### (II) General overview of the Company'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.



In recent years, international crude oil prices continue to remain at a relatively high level, providing support for investment in global oil and gas exploration and development and facilitating the industry of equipment for oil service to maintain a higher degree of prosperity. According to data released by the National Bureau of Statistics, in the first half of 2024, China continued to increase its efforts in oil and gas exploration and development. Oil exploration focuses on areas such as deep, unconventional, marine and new fields, and natural gas exploration has made a number of breakthroughs in the land-based key gas areas and marine areas. The output of crude oil and natural gas recorded year-on-year increase, and our ability to ensure oil and gas supply continued to improve.

However, our national energy security still has prominent issues, and its dependence on foreign countries for oil and gas remains high. Given the impact of multiple domestic and overseas factors beyond expectations, the Guiding Opinions on Energy Work in 2024 (《2024年能源工作指導意見》) issued by the National Energy Administration specified the need to strengthen fossil energy security as a fundamental safeguard, and conduct in-depth study on the implementation of the development strategy for increasing storage and production of oil and gas in the medium to long term through increasing its efforts in oil and gas exploration and development, promoting stable production in old oil fields, accelerating the construction of new areas, and strengthening the construction of oil and gas production capacity in key areas.

The National Energy Administration stressed at the 2024 Work Progress Meeting on Vigorously Enhancing Oil and Gas Exploration and Development Efforts that it would thoroughly implement the new energy security strategy of “Four Revolutions and One Co-operation” and the deployment requirements of vigorously enhancing oil and gas exploration and development, so as to ensure the completion of the target tasks of oil and gas production and reserves for the last two years of the 14th Five-Year Plan and to safeguard China’s energy security. With the thorough implementation of the new energy security strategy, the promotion of the increase of reserves and production with all efforts, and the resolute implementation of the “Seven-Year Action Plan to Vigorously Enhance Oil and Gas Exploration and Development Efforts” (大力提升油氣勘探開發力度七年行動計劃), exploration and development in unconventional oil and gas such as shale oil and shale gas are expected to achieve leapfrog development. As the oil and gas development in China develops in depth and breadth, investment in oil and gas exploration and development driven by the national energy security strategy is expected to continue to increase, which will help drive the continued growth in the demand for oil services business.

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## **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 more than 80 national and provincial-level related scientific research 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 (CNAS) and Weifang Petroleum Machinery Engineering Technology Research Center and other innovation platforms in place. In 2023, the Company was awarded as the only National Intellectual Property Demonstration Enterprise in Shouguang City. The Company currently owns 187 patents, including 19 invention patents, 146 utility model patents and 22 appearance patents; 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 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 promoting product research and development continuously. The Company completed the drawing design, processing inspection planning and sample trial production of connection buckles of pipelines, and the samples have passed the customers' factory verification confirmation; completed the development of new products of line pipe; met the customers' standard requirements; completed the improvement of the structure of the fixed valve of the inclined well pumps and the design of the whole pump drawing, which was qualified for production. The Company completed the semi-finished tapered drawing design of special buckle coupling to improve the processing efficiency of finished products; optimized the size of coupling materials to improve the yield rate of coupling materials; optimized and accelerated the progress cycle of steel-pipe heating treatment process to improve the production efficiency of steel pipe of various specifications, reduced the cost of production, and satisfied the performance of the standard requirements; adjusted the parameter of the cold-drawn pipe process to enhance the qualification rate of the cold-drawn pipe products. The efforts in research and development of new products and improvement of technical know-how will help the Company further increase its overall competitiveness in the industry.

## **3. *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 ISO45001 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, line pipes, valves, mud pump liners and sucker rods are highly marketable globally in major oil-producing regions such as Africa, the Americas, the Middle East, Central Asia, and Southeast Asia, and are well-received by local and overseas customers.

## **4. *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 mainly 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, Southeast Asia, Central Asia, Africa and South America. In the first half of 2024, 2 new market territories and 10 new customers have been developed overseas. 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.

## **5. *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	<b>604,627,930.88</b>	798,419,015.10	-24.27%	Mainly attributable to the decrease in sales volume and prices of pipe products during the current period as compared to the same period last year.
Operating costs	<b>587,194,131.69</b>	745,514,513.99	-21.24%	Mainly attributable to the decrease in sales volume of pipe products during the current period as compared to the same period last year.
Selling expenses	<b>6,823,207.62</b>	9,699,153.33	-29.65%	Mainly attributable to the decrease in salaries of sales staff during the current period.
Administrative expenses	<b>66,070,521.83</b>	135,856,718.33	-51.37%	Mainly attributable to the decrease in related expenses upon disposal of equity interests in subsidiaries and the significant decrease in various expenses after the implementation of cost reduction and efficiency measures.
Finance costs	<b>41,320,640.79</b>	43,618,923.57	-5.27%	Mainly attributable to the decrease in the amount of borrowing and the increase in exchange gains during the current period.
Income tax expenses	<b>(394,994.52)</b>	1,458,254.39	-127.09%	Mainly attributable to the decrease in deferred income tax expenses during the current period.
Research and development expenditures	<b>14,106,548.95</b>	18,226,212.09	-22.60%	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	<b>121,341,347.40</b>	(23,770,597.65)	610.47%	Mainly attributable to the decrease in cash paid for the purchase of goods during the current period.
Net cash flow generated from investing activities	<b>141,666,674.80</b>	(4,053,463.91)	3,594.95%	Mainly attributable to the receipt of amounts of equity transfer from subsidiaries during the current period.
Net cash flow generated from financing activities	<b>(262,942,491.49)</b>	40,211,252.36	-753.90%	Mainly attributable to the increase in repayment of debts due during the current period.
Net increase in cash and cash equivalents	<b>(4,756,921.44)</b>	14,160,456.10	-133.59%	Mainly attributable to the combined effect of the net cash flow generated from operating, investing and financing activities.

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

Applicable  Not applicable

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

*Composition of operating revenue*

Unit: RMB

	For the reporting period		For the same period last year		Year-on-year increase/decrease
	Amount	Percentage of operating revenue	Amount	Percentage of operating revenue	
Total operating revenue	<b>604,627,930.88</b>	<b>100%</b>	798,419,015.10	100%	-24.27%
By industry					
Special equipment manufacturing	<b>604,627,930.88</b>	<b>100.00%</b>	798,419,015.10	100.00%	-24.27%
By product					
Pipe products	<b>542,742,258.39</b>	<b>89.76%</b>	716,389,280.84	89.73%	-24.24%
Castings and forgings	<b>5,724,946.04</b>	<b>0.95%</b>	14,860,414.01	1.86%	-61.48%
Three kinds of pumping units	<b>14,317,014.33</b>	<b>2.37%</b>	14,110,813.66	1.77%	1.46%
Petroleum machinery parts	<b>1,061,486.64</b>	<b>0.18%</b>	14,807,795.88	1.85%	-92.83%
Others	<b>40,782,225.48</b>	<b>6.75%</b>	38,250,710.71	4.79%	6.62%
By region					
Within China	<b>372,373,974.21</b>	<b>61.59%</b>	635,768,739.52	79.63%	-41.43%
Outside China	<b>232,253,956.67</b>	<b>38.41%</b>	162,650,275.58	20.37%	42.79%

*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	604,627,930.88	587,194,131.69	2.88%	-24.27%	-21.24%	Decreased by 3.75 percentage points
By product						
Pipe products	542,742,258.39	528,267,113.88	2.67%	-24.24%	-20.72%	Decreased by 4.31 percentage points
By region						
Within China	372,373,974.21	374,669,043.43	-0.62%	-41.43%	-38.94%	Decreased by 4.11 percentage points
Outside China	232,253,956.67	212,525,088.26	8.49%	42.79%	61.06%	Decreased by 10.38 percentage points

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

#### IV. Analysis of non-principal businesses

✓ Applicable    □ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s) for the incurrence	Is it recurring
Investment income	282,091,477.58	166.96%	Mainly comprised of the gains on disposal of equity interests in subsidiaries during the current period.	No
Non-operating income	3,592,336.79	2.13%	Mainly comprised of the liquidated damages received from foreign customers and the accounts payable that are no longer required to be paid during the current period.	No
Non-operating expenses	410,913.24	0.24%		No
Asset impairment loss	(8,955,173.29)	-5.30%	Mainly attributable to the provision for impairment loss on inventories after performing impairment test on inventories during the current period.	No
Credit impairment loss	(741,269.32)	-0.44%	Mainly comprised of the provision for impairment loss on accounts receivable during the current period.	No
Other incomes	6,555,082.59	3.88%	Mainly comprised of the gains arising from the impact of the additional value-added tax credit policy 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		Increase/ decrease in percentage	Descriptions of the significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary funds	90,475,362.73	3.25%	99,072,876.12	3.43%	-0.18%	
Accounts receivable	247,800,656.37	8.90%	253,264,672.00	8.77%	0.13%	
Inventories	475,520,685.17	17.07%	454,882,307.24	15.75%	1.32%	
Investment properties	—	—	16,874,595.83	0.58%	-0.58%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Long-term equity investments	1,648,769.00	0.06%	1,754,772.59	0.06%	0.00%	
Fixed assets	1,279,176,385.26	45.92%	1,577,594,066.22	54.62%	-8.70%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Construction-in-progress	2,192,776.49	0.08%	2,192,776.49	0.08%	0.00%	
Right-of-use assets	17,724,519.97	0.64%	21,377,297.83	0.74%	-0.10%	Mainly attributable to the amortization of right-of-use assets during the current period.
Short-term borrowings	1,493,153,048.51	53.60%	1,633,111,107.94	56.55%	-2.95%	Mainly attributable to the repayment of part of the borrowings due during the current period.
Contract liabilities	65,615,031.66	2.36%	54,732,615.40	1.90%	0.46%	Mainly attributable to the increase in receipts in advance during the current period.
Long-term borrowings	1,076,666.56	0.04%	—	—	0.04%	
Lease liabilities	15,478,997.30	0.56%	14,615,767.79	0.51%	0.05%	
Bills receivable	12,168,168.10	0.44%	78,005,897.66	2.70%	-2.26%	Mainly attributable to the decrease in settlement amount of trade acceptance bills not due during the current period as compared to the same period of last year.
Prepayments	13,678,551.77	0.49%	30,163,124.55	1.04%	-0.55%	Mainly attributable to the decrease in prepayments for materials during the current period.
Other receivables	400,989,357.25	14.39%	4,675,103.22	0.16%	14.23%	Mainly attributable to the termination of offsetting current account in the scope of consolidation upon the transfer of the equity interests in subsidiaries during the current period.

	As at the end of the reporting period		As at the end of last year		Increase/ decrease in percentage	Descriptions of the significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Investments in other equity instruments	<b>3,297,339.83</b>	<b>0.12%</b>	—	—	0.12%	Mainly due to the fact that during the reporting period, the 1.92% equity interests in Weihai Baolong held by Molong Electro-mechanical, a subsidiary of the Company, was converted from long-term equity investments to investments in other equity instruments as Weihai Baolong was no longer consolidated after the transfer of the equity interests in Weihai Baolong.
Intangible assets	<b>231,502,932.20</b>	<b>8.31%</b>	341,873,447.91	11.84%	-3.53%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Other non-current assets	<b>960,163.95</b>	<b>0.03%</b>	1,378,503.95	0.05%	-0.02%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Other current liabilities	<b>8,368,319.53</b>	<b>0.30%</b>	43,395,150.74	1.50%	-1.20%	Mainly attributable to the decrease in the transfer of trade acceptance bills not due during the current period.
Deferred income tax liabilities	<b>2,662,487.38</b>	<b>0.10%</b>	8,311,071.27	0.29%	-0.19%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Estimated liabilities	—	—	80,929,994.11	2.80%	-2.80%	Mainly attributable to the fact that the subsidiaries were no longer consolidated after the disposal of their equity interests during the current period.
Long-term payables	<b>6,722,083.41</b>	<b>0.24%</b>	19,854,583.39	0.69%	-0.45%	Mainly attributable to the repayment of funds for the sale-and leaseback financing business 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	Cumulative	Provision	Purchases during the current period	Disposals during the current period	Other changes	Amount at the end of the period
		loss on fair value	changes in fair value included in equity	impairment for the current period				
Financial assets								
Financing								
receivables	2,485,020.78	—	—	—	—	—	664,011.47	3,149,032.25
Total of the above	2,485,020.78	—	—	—	—	—	664,011.47	3,149,032.25
Financial liabilities	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	Balance of the book value	At the end of the period		
		Book value	Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	<b>78,490,000.00</b>	<b>78,490,000.00</b>	Security deposits	Security deposits on bills
Inventories	<b>8,643,944.92</b>	<b>8,643,944.92</b>	Seizure	Seizure for litigation
Fixed assets	<b>284,133,636.74</b>	<b>225,995,748.86</b>	Charge/Seizure	Charge for financing/ Seizure for litigation
Intangible assets	<b>175,761,554.00</b>	<b>175,761,554.00</b>	Charge/Seizure	Charge for financing/ Seizure for litigation
Monetary funds	<b>5,191,512.37</b>	<b>5,191,512.37</b>	Frozen	Frozen for litigation
Accounts receivable	<b>9,780,831.08</b>	<b>9,683,022.77</b>	Pledge	Factoring financing
<b>Total</b>	<b>562,001,479.11</b>	<b>503,765,782.92</b>		

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## **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

### **4. Investments in financial assets**

#### **(1) Investments in securities**

Applicable  Not applicable

The Company did not have any investment in securities during the reporting period.

#### **(2) Investments in derivatives**

Applicable  Not applicable

The Company did not have any investment in derivatives during the reporting period.

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### **5. Use of raised funds**

Applicable  Not applicable

The Company did not have any use of raised funds during the reporting period.

## VII. Disposals of material assets and equity interests

### 1. Disposals of material assets

Applicable  Not applicable

The Company did not dispose of any material assets in the reporting period.

### 2. Disposals of material equity interests

Applicable  Not applicable

Contracting party	Disposed equity interests	Date of disposal	Transaction price (RMB'0,000)	Net profit contributed by the equity interests to the listed company from the beginning of the period to the date of disposal (RMB'0,000)	Effect of the Disposal on the Company	Ratio of the net profit contributed by the equity interests to the total net profit of the company to be disposed	Pricing principle for the price of the equity interests disposal	Whether related party transactions	Whether the relevant equity interests have been transferred	Whether it is implemented in accordance with the plan, if not, please provide the reason and the equity interests measures adopted by the Company	Disclosure index
Wuhu Zhiying Project Investment Partnership (Limited Partnership)	70% equity interests in Shouguang Baolong	January 2024	14,160.67	(189.27)	The transfer of the Company's equity interests in Shouguang Baolong and Weihai Baolong is conducive to the optimization of asset allocation of the Company, improvement of capital, the enhancement of asset liquidity, a improvement of the profitability of the Company, and will bring a positive impact on the production, operation and financial position of the Company, which is in line with the long-term development plan.	-1.12%	Based on the appraised value in the Audit Report and the Appraisal Report, the appraised value of 70% equity interests in Shouguang Baolong is RMB-26,557,600 and the appraised value of 98.0769% equity interests in Weihai Baolong is RMB168,164,300.	No	Nil	Yes	10 January 2024
	98.0769% equity interests in Weihai Baolong		2.62	2.62	After the completion of the transfer, Shouguang Baolong and Weihai Baolong will no longer be consolidated in the Company's financial statements. The transaction is expected to generate gains of approximately RMB281,430,300 for 2024 (the final amount is subject to the results of annual audit by the accountant).	0.02%	As the equity transfer transaction is a bundled transfer of equity interests in Shouguang Baolong and Weihai Baolong, it was agreed that the total equity interests in Shouguang Baolong shall be RMB1 and the total consideration for the transfer of equity interests in Weihai Baolong shall be RMB141,606,700.	Yes	Yes	The Announcement on the Disposal of Equity Interests in a Subsidiaries (Announcement No. 2024-002) and The Progress Announcement on the Disposal of Equity Interests in Subsidiaries (Announcement No. 2024-021) (cninfo (www.cninfo.com.cn)).	

## 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	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
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	1,112,380,000	1,008,855,037.48	168,887,086.82	6,208,465.69	7,474,895.44	8,158,968.40

Acquisitions and disposals of subsidiaries during the reporting period

Applicable  Not applicable

Name of company	Acquisitions and disposals of subsidiaries during the reporting period	Impact on the overall production and operation and performance
Shouguang Baolong Weihai Baolong	Disposal of 70% equity interests Disposal of 98.0769% equity interests	The disposal of the equity interests in subsidiaries is conducive to the optimization of asset allocation of the Company, the recovery of capital, the enhancement of asset liquidity, the improvement of the profitability of the Company, and will bring a positive impact on the production, operation and financial position of the Company, which is in line with the long-term development plan. After the completion of this transfer, Shouguang Baolong and Weihai Baolong will no longer be consolidated in the Company's financial statements. The transaction is expected to generate gains of approximately RMB281,430,300 for 2024 (the final amount is subject to the results of annual audit by the accountant).

Information on major controlled and invested companies

Shouguang Maolong achieved an operating income of RMB6.2085 million in the current period, with a decrease of 89.50% year-on-year; and profit in the current period was RMB8.1590 million, as compared to the loss of RMB72.4777 million for the same period of last year, mainly due to the investment gains arising from the disposal of equity interests in subsidiaries during the reporting period.

## IX. Structured entities controlled by the Company

Applicable  Not applicable

## **X. Risk exposures and countermeasures of the Company**

### **1. Market risk**

The Company operates in the energy equipment manufacturing industry which is directly relevant to the development and prosperity of the energy industry. The fluctuations of crude oil price are affected by global economic growth rate, regional, political, financial, supply and demand and many other factors, and have strong cyclical and volatility. At the time when oil prices are low, oil and gas companies will reduce capital expenditures accordingly, make less investment in to exploration and development and have lower demand for equipment and services in the oil and gas industry. The Company will adjust product structure and market setting in a timely manner according to market changes.

### **2. Raw material price fluctuation risk**

Any fluctuations in raw material prices will directly affect the manufacturing costs of products and will, in turn, have direct impact on product prices. The Company will closely monitor if there is any fluctuation in raw material prices and will control the manufacturing costs of products such as by way of fixing raw material prices, adjusting the product prices and product mix in a timely manner as and when necessary.

### **3. Policy risk**

In recent years, the Chinese government has been stepping up the requirements on safety and environmental protection by more frequently issuing stricter safety and environmental protection policies and carrying out regular safety and environmental protection supervision. The higher emission standards are bound to increase the Company's environmental protection related costs. The Company is dedicated to creating a safe, economical, efficient, advanced and environment-friendly industry chain of energy equipment manufacturing. It puts great efforts in safety and environmental education, strengthens the investigation and management of hidden safety hazards, adheres to a green, innovative and sustainable concept, vigorously pursues circular economy, maximises resource utilisation, and increases environmental protection investment to ensure the waste discharges of the Company is up to standards.

### **4. Exchange rate risk**

Changes in the RMB exchange rate have impact on the Company's operating results. The Company will closely monitor the changes in exchange rates and will take timely measures to avoid any risks caused by changes in the RMB exchange rate.

### **5. Interest rate risk**

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. Financial instruments bearing fixed interest rates expose the Company to fair value interest rate risk and financial instruments bearing floating interest rates expose the Company to cash flow interest rate risk. The Company determines the relative proportions of financial instruments between fixed and floating interest rates depending on the market conditions, maintains an appropriate portfolio of financial instruments through regular review and monitoring.

## **XI. Implementation of the “Improvement in Quality and Return” Action Plan**

Whether the Company disclosed the Announcement of “Improvement in Quality and Return” action plan.

Yes  No

## 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		Date of meeting	Date of Disclosure	Meeting resolutions
		of investors				
First extraordinary general meeting 2024	Extraordinary general meeting	48.71%		25 January 2024	26 January 2024	Announcement on resolutions adopted at the first extraordinary general meeting 2024 (2024-008). 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).
Second extraordinary general meeting 2024	Extraordinary general meeting	29.88%		28 February 2024	29 February 2024	Announcement on resolutions adopted at the second extraordinary general meeting 2024 (2024-017). 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).
Third extraordinary general meeting 2024	Extraordinary general meeting	29.64%		10 May 2024	11 May 2024	Announcement on resolutions adopted at the third extraordinary general meeting 2024 (2024-047). 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).
2023 Annual general meeting	Annual general meeting	29.58%		22 May 2024	23 May 2024	Announcement on resolutions adopted at the annual general meeting 2023 (2024-054). 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

Name	Position	Type	Date	Reason
Han Gao Gui	Chairman, executive director, general manager (Acting)	Election	10 May 2024	Elected by the general meeting and the Board.
Wang Tao	Deputy general manager	Appointment	10 May 2024	Appointed by the Board.
Han Lei Fang	Deputy general manager	Appointment	10 May 2024	Appointed by the Board.
Zhu Yan Li	Deputy general manager, financial controller	Appointment	10 May 2024	Appointed by the Board.
Zhu Yan Li	Secretary to the Board (Acting)	Appointment	3 June 2024	Designated by the Board for substitution.
Yuan Rui	Chairman	Departure	10 May 2024	Resigned from the positions of Chairman and relevant board committee members due to personal work arrangements.
Yao You Ling	Executive director, general manager	Departure	10 May 2024	Resigned from the positions of Executive director and General manager due to personal work adjustment.
Li Zhi Xin	Executive director	Departure	18 April 2024	Resigned from the position of Executive director due to personal work arrangements.
Li Zhi Xin	Deputy general manager	Dismissal	10 May 2024	Resigned from the position of Deputy general manager due to personal work adjustment.
Zhao Xiao Tong	Executive director, deputy general manager	Departure	10 May 2024	Resigned from the positions of Executive director and Deputy general manager due to personal work adjustment.
Zhao Xiao Tong	Secretary to the Board	Dismissal	3 June 2024	Resigned from the position of Secretary to the Board due to personal work adjustment.
Zhang Quan Jun	Deputy general manager	Dismissal	10 May 2024	Resigned from the position of Deputy general manager due to personal work adjustment.
Liu Cheng An	Supervisor	Departure		Resigned as a supervisor due to personal work arrangements. Mr. Liu Cheng An's resignation will result in the number of supervisors of the Company falling below the statutory minimum, and Mr. Liu Cheng An will continue to perform his duties as a supervisor until a new supervisor assumes office.

### **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

#### *Policies and industrial standards related to environmental protection*

The Company and its subsidiaries strictly abide by environmental protection-related policies and industrial standards such as Shandong Iron and Steel Industry Air Pollutant Emission Standard DB/37 990-2019, Shandong Thermal Power Plant Air Pollutant Emission Standard DB37/664-2019, and Regional Air Pollutant Comprehensive Emission Standard DB37/2376-2019.

#### *Environmental Protection Administrative Licensing*

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 gone through.

Shandong Molong and its branches' Pollutant Discharge Permit numbered: 91370000734705456P001P, 91370783MA3CW9X53H001P, with the first application date of 27 October 2017 and the current validity period till 18 January 2027 and 31 May 2028, respectively;

Shouguang Maolong's Pollutant Discharge Permit numbered: 91370783724814405U001V, with the first application date of 30 July 2020 and the current validity period till 17 January 2028.



### *Industrial discharge standards and specific conditions of pollutant discharge involved in production and business activities*

The Company or name of subsidiary	Categories of major pollutants and specific pollutant	Name of major pollutant and specific pollutant	Method of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration/intensity	Implemented standards for pollutant discharge	Total volume of discharge	Approved total volume of discharge	Excessive discharge
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.3mg/m <sup>3</sup>	10mg/m <sup>3</sup>	53.5824kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.2mg/m <sup>3</sup>	10mg/m <sup>3</sup>	0.0874kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.7mg/m <sup>3</sup>	10mg/m <sup>3</sup>	4.9585kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.8mg/m <sup>3</sup>	10mg/m <sup>3</sup>	12.9554kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.5mg/m <sup>3</sup>	10mg/m <sup>3</sup>	4.9631kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.4mg/m <sup>3</sup>	10mg/m <sup>3</sup>	1.5725kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.4mg/m <sup>3</sup>	10mg/m <sup>3</sup>	36.6249kg	—	No
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.6mg/m <sup>3</sup>	10mg/m <sup>3</sup>	12.1157kg	—	No
Shouguang Maolong	—	Volatile organic compounds	Organised	1	Production complex	12.4mg/m <sup>3</sup>	60mg/m <sup>3</sup>	57.7827kg	—	No

### *Treatment of pollutants*

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.

### *Emergency plans for sudden environmental incidents*

Each of the Company and its subsidiaries has prepared its emergency plans for sudden environmental incidents, Shandong Molong and its branch plants' Emergency Plans for Unexpected Environmental Incidents were filed under File No. 370783-2024-410-L and 370783-2023-204-L, with filing dates of 19 July 2024 and 12 July 2023, respectively. Shouguang Maolong's Emergency Plan for Unexpected Environmental Incidents are filed under File No. 370783-2022-266-M, with the filing date of 24 June 2022. 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.

### *Investment in environmental governance and protection and payment of environmental protection tax*

During the reporting period, investment in environmental governance and protection of the Company and all subsidiaries totaled RMB2.8681 million; the Company and all subsidiaries paid a total of RMB54.7 thousand in respect of environmental protection tax.

### *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, and the monitoring results were regularly publicized on the national pollutant discharge permit management information platform, with an aim to meet industry standards and requirements of local environmental authorities. Monthly statistics on the related environmental data, 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*

<b>The Company or name of subsidiary</b>	<b>Reasons for punishment</b>	<b>Violations</b>	<b>Result of punishment</b>	<b>Impact on production and operation of Listed Company</b>	<b>Corrective measures taken by the Company</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

### *Other discloseable environmental information*

Nil

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### *Measures taken for carbon emissions reduction and their results during the reporting period*

Applicable  Not applicable

### *Other environmentally related information*

Nil

## **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. During the reporting period, the Company released RMB20 thousand from the relief fund towards helping the family of staff in financial difficulties.

### **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. The Company proactively participated in social welfare undertakings by actively liaising with blood donation centres in the central district of Weifang City, advocating and arranging voluntary blood donation public welfare activity, 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 firms

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

The Board of Directors of the Company believe that the unqualified audit report on the financial reports of the Company for 2023 with paragraphs regarding material uncertainties on the ability to continue as a going concern issued by the audit institution, objectively and truly reflects the Company's actual financial conditions and reveals the Company's possible risks to continue as a going concern. The Board of Directors of the Company expressed their understanding of the audit report and the investors are required to draw attention to investment risks.

The aforementioned matters primarily serve as a reminder for users of the financial statements to pay attention to the Company's sustainable operational ability. These matters do not contravene accounting standards, systems, or relevant information disclosure regulations, and do not make an impact on the Company's half-year financial conditions and operation results in 2024.

## 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

Basic information on the litigation (arbitration)	Amount involved (RMB 0'000)	Recognized as provision for liability	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Enforcement of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Other litigation and arbitration matters that do not meet the standards of material litigation	4,507.88	No	The stage of filing, review or execution	No significant impact on the Company	Some of the cases were completed, some were in the process of execution or not yet executed, and some were under trial or not entered the trial	14 June 2024	The Announcement on Accumulated Litigation and Arbitration Matters (2024-056) disclosed on the website of cninfo ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )

## IX. Punishments and rectifications

Applicable  Not applicable

There was no punishment or rectification for the Company during the reporting period.

## 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		Interest rate	Interest for the current period (RMB ten thousand)	Balance at the end of the period (RMB ten thousand)
				increased during the current period (RMB ten thousand)	Amount repaid during the current period (RMB ten thousand)			
Shouguang Jinxin	Controlling shareholder of the controlling shareholder	Financial assistance	15,380	42,000	47,519.27	3.45%	161.87	9,860.73
Impact of the related debts on the operating results and financial position of the Company		On 20 February 2024, after the consideration and approval at the nine special meeting of the seventh session of the board of directors of the Company, the Company accepted the financial assistance of up to RMB300 million (inclusive) provided by Shouguang Jinxin, the related party, to the Company for a term of less than one year (inclusive), with an interest rate not higher than the one-year Loan Prime Rate (LPR).						

During the reporting period, the maximum single-day balance of the borrowings was RMB199.85 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) On 26 August 2021, 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 No.: 2021-052).
- (2) On 17 August 2022, after consideration at the second extraordinary meeting of the seventh 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 Zhejiang Zhongda Yuantong Finance Leasing Co., Ltd. (浙江中大元通融資租賃有限公司) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB85 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 No.: 2022-021).
- (3) On 16 March 2023, the Company entered into a lease contract with Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司), pursuant to which the Company leased an office building for business office use for a term of three years commencing from 1 January 2023 to 31 December 2025, with free rent for the first year, RMB675,100 for the second year and RMB1,181,400 for the third year.
- (4) In order to further reduce production costs, on 31 October 2023, Weihai Baolong, a subsidiary of the Company and Weihai Kanghenghua Metal Materials Co., Ltd. (威海康恒華金屬材料有限公司, hereinafter referred to as "Weihai Kanghenghua") entered into the Weihai Baolong Asset Leasing Agreement, pursuant to which, Weihai Baolong leases the relevant equipment of the casting and forging production line and the 140 rolled tube production line to Weihai Kanghenghua for a term of 2 years. According to the agreement, Weihai Baolong shall collect the rental based on the calculation of fixed and non-fixed funds. The Company has transferred 98.0769% equity interest in Weihai Baolong on 25 January 2024. After the completion of the transfer, Weihai Baolong was no longer consolidated in the financial statements.
- (5) On 1 January 2024, the Company entered into a lease agreement with Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司), pursuant to which, the Company leased part of its plant (plant and ancillary facilities) located in Shouguang Science and Technology Industrial Park and the east side of Xing Shang Road in Shouguang, for the purpose of production and operation for a term expiring on 31 December 2024 with an annual rental of RMB8.59 million.

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

The Company had no significant guarantees during the reporting period.

## 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. *Disposal of equity interest in subsidiaries and financial assistance passively formed*

At the seventh extraordinary meeting of the Company's seventh session of board of directors held on 9 January 2024 and the Company's first extraordinary general meeting in 2024 held on 26 January 2024, the "Resolution on the Sale of Equity Interests in Subsidiaries" and "Resolution on the Financial Assistance Passively Formed Following the Disposal of Equity Interest in Subsidiaries" were considered and approved. It was agreed that the Company shall transfer the 70% equity interest held directly by it in Shouguang Baolong (a subsidiary of the Company) and a total of 98.0769% equity interest in Weihai Baolong held directly by it and indirectly through its wholly-owned subsidiary Shouguang Maolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏專案投資合夥企業) at a price of RMB141,606,709.94.

Prior to this equity transfer, the Company's debt to Shouguang Baolong amounted to RMB461,709,500, and its debt to Weihai Baolong amounted to RMB14,345,700. These amounts represented the fund transfers between the Company and its subsidiaries during the period when the above companies were subsidiaries of the Company.

After the completion of equity transfer, Shouguang Baolong and Weihai Baolong would no longer be consolidated in the Company's financial statements. In view of the operating conditions of the above companies, when selling their shareholdings, they were unable to repay the Company's current amounts, resulting in the Company's passive financial assistance to companies outside the scope of the consolidated financial statements, and the nature of their business was a continuation of the Company's current accounts to its former subsidiaries.

In order to protect the interests of the Company, when disposing of the equity interests, the Company signed the Repayment Agreements with the aforesaid companies respectively, which stipulated that Shouguang Baolong would repay the entire amount within three years from the date of completion of the equity transfer (i.e. completion of the registration of the industrial and commercial changes), and Weihai Baolong would repay the entire amount within two years from the date of completion of the equity transfer (i.e. completion of the registration of the industrial and commercial changes). No interest will be charged during the repayment period.

## **2. Guarantee provided by subsidiaries in favor of the parent company**

At the eighth extraordinary meeting of the Company's seventh session of board of directors held on 6 February 2024 and the Company's second extraordinary general meeting in 2024 held on 28 February 2024, the "Resolution on the Provision of Guarantee by Subsidiary for the Benefit of Parent Company" were considered and approved. It was agreed that Shouguang Maolong (a wholly-owned subsidiary of the Company) provided a joint liability guarantee for the loan of up to RMB200,000,000 applied to Bank of China Limited (Shouguang Branch) by the Company in 2024. The guarantee mandate shall be valid for 12 months from the date of consideration and approval at the EGM. On 29 February 2024, Shouguang Maolong entered into the Maximum Guarantee Contract with the Bank of China, agreeing to provide a joint liability guarantee for the loan contract signed between the Company and the Bank of China with a maximum principal balance of not more than RMB191,650,000.

At the tenth extraordinary meeting of the Company's seventh session of board of directors held on 18 March 2024 and the Company's annual general meeting in 2023 held on 22 May 2024, the "Resolution on the Provision of Guarantee by Subsidiary for the Benefit of Parent Company" was considered and approved. It was agreed that Shouguang Maolong (a wholly-owned subsidiary of the Company) provided a joint liability guarantee for the loan of up to RMB330,000,000 applied to Industrial and Commercial Bank of China Limited (Shouguang Branch) by the Company in 2024. The guarantee mandate shall be valid for 12 months from the date of consideration and approval at the EGM. On 18 July 2024, Shouguang Maolong entered into the Maximum Guarantee Contract with the Industrial and Commercial Bank of China Limited, agreeing to provide a joint liability guarantee for the loan contract signed between the Company and the Industrial and Commercial Bank of China Limited with a maximum principal balance of not more than RMB330,000,000.

## **3. Change of the legal representative**

At the twelfth extraordinary meeting of the Company's seventh session of board of directors held on 10 May 2024, the "Resolution on the Election of the Chairman of the Seventh Session of Board of Directors" was considered and approved. It was agreed that the election of Mr. Han Gao Gui as the chairman of the Company's seventh session of the board of directors, with a term of office commencing from the date on which the appointment was considered and approved by the board of directors until the date on which the term of office of the seventh session of the board of directors expires. See the information disclosure website of cninfo (<http://www.cninfo.com.cn>) for detailed information of Announcement on Change of Chairman and Election of Members of Special Committees of the Board of Directors (《關於變更董事長及選舉董事會專門委員會成員的公告》) (Announcement No.: 2024-049). According to the provisions of the Articles of Association, the chairman of the board of directors is the legal representative of the Company, and on 10 July 2024, the Company completed the relevant 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).

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## **4. Proposed Disposal of Assets**

At the thirteenth extraordinary meeting of the Company's seventh session of board of directors held on 20 May 2024, the "Resolution on Proposed Disposal of Assets" was considered and approved. It was agreed that the Company intended to dispose of its directly held 100% equity interest in Shouguang Maolong and 100% equity interest in Molong Logistic. The consideration of the equity transfer will be determined on the basis of appraisal value. After the completion of the transaction, Shouguang Baolong and Molong Logistic would no longer be consolidated in the Company's financial statements. At present, the transaction is still in the planning stage and the contracting party, transaction proposal and transaction price have not yet been determined. The Company is currently in the process of conducting relevant evaluation and audit work. Upon confirmation of the relevant matters, if the transaction involves a connected transaction or a major asset reorganization, the Company will perform the deliberation procedures and disclosure obligations in accordance with the relevant regulations.

## XIV. Significant events of subsidiaries of the Company

Applicable  Not applicable

## XV. Disclosures in accordance with the listing rules of the SEHK

### 1. Results

The Group's revenue and the financial positions of the Group and of the Company for the first half of 2024 are set out in the financial statement contained in the "Financial Report" section of this interim report.

### 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	
	2024	2023
	RMB'000	RMB'000
Total operating revenue	<b>604,628</b>	798,419
Operating (loss)/profit	<b>165,775</b>	(163,778)
Total (loss)/profit	<b>168,956</b>	(162,475)
Net profit/(loss)	<b>169,351</b>	(163,934)
Minority interests	<b>(784)</b>	(5,691)
Net (loss)/profit attributable to shareholders of the parent company	<b>170,135</b>	(158,242)
Basic (loss)/earnings per share (RMB)	<b>0.2132</b>	(0.1983)

#### Assets and liabilities

Item	As at	
	30 June	
	2024	2023
	RMB'000	RMB'000
Total assets	<b>2,785,816</b>	3,721,541
Total liabilities	<b>2,191,364</b>	2,974,997
Net assets	<b>594,452</b>	746,544

### 3. Changes in share capital

For details of changes in the share capital of the Company during the first half of 2024, 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 2024 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 2024 are set out in the section of “financial report”.

#### **6. Capitalised interests**

During the first half of 2024, 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. Employees of the Company and Remuneration policy**

##### **Employees of the Company**

In the first half of 2024, the Group had a total of 1,443 employees.

##### **Remuneration policy**

- (1) In order to govern the remuneration management of the Company, give full play of the incentive effect of remuneration, define responsibilities of all departments, depending on the current actual circumstances, the Company gradually established and improved a relatively reasonable remuneration structure and formulated a corresponding remuneration system and work process;
- (2) Based on the premise of stabilizing employees' income and encouraging them to work more and get more, and taking fairness and reasonableness as the principle, the Company should ensure the stable income of their basic salary, link their pay with performance level, fully mobilize their enthusiasm and sense of responsibility, and make their payroll in line with the pay scale of the industry and type of work in society, which is more attractive to the outside world and more stimulating to the inside;
- (3) To encourage new employee to stay in the job for a longer term and also encourage older employees to continue to shine and make greater contributions to the Company, the Company implements a non-descending calculation method for length of employment, which is more humanised, rationalised and attractive than surrounding companies. It also guarantees employees of the Company to have a long-term job; and fully mobilises staffs' positive initiative and creativity and constantly improves staff's satisfaction and loyalty;
- (4) Combining with domestic and foreign market demand, the Company vigorously promotes the development of new products and formulated incentive measures for new products and new markets to further enhance the enthusiasm of employees for greater performance and higher profitability, so that the employees can share interests with the Company.

## Decision process, basis of determination and actual payment of the remuneration of Directors, Supervisors and Senior Management

### 1. *Decision process*

A remuneration and evaluation committee has been established under the board of directors to formulate the remuneration policy. The remuneration and evaluation committee proposes to remuneration policies for directors, supervisors and senior management which, if consented by the board of directors, will be implemented after approval at the general meeting.

### 2. *Basis of determination*

The annual remunerations for directors, supervisors and senior management are determined with reference to the main scope, responsibilities and significance of the positions of directors, supervisors and senior management.

### 3. *Actual payment*

During the reporting period, the amount of remunerations actually paid to 17 directors, supervisors and senior management was RMB1.0238 million.

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

As at 30 June 2024, 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 Stock Exchange 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 C3 of the Listing Rules of the Stock Exchange, to be notified to the Group and to the Stock Exchange.

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

None of the Directors or Supervisors of the Company or any of their respective associates (as defined under the Rule 1.01 of the Listing Rules of the Stock Exchange) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in the first half of 2024.

## 11. *Share scheme*

Since the date of the Company's incorporation, the Company has not adopted or implemented any share schemes, including share incentive scheme or share option scheme.

## 12. *Substantial shareholders*

Details are set out in "Number of 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**

None of the directors or supervisors or any entity related to any of the directors of the Company has or had direct or indirect material interests in any transaction, arrangement or contract to which the Company or any of its subsidiaries is a party that was in force in the first half of 2024 or as at 30 June 2024, 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 2024.

### **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 (the "CG Code") of Appendix C1 to the Listing Rules of the Stock Exchange.

During the reporting period, the Company has complied with the code provisions set out in the CG Code 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 C3 to the Listing Rules of the Stock Exchange 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 2024.

### **19. Sufficiency of public float**

According to information publicly available to the Company and to the best knowledge of the Directors of the Company, the Directors confirmed that the Company has maintained a sufficient public float throughout the first half of 2024 and up to the date of this interim report.

## 20. Substantial shareholders' interests in securities

As at 30 June 2024, 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 the SFO or the register required to be kept under Section 336 of SFO, the substantial shareholders and other persons (other than the Directors, Supervisors and chief executive of the Company) 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 <sup>(2)</sup>	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	900,000 A shares	0.17% A shares	0.11%
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	Interest under Section 317 of the SFO <sup>(1)</sup>	85,974,800 H shares	33.57% H shares	10.78%
	Beneficial interest	30,800,000 H shares	12.03% H shares	3.86%
	Interest under Section 317 of the SFO <sup>(1)</sup>	900,000 A shares	0.17% A shares	0.11%
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Interest under Section 317 of the SFO <sup>(1)</sup>	119,914,800 H shares	46.82% H shares	15.03%
	Beneficial interest	31,800,000 H shares	12.42% H shares	3.99%
	Interest under Section 317 of the SFO <sup>(1)</sup>	900,000 A shares	0.17% A shares	0.11%
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	Interest under Section 317 of the SFO <sup>(1)</sup>	118,914,800 H shares	46.43% H shares	14.90%
	Beneficial interest	23,374,800 H shares	9.13% H shares	2.93%
	Interest under Section 317 of the SFO <sup>(1)</sup>	900,000 A shares	0.17% A shares	0.11%
	Interest under Section 317 of the SFO <sup>(1)</sup>	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 number of shares held by them by virtue of Part XV 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 by virtue of Part XV of the SFO.
- (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 2024.

Save as disclosed above, as at 30 June 2024, 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 2024, the Group recorded a current ratio of 57.63%, quick ratio of 35.61%, receivable turnover ratio of 241.34% and inventory turnover ratio of 126.22%. 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 2024, the Group had total borrowings of RMB1,538 million (as at the end of last year, the Group had total borrowings of RMB1,699 million). As at 30 June 2024, the Group had monetary funds of RMB90.4754 million (monetary funds as at the end of last year of RMB99.0729 million).

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## **22. Gearing ratio**

As at 30 June 2024, the Group's gearing ratio was approximately 78.66% (2023: approximately 88.41%) which is calculated based on the Group's total liabilities of RMB2,191,364 thousand (as at the end of last year: approximately RMB2,553,379 thousand) and total assets of approximately RMB2,785,816 thousand (as at the end of last year: approximately 2,888,082 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 2024, the Group had restricted assets as follows:

Unit: RMB

Item	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	<b>78,490,000.00</b>	<b>78,490,000.00</b>	Security deposit	Bill deposit
Inventories	<b>8,643,944.92</b>	<b>8,643,944.92</b>	Seizure	Seizure for litigation
Fixed assets	<b>284,133,636.74</b>	<b>225,995,748.86</b>	Charge/seizure	Charge for financing/ seizure for litigation
Intangible assets	<b>175,761,554.00</b>	<b>175,761,554.00</b>	Charge/seizure	Charge for financing/ seizure for litigation
Monetary funds	<b>5,191,512.37</b>	<b>5,191,512.37</b>	Frozen	Litigation freeze
Accounts receivables	<b>9,780,831.08</b>	<b>9,683,022.77</b>	Pledge	Factoring financing
Total	<b>562,001,479.11</b>	<b>503,765,782.92</b>		

## 25. Contingent liabilities

As at 30 June 2024, the Group did not have any contingent liabilities except those disclosed in the “Commitments and Contingencies” in this report.

## 26. Material investments, significant acquisitions and disposals, plans for major investments or purchases of capital assets

For the six months ended 30 June 2024, save as disclosed in this report, the Group did not carry out any major acquisitions or disposal of subsidiaries, affiliates and associates and 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 2024 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 debt 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 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.

The Group has 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.

### **30. *Interim dividend***

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

### **31. *Audit committee and review of interim results***

The Company has complied with Rule 3.21 of the Listing Rules of the Stock Exchange and Code Provision D.3 of the CG Code to establish the Audit Committee to review and supervise the Group's financial reporting procedures, risk management and internal audit and control. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, including the review of the Group's interim results and financial statements for the six months ended 30 June 2024. However, the Group's unaudited consolidated financial statements for the six months ended 30 June 2024 have not been audited by the Company's auditors.

### **32. *Changes in Directors' information***

There were no changes to the Directors or Supervisors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules of the Stock Exchange.

### **33. *Disclosures Pursuant to Rule 13.20 of the Listing Rules of the Stock Exchange***

As of 30 June 2024, (i) Shouguang Baolong Petroleum Equipment Co., Ltd. ("Shouguang Baolong") is indebted to the Company in the amount of RMB461,615,166.48; and (ii) Weihai Baolong Special Petroleum Materials Co., Ltd. ("Weihai Baolong") is indebted to the Company in the amount of RMB12,812,451.93; both recorded as accounts receivable of the Company (collectively referred to as the "Indebtedness"). The sale of all its shares in Shouguang Baolong and Weihai Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業(有限合夥)), was completed in March 2024 (the "sale completion"), and Weihai Baolong and Shouguang Baolong ceased to be subsidiaries of the Company.

As at 9 January 2024, (i) the Company (as creditor) and Shouguang Baolong (as debtor) have entered into a repayment agreement (the “Shouguang Baolong Repayment Agreement”), pursuant to which, amongst others, Shouguang Baolong has agreed to repay the Indebtedness (free of interest) in the sum of RMB461,709,466.37 to the Company; and (ii) the Company (as creditor) and Weihai Baolong (as debtor) have entered into a repayment agreement (the “Weihai Baolong Repayment Agreement”), pursuant to which, amongst others, Weihai Baolong has agreed to repay the Indebtedness (free of interest) in the sum of RMB14,345,726.40 to the Company.

According to the Shouguang Baolong Repayment Agreement, the Indebtedness shall be repayable by Shouguang Baolong in the manner set out below: (1) 40% of the Indebtedness, i.e. RMB184,683,786.55, shall be repayable within the first year from the date of sale completion; (2) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the second year from the date of sale completion; and (3) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the third year from the date of sale completion.

According to the Weihai Baolong Repayment Agreement, the Indebtedness shall be repayable by Weihai Baolong in the manner set out below: (1) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the first year from the date of sale completion; and (2) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the second year from the date of sale completion.

Shouguang Baolong has mortgaged its fixed assets and intangible assets, including, among others, land, property and equipment to the Company as collateral for repaying the indebtedness under Shouguang Baolong Repayment Agreement.

## 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	139,500	0.02%	—	—	—	(34,875)	(34,875)	104,625	0.01%
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	139,500	0.02%	—	—	—	(34,875)	(34,875)	104,625	0.01%
Including: Domestic legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	139,500	0.02%	—	—	—	(34,875)	(34,875)	104,625	0.01%
4. Foreign shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
II. Shares not subject to lock-up	797,708,900	99.98%	—	—	—	34,875	34,875	797,743,775	99.99%
1. RMB ordinary shares	541,582,500	67.88%	—	—	—	34,875	34,875	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 Rules for Management of Shares of the Company Held by its Directors, Supervisors and officers of Listed Company and Their Changes, following the six months of the departure of former directors, 25% of RMB-denominated ordinary shares (A) subject to lock-up held by retired directors were changed into shares not subject to lock-up, with the number of shares being 34,875.

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 Shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares released in the current period	Increase the number of restricted shares in the current period	Number of Restricted shares at the end of the period	Reasons for restricted sales	Date of lifting sales restriction
Wang Quan Hong	139,500	34,875	0	104,625	Executive officers lock-in stock	2025-5-25
Total	139,500	34,875	0	104,625	—	—

## 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	28,237 (including 28,195 A shareholders and 42 H shareholders)	Total number of preferred shareholders with restored voting rights as at the end of reporting period (if any) (see note 8)	0
--	--	--	---

#### Shareholdings of ordinary shareholders holding over 5% of shares or the top 10 ordinary shareholders (excluding shares lent through refinancing)

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of ordinary shares held as at the end of the reporting period	Change		Number of ordinary shares not subject to lock-up held	Pledged, charged or frozen Status of the shares	Number of frozen shares
				(increase or decrease) during the reporting period	Number of ordinary shares subject to lock-up held			
Shouguang Molong Holdings Co., Ltd.	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledges	114,355,556
HKSCC Nominees Limited	Overseas legal person	13.19%	105,223,380	(188,220)	0	105,223,380	Not applicable	—
Shandong Zhimeng Holdings Co., Ltd.	Domestic non-state owned legal person	8.23%	65,640,000	0	0	65,640,000	Not applicable	—
Shouguang Hongsen Logistics Co., Ltd.	Domestic non-state owned legal person	3.99%	31,800,000	0	0	31,800,000	Not applicable	—
Shouguang Panjin Property Co., Ltd.	Domestic non-state owned legal person	3.86%	30,800,000	0	0	30,800,000	Not applicable	—
Shouguang Ruisen New Building Materials Co., Ltd.	Domestic non-state owned legal person	2.93%	23,374,800	0	0	23,374,800	Not applicable	—
Zhang Yun San	Domestic natural person	2.27%	18,108,000	0	0	18,108,000	Not applicable	—
Fan Xi Sheng	Domestic natural person	1.14%	9,064,900	912,500	0	9,064,900	Not applicable	—
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.50%	3,998,330	(5,128,305)	0	3,998,330	Not applicable	—
Ma Li Ke	Domestic natural person	0.46%	3,664,140	(2,910,800)	0	3,664,140	Not applicable	—

Strategic investors or ordinary legal person becoming top 10 ordinary shareholders upon placing of new shares (if any) (see note 3) 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 connected relationship or concerted party 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) (see note 11) Not applicable

**Shareholdings of the top 10 non-locked up ordinary shareholders  
(excluding shares lent through refinancing, executive officers lock-in stock)**

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	105,223,380	Overseas listed foreign shares	105,223,380
Shandong Zhimeng Holdings Co., Ltd.	65,640,000	RMB ordinary shares	900,000
Shandong Zhimeng Holdings Co., Ltd.	65,640,000	Overseas listed foreign shares	64,740,000
Shouguang Hongsen Logistics Co., Ltd.	31,800,000	Overseas listed foreign shares	31,800,000
Shouguang Panjin Property Co., Ltd.	30,800,000	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	18,108,000	RMB ordinary shares	18,108,000
Fan Xi Sheng	9,064,900	RMB ordinary shares	9,064,900
Hong Kong Securities Clearing Company Limited	3,998,330	RMB ordinary shares	3,998,330
Ma Li Ke	3,664,140	RMB ordinary shares	3,664,140

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) (see note 4)

Not applicable

Participation in shares lending through refinancing business by shareholders who hold more than 5% of the shares, the top ten shareholders and the top ten shareholders without selling restrictions

Applicable  Not applicable

Change in shareholding of the top ten shareholders and the top ten shareholders without selling restrictions compared with last period due to shares lending through re-financing/returning

Applicable  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 2023.

#### **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	Balance at the end of the period	Balance at the beginning of the period
<b>Current assets:</b>		
Monetary funds	90,475,362.73	99,072,876.12
Settlement deposits	—	—
Lending funds	—	—
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	12,168,168.10	78,005,897.66
Accounts receivable	247,800,656.37	253,264,672.00
Financing receivables	3,149,032.25	2,485,020.78
Prepayments	13,678,551.77	30,163,124.55
Insurance receivables	—	—
Reinsurance receivables	—	—
Reinsurance contract reserves receivable	—	—
Other receivables	400,989,357.25	4,675,103.22
Including: Interest receivables	—	—
Dividends receivable	—	—
Purchases of sell-back financial assets	—	—
Inventories	475,520,685.17	454,882,307.24
Including: data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	636,147.62	858,918.49
<b>Total current assets</b>	<b>1,244,417,961.26</b>	<b>923,407,920.06</b>

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
<b>Non-current assets:</b>		
Loans and advances	—	—
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	1,648,769.00	1,754,772.59
Investments in other equity instruments	3,297,339.83	—
Other non-current financial assets	—	—
Investment properties	—	16,874,595.83
Fixed assets	1,279,176,385.26	1,577,594,066.22
Construction-in-progress	2,192,776.49	2,192,776.49
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	17,724,519.97	21,377,297.83
Intangible assets	231,502,932.20	341,873,447.91
Including: Data resources	—	—
Development expenditures	3,356,110.20	—
Including: Data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	1,538,622.49	1,628,607.92
Other non-current assets	960,163.95	1,378,503.95
<b>Total non-current assets</b>	<b>1,541,397,619.39</b>	<b>1,964,674,068.74</b>
<b>Total assets</b>	<b>2,785,815,580.65</b>	<b>2,888,081,988.80</b>

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
<b>Current liabilities:</b>		
Short-term borrowings	1,493,153,048.51	1,633,111,107.94
Borrowings from the central bank	—	—
Borrowing funds	—	—
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	4,800,000.00	—
Accounts payable	442,364,048.25	509,647,241.72
Receipts in advance	—	—
Contract liabilities	65,615,031.66	54,732,615.40
Proceeds from disposal of buy-back financial assets	—	—
Customer bank deposits and due to banks and other financial institutions	—	—
Securities brokerage deposits	—	—
Securities underwriting brokerage deposits	—	—
Salaries payable	60,474,418.38	75,699,078.02
Taxes payable	14,598,546.65	19,595,319.94
Other payables	26,665,185.18	34,143,155.71
Including: Interests payable	—	—
Dividends payable	—	—
Brokerage and commission payables	—	—
Reinsurance payables	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	43,197,762.65	52,797,378.40
Other current liabilities	8,368,319.53	43,395,150.74
<b>Total current liabilities</b>	<b>2,159,236,360.81</b>	<b>2,423,121,047.87</b>
<b>Non-current liabilities:</b>		
Insurance contract reserves	—	—
Long-term borrowings	1,076,666.56	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	15,478,997.30	14,615,767.79
Long-term payables	6,722,083.41	19,854,583.39
Long-term salaries payable	—	—
Estimated liabilities	—	80,929,994.11
Deferred revenue	6,186,923.07	6,547,003.82
Deferred income tax liabilities	2,662,487.38	8,311,071.27
Other non-current liabilities	—	—
<b>Total non-current liabilities</b>	<b>32,127,157.72</b>	<b>130,258,420.38</b>
<b>Total liabilities</b>	<b>2,191,363,518.53</b>	<b>2,553,379,468.25</b>

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
<b>Owners' equity:</b>		
Share capital	<b>797,848,400.00</b>	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	<b>868,303,946.95</b>	867,591,781.76
Less: Treasury shares	—	—
Other comprehensive income	<b>(3,403,480.81)</b>	(3,301,679.88)
Special reserve	—	—
Surplus reserve	<b>187,753,923.88</b>	187,753,923.88
General risk reserve	—	—
Undistributed profits	<b>(1,255,744,147.26)</b>	(1,425,879,061.33)
<hr/>		
<b>Total equity attributable to owners of the parent company</b>	<b>594,758,642.76</b>	424,013,364.43
Minority interests	<b>(306,580.64)</b>	(89,310,843.88)
<hr/>		
<b>Total owners' equity</b>	<b>594,452,062.12</b>	334,702,520.55
<hr/>		
<b>Total liabilities and owners' equity</b>	<b>2,785,815,580.65</b>	2,888,081,988.80

Legal representative:  
Han Gao Gui

Chief accountant:  
Zhu Yan Li

Head of accounting department:  
Zhu Lin

## 2. Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
<b>Current assets:</b>		
Monetary funds	85,503,127.42	92,576,179.79
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	12,168,168.10	78,005,897.66
Accounts receivable	713,378,033.49	536,261,914.96
Financing receivables	2,049,531.25	2,390,316.78
Prepayments	21,921,650.14	432,701,447.58
Other receivables	753,251,887.28	466,585,433.39
Including: Interests receivable	—	—
Dividends receivable	—	—
Inventories	431,671,412.19	369,770,368.17
Including: Data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	313,644.01	783,131.29
<b>Total current assets</b>	<b>2,020,257,453.88</b>	<b>1,979,074,689.62</b>
<b>Non-current assets:</b>		
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	365,322,810.41	440,318,523.97
Investments in other equity instruments	—	—
Other non-current financial assets	—	—
Investment properties	—	—
Fixed assets	359,907,666.31	547,745,033.77
Construction-in-progress	1,893,805.30	1,893,805.30
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	17,724,519.97	21,377,297.83
Intangible assets	63,670,740.10	65,863,281.17
Including: data resources	—	—
Development expenditures	3,356,110.20	—
Including: data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	—	18,340.00
<b>Total non-current assets</b>	<b>811,875,652.29</b>	<b>1,077,216,282.04</b>
<b>Total assets</b>	<b>2,832,133,106.17</b>	<b>3,056,290,971.66</b>

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
<b>Current liabilities:</b>		
Short-term borrowings	<b>1,324,853,048.51</b>	1,456,944,003.59
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	<b>173,310,000.00</b>	184,510,100.00
Accounts payable	<b>371,684,728.66</b>	301,554,393.59
Receipts in advance	—	—
Contract liabilities	<b>63,541,208.75</b>	52,528,337.04
Salaries payable	<b>50,303,445.73</b>	57,615,585.05
Taxes payable	<b>14,448,493.59</b>	16,096,774.68
Other payables	<b>45,045,375.58</b>	43,341,849.76
Including: Interests payable	—	—
Dividends payable	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	<b>41,339,428.82</b>	52,797,378.40
Other current liabilities	<b>8,098,722.55</b>	43,282,911.84
<b>Total current liabilities</b>	<b>2,092,624,452.19</b>	2,208,671,333.95
<b>Non-current liabilities:</b>		
Long-term borrowings	—	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	<b>15,478,997.30</b>	14,615,767.79
Long-term payables	<b>6,722,083.41</b>	19,854,583.39
Long-term salaries payable	—	—
Estimated liabilities	—	—
Deferred revenue	—	—
Deferred income tax liabilities	<b>2,658,678.00</b>	3,206,594.67
Other non-current liabilities	—	—
<b>Total non-current liabilities</b>	<b>24,859,758.71</b>	37,676,945.85
<b>Total liabilities</b>	<b>2,117,484,210.90</b>	2,246,348,279.80



Unit: RMB

Item	<b>Balance at the end of the period</b>	Balance at the beginning of the period
<b>Owners' equity:</b>		
Share capital	<b>797,848,400.00</b>	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	<b>868,292,518.82</b>	867,573,114.26
Less: Treasury shares	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	<b>187,753,923.88</b>	187,753,923.88
Undistributed profits	<b>(1,139,245,947.43)</b>	(1,043,232,746.28)
<b>Total owners' equity</b>	<b>714,648,895.27</b>	809,942,691.86
<b>Total liabilities and owners' equity</b>	<b>2,832,133,106.17</b>	3,056,290,971.66

### 3. Consolidated income statement

Unit: RMB

Item	Interim 2024	Interim 2023
<b>I. Total operating revenue</b>	<b>604,627,930.88</b>	798,419,015.10
Including: Operating revenue	<b>604,627,930.88</b>	798,419,015.10
Interest income	—	—
Insurance premium earned	—	—
Brokerage and commission income	—	—
<b>II. Total operating costs</b>	<b>717,966,442.45</b>	959,074,308.28
Including: Operating costs	<b>587,194,131.69</b>	745,514,513.99
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	<b>4,472,142.12</b>	8,876,640.21
Selling expenses	<b>6,823,207.62</b>	9,699,153.33
Administrative expenses	<b>66,070,521.83</b>	135,856,718.33
Research and development expenses	<b>12,085,798.40</b>	15,508,358.85
Finance costs	<b>41,320,640.79</b>	43,618,923.57
Including: Interest expenses	<b>46,674,510.32</b>	47,431,215.06
Interest income	<b>568,696.72</b>	2,911,132.92
Add: Other gains	<b>6,555,082.59</b>	132,723.59
Investment income	<b>282,091,477.58</b>	—
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	<b>(741,269.32)</b>	(2,115,579.66)
Asset impairment losses	<b>(8,955,173.29)</b>	(1,465,146.60)
Gain on disposal of assets	<b>163,084.71</b>	325,712.98
<b>III. Operating profit</b>	<b>165,774,690.70</b>	(163,777,582.87)
Add: Non-operating income	<b>3,592,336.79</b>	2,044,943.45
Less: Non-operating expenses	<b>410,913.24</b>	742,741.22

Unit: RMB

Item	Interim 2024	Interim 2023
<b>IV. Total profit</b>	<b>168,956,114.25</b>	(162,475,380.64)
Less: Income tax expenses	<b>(394,994.52)</b>	1,458,254.39
<b>V. Net profit</b>	<b>169,351,108.77</b>	(163,933,635.03)
(i) By business continuity	—	—
1. Net profit from continuing operations	<b>169,351,108.77</b>	(163,933,635.03)
2. Net profit from discontinued operations	—	—
(ii) By attributable ownership	—	—
1. Net profit attributable to the shareholders of the parent company	<b>170,134,914.07</b>	(158,242,397.13)
2. Loss or profit attributable to minority interests	<b>(783,805.30)</b>	(5,691,237.90)
<b>VI. Other comprehensive income, net of tax</b>	<b>(113,111.93)</b>	(669,582.15)
Other comprehensive income attributable to owners of the parent company, net of tax	<b>(101,800.93)</b>	(602,623.93)
(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	<b>(101,800.93)</b>	(602,623.93)
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	<b>(101,800.93)</b>	(602,623.93)
7. Others	—	—
Other comprehensive income attributable to minority shareholders, net of tax	<b>(11,311.00)</b>	(66,958.22)
<b>VII. Total comprehensive income</b>	<b>169,237,996.84</b>	(164,603,217.18)
Total comprehensive income attributable to owners of the parent company	<b>170,033,113.14</b>	(158,845,021.06)
Total comprehensive income attributable to minority interests	<b>(795,116.30)</b>	(5,758,196.12)
<b>VIII. Earnings per share:</b>		
(i) Basic earnings per share	<b>0.2132</b>	(0.1983)
(ii) Diluted earnings per share	<b>0.2132</b>	(0.1983)

Legal representative:  
Han Gao Gui

Chief accountant:  
Zhu Yan Li

Head of accounting department:  
Zhu Lin

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

Unit: RMB

Item	Interim 2024	Interim 2023
<b>I. Operating revenue</b>	<b>592,524,965.24</b>	770,766,171.97
Less: Operating costs	<b>568,912,561.11</b>	710,043,047.65
Taxes and surcharges	<b>3,851,722.05</b>	6,109,749.15
Selling expenses	<b>6,502,193.67</b>	9,096,474.00
Administrative expenses	<b>19,868,024.31</b>	39,266,873.10
Research and development expenses	<b>12,085,798.40</b>	15,508,358.85
Finance costs	<b>39,349,607.89</b>	36,618,539.96
Including: Interest expenses	<b>44,454,572.36</b>	40,581,694.30
Interest income	<b>525,917.89</b>	2,861,768.94
Add: Other gains	<b>6,477,140.10</b>	122,781.67
Investment income	<b>(38,042,746.82)</b>	—
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	<b>(680,863.84)</b>	(2,218,403.50)
Asset impairment losses	<b>(8,955,173.29)</b>	(714,510.36)
Gain on disposal of assets	<b>517,556.11</b>	325,712.98
<b>II. Operating profit</b>	<b>(98,729,029.93)</b>	(48,361,289.95)
Add: Non-operating income	<b>2,462,128.64</b>	156,928.68
Less: Non-operating expenses	<b>294,216.53</b>	33,591.30
<b>III. Total profit</b>	<b>(96,561,117.82)</b>	(48,237,952.57)
Less: Income tax expenses	<b>(547,916.67)</b>	1,467,494.38
<b>IV. Net profit</b>	<b>(96,013,201.15)</b>	(49,705,446.95)
(i) Net profit from continuing operations	<b>(96,013,201.15)</b>	(49,705,446.95)
(ii) Net profit from discontinued operations	—	—

Unit: RMB

Item	Interim 2024	Interim 2023
<b>V. Other comprehensive income, net of tax</b>	—	—
(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	—	—
<b>VI. Total comprehensive income</b>	<b>(96,013,201.15)</b>	<b>(49,705,446.95)</b>
<b>VII. Earnings per share:</b>		
(i) Basic earnings per share	—	—
(ii) Diluted earnings per share	—	—

## 5. Consolidated statement of cash flows

	Unit: RMB	
Item	Interim 2024	Interim 2023
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	<b>603,953,778.12</b>	849,356,766.18
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	<b>29,948,077.38</b>	466,828.15
Other cash received relating to operating activities	<b>14,260,388.95</b>	6,479,044.83
<b>Sub-total of cash inflows from operating activities</b>	<b>648,162,244.45</b>	856,302,639.16
Cash paid for purchasing goods and receiving services	<b>388,434,882.46</b>	691,479,494.92
Net increase in loans and advances to customers	—	—
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	<b>85,100,183.82</b>	97,299,985.75
Taxes paid	<b>37,431,202.55</b>	28,903,931.12
Other cash paid relating to operating activities	<b>15,854,628.22</b>	62,389,825.02
<b>Sub-total of cash outflows from operating activities</b>	<b>526,820,897.05</b>	880,073,236.81
<b>Net cash flow generated from operating activities</b>	<b>121,341,347.40</b>	(23,770,597.65)

Unit: RMB

Item	Interim 2024	Interim 2023
<b>II. Cash flows from investing activities:</b>		
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	<b>517,556.11</b>	85,500.00
Net cash received from disposal of subsidiaries and other business units	<b>141,552,345.00</b>	—
Other cash received relating to investing activities	—	—
<b>Sub-total of cash inflows from investing activities</b>	<b>142,069,901.11</b>	85,500.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	<b>403,226.31</b>	4,138,963.91
Cash paid for investments	—	—
Net increase in pledged loans	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—
Other cash paid relating to investing activities	—	—
<b>Sub-total of cash outflows from investing activities</b>	<b>403,226.31</b>	4,138,963.91
<b>Net cash flow generated from investing activities</b>	<b>141,666,674.80</b>	(4,053,463.91)
<b>III. Cash flows from financing activities:</b>		
Cash received from capital contributions	—	—
Including: Cash received from capital contributions from minority shareholders by subsidiaries	—	—
Cash received from borrowings	<b>1,544,600,275.44</b>	1,881,490,872.82
Other cash received relating to financing activities	<b>1,800,000.00</b>	32,048,500.00
<b>Sub-total of cash inflows from financing activities</b>	<b>1,546,400,275.44</b>	1,913,539,372.82
Cash paid for repayment of debts	<b>1,662,575,221.42</b>	1,825,498,373.81
Cash paid for distribution of dividends and profits or repayment of interests	<b>146,767,545.51</b>	47,829,746.65
Including: Dividends and profits paid to minority shareholders by subsidiaries	—	—
Other cash paid relating to financing activities	—	—
<b>Sub-total of cash outflows from financing activities</b>	<b>1,809,342,766.93</b>	1,873,328,120.46
<b>Net cash flow generated from financing activities</b>	<b>(262,942,491.49)</b>	40,211,252.36
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(4,822,452.15)</b>	1,773,265.30
<b>V. Net increase in cash and cash equivalents</b>	<b>(4,756,921.44)</b>	14,160,456.10
Add: Balance of cash and cash equivalents at the beginning of the period	<b>87,640,771.80</b>	358,672,243.57
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>82,883,850.36</b>	372,832,699.67

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

Unit: RMB

Item	Interim 2024	Interim 2023
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	585,802,777.77	822,858,440.92
Refunds of taxes received	9,977,054.24	0.00
Other cash received relating to operating activities	8,418,199.57	35,274,881.44
<b>Sub-total of cash inflows from operating activities</b>	<b>604,198,031.58</b>	<b>858,133,322.36</b>
Cash paid for purchasing goods and receiving services	315,091,577.10	741,279,073.47
Cash paid to and on behalf of employees	71,635,738.35	73,380,016.80
Cash paid for taxes	33,421,349.80	24,873,023.83
Other cash paid relating to operating activities	13,842,543.61	46,448,310.68
<b>Sub-total of cash outflows from operating activities</b>	<b>433,991,208.86</b>	<b>885,980,424.78</b>
<b>Net cash flow generated from operating activities</b>	<b>170,206,822.72</b>	<b>(27,847,102.42)</b>
<b>II. Cash flows from investing activities:</b>		
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	517,556.11	85,500.00
Net cash received from disposal of subsidiaries and other operating entities	88,851,255.20	—
Other cash received relating to investing activities	—	—
<b>Sub-total of cash inflows from investing activities</b>	<b>89,368,811.31</b>	<b>85,500.00</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	403,226.31	2,577,150.00
Cash paid for investments	—	—
Net cash paid for acquisition of subsidiaries and other operating entities	—	—
Other cash paid relating to investing activities	—	—
<b>Sub-total of cash outflows from investing activities</b>	<b>403,226.31</b>	<b>2,577,150.00</b>
<b>Net cash flow generated from investing activities</b>	<b>88,965,585.00</b>	<b>(2,491,650.00)</b>
<b>III. Cash flows from financing activities:</b>		
Cash received from capital contributions	—	—
Cash received from borrowings	1,372,820,275.44	1,481,490,872.82
Other cash received relating to financing activities	—	—
<b>Sub-total of cash inflows from financing activities</b>	<b>1,372,820,275.44</b>	<b>1,481,490,872.82</b>
Cash paid for repayment of liabilities	1,487,386,649.95	1,384,389,878.48
Cash paid for dividend and profit distributions or interest repayments	144,292,305.87	41,026,008.61
Other cash paid relating to financing activities	—	—
<b>Sub-total of cash outflows from financing activities</b>	<b>1,631,678,955.82</b>	<b>1,425,415,887.09</b>
<b>Net cash flow generated from financing activities</b>	<b>(258,858,680.38)</b>	<b>56,074,985.73</b>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(4,692,147.39)</b>	<b>1,582,672.56</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>(4,378,420.05)</b>	<b>27,318,905.87</b>
Add: Balance of cash and cash equivalents at the beginning of the period	84,573,471.51	340,829,668.67
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>80,195,051.46</b>	<b>368,148,574.54</b>



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

Amounts for the current period

Unit: RMB

		Interim 2024													
		Equity attributable to owners of the parent company													
Item	Other equity instruments				Less:		Other comprehensive income	Special reserve	Surplus reserve	General			Sub-total	Minority interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares				risk reserve	Undistributed profits	Others			
<b>I. Balance at the end of the same period last year</b>	797,848,400.00	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,879,061.33)	—	424,013,364.43	(89,310,843.88)	334,702,520.55
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of the current year</b>	797,848,400.00	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,879,061.33)	—	424,013,364.43	(89,310,843.88)	334,702,520.55
<b>III. Changes in the current period</b>	—	—	—	—	712,165.19	—	(101,800.93)	—	—	—	170,134,914.07	—	170,033,113.14	(795,116.30)	169,237,996.84
(i) Total comprehensive income	—	—	—	—	—	—	(101,800.93)	—	—	—	170,134,914.07	—	170,033,113.14	(795,116.30)	169,237,996.84
(ii) Owners' capital contribution and reduction	—	—	—	—	712,165.19	—	—	—	—	—	—	—	712,165.19	89,799,979.54	90,511,544.73
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	712,165.19	—	—	—	—	—	—	—	712,165.19	89,799,979.54	90,511,544.73
(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	—	—	—	—	—	—	3,782,113.84	—	—	—	—	—	3,782,113.84	—	3,782,113.84
2. Utilised during the period	—	—	—	—	—	—	3,782,113.84	—	—	—	—	—	3,782,113.84	—	3,782,113.84
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the current period</b>	797,848,400.00	—	—	—	868,303,946.95	—	(3,403,480.81)	—	187,753,923.88	—	(1,255,744,147.26)	—	594,758,642.76	(306,580.64)	594,452,062.12

Amounts for the prior year

Unit: RMB

		Interim 2023													
		Equity attributable to owners of the parent company													
Item	Share capital	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
		Preferred shares	Perpetual bonds	Others	Capital reserve										
<b>I. Balance at the end of the same period last year</b>	797,848,400.00	—	—	—	864,405,329.26	—	(3,029,259.75)	—	187,753,923.88	—	(659,017,550.51)	—	987,960,842.88	(77,607,634.64)	910,353,208.24
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of the current year</b>	797,848,400.00	—	—	—	864,405,329.26	—	(3,029,259.75)	—	187,753,923.88	—	(659,017,550.51)	—	987,960,842.88	(77,607,634.64)	910,353,208.24
<b>III. Changes in the current period</b>	—	—	—	—	794,276.38	—	(602,623.93)	—	—	—	(158,242,397.13)	—	(158,050,744.68)	(5,758,196.12)	(163,809,940.80)
(i) Total comprehensive income	—	—	—	—	—	—	(602,623.93)	—	—	—	(158,242,397.13)	—	(158,845,021.06)	(5,758,196.12)	(164,603,217.18)
(ii) Owners' capital contribution and reduction	—	—	—	—	794,276.38	—	—	—	—	—	—	—	794,276.38	—	794,276.38
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	794,276.38	—	—	—	—	—	—	—	794,276.38	—	794,276.38
(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	—	—	—	—	—	—	—	7,315,605.66	—	—	—	—	7,315,605.66	—	7,315,605.66
2. Utilised during the period	—	—	—	—	—	—	—	7,315,605.66	—	—	—	—	7,315,605.66	—	7,315,605.66
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the current period</b>	797,848,400.00	—	—	—	865,199,605.64	—	(3,631,883.68)	—	187,753,923.88	—	(1,017,259,947.64)	—	829,910,098.20	(83,365,830.76)	746,544,267.44

## 8. Statement of changes in owners' equity of the parent company

Amounts for the current period

Unit: RMB

Item	Interim 2024											Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	
	Share capital	Preferred shares	Perpetual bonds	Others								
<b>I. Balance at the end of the same period last year</b>	797,848,400.00	—	—	—	867,573,114.26	—	—	—	187,753,923.88	(1,043,232,746.28)	—	809,942,691.86
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of the current year</b>	797,848,400.00	—	—	—	867,573,114.26	—	—	—	187,753,923.88	(1,043,232,746.28)	—	809,942,691.86
<b>III. Changes in the current period</b>	—	—	—	—	719,404.56	—	—	—	—	(96,013,201.15)	—	(95,293,796.59)
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	(96,013,201.15)	—	(96,013,201.15)
(ii) Owners' capital contribution and reduction	—	—	—	—	719,404.56	—	—	—	—	—	—	719,404.56
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	719,404.56	—	—	—	—	—	—	719,404.56
(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	—	—	—	—	—	—	—	3,509,813.29	—	—	—	3,509,813.29
2. Utilised during the period	—	—	—	—	—	—	—	(3,509,813.29)	—	—	—	(3,509,813.29)
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the current period</b>	797,848,400.00	—	—	—	868,292,518.82	—	—	—	187,753,923.88	(1,139,245,947.43)	—	714,648,895.27

## Amounts for the prior year

Unit: RMB

Item	Interim 2023											Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	
		Preferred shares	Perpetual bonds	Others								
<b>I. Balance at the end of the same period last year</b>	797,848,400.00	—	—	—	863,337,643.70	—	—	—	187,753,923.88	504,279,657.64	—	2,353,219,625.22
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of the current year</b>	797,848,400.00	—	—	—	863,337,643.70	—	—	—	187,753,923.88	504,279,657.64	—	2,353,219,625.22
<b>III. Changes in the current period</b>	—	—	—	—	1,843,294.44	—	—	—	—	(244,347,691.95)	—	(242,504,397.51)
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	(244,347,691.95)	—	(244,347,691.95)
(ii) Owners' capital contribution and reduction	—	—	—	—	1,843,294.44	—	—	—	—	—	—	1,843,294.44
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	1,843,294.44	—	—	—	—	—	—	1,843,294.44
(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	—	—	—	—	—	—	—	4,736,617.65	—	—	—	4,736,617.65
2. Utilised during the period	—	—	—	—	—	—	—	4,736,617.65	—	—	—	4,736,617.65
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the current period</b>	797,848,400.00	—	—	—	865,180,938.14	—	—	—	187,753,923.88	259,931,965.69	—	2,110,715,227.71

### III. General Information of the Company

Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the “Company”, together with its subsidiaries, the “Group”) 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 China Securities Regulatory Commission 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 China Securities Regulatory Commission 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 China Securities Regulatory Commission 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 China Securities Regulatory Commission 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 Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司) (hereinafter referred to as “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 31 December 2023, 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. The office address of the Company is at 8<sup>th</sup>–10<sup>th</sup> Floor, Building 19, Enterprise Headquarters Group, Shengcheng Street, Shouguang City, Shandong Province.

The Company and its subsidiaries operate in the special equipment manufacturing industry and are mainly engaged in the production and sales of products for the energy equipment industry. The Company’s main products are tubing products and castings and forgings, which are mainly used in the fields of oil and gas drilling, machinery processing and so on.

The controlling shareholder of the Company is Molong Holdings 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).

## IV. Basis of preparation of the financial statements

### 1. Basis of preparation

The financial statements of the Group have been prepared, on the basis of actual transactions and events, in accordance with the Accounting Standard for Business Enterprises promulgated by the Ministry of Finance and its application guidelines, interpretations and other relevant requirements (collectively “Accounting Standard for Business Enterprises”), the disclosure requirements under the China Securities Regulatory Commission (the “CSRC”)’s Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2023 Revision) and its relevant requirements, and the disclosure-related requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

### 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) Obtain support from the local government. To support the stable operation of Shandong Molong, the Shouguang Municipal Government will carry out the following actions: study and implement decisions, arrangements and an enterprise transformation and development plan; coordinate the measure implementation to stabilize Shandong Molong’s operation and accelerate the high-quality development of energy equipment in Shouguang; study and formulate financial support policies for Shandong Molong, consult with financial institutions, and actively introduce strategic investment; and define product positioning, further expand the market share of medium and high value-added products, and formulate technical transformation plans. Shouguang Municipal Government will make efforts to help the Company operate steadily by taking various measures.
- 2) Secure financial support from Shouguang Jinxin, a related party shareholder. On 20 February 2024, after the consideration and approval at the ninth extraordinary meeting of the seventh session of the Board of Directors of the Company, Shouguang Jinxin intends to provide financial assistance of up to RMB300 million (including RMB300 million) to the Company for a term of less than one year (including one year), with an interest rate not higher than the one-year loan prime rate (LPR) announced by the People’s Bank of China. Meanwhile, Shouguang Jinxin will proactively support the Group in expanding its financing options and business scope, so as to help the Group to grow and strengthen its market position.
- 3) At a meeting of Shandong Molong’s Financial Institutions Debt Committee, an agreement was reached that each financial institution shall actively seek support from the government and higher level financial institutions, shall not withdraw, terminate and pressurise loans, and shall collaborate to mitigate the enterprise’s risks provided that the enterprise does not owe the interest. As of the date of the financial report, all matured bank borrowings were repaid on time. The Group will maintain active communication with its lending banks and will effectively secure loan renewals upon maturity.
- 4) The Group actively seeks new financing channels. While maintaining the existing financing channels and quota, the Group is currently engaging with all relevant financial institutions and supply chain enterprises. Through finance leasing, logistics and trade integration, and other means, the Group seeks to establish cooperation models with strong financial institutions and supply chain enterprises to expand alternative financing channels, so as to support future continuing operations. At present, supply chain financing has already obtained initial results.

- 5) The Company has studied and implemented the working policy of “management reinforcement, cost reduction, efficiency improvement, and rapid turnaround”, strengthened marketing and insisted on the sales strategy of prioritizing export with focus on the tubing, strengthened production management and achieved benefits from the production site; enhanced technological innovation and product innovation; promoted financial management and financing; strengthened manpower management and improved management performance. Through a series of measures, the Company has achieved preliminary results.
- 6) At present, the Company’s order is relatively sufficient. As of the end of June 2024, the Company has outstanding orders of approximately 76,000 tonnes, with a cargo value of approximately RMB477 million.
- 7) The Company has been vigorously developing new domestic and overseas markets. Domestically, the Company has recently won the tender for the coal bed methane project in Yaxin, Xinjiang and has been gradually supplying goods; overseas, the Company has developed markets in Kazakhstan, Vietnam, Ecuador, Egypt and other countries, and has been obtaining new orders gradually.

As at the date of this financial report, the Group had unutilised short-term borrowings of RMB425 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 the Group’s business as a going concern.

## V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

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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 has prepared the financial statements in accordance with the ASBEs, which gives a true and complete view of the financial position as at 30 June 2024, operating results and cash flows for the first half of 2024 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 as the standard of liquidity division of assets and liabilities.

### 4. *Reporting currency*

The reporting currency of the Group is RMB.

## 5. Determination Method and Selection Basis of Materiality Standards

✓ Applicable     Not applicable

Item	Materiality standards
Material receivables subject to provision for bad debts on an individual basis	Accounts receivable with an amount exceeding RMB10 million and other receivables with an amount exceeding RMB3 million
Actual write-off of important accounts receivable	Amount exceeding RMB5 million
Material accounts receivable aged over 1 year	Amount exceeding RMB5 million
Material contractual liabilities aged over 1 year	Amount exceeding RMB5 million
Other material payables aged over 1 year	Amount exceeding RMB3 million

## 6. Accounting treatments for business combinations involving entities under and not under common control

### (1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed by the Group (as the acquirer) in a business combination under common control are measured based on their carrying amounts in the consolidated statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and that of the consideration paid for the combination is recognized in the capital reserve. If the capital reserve is not sufficient to cover the difference, the balance is recognized in retained earnings.

### (2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The identifiable assets acquired, and liabilities and contingent liabilities of the acquiree assumed by the Group (as the acquirer) in a business combination involving entities not under common control are measured at fair value on the acquisition date. Where the costs of combinations exceed the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the costs of a combination are less than the fair value of the acquiree's identifiable net assets, the fair value of all identifiable assets, liabilities and contingent liabilities obtained in the combinations and the costs of business combinations are reviewed. After the review, if the costs of combinations are still less than the fair value of the acquiree's identifiable net assets, the difference will be included in the current non-operating revenue.



## **7. Judgment criteria of control and preparation methods of consolidated financial statements**

The scope of consolidation in the consolidated financial statements of the Group is determined on a control basis and covers the Company and all of its subsidiaries. The Group's control judgment criteria are as follows: the Group has power over the investee, is entitled to variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns.

In the preparation of the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between subsidiaries and the Company, the financial statements of subsidiaries are adjusted in accordance with the accounting policies or accounting period of the Company.

The impact of internal transactions between the Company and its subsidiaries and among the subsidiaries on the consolidated financial statements is eliminated on consolidation. The shares of owner's 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 under the items of "minority interests, profit or loss of 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 subsidiaries 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 time as the ultimate controlling party gains control.

The operating results and cash flows of subsidiaries acquired from business combination not under common control shall be included in the consolidated financial statements since the date when 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.

## **8. Classifications of joint arrangement and accounting treatment of joint operation**

The joint venture arrangements of the Group are divided into joint operations and joint ventures. A joint operation refers to a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture refers to a joint arrangement whereby the parties only have rights to the net assets of the arrangement.

For joint operation projects, as a party that have joint control of the joint operation, the Group recognises assets and liabilities solely held and assets and liabilities held on proportion. Related revenue and expenses solely or proportionally recognised in accordance with relevant agreements. When the Group incurs transactions on asset purchase or sales not constituting to business with joint operation, the Group only recognise parts of profits and losses generated in above transactions attributable to other joint operation parties.

## **9. Criteria for determination of cash and cash equivalents**

Cash in cash flow statement of the Group refers to cash on hand and deposits available for payment at any time. Cash equivalents in cash flow statement refers to the investments which become due within 3 months after purchasing date, highly liquid, easily converted to known amounts of cash, and having low value change risk.

## **10. Foreign currency operations and translation of foreign currency statements**

### **(1) Foreign currency transactions**

Upon the initial recognition of a foreign currency transaction of the Group, the amount of the foreign currency shall be translated into the reporting currency amount for accounting using the spot exchange rate at the transaction dates. On the balance sheet date, foreign currency monetary items are translated into the reporting currency at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit or 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. For foreign currency non-monetary items measured at historical cost, the spot exchange rate on the transaction date shall be adopted for translation, and the reporting currency amount shall not be changed. For foreign currency non-monetary items measured at fair value, the spot exchange rate on the date when the fair value is determined shall be used for translation, and the difference between the amount in the converted reporting currency and the amount in the original reporting currency shall be treated as changes in fair value (including exchange rate changes), and be included in the profit or loss for the current period. The capital invested by investors with foreign currency shall be translated at the spot exchange rate on the transaction date, and there will be no foreign currency capital translation difference between the capital invested with foreign currency and the reporting currency amount of the corresponding monetary items.

### **(2) Translation of foreign currency financial statements**

In preparing the consolidated financial statements, the Group translates the financial statements of foreign operations into RMB, in which the items of assets and liabilities in the foreign-currency balance sheet are translated with the spot exchange rate on the balance sheet date; except for “undistributed profits”, items under the owner’s equity are translated at the spot exchange rate when businesses occur; income and expenses items in the income statement are translated at the spot exchange rate on the first day of each month. Translation differences of foreign currency statements arising from translations above shall be listed in items of other comprehensive income. Foreign currency cash flow is translated at the annual average exchange rate. Effects on cash arising from the change of exchange rate are listed in the cash flow statement separately.

## 11. Financial instruments

### (1) Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from its account and balance sheet when: 1) the rights to receive cash flows from the financial asset have expired; 2) the Group has transferred its rights to receive cash flows from the financial asset; or has assumed an obligation to pay all cash flows received to a third party in a timely manner under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has waived the control over the financial asset.

A financial liability shall be derecognized if the obligation under the financial liability has been performed, withdrawn or expired. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference is recognised in the profit or loss for the current period.

Accounting recognition and derecognition shall be performed for financial assets traded in a conventional manner on the transaction day.

### (2) Classification and measurement methods of financial assets

The financial assets of the Group, at initial recognition, are classified, into the following three categories based on its business model of the financial asset management and the contractual cash flow characteristics of financial assets: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss for the current period. All related financial assets affected will be reclassified when and only when the Group changes its business model of financial asset management.

When determining a business model, the Group considers the way of enterprise evaluation and financial asset achievement report that is delivered to the key management, the risk affecting financial asset performance and its management mode and the way of related business management payment, etc. When evaluating whether to take the contract cash flow as the target, the Group needs to analyze and determine the reason, time, frequency and value of the sale of financial assets before the maturity date.

When determining the contractual cash flow characteristics, the Group needs to determine whether the contractual cash flow is only for the principal and the payment of interest on the basis of outstanding principal, including evaluating the correction of time value of money; the Group needs to determine whether it has significant difference compared with the benchmark cash flow; and for the financial assets including prepayment characteristics, the Group needs to determine whether the fair value of the prepayment features is very small, and so on.

Financial assets are measured at fair value when initially recognised, but if the accounts or bills receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components that last for not more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value through current profit or loss, the related transaction costs are recognised directly in the current profit or loss, and for other categories of financial assets, the related transaction costs are recognised in their initial recognition amounts.

The subsequent measurement of financial assets depends on their classification:

1) *Financial assets at amortized cost*

A financial asset is classified as financial assets at amortised cost if it meets both of the following conditions: ① It is managed within a business model whose objective is to collect contractual cash flows. ② The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding. The Group's financial assets of this kind mainly include monetary funds, accounts receivable, bills receivable and other receivables.

2) *Investments in debt instruments at fair value through other comprehensive income*

Financial assets are classified as financial assets at fair value through other comprehensive income if both of the following conditions are met: ① the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. ② The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding.

The Group recognises interest income from such financial assets using the effective interest method. Except that the interest income, impairment loss and exchange difference are recognised as the current profit or loss, other changes in fair value are recognised in other comprehensive income. When the financial asset is derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out and recognised in the current profit or loss. The Group's financial assets of this kind include financing receivables.

3) *Investments in equity instruments at fair value through other comprehensive income*

The Group irrevocably elects to designate some non-trading equity instrument investments as financial assets at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. Only relevant dividend income (except dividend income that is definitely collected as the investment cost) is recognised in the current profit or loss, and subsequent changes in fair value are recognised in other comprehensive income, without provision for impairment. When the financial asset is derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out and recognised in the retained earnings.

4) *Financial assets at fair value through profit or loss*

Financial assets other than those classified as at amortized cost and those classified or designated as at fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with all changes in fair value recognized in profit or loss other than those related to hedging accounting.

### (3) Classification, recognition basis and measurement method of financial liabilities

The Group's financial liabilities, at initial recognition, are classified as financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost, with the exception of financial guarantee contracts signed, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. For financial liabilities at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss, and for financial liabilities at amortized cost, the related transaction costs are recognized in their initial recognition amounts.

The subsequent measurement of a financial liability depends on its classification:

1) *Financial liabilities at amortized cost*

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

2) *Financial liabilities at fair value through profit or loss*

The financial liabilities at fair value through profit or loss (including derivatives that are financial liabilities) include trading financial liabilities and those designated as financial liabilities at fair value through profit or loss at the initial recognition. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, which shall be recognized at fair value through profit or loss, except for those related to hedge accounting. For the financial liabilities designated at fair value through profit or loss, the subsequent measurement is based on fair value. Except for changes in fair value arising from changes in the Group's own credit risk are included in other comprehensive income, other changes in fair value are recognized in the profit or loss of the current period. If the fair value changes caused by changes in the Group's own credit risk being included in other comprehensive income cause or increase accounting mismatches, the Group will credit all changes in fair value (including the amount of changes in its own credit risk) to the profit or loss of the current period.

Financial liabilities are designated upon initial recognition as financial liabilities at fair value through profit or loss only if one of the following criteria is satisfied: ① accounting mismatches can be eliminated or significantly reduced; ② a portfolio of financial instruments is managed and evaluated on a fair value basis and reported to key management in accordance with an officially documented risk management or investment strategy; ③ hybrid instruments containing one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear that the embedded derivative(s) shall not be separated from the relevant hybrid instruments; ④ hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent balance sheet date.

### (4) Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment and recognizes loss provisions for financial assets at amortized cost, debt investments at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts.

Expected credit losses refer to the weighted average of credit losses on financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Group and discounted at the original effective interest rate, that is, the present value of all cash shortages. The Group's method of measuring expected credit losses reflects the following factors: ① an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; ② time value of money; ③ reasonable and evidence-based information about past events, current conditions, and projections of future economic conditions, available on the balance sheet date without unnecessary additional costs.

The Group assesses expected credit losses of financial instruments on a single and combined basis. When assessing on a combined basis, the Group classifies financial instruments into different groups based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include aging of receivables.

When using the expected credit loss model to evaluate the impairment of financial instruments and contract assets, the Group needs to make significant judgments and estimations, taking into account all reasonable and evidence-based information, including forward-looking information. When making such judgments and estimations, the Group extrapolates the expected changes in the debtors' credit risk based on historical repayment data and factors such as economic policies, macroeconomic indicators and industry risks. Different estimates may affect the provision for impairment, and the provision for impairment that has been made may not be equal to the actual amount of impairment loss in the future.

1) *Impairment test methods for accounts receivable and contract assets*

For accounts receivable, bills receivable, financing receivables, contract assets and other receivables that do not contain significant financing components due to day-to-day operating activities such as selling goods and rendering services, the Group uses simplified measurement methods to measure loss provisions based on lifetime expected credit losses.

The Group recognizes receivables with an amount greater than RMB10 million as receivables with amounts that are individually significant. Receivables with amounts that are individually significant are subject to an impairment test on an individual basis.

To calculate expected credit losses for receivables, in addition to individually determining credit losses for amounts that are individually significant and have been subject to credit impairment, the Group formulates a comparison table with days overdue of accounts receivable versus the aging of accounts receivable is typically formulated based on the combination of common credit risk characteristics. When formulating the table, the Group usually takes into consideration the elements that should be reflected in the measurement method of expected credit losses, and refers to the historical credit loss experience. The expected credit losses are calculated on the basis of the data in the table. If a customer's credit risk characteristics are significantly different from those of other customers in the portfolio, or the customer's credit risk characteristics change significantly, for example, the customer experiences serious financial difficulties, and the expected credit loss rate of the receivables from the customer is significantly higher than that in its aging and overdue range, etc., the Group will individually make provisions for losses on the receivables from the customer.

- ① The portfolio categories and determination basis of accounts receivable (and contract assets)  
Based on the information on accounts receivable, such as aging, the nature of payment, credit risk exposures, historical payment collection, etc., the Group divides them into portfolios according to the similarity and correlation of credit risk characteristics. For accounts receivable, the Group judges that aging is the main factor influencing their credit risk. Therefore, the Group assesses its expected credit losses based on the aging portfolio.
- ② The portfolio categories and determination basis of bills receivable  
Based on the acceptor's credit risk of bills receivable as the common risk characteristics, the Group divides them into different portfolios and determines the accounting estimation policy of expected credit losses: the business model of the Group's bills receivable is the commercial acceptance bill with the purpose of collecting contractual cash flows, and the provision for impairment of bills receivable at the end of the year is made according to the expected credit impairment method of accounts receivable.

**(5) Recognition basis and measurement method of financial assets transfer**

As for transactions of financial assets transfer, if the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognized. When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either derecognize the financial asset and recognize any associated assets and liabilities if control of the financial asset has not been retained; or the Group recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability if control has been retained.

If the entire transfer of the financial assets satisfies the criteria of derecognition, the difference between the book value of the financial asset transferred at the date of derecognition and the sum of the 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: ① The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; ② The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding.) is included in profit or loss for the current period.

If a part of the financial assets satisfies the criteria of derecognition, the entire book value of the 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: ① The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; ② The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding.) and the book value of the entire financial asset above-mentioned for allocation is included in profit or loss for the current period.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the book value of the financial asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

**(6) Classification and treatment of financial liabilities and equity instruments**

The Group classifies financial liabilities and equity instruments on the following principles: ① Where the Group is unable to unconditionally avoid delivering cash or other financial assets to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. ② If a financial instrument is required or can be settled with the Group's own equity instrument, it is necessary to consider the Group's own equity instrument used to settle the instrument, whether it is used as a substitute for cash or other financial assets, or for the holder of the instrument to enjoy the remaining interest in the assets of the issuer net of all liabilities. In the former case, the instrument is the financial liability of the issuer; in the latter case, the instrument is the equity instrument of the issuer. In some cases, 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 available or to be 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, interest rate, a commodity price or a financial instrument price).

When classifying a financial instrument (or its components) in the consolidated financial statements, the Group considered all the 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.

**(7) Offset of financial assets and financial liabilities**

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, when both of the following conditions are met, the net amount offset against each other is presented in the balance sheet: ① the Group currently has a statutory right to set off the recognised amounts and such statutory right is currently enforceable; and ② the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

**12. Bills receivable**

Based on the acceptor's credit risk of bills receivable as the common risk characteristics, the Group divides them into different portfolios and determines the accounting estimation policy of expected credit losses: the business model of the Group's bills receivable is the commercial acceptance bill with the purpose of collecting contractual cash flows, and the provision for impairment of bills receivable at the end of the year is made according to the expected credit impairment method of accounts receivable.

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

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

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For details of recognition and accounting methods for expected credit losses on bills receivable, please refer to "V.11. Financial instruments" in this section.

**13. Accounts receivable**

Based on the information on accounts receivable, such as aging, the nature of payment, credit risk exposures, historical payment collection, etc., the Group divides them into portfolios according to the similarity and correlation of credit risk characteristics. For accounts receivable, the Group judges that aging is the main factor influencing their credit risk. Therefore, the Group assesses its expected credit losses based on the aging portfolio.

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

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

For details of recognition and accounting methods for expected credit losses on accounts receivable, please refer to "V.11. Financial instruments" in this section.



#### **14. *Financing receivables***

For details of recognition and accounting methods for expected credit losses on financing receivables, please refer to "V.11. Financial instruments" in this section.

#### **15. *Other receivables***

##### **Recognition and accounting methods for expected credit losses on other receivables**

For details of recognition and accounting methods for expected credit losses on other receivables, please refer to "V.11. Financial instruments" in this section.

#### **16. *Contract assets***

A contract asset represents the Group's right to receive consideration in exchange for goods that the Group 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 customers, it is entitled to receive payment for one of the goods that has been delivered, but the payment is also dependent on the delivery of the other goods, the Group regards the right to receive payment as a contract asset.

For details of recognition and accounting methods for expected credit losses on contract assets, please refer to Note V.11. Impairment of Financial Assets above.

#### **17. *Inventories***

The inventories of the Group mainly include raw materials, commissioned processing materials, products in process, and finished products.

The Company conducts the initial inventory measurement based on the costs. The inventory costs include procurement cost, processing cost and other costs. The inventories implement the perpetual inventory system, and are valued by the actual cost when acquired. The actual costs of requisitioned or issued inventories are determined by the weighted average method. Low-value consumables and packaging materials are amortized by one-off write-off method.

On the balance sheet date, inventories are measured at the lower of the cost or the net realizable value. The provision for inventory impairment shall be made and recognised in the current profit or loss if the cost of inventories is higher than the net realizable value. The net realizable value is the amount of the estimated selling price of an inventory deducted by estimated costs till the completion date, estimated selling expenses, and relevant taxes in daily activities.

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

## 18. Assets held for sale

The Group classified non-current assets or disposal groups as held for sale when the book value of a non-current asset or disposal group will be recovered through a sale transaction (including exchange of non-monetary assets with commercial substance, hereinafter the same) rather than through continuing use.

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. If the book value of the non-current assets or disposal groups held by the Group (excluding assets generated from financial assets, deferred income tax assets, investment properties measured at fair value, and employee pay) is higher than the net amount of the fair value less the disposal cost, the book value is written down to the net amount of the fair value less the disposal cost. The amount of write down is recognised as an impairment loss of the assets and charged to profit or loss for the current period. At the same time, provision is made for impairment of assets held for sale.

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.

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

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 joint ventures.

### (1) The judgment of significant influence and common control

The Group's equity investments that have a significant influence on an investee are the investments in associates. Significant influence means that the Group has the power to participate in decision-making for the financial and operating policies of an investee, but it has no control or common control over the formulation of these policies with other parties. When the Company owns 20% above but less than 50% of the voting right of the investee directly, or indirectly through subsidiaries, it is considered to have significant influence on the investee, unless there is clear evidence which demonstrates that the Group cannot participate in the production and operation decisions of the investee or has no control over the investee.

Where the Group and other joint ventures implement common control over the investee and have the right to the net assets of the investee, the investee is the joint venture of the Group. Common control means the common control over an arrangement according to relevant agreements, where the activities of the arrangement can be decided only when all the participants sharing the control reach a consensus. Our judgment of common control is based on the fact of an arrangement that all participants involved or groups of participants jointly control and that policies of relevant activities for the arrangement must be unanimously agreed by participants who jointly control the arrangement.

## (2) Accounting treatment method

The Group initially measures long-term equity investments that are acquired at initial investment cost.

For long-term equity investments acquired through a business combination under common control, 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 will be used as the initial investment cost. If the book value of net assets of the consolidated party at the date of consolidation is negative, the initial investment cost will be recognised as nil.

For long-term equity investments acquired through business combinations involving entities not under common control, consolidation cost will be treated as the initial investment cost.

Apart from long-term equity investments acquired through a business combination, for the long-term equity investments acquired by paying the cash, the purchase price actually paid and the expenses, taxes and other necessary expenditures directly related to acquiring the long-term equity investments will be treated as the initial investment cost; for the long-term equity investments obtained by issuing equity securities, the fair value of issuing equity securities will be the investment cost;

The Company adopts the cost method to account for investment in subsidiaries in separate financial statements. For long-term equity investments accounted for using the cost method, they are measured at the initial investment cost. When making additional investments, the book value of the long-term equity investments will be added according to the fair value of the cost of additional investment and the related expenses incurred by related transactions. Cash dividends or profits announced to be paid by the investee shall be recognised as investment income for the current period using the amount it entitles.

Investments in joint ventures and associates are accounted for using the equity method. In the case of equity method accounting, if the initial investment cost of the long-term equity investments is more than its share in the fair value of the identifiable net assets of the investee during the investment, the book value of the long-term equity investment shall not be adjusted; if the initial investment cost is less than its share in the fair value of the identifiable net assets of the investee during the investment, the book value of long-term equity investments shall be increased according to the difference, and the difference shall be included in the current profit or loss of the investment.

For long-term equity investments for which the subsequent measurement is accounted for under the equity method, the book value of long-term equity investments shall be increased or decreased accordingly according to the change in the shareholders' equity of the investee. When determining the amount of proportion of net profit or loss in the investee to which the Group entitles, the Group shall recognize it on the basis of the fair value of each identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Group, and after offsetting the unrealized internal transaction profit or loss arising from transactions between associates and joint ventures that do not constitute business, which is attributable to the Group according to its proportionate share (the internal transaction loss belongs to asset impairment losses is fully recognized), and adjusting the net profit of the investee. The Group recognizes the net loss of the investee to the extent that the book value of the long-term equity investments and other long-term interests that in substance constitute the net investment of the investee is written down to nil, unless the Group is obligated to bear additional losses.

On disposal of long-term equity investments, the difference between the book value and the consideration actually received is recognised as investment income for the period.

For the long-term equity investments calculated by the equity method, in case the long-term equity investments accounted for under the equity method are fully disposed of, 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 investee 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 investee 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.

If the remaining equity interests are still accounted for under the equity method after the disposal of part of the equity interests, other related comprehensive income originally accounted for under the equity method will be accounted on the same basis as the direct disposal of related assets or liabilities by the investee and carried forward in proportion, and the owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution will be transferred to the current investment income in proportion.

In case the Group loses common control or significant influence over the investee due to the disposal of part of the equity interests, the remaining equity interests after disposal shall be accounted according to the Accounting Standards for Enterprises No.22 — Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7), and the spread between the fair value and the book value of the remaining equity interests on the date when it loses the common control or significant influence shall be recognised in the current profit or loss.

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 Accounting Standards for Enterprises No.22 — Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7) is applicable to accounting treatment, difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, and difference between fair value and the carrying value of remaining shareholding on the date of 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

### Measurement model for investment properties

#### *Cost method*

Method for depreciation or amortisation

Investment properties of the Group refer to the properties held for the purpose of earning rent or capital appreciation, or both, including buildings.

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 that their economic benefits may flow into the Group and their costs can be measured reliably. The Group's fixed assets include buildings, machinery equipment, electronic equipment, vehicles and other equipment, etc..

### (2) Depreciation method

Type	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	Straight-line	20	5	4.75
Machinery equipment	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 Company 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

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The cost of construction-in-progress is determined based on actual project expenditures, including various necessary project expenditures incurred during the construction period, capitalized borrowing costs before the project is ready for its intended use, and other related expenses.

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.

Construction in progress is carried forward to fixed assets when it is ready for its intended use as follows:

Item	Standard for carrying forward to fixed assets
Houses and buildings	The completion acceptance is qualified and it is ready for intended use
Machinery equipment	Installation and debugging are completed, the design requirements are satisfied and trial production is completed
Other equipment	Installation and debugging are completed, the design requirements are satisfied and trial production is completed

### **23. Borrowing costs**

Borrowing costs incurred by the Group, which can be directly attributable to construction of assets or production, and which meet the capitalization conditions, shall be capitalized and recorded into relevant asset costs. Other borrowing costs are recorded in profit or loss for the current period. Assets identified by the Group that meet the capitalization conditions include fixed assets, investment properties and inventories which require purchase and construction or production activities for over one year to reach the intended use or sale. The capitalization can commence when the assets expense and borrowing costs were incurred, and the purchase and construction or production activities, in order to make assets to reach the intended use or sale have started. When the qualified asset under purchase and construction or production activities is ready for the intended use or sale, the capitalisation of the borrowing costs shall be ceased. Borrowing costs incurred afterward are recorded in the profit or loss for the current period. If the qualified asset is interrupted abnormally during purchase and construction or production, and such interruption has lasted for more than three consecutive months, the capitalisation of the borrowing costs shall be suspended until the purchase and construction or production activities of assets is resumed.

In each accounting period during the capitalization period, the Group recognizes the capitalization amount of the borrowing costs in the following methods: for specific borrowings, the amount is recognized by deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment from the interest of specific borrowings occurred for the period; for general borrowings, the amount is recognized by the weighted average (of the excess amounts of cumulative assets expense 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. Intangible assets**

#### **(1) Useful life and the basis for determining useful life, estimation situation, method for amortisation or proceedings for review**

For intangible assets with definite useful lives, the Company adopts straight-line method for amortisation at the month of acquisition. The Company 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 shall be recorded into relevant asset cost and current loss or profit based on its beneficiaries. The Company 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) Classification scope of research and development expenditure and related accounting treatment method**

The Group has classified various expenses directly related to the conduct of research and development activities as research and development expenses, including the remuneration of research and development personnel, material costs, depreciation and amortisation expenses, other fees, etc.

Costs of an internal research and development project are classified into costs incurred during the research phase and the development phase based on its nature and whether there is material uncertainty that the research and development activities ultimately can create an intangible asset. Costs incurred in the research phase are charged to the current profit or loss as incurred. Costs incurred in the development phase will be capitalized if satisfying all of the following conditions: the Group assesses that it is technically feasible to complete the intangible asset so that it can be used or sold; the Group intends to complete the intangible asset and use or sell it; the intangible asset is expected to generate economic benefits for the Group; the Group has sufficient technical, financial resource and other resource support to complete the development of the intangible assets and the ability to use or sell the intangible asset; the costs attributable to the development stage of intangible asset can be reliably measured. Costs incurred in the development phase that do not meet the capitalisation conditions are recognized in the current profit or loss as incurred.

**25. Impairment of long-term assets**

On each balance sheet date, the Group 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, and the Group 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.

**(1) Impairment of non-current assets other than financial assets (other than goodwill)**

When the Group conducts an impairment test, it will determine the recoverable amount as the higher of an asset's fair value less costs to disposal and the present value of the future cash flows expected to be derived from the asset. If the book value of such asset exceeds its recoverable amount after impairment test, the difference is recognised as impairment losses.

The Group estimates the recoverable amount of an individual asset on an individual basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of those from other assets or asset groups.

The net amount of fair value less disposal expenses shall be determined by reference to the sale agreement price or observable market price of similar assets in an arm's length transaction, less the incremental cost directly attributable to the disposal of the asset. Where there is no sale agreement price or observable market price of a similar asset, the asset's fair value is determined using valuation techniques that are applicable to the current circumstances and supported by sufficient available data and other information. When estimating the present value of the future cash flow, the management must estimate the expected future cash flow of the asset or asset group, and determine the present value of the future cash flow at an appropriate discount rate.

The above impairment losses of assets are irreversible in the subsequent accounting period once recognised.

## **26. Long-term deferred expenses**

The Group's long-term deferred expenses will be amortised evenly during its beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the amortized value of the item that has not been amortized is then fully transferred to profit or loss for the current period.

## **27. 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.

## **28. 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 mainly 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 Company 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 employee benefits**

The Group has currently no other long-term benefits.



## 29. *Estimated liabilities*

When an external warranty, trade acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other business related to contingent matters meet the following requirements at the same time, the Group shall recognize such responsibilities as liabilities: the obligation is a present obligation assumed by the Group; the fulfilment of such obligations will likely cause the outflow of economic benefits from the enterprise; the amount of such obligations can be measured reliably.

Estimated liabilities are initially measured at the best estimate required to be paid when performing relevant present obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. On the balance sheet date, the Group reviews the current best estimates and makes adjustments to the book value of estimated liabilities.

## 30. *Revenue*

Disclosure of accounting policies used for revenue recognition and measurement by business type

The Group recognizes revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of related goods or services. Gaining control of relevant goods or services means being able to dominate the use of the goods or provision of the services and obtain almost all of economic benefits from them.

The Group's operation revenue is mainly from the sale of goods.

### (1) **Revenue from sale of goods**

The Group's sale of pipe products, three kinds of pumping units, and petroleum machinery parts to customers are performance obligations fulfilled at a certain point in time, and the revenue is recognized when the performance obligations are completed.

- 1) Revenue recognition conditions for domestic sale of products: revenue is recognised when the goods are sent to the customer in accordance with the delivery way agreed in the sales contract, the customer signs after receiving the goods, and the Company obtains the customer's receipt. For oil casing sold on consignment, the revenue is recognised after the customer receives the goods and settles with the Company.
- 2) Revenue recognition conditions for export sale of products: The main pricing model for exports is FOB, and the Company recognises the revenue when the goods are loaded onto the ship and are declared for exportation, and the bill of lading is obtained.

## 31. *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 fulfill a contract and costs of obtaining a contract. According to its liquidity, the contract performance costs are presented in inventories and other non-current assets respectively, and the contract acquisition costs are presented in other current assets and other non-current assets respectively.

Costs to fulfill a contract 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, including direct labor cost, direct material cost, manufacturing cost (or similar cost), 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 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 borne by the customer are excluded.

**(2) Amortisation of assets related to contract costs**

The Group amortises the asset relating to contract costs on the 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**

Where the book value of the Group's assets relating to contract costs exceeds the difference between the following two amounts, the excess will be provided for impairment and recognised as an impairment loss on the assets: ① the remaining consideration expected to be received by the Group for the transfer of the goods related to the assets; ② the estimated costs to be incurred for the transfer of the related goods.

### **32. Government grants**

A government grant is recognized when the conditions attached to it can be satisfied and the government grant can be received. 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 the 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 the 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).

The Group's government grants include financial funding, interest subsidy for loans and tax rebates. For government grants related to assets, they represent the government grants obtained by the Group and applied towards purchasing and constructing or obtainment of long-term assets by other forms. For government grants related to income, they 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. For those hard to be identified, it is classified as a government grant related to income in its entirety.

Government grants related to assets are recognised as deferred income and are allocated evenly to profit or loss for the current 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 current 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.

### **33. *Deferred income tax assets/deferred income tax liabilities***

The Group's deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the difference between tax bases and book value of assets and liabilities, as well as the differences between the tax bases and the book value of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax law (temporary differences).

The Group recognizes deferred income tax liabilities for all taxable temporary differences except: (1) the temporary differences arise from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions that are not business combinations and that affect neither accounting profit nor taxable income (or deductible losses); (2) the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group recognises deferred income tax assets for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that future taxable income will be available to offset deductible temporary difference, deductible losses and tax credits, except: (1) the temporary differences arise from the initial recognition of assets or liabilities arising from transactions that are not business combinations and that affect neither accounting profit nor taxable income (or deductible losses); (2) the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which cannot meet both of the following conditions: it is probable that the temporary differences will reverse in the foreseeable future; it is probable that future taxable income will be available to offset deductible temporary differences.

To the extent that it is probable that there is sufficient taxable income to offset the deductible losses, deferred tax assets shall be recognised for all unused deductible losses. The management uses massive judgments to estimate the time and amount of taxable income to be obtained in the future and then to determine the value of deferred tax assets in combination with tax planning strategies, therefore, there are uncertainties.

On the 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.

### **34. *Leases***

#### **(1) Identification of leases**

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 use of one or more identified assets for a period of time in exchange of consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Group assesses whether the customer of the contract has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of uses, and also whether the customer of the contract has the right to direct the use of the identified asset. For a contract that contains multiple lease components, the Group separates the contract and accounts for each lease component as a lease separately.

If a contract includes both lease and non-lease components, the Group shall account for the lease components separately from the non-lease components. Each lease component is accounted for separately in accordance with lease standards, and the non-lease components are accounted for in accordance with other applicable accounting standards for business enterprises. If a contract contains both lease and non-lease components, the Group, as the lessor, the Group shall split them and account for them separately. Each lease component will be accounted for according to lease standards, while the non-lease components will be accounted for according to other applicable accounting standards for business enterprises. If the Group, as a lessee, chooses not to split the lease and non-lease components, and consolidates each lease component and the non-lease component related to it into a lease separately and accounts for such lease in accordance with the lease standards; however, if a contract includes embedded derivatives that shall be split, the Group will not consolidate it with the lease component for accounting purposes.

## (2) The Group as a lessee

### 1) *Lease recognition*

Except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets and lease liabilities for leases at the beginning of the lease term.

Right-of-use assets refer to the right of the Group as a lessee to use the leased assets during the lease term, which are initially measured according to the costs. Such costs include: ① the initial measurement amount of the lease liability; ② the lease payments made on or before the commencement date of the lease term, less any lease incentives received; ③ the initial direct costs incurred; ④ the costs expected to be incurred for 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 of the lease, except those incurred for the production of inventories. When the lease liability is remeasured according to relevant provisions in the lease standards, the Group adjusts the book value of the right-of-use asset accordingly.

The Group depreciates the right-of-use assets on a straight-line basis in line with the expected pattern of consumption of the economic benefits related to the right-of-use assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease term, the leased assets are depreciated over their remaining useful life; otherwise, the leased assets are depreciated over the shorter of the lease term and the remaining useful life of the leased assets. The amount of depreciation provided is included in the cost of the related asset or profit or loss according to the purpose of the right-of-use assets.

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease term. Lease payments include: ① fixed payments and in-substance fixed payments less any lease incentives; ② variable lease payments that depend on an index or a rate; ③ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; ④ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; ⑤ payments expected to be made based on the residual value of the guarantees 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. The Group calculates the interest expenses of the lease liability in each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss, except for those that should be capitalised.

After the commencement date of the lease term, the Group increases the book value of the lease liability when recognising the interest on the lease liability; and reduces the book value of the lease liability when a lease payment is made. When there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, a change in the index or rate used to determine the lease payment, or a change in the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Group remeasures the lease liability at the present value of the changed lease payment.

2) *Modifications of leases*

Modifications of leases refer to the changes in the lease scope, lease consideration, and lease term other than the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease term stipulated in the contract. The effective date of the modifications of leases is a date fixed for the modification of the lease as agreed by both parties.

If modification of lease happens and meets the following conditions, the Group accounts for the modification of lease as a separate lease: ① the modification of lease expands the scope of lease or extends the duration of lease by adding right of use of one or more leased assets; ② the increased consideration and the standalone price of the expanded part of lease or the extended duration of lease are equivalent after adjustment is made based on the contract.

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. The Group accounts for the consequences of the above adjustment under the following circumstances: ① 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. ② 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.

3) *Short-term leases and leases of low-value 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 or other systematic and reasonable methods.

**(3) The Group as a lessor**

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

1) *Finance lease*

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 Group uses the net lease investment 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). The Group calculates and recognises interest income in each period during the lease term based on fixed periodic interest rate. The Group's variable lease payments not included in measurement on net investment in leases are recorded in profit or loss for the current period when incurred.

## 2) *Operating leases*

In each period during the lease term, the Group recognises lease receipts from operating lease as rental income on a straight line basis.

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. 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 for the current period when they occur.

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.

## 35. *Other Significant Accounting Policies and Accounting Estimates*

### (1) **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.

In the income statement, the Group adds the items of “net profit of continuous operation” and “net profit of terminated operation” to the item of “net profit” in the income statement to reflect the profit or loss related to continuous operation, net of tax and the profit or loss related to terminated operation, net of tax, respectively. Profit or loss related to terminated operation shall be presented as profit or loss from terminated operation, which includes the entire reporting period, not only the reporting period after the recognition of terminated operation.

### (2) **Measurement at fair value**

On each balance sheet date, the Group measures investments in investment properties, derivative financial instruments and equity instruments at fair value. Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction occurring on the measurement date.

For assets and liabilities that are measured or disclosed at fair value in financial statements, the corresponding fair value level shall be determined based on the lowest level of an input value that is important to the fair value measurement as a whole: the first-level input value is an unadjusted quotation of the same asset or liability in the active market available on the measurement date; the second-level input value is the directly or indirectly observable input value of relevant asset or liability in addition to the first-level input value; the third-level input value is the unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group re-evaluates the assets and liabilities at fair value on a continuous basis, which are recognized in the financial statements, to determine whether there is a conversion between the fair value measurement levels.

*36. 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

(3) Initial implementation of new accounting standards to adjust the related items in the financial statements at the beginning of the year from 2024 onward

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%, 25%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Profits tax in Hong Kong	Taxable profits	16.5%

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	25%
Molong Commercial	20%

### 2. Tax incentives

- (1) Pursuant to the document of “Announcement on 2023 2nd Batch Filing of High-tech Enterprises Recognized by Shandong Province’s Certification Institution” issued by the Office of the National High-tech Enterprises Recognition and Management Leading Group, the Company has been recognized as a high-tech enterprise and obtained a certificate of high-tech enterprise No. GR202337006967. The certificate of high-tech enterprise was issued on 7 December 2023 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 2023 to 2025) from the re-recognition of high-tech enterprises, i.e. paying enterprise income tax at a rate of 15%.

- (2) In accordance with the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Businesses (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the taxable income of small, low profit enterprises shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The announcement shall be effective until 31 December 2027. Molong Commercial, a subsidiary of the Group, meets the criteria and thus enjoys the preferential income tax rate of 20% as a small and low-profit enterprise.
- (3) In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (No. 43 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), from 1 January 2023 to 31 December 2027, enterprises in the advanced manufacturing industry are allowed to offset the value-added tax payable by an additional 5% on the amount of creditable input tax for the current period. The Company meets the relevant criteria and is entitled to such tax incentives.



## VII. Explanatory Notes to the Consolidated Financial Statements Line Items

### 1. Monetary funds

	Unit: RMB	
Item	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Cash on hand	<b>69,644.58</b>	26,588.28
Cash at banks	<b>10,839,083.99</b>	17,070,146.09
Other monetary funds	<b>79,566,634.16</b>	81,976,141.75
<hr/>		
Total	<b>90,475,362.73</b>	99,072,876.12
Including: Total deposits overseas	<b>2,500,678.38</b>	2,483,538.77
<hr/>		

Other descriptions:

- (1) The Group's deposits overseas represented the monetary funds of MPM, a Hong Kong-based subsidiary.
- (2) The Group's other monetary funds at the end of the period included bank acceptance margins of RMB78,490,000.00 (as at the beginning of the year: RMB80,290,000.00), USD-denominated margins of RMB0.00 (as at the beginning of the year: RMB0.00) and deposits in other financial institutions of RMB1,076,634.16 (as at the beginning of the year: RMB1,686,141.75).
- (3) As at the balance sheet date, the Company had security deposits for bank acceptance bills with maturity date over 3 months of RMB2,400,000.00 (as at the beginning of the year: RMB4,200,000.00).

### 2. Bills receivable

#### (1) Presentation of bills receivable by type

	Unit: RMB	
Item	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Trade acceptance bills	<b>12,291,078.89</b>	78,793,836.02
Less: Provision for bad debts of bills receivable	<b>(122,910.79)</b>	(787,938.36)
<hr/>		
Total	<b>12,168,168.10</b>	78,005,897.66
<hr/>		

(2) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	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		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Including: Bills receivable provided for bad debts on a collective basis	12,291,078.89	100.00%	122,910.79	1.00%	12,168,168.10	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66
Including: Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	12,291,078.89	100.00%	122,910.79	1.00%	12,168,168.10	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66
<b>Total</b>	<b>12,291,078.89</b>		<b>122,910.79</b>		<b>12,168,168.10</b>	<b>78,793,836.02</b>		<b>787,938.36</b>		<b>78,005,897.66</b>

*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

Name	Balance at the end of the period		
	Book balance	Bad debt provision	Provision rate
Within 1 year	12,291,078.89	122,910.79	1.00%
<b>Total</b>	<b>12,291,078.89</b>	<b>122,910.79</b>	

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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:

Applicable  Not applicable

(3) Provision, recovery or reversal of provision for bad debts for the current period

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts of bills receivable	787,938.36	(665,027.57)	—	—	—	122,910.79
Total	787,938.36	(665,027.57)	—	—	—	122,910.79

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

Applicable  Not applicable

(4) Bill receivables that have been endorsed or discounted at the end of the period and have not yet 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
Trade acceptance bills	—	7,496,311.44
Total	—	7,496,311.44

(5) Actual write-off of bills receivable for the current period

There were no actual write-offs of bills receivable for the current period.

### 3. Accounts receivable

#### (1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	247,594,848.44	254,044,663.47
1–2 years	4,948,775.81	2,631,436.65
2–3 years	829,474.07	707,219.17
Over 3 years	43,146,527.27	45,246,429.92
4–5 years	—	1,786,213.66
Over 5 years	43,146,527.27	43,460,216.26
<b>Total</b>	<b>296,519,625.59</b>	<b>302,629,749.21</b>

#### (2) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	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		
	Amount	Percentage	Amount	Provision		Amount	Percentage	Amount	Provision	
				rate	Book value				rate	Book value
Including: Accounts receivable provided for bad debts on a collective basis	296,519,625.59	100.00%	48,718,969.22	16.43%	247,800,656.37	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00
Including: Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	296,519,625.59	100.00%	48,718,969.22	16.43%	247,800,656.37	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00
<b>Total</b>	<b>296,519,625.59</b>		<b>48,718,969.22</b>		<b>247,800,656.37</b>	<b>302,629,749.21</b>		<b>49,365,077.21</b>		<b>253,264,672.00</b>

Name for 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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	247,594,848.44	2,475,948.49	1.00%
1-2 years	4,948,775.81	2,474,387.91	50.00%
2-3 years	829,474.07	622,105.55	75.00%
3-4 years	0.00	0.00	85.00%
4-5 years	0.00	0.00	85.00%
Over 5 years	43,146,527.27	43,146,527.27	100.00%
<b>Total</b>	<b>296,519,625.59</b>	<b>48,718,969.22</b>	

Basis for determining the group:

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss:

Applicable  Not applicable

(3) Provision, recovery or reversal of provision for bad debts for the current period

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	49,365,077.21	(646,107.99)	—	—	—	48,718,969.22
<b>Total</b>	<b>49,365,077.21</b>	<b>(646,107.99)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>48,718,969.22</b>

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

No significant recovery or reversal of provision for bad debts for the period.

(4) Accounts receivables actually written off during the current period

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

(5) Balance of five largest accounts receivable and contract assets as at the end of the period by debtors

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Percentage of the total balance of accounts receivable and contract assets at the end of the period	Balance of accounts receivable bad debts provision and contract asset impairment provision at the end of the period
Entity I	82,822,456.20	—	82,822,456.20	27.93%	912,978.22
Entity II	58,541,478.58	—	58,541,478.58	19.74%	585,414.79
Entity III	51,143,080.39	—	51,143,080.39	17.25%	511,430.80
Entity IV	22,044,893.25	—	22,044,893.25	7.43%	1,991,397.71
Entity V	15,977,700.61	—	15,977,700.61	5.39%	159,777.01
Total	230,529,609.03	—	230,529,609.03	77.74%	4,160,998.53

#### 4. Financing receivables

(1) Accounts receivable financing by categories

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Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	<b>3,149,032.25</b>	2,485,020.78
Total	<b>3,149,032.25</b>	2,485,020.78

(2) Provision, recovery or reversal of provision for bad debts for the current period

The acceptors of the bank acceptance bills the Group holds are all financial institutions with good credit standing. The risk of such bills not being accepted upon maturity is very small and the credit risk is very low. They will be derecognized by the Group when they are endorsed or discounted. Therefore, no provision for impairment of assets has been made.

- (3) Financing receivables already endorsed or discounted by the Company at the end of the period and undue on the balance sheet date

Unit: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	9,824,316.61	—
Total	9,824,316.61	—

- (4) Financing receivables actually written off in the current period

There were no financing receivables actually written off for the period.

- (5) Increase or decrease movements and fair value changes of financing receivables during the current period

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.

- (6) Other descriptions

Nil

#### 5. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	<b>400,989,357.25</b>	4,675,103.22
Total	<b>400,989,357.25</b>	4,675,103.22

(1) Other receivables

1) Other receivables by payment nature

Unit: RMB

<b>Payment nature</b>	<b>Book balance at the end of the period</b>	Book balance at the beginning of the period
Staff turnover loans	<b>289,000.00</b>	645,754.03
Deposits/margins	<b>9,025,118.93</b>	3,297,459.71
Amounts due from administrative entities	—	1,369,800.00
Receivable export tax rebate	—	37,924.33
Amounts due from other entities	<b>474,697,503.55</b>	703,010.16
Less: Provision for bad debts of other receivables	<b>(83,022,265.23)</b>	(1,378,845.01)
Total	<b>400,989,357.25</b>	4,675,103.22

2) Disclosure by age

Unit: RMB

<b>Age</b>	<b>Book balance at the end of the period</b>	Book balance at the beginning of the period
Within 1 year (inclusive)	<b>28,947,436.88</b>	3,952,334.38
1 to 2 years	<b>454,893,114.36</b>	169,863.70
2 to 3 years	<b>149,400.00</b>	10,000.00
Over 3 years	<b>21,671.24</b>	1,921,750.15
3 to 4 years	<b>10,000.00</b>	987.63
4 to 5 years	<b>987.63</b>	69,800.00
Over 5 years	<b>10,683.61</b>	1,850,962.52
Total	<b>484,011,622.48</b>	6,053,948.23



3) Classified disclosure by basis of bad debt provisions made

✓ Applicable     Not applicable

Unit: RMB

Type	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		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Provision for bad debts on an individual basis	474,427,618.41	98.02%	82,971,861.90	17.49%	391,455,756.51	—	—	—	—	—
Including:										
Other receivable provided for bad debts on an individual basis due to significant difference in credit risk	474,427,618.41	98.02%	82,971,861.90	17.49%	391,455,756.51	—	—	—	—	—
Provision for bad debts on a collective basis	9,584,004.07	1.98%	50,403.33	0.53%	9,533,600.74	6,053,948.23	100.00%	1,378,845.01	22.78%	4,675,103.22
Including:										
Other receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	269,885.14	0.06%	50,403.33	18.68%	219,481.81	703,010.16	11.61%	582,093.01	82.80%	120,917.15
Administrative institutions group	—	—	—	—	—	1,369,800.00	22.63%	796,752.00	58.17%	573,048.00
Other groups	9,314,118.93	1.92%	—	—	9,314,118.93	3,981,138.07	65.76%	—	—	3,981,138.07
Total	484,011,622.48		83,022,265.23		400,989,357.25	6,053,948.23		1,378,845.01		4,675,103.22

Name for provision for bad debts on an individual basis: Other receivable provided for bad debts on an individual basis due to significant difference in credit risk

Unit: RMB

Name	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	Provision rate	Reason for provision
Shouguang Baolong	—	—	461,615,166.48	80,929,994.11	17.53%	—	
Weihai Baolong	—	—	12,812,451.93	2,041,867.79	15.94%	—	
Total	—	—	474,427,618.41	82,971,861.90			

Name for provision for bad debts on a collective basis: Other receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	258,213.90	38,732.09	15.00%
1–2 years	—	—	—
Over 3 years	11,671.24	11,671.24	100.00%
Total	269,885.14	50,403.33	

Basis for determining the group:

Name for provision for bad debts by combination: Provision for bad debts of other groups

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Employee working capital	289,000.00	—	—
Deposits/Security deposits	9,025,118.93	—	—
Total	9,314,118.93	—	

Basis for determining the group:

Provision for bad debts using the general approach of expected credit loss:

Unit: RMB

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Balance on 1 January 2024	19,852.54	807,042.32	551,950.15	1,378,845.01
Balance on 1 January 2024 in the current period				
Provision for the current period	82,990,806.65	(10,290.32)	—	82,980,516.33
Other changes	(65.20)	(796,752.00)	(540,278.91)	(1,337,096.11)
Balance on 30 June 2024	83,010,593.99	0.00	11,671.24	83,022,265.23

The basis of each phase and the provision rate of bad debt provision

Significant changes in the book balance of loss allowance in the current period

Applicable  Not applicable

4) *Provision, recovery or reversal of provision for bad debts for the current period*

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	1,378,845.01	2,050,522.22	—	—	79,592,898.00	83,022,265.23
Total	1,378,845.01	2,050,522.22	—	—	79,592,898.00	83,022,265.23

Descriptions: Other movements were mainly due to ① after the equity transfer of Shouguang Baolong, the impairment of RMB80,929,994.11 provided for was transferred from provision for liability; ② after the equity transfer of Weihai Baolong, the provision for bad debts of other receivables of RMB-1,337,096.11 was no longer included on a consolidated basis.

5) *Other receivables actually written off during the current period*

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

6) *Balance of five largest other receivables as at the end of the period by debtor*

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 Baolong	Current account	461,615,166.48	Within 1 year, 1-2 years	95.37%	80,929,994.11
Weihai Baolong	Current account	12,812,451.93	Within 1 year, 1-2 years	2.65%	2,041,867.79
Shaanxi Energy Chemical Exchange Co., Ltd (陝西能源化工交易所股份有限公司)	Security deposits	5,637,541.71	Within 1 year	1.16%	—
Nanjing Tendering Center of Sinopec International Co., Ltd. (中國石化國際事業有限公司南京招標中心)	Security deposits	1,209,098.00	Within 1 year	0.25%	—
Chongqing Tendering Center of Sinopec International Co., Ltd. (中國石化國際事業有限公司重慶招標中心)	Security deposits	748,332.00	Within 1 year, 2-3 years	0.15%	—
<b>Total</b>		<b>482,022,590.12</b>		<b>99.58%</b>	<b>82,971,861.90</b>

7) *Presented as other receivables due to Centralized Management of Capital*

The Group does not presented as other receivables due to Centralized Management of Capital.

## 6. 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	<b>13,283,798.39</b>	<b>97.11%</b>	29,803,929.48	98.81%
1–2 years	<b>295,035.36</b>	<b>2.16%</b>	297,772.18	0.99%
2–3 years	<b>41,332.18</b>	<b>0.30%</b>	—	—
Over 3 years	<b>58,385.84</b>	<b>0.43%</b>	61,422.89	0.20%
Total	<b>13,678,551.77</b>		30,163,124.55	

Explanation on the significant prepayments with an age of more than 1 year were not settled in due time:

The Group had no significant prepayments with an age of more than 1 year at the end of the period.

### (2) Prepayments with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance at the end of the year	Age	Proportion to the total balance of prepayments at the end of the year (%)
Entity 1	3,800,000.00	Within 1 year	27.78%
Entity 2	2,600,000.00	Within 1 year	19.01%
Entity 3	1,740,000.00	Within 1 year	12.72%
Entity 4	1,200,000.00	Within 1 year	8.77%
Entity 5	1,165,877.41	Within 1 year	8.52%
Total	10,505,877.41		76.80%

## 7. Inventories

Should the Company comply with the disclosure requirements for property industry

No

### (1) Category of inventories

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Allowance for impairment of inventories or provision for devaluation of costs of contract	Book value	Book balance	Allowance for impairment of inventories or provision for devaluation of costs of contract	Book value
		performance			performance	
Raw materials	166,359,990.31	6,167,695.21	160,192,295.10	226,429,757.49	10,046,033.31	216,383,724.18
Work-in-progress	74,401,009.34	3,185,594.59	71,215,414.75	75,157,522.88	3,812,570.20	71,344,952.68
Goods in stock	252,548,253.84	12,580,033.58	239,968,220.26	177,842,859.11	11,018,403.03	166,824,456.08
Entrusted processed materials	4,472,594.29	327,839.23	4,144,755.06	329,174.30	—	329,174.30
Total	497,781,847.78	22,261,162.61	475,520,685.17	479,759,313.78	24,877,006.54	454,882,307.24

### (2) Allowance for impairment of inventories or provision for devaluation of costs of contract performance

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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
		Provision	Others	Reversal or charge-off	Others	
Raw materials	10,046,033.31	1,361,575.90	—	5,239,914.00	—	6,167,695.21
Work-in-progress	3,812,570.20	2,314,250.67	—	2,941,226.28	—	3,185,594.59
Goods in stock	11,018,403.03	7,533,145.47	—	5,971,514.92	—	12,580,033.58
Entrusted processed materials	—	327,839.23	—	—	—	327,839.23
Total	24,877,006.54	11,536,811.27	—	14,152,655.20	—	22,261,162.61

RMB2,581,637.98 was recorded as the reversal amount of provision for inventory impairment of the Group during the period due to price changes, and RMB11,571,017.22 was recorded as the written-off amount due to receipt or sales.

Provision criteria for inventory impairment on a portfolio basis

Item	Specific basis to determine net realisable value	Reason for reversal or charge-off during the current year
Raw materials	<b>The selling price of the products formed by the production of the materials and semi-finished products minus the further processing costs and related sales expenses and related expenses of taxation</b>	Material requisition for production and price change
Work-in-progress		Material requisition for production and price change
Entrusted processed materials		Material requisition for production and price change
Finished products		External sales and price change

As of 30 June 2024, the right to use the Group's inventories is restricted due to freezing. See "VII.18" in this note.

(3) Explanation on period-end inventory balance containing borrowing expense capitalisation amount

Nil

(4) Descriptions of the amortised amount of cost of contract performance for the period

Nil

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8. *Other current assets*

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Deductible input tax	<b>322,503.61</b>	75,787.20
Prepaid income tax	—	460,300.40
Interests receivable on acceptance deposits	<b>313,644.01</b>	322,830.89
Total	<b>636,147.62</b>	858,918.49

## 9. Investments in other equity instruments

Unit: RMB

Item Name	Balance at the beginning of the period	Increase in the current period	Gains included in other comprehensive income during the period	Losses included in other comprehensive income during the period	Accumulated gains included in other comprehensive income at the end of the period	Accumulated losses included in other comprehensive income at the end of the period	Dividend income recognized during the period	Balance at the end of the period	Reasons for designation at fair value through other comprehensive income
Investments in other equity instruments	0.00	3,297,339.83	—	—	—	—	—	3,297,339.83	During the reporting period, the 1.92% equity interests in Weihai Baolong held by our subsidiary Molong Electro-mechanical were converted from long-term equity investments to investments in other equity instruments due to the fact that Weihai Baolong was no longer included in the scope of consolidation after the equity transfer.
Total	0.00	3,297,339.83	—	—	—	—	—	3,297,339.83	

## 10. Long-term equity investments

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Movement during the current period										Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period	
		Balance of provision for impairment at the beginning of the period	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				
I. Joint Ventures														
II. Associates														
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉玛依亞龍石油機械有限公司)	1,754,772.59	—	—	—	(106,003.59)	—	—	—	—	—	—	—	1,648,769.00	—
Sub-total	1,754,772.59	—	—	—	(106,003.59)	—	—	—	—	—	—	—	1,648,769.00	—
Total	1,754,772.59	—	—	—	(106,003.59)	—	—	—	—	—	—	—	1,648,769.00	—

The recoverable amount is determined based on fair value less the disposal expenses

Applicable  Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

Applicable  Not applicable

Reasons for significant differences between the aforesaid information and the information used in the impairment tests in previous years or external information

Nil



Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

## 11. Investment properties

### (1) Investment properties measured at cost

Applicable  Not applicable

Unit: RMB

Item	Buildings	Land use rights	Construction-in-progress	Total
<b>1. Original book value</b>				
1. Balance at the beginning of the period	52,818,280.50	—	—	52,818,280.50
2. Increased amount in this period	—	—	—	—
(1) Outsourcing	—	—	—	—
(2) Transfer from inventories/fixed assets/ construction-in-progress	—	—	—	—
(3) Increase from business combination	—	—	—	—
3. Decreased amount in this period	52,818,280.50	—	—	52,818,280.50
(1) Disposal	52,818,280.50	—	—	52,818,280.50
(2) Other transfer-out	—	—	—	—
4. Balance at the end of the period	0.00	—	—	0.00
<b>2. Accumulative depreciation and amortization</b>				
1. Balance at the beginning of the period	30,957,206.39	—	—	30,957,206.39
2. Increased amount in this period	207,036.99	—	—	207,036.99
(1) Provision or amortization	207,036.99	—	—	207,036.99
3. Decreased amount in this period	31,164,243.38	—	—	31,164,243.38
(1) Disposal	—	—	—	—
(2) Other transfer-out	31,164,243.38	—	—	31,164,243.38
4. Balance at the end of the period	—	—	—	—
<b>3. Provision for impairment</b>				
1. Balance at the beginning of the period	4,986,478.28	—	—	4,986,478.28
2. Increased amount in this period	—	—	—	—
(1) Provision	—	—	—	—
3. Decreased amount in this period	4,986,478.28	—	—	4,986,478.28
(1) Disposal	—	—	—	—
(2) Other transfer-out	4,986,478.28	—	—	4,986,478.28
4. Balance at the end of the period	—	—	—	—
<b>4. Book value</b>				
1. Book value at the end of the period	0.00	—	—	—
2. Book value at the beginning of the period	16,874,595.83	—	—	16,874,595.83

The recoverable amount is determined based on fair value less the disposal expenses

Applicable  Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

Applicable  Not applicable

Reasons for significant differences between the aforesaid information and the information used in the impairment tests in previous years or external information

Nil

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

(2) Investment properties under fair value model

Applicable  Not applicable

12. Fixed assets

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	<b>1,279,176,385.26</b>	1,577,594,066.22
Total	<b>1,279,176,385.26</b>	1,577,594,066.22

(1) Details of fixed assets

Unit: RMB

Item	Buildings	Machinery	Electronics and others	Vehicles	Total
<b>I. Original book value</b>					
1. Balance at the beginning of the period	901,828,852.78	3,275,367,939.35	115,444,749.15	13,042,421.29	4,305,683,962.57
2. Increased during the current period	—	301,899.32	91,569.85	612,396.33	1,005,865.50
(1) Purchases	—	301,899.32	91,569.85	602,639.19	996,108.36
(2) Transfer from construction-in-progress	—	—	—	9,757.14	9,757.14
(3) Additions from business combinations	—	—	—	—	—
3. Decreased during the current period	212,706,280.46	790,900,548.24	49,466,388.72	4,152,324.84	1,057,225,542.26
(1) Disposals or retirements	0.00	224,029.43	164,983.70	2,573,804.33	2,962,817.46
(2) Other decreases	212,706,280.46	790,676,518.81	49,301,405.02	1,578,520.51	1,054,262,724.80
4. Balance at the end of the period	689,122,572.32	2,484,769,290.43	66,069,930.28	9,502,492.78	3,249,464,285.81
<b>II. Accumulated depreciation</b>					
1. Balance at the beginning of the period	381,814,418.04	1,861,088,428.14	99,910,942.18	10,770,279.05	2,353,584,067.41
2. Increased during the current period	15,349,759.38	50,352,330.86	591,707.97	450,175.93	66,743,974.14
(1) Provision	15,349,759.38	50,352,330.86	591,707.97	450,175.93	66,743,974.14
3. Decreased during the current period	111,728,588.81	519,945,041.46	45,794,660.23	2,988,711.94	680,457,002.44
(1) Disposals or retirements	—	205,955.47	125,490.47	1,798,231.81	2,129,677.75
(2) Other decreases	111,728,588.81	519,739,085.99	45,594,436.42	1,265,213.47	678,327,324.69
4. Balance at the end of the period	285,435,588.61	1,391,495,717.54	54,707,989.92	8,231,743.04	1,739,871,039.11
<b>III. Impairment provision</b>					
1. Balance at the beginning of the period	13,216,443.23	360,364,605.16	918,503.34	6,277.21	374,505,828.94
2. Increased during the current period	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Decreased during the current period	—	144,088,967.50	—	—	144,088,967.50
(1) Disposals or retirements	—	—	—	—	—
(2) Other decreases	—	144,088,967.50	—	—	144,088,967.50
4. Balance at the end of the period	13,216,443.23	216,275,637.66	918,503.34	6,277.21	230,416,861.44
<b>IV. Book value</b>					
1. Book value at the end of the period	390,470,540.48	876,997,935.23	10,443,437.02	1,264,472.53	1,279,176,385.26
2. Book value at the beginning of the period	506,797,991.51	1,053,914,906.05	14,615,303.63	2,265,865.03	1,577,594,066.22

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remark
Buildings	491,688,700.42	175,488,583.96	13,216,443.23	302,983,673.23	—
Machinery	1,079,693,905.80	361,754,510.93	142,507,630.20	575,431,764.67	—
Vehicles	2,464,454.91	2,096,737.00	6,277.21	361,440.70	—
Electronics and others	15,904,404.73	11,686,599.60	918,503.34	3,299,301.79	—
Total	1,589,751,465.86	551,026,431.49	156,648,853.98	882,076,180.39	—

(3) Fixed assets with incomplete property ownership certificate

Unit: RMB

Item	Book value	Reason for incomplete property ownership certificate
Workshop plant, office building and staff canteen of Shouguang Maolong	190,511,578.61	Not yet applied

13. Construction-in-progress

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction-in-progress	2,192,776.49	2,192,776.49
Total	2,192,776.49	2,192,776.49

(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
Miscellaneous projects	2,192,776.49	—	2,192,776.49	2,192,776.49	—	2,192,776.49
Total	2,192,776.49	—	2,192,776.49	2,192,776.49	—	2,192,776.49

(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.

(3) Impairment test of construction-in-progress

Applicable  Not applicable

14. Right-of-use assets

(1) Details of right-of-use assets

Unit: RMB

Item	Buildings and related land use rights	Total
<b>1. Original book value</b>		
1. Balance at the beginning of the period	<b>28,682,853.49</b>	28,682,853.49
2. Increased amount in this period	—	—
3. Decreased amount in this period	—	—
4. Balance at the end of the period	<b>28,682,853.49</b>	28,682,853.49
<b>2. Accumulative depreciation</b>		
1. Balance at the beginning of the period	<b>7,305,555.66</b>	7,305,555.66
2. Increased amount in this period	<b>3,652,777.86</b>	3,652,777.86
(1) Provision	<b>3,652,777.86</b>	3,652,777.86
3. Decreased amount in this period	—	—
(1) Disposal	—	—
4. Balance at the end of the period	<b>10,958,333.52</b>	10,958,333.52
<b>3. Provision for impairment</b>		
1. Balance at the beginning of the period	—	—
2. Increased amount in this period	—	—
(1) Provision	—	—
3. Decreased amount in this period	—	—
(1) Disposal	—	—
4. Balance at the end of the period	—	—
<b>4. Book value</b>		
1. Book value at the end of the period	<b>17,724,519.97</b>	17,724,519.97
2. Book value at the beginning of the period	<b>21,377,297.83</b>	21,377,297.83

(2) Impairment test of right-of-use assets

Applicable  Not applicable

Other explanations:

As at the end of the reporting period, there was no indication of impairment for the Company's right-of-use assets, thus no asset impairment test was conducted.

## 15. Intangible assets

### (1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patents	Non-patented technology	Software	Total
<b>I. Original book value</b>					
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	142,766,201.36	162,042.72	10,444,067.04	—	153,372,311.12
(1) Disposals	—	162,042.72	—	—	162,042.72
(2) Other decreases	142,766,201.36	—	10,444,067.04	—	153,210,268.40
4. Balance at the end of the period	303,417,558.12	2,724,205.47	400,994,240.25	770,036.72	707,906,040.56
<b>II. Accumulated amortisation</b>					
1. Balance at the beginning of the period	108,519,171.45	2,886,248.19	373,261,071.96	770,036.72	485,436,528.32
2. Increased during the current period	3,831,958.08	—	1,335,359.65	—	5,167,317.73
(1) Provision	3,831,958.08	—	1,335,359.65	—	5,167,317.73
3. Decreased during the current period	37,563,003.38	162,042.72	10,444,067.04	—	48,169,113.14
(1) Disposals	—	162,042.72	—	—	162,042.72
(2) Other decreases	37,563,003.38	—	10,444,067.04	—	48,007,070.42
4. Balance at the end of the period	74,788,126.15	2,724,205.47	364,152,364.57	770,036.72	442,434,732.91
<b>III. Provision for impairment</b>					
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	0.00	—	33,968,375.45	—	33,968,375.45
<b>IV. Book value</b>					
1. Book value at the end of the period	228,629,431.97	—	2,873,500.23	—	231,502,932.20
2. Book value at the beginning of the period	337,664,588.03	—	4,208,859.88	—	341,873,447.91

The intangible assets generated through internal research and development accounted for 1.24% of the balance of intangible assets as at the end of the period.

### (2) Impairment test of intangible assets

Applicable     Not applicable

## 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		Balance at the beginning of the period	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Unrealised profits from intragroup transactions	6,154,489.96	1,538,622.49	6,514,431.68	1,628,607.92
Total	6,154,489.96	1,538,622.49	6,514,431.68	1,628,607.92

### (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
Right-of-use assets	17,724,520.00	2,658,678.00	21,377,297.83	3,206,594.67
Long-term equity investments	15,237.52	3,809.38	15,237.52	3,809.38
Intangible assets	—	—	20,402,668.88	5,100,667.22
Total	17,739,757.52	2,662,487.38	41,795,204.23	8,311,071.27

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

Unit: RMB

Item	Balance of deferred income tax assets or liabilities after offsetting at the end of the period		Balance of deferred income tax assets or liabilities after offsetting at the beginning of the period	
	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	—	1,538,622.49	—	1,628,607.92
Deferred income tax liabilities	—	2,662,487.38	—	8,311,071.27

(4) Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Deductible temporary differences	<b>337,451,375.90</b>	536,831,168.45
Deductible losses	<b>1,736,962,264.17</b>	1,875,347,422.34
Total	<b>2,074,413,640.07</b>	2,412,178,590.79

(5) Deductible losses of unrecognised deferred income tax assets expiring in the following years

Unit: RMB

Year	<b>Amount at the end of the period</b>	Amount at the beginning of the period	Remark
2024	<b>79,853,290.93</b>	218,933,559.95	—
2025	<b>60,295,395.15</b>	159,461,841.56	—
2026	<b>291,251,806.54</b>	305,316,162.29	—
2027	<b>153,731,537.79</b>	278,354,830.16	—
2028	<b>89,155,590.77</b>	147,225,737.94	—
2029	<b>76,681,380.63</b>	73,995,869.67	—
2031	<b>273,110,646.67</b>	273,110,646.67	—
2032	<b>198,456,087.55</b>	198,456,087.55	—
2033	<b>220,492,686.55</b>	220,492,686.55	—
2034	<b>293,933,841.59</b>	—	—
Total	<b>1,736,962,264.17</b>	1,875,347,422.34	

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17. Other non-current assets

Unit: RMB

Item	<b>Balance at the end of the period</b>			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayments for equipment	<b>355,489.95</b>	—	<b>355,489.95</b>	773,829.95	—	773,829.95
Prepayment for construction works	<b>604,674.00</b>	—	<b>604,674.00</b>	604,674.00	—	604,674.00
Total	<b>960,163.95</b>	—	<b>960,163.95</b>	1,378,503.95	—	1,378,503.95



## 18. Assets with ownership or right to use restrictions

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	78,490,000.00	78,490,000.00	Security deposit	Bill deposit	80,290,000.00	80,290,000.00	Security deposit	Bill deposit
Bills receivables	—	—	—	—	1,248,205.76	1,235,723.70	Pledge	Bill pledge/ Factoring financing
Inventories	8,643,944.92	8,643,944.92	Seizure	Seizure for litigation	9,267,029.80	9,267,029.80	Seizure	Seizure for litigation
Fixed assets	284,133,636.74	225,995,748.86	Charge/ Seizure	Charge for financing/ Seizure for litigation	617,823,204.78	479,774,388.55	Charge/ Seizure	Charge for financing/ Seizure for litigation
Intangible assets	175,761,554.00	175,761,554.00	Charge/ Seizure	Charge for financing/ Seizure for litigation	279,733,929.79	279,733,929.79	Charge/ Seizure	Charge for financing/ Seizure for litigation
Monetary funds	5,191,512.37	5,191,512.37	Frozen	Litigation freeze	7,232,104.32	7,232,104.32	Frozen	Litigation freeze
Accounts receivables	9,780,831.08	9,683,022.77	Pledge	Factoring financing	22,689,402.72	22,462,508.69	Pledge	Factoring financing
<b>Total</b>	<b>562,001,479.11</b>	<b>503,765,782.92</b>			<b>1,018,283,877.17</b>	<b>879,995,684.85</b>		

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## 19. Short-term borrowings

### (1) Category of short-term borrowings

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Pledged borrowings	9,326,065.38	14,472,528.47
Secured borrowing	289,394,466.67	265,923,472.50
Guaranteed borrowings	915,153,139.60	994,002,126.02
Credit borrowings	103,600,890.42	153,800,000.00
Borrowings for bills discounting and letters of credit	175,678,486.44	204,912,980.95
<b>Total</b>	<b>1,493,153,048.51</b>	<b>1,633,111,107.94</b>

Explanations about the classification of short-term borrowings:

Details of the interest rate: In the first half of 2024, the weighted average annual interest rate for short-term borrowings of the Company was 4.55% (2023: 4.90%).

(2) Details of outstanding overdue short-term borrowings

Nil

20. Bills payable

Type	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	4,800,000.00	—
Total	4,800,000.00	—

21. Accounts payable

(1) Presentation of accounts payable

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Amounts due to suppliers	442,364,048.25	509,647,241.72
Total	442,364,048.25	509,647,241.72

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

Item	Unit: RMB	
	Balance at the end of the period	Reasons for outstanding or carrying forward
Entity I	4,651,020.56	Open
Entity II	4,336,945.58	Open
Entity III	3,599,453.23	Open
Entity IV	3,237,323.40	Open
Entity V	3,100,307.74	Open
Total	18,925,050.51	

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:

Item	Amount at the end of the period	Unit: RMB
		Amount at the beginning of the year
Within 2 months	<b>220,438,725.19</b>	128,345,241.31
2-3 months	<b>21,098,462.04</b>	5,202,502.71
3-4 months	<b>2,994,107.52</b>	9,714,315.68
4 months -1 year	<b>22,779,433.74</b>	65,543,149.61
1-2 years	<b>59,440,349.40</b>	139,263,306.85
2-3 years	<b>53,463,811.47</b>	55,147,105.45
Over 3 years	<b>62,149,158.89</b>	106,431,620.11
Total	<b>442,364,048.25</b>	509,647,241.72

## 22. Other payables

Item	Balance at the end of the period	Unit: RMB
		Balance at the beginning of the period
Other payables	<b>26,665,185.18</b>	34,143,155.71
Total	<b>26,665,185.18</b>	34,143,155.71

(1) Other payables

1) List other payables by nature of payment

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Withdrawing power costs	9,088,825.14	11,505,601.48
Deposit in security	6,964,250.48	11,711,486.48
Charter money	10,469,368.62	10,469,368.62
Others	142,740.94	456,699.13
<hr/>		
Total	26,665,185.18	34,143,155.71

2) Significant other payables with more than 1-year aging or overdue

The Company has no significant other payables with more than 1-year aging by the period end.

23. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Receipts in advance	65,615,031.66	54,732,615.40
<hr/>		
Total	65,615,031.66	54,732,615.40

Significant contract liabilities with more than 1-year aging

The company has no significant contract liabilities with more than 1-year aging.

## 24. Employee pay payable

### (1) List of employee pay payable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
I. Short-term pay	66,876,621.63	64,259,236.30	74,493,039.05	56,642,818.87
II. Post-employment benefits-defined contribution plans	8,822,456.39	11,000,865.42	15,991,722.31	3,831,599.51
Total	75,699,078.02	75,260,101.72	90,484,761.36	60,474,418.38

### (2) List of short-term pay

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Salaries, bonuses, allowances and subsidies	41,175,589.08	55,633,562.83	64,187,301.73	32,621,850.18
2. Employee services and benefits	—	2,340,494.16	2,340,494.16	0.00
3. Social insurance charges	531,630.54	3,114,185.02	2,655,819.18	989,996.37
Including: medical insurance premiums	—	2,679,970.33	1,904,269.78	775,700.55
Industrial injury insurance	531,630.54	434,214.68	751,549.40	214,295.82
4. Housing provident funds	1,042,047.20	1,371,600.42	1,014,739.14	1,398,908.48
5. Labor union expenditures and employee education funds	24,127,354.81	1,799,393.87	4,294,684.84	21,632,063.84
Total	66,876,621.63	64,259,236.30	74,493,039.05	56,642,818.87

### (3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Basic endowment insurance	8,451,786.22	10,592,889.51	15,358,098.28	3,686,577.45
2. Unemployment insurance expense	370,670.17	407,975.91	633,624.03	145,022.06
Total	8,822,456.39	11,000,865.42	15,991,722.31	3,831,599.51

#### 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.

The Group's year-end employee pay payable contains RMB32,621,850.18 (the withdrawal unpaid salaries, bonuses and subsidies) which is estimated to be paid in the second half of 2024. The Group's year-end employee remuneration payable contains the social insurance premiums of RMB989,996.37 and housing provident fund of RMB1,398,908.48 which are estimated to be paid in the second half of 2024.

For each of the two financial years ended 30 June 2023 and 2024, the Company 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.

## 25. Taxes Payable

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Value-added tax	<b>7,472,354.48</b>	9,431,770.17
Enterprise income tax	<b>5,279,421.22</b>	7,020,041.50
Individual income tax	<b>25,124.60</b>	30,150.22
Urban maintenance and construction tax	<b>487,364.05</b>	715,137.64
Property tax	<b>367,762.57</b>	934,499.40
Land use tax	<b>230,150.20</b>	639,164.00
Education surcharge	<b>348,091.58</b>	510,812.61
Stamp duty	<b>332,349.38</b>	277,057.98
Others	<b>55,928.57</b>	36,686.42
Total	<b>14,598,546.65</b>	19,595,319.94

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

	Unit: RMB	
<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Long-term borrowings due within one year	<b>1,858,333.83</b>	—
Long-term payables due within one year	<b>34,865,374.48</b>	46,323,324.06
Lease liabilities due within one year	<b>6,474,054.34</b>	6,474,054.34
Total	<b>43,197,762.65</b>	52,797,378.40

27. *Other current liabilities*

	Unit: RMB	
<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Unmatured endorsed commercial acceptance bills	<b>117,825.00</b>	36,712,452.46
Output tax to be transferred	<b>8,250,494.53</b>	6,682,698.28
Total	<b>8,368,319.53</b>	43,395,150.74

28. *Long-term borrowings*

(1) *Category of long-term borrowings*

	Unit: RMB	
<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Credit borrowings	<b>2,935,000.39</b>	—
Minus: amount due within one year	<b>(1,858,333.83)</b>	—
Total	<b>1,076,666.56</b>	—

Explanation of category of long-term borrowings:

Other explanations, including interest rate range:

The Group's weighted average annual interest rate of long-term borrowings in the first half of 2024 was 8.82%.

Unit: RMB

<b>Item</b>	<b>Amount at the end of the period</b>	Amount at the beginning of the year
Credit borrowings	<b>2,935,000.39</b>	—
Total	<b>2,935,000.39</b>	—
Book value of above borrowings shall be repaid during the following period:	—	—
Within one year	<b>1,858,333.83</b>	—
More than one year since balance sheet date, but less than two years	<b>1,076,666.56</b>	—
Minus: amounts due within one year listed under current liabilities	<b>1,858,333.83</b>	—
Amounts under non-current liabilities	<b>1,076,666.56</b>	—

### 29. Lease liabilities

Unit: RMB

<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Lease payment	<b>24,542,896.86</b>	24,542,896.86
Minus: Unconfirmed financing expenses	<b>(2,589,845.22)</b>	(3,453,074.73)
Minus: amount due within one year	<b>(6,474,054.34)</b>	(6,474,054.34)
Total	<b>15,478,997.30</b>	14,615,767.79

### 30. Long-term payables

Unit: RMB

<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Long-term payables	<b>6,722,083.41</b>	19,854,583.39
Total	<b>6,722,083.41</b>	19,854,583.39



(1) Presentation of long-term payables by payment nature

Unit: RMB

<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Leaseback financings	<b>6,722,083.41</b>	19,854,583.39
Total	<b>6,722,083.41</b>	19,854,583.39

Other descriptions:

Details of interest rate: the Group's long-term payables in 2023 carried an effective interest rate of 8.11% (8.11% in 2023).

Maturity date analysis of long-term payables

Unit: RMB

<b>Item</b>	<b>Amount at the end of the period</b>	Amount at the beginning of the year
Leaseback financings	<b>41,587,457.89</b>	66,177,907.45
Total	<b>41,587,457.89</b>	66,177,907.45
The carrying amounts of the above borrowings are repayable:		
Within one year	<b>34,865,374.48</b>	46,323,324.06
After one year from the balance sheet date but within two years	<b>6,722,083.41</b>	19,854,583.39
After two years from the balance sheet date but within five years	—	—
Less: Amount due within one year shown under current liabilities	<b>34,865,374.48</b>	46,323,324.06
Amount shown under non-current liabilities	<b>6,722,083.41</b>	19,854,583.39

31. Estimated liabilities

Unit: RMB

<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period	<b>Cause</b>
Others	—	80,929,994.11	—
Total	—	80,929,994.11	

### 32. 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	6,547,003.82	—	360,080.75	6,186,923.07	Asset-related government grants
Total	6,547,003.82	—	360,080.75	6,186,923.07	

Other descriptions:

Projects involving government grants

Unit: RMB

Projects involving government grants	Balance at the beginning of the year	Amount of new grants during the current year	Amount included in non-operating income during the current year	Amount included in other income during the current year	Amount charged against costs and expenses during the current year	Other movements	Balance at the end of the year	Asset-related/income-related
Grants for ancillary infrastructure	6,259,369.48	—	—	72,446.41	—	—	6,186,923.07	Asset-related
Grants for defense basement construction	287,634.34	—	—	—	—	287,634.34	0.00	Asset-related
Total	6,547,003.82	—	—	72,446.41	—	287,634.34	6,186,923.07	—

Note 1: 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. It is recorded in the current profit and loss of RMB72,446.41 according to depreciation calculation of related assets this period.

Note 2: According to the Request for return of preferential policy to the phase II project of Weihai Baolong Special Petroleum Materials Co., Ltd. (Gaozhengqingzi [2018] No. 42) issued by the People's Government of Gaocun Town, Weihai Baolong, a subsidiary of the Company, received a grant of RMB719,085.90 for the construction of defense basement on 25 February 2019. The company recognised such government grant as an asset-related government grant. Weihai Baolong conducted equity transfer in January 2024, and was no longer included in the scope of consolidation.

### 33. Share capital

Unit: RMB

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

### 34. 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	18,109,790.84	712,165.19	—	18,821,956.03
Total	867,591,781.76	712,165.19	—	868,303,946.95

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

Capital reserves increased this period are financial subsidies provided by controlling shareholders of the Company's controlling shareholders to the Company for free. According to related regulations, the borrowing interests are confirmed as capital reserves.

### 35. Other comprehensive income

Unit: RMB

Item	Amount for the period							Balance at the end of the period
	Balance at the beginning of the period	Amount before tax for the current period	Less: Transfer of amount previously included in other comprehensive income to profit or loss for the current period	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	(3,301,679.88)	(113,111.93)	—	—	—	(101,800.93)	(11,311.00)	(3,403,480.81)
Exchange differences on translation of foreign financial statements	(3,301,679.88)	(113,111.93)	—	—	—	(101,800.93)	(11,311.00)	(3,403,480.81)
Total other comprehensive income	(3,301,679.88)	(113,111.93)	—	—	—	(101,800.93)	(11,311.00)	(3,403,480.81)

### 36. 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 fee	—	3,782,113.84	3,782,113.84	—
Total	—	3,782,113.84	3,782,113.84	—

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

The Company provided for and utilised production safety fee in accordance with the Measures on the Withholding and Usage of Safety Production Fee of Enterprises (企業安全生產費用提取和使用管理辦法) (Cai Qi [2022] No.136) jointly issued by the Ministry of Finance and the State Administration of Work Safety.

### 37. 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

### 38. Undistributed profits

Unit: RMB

Item	Current period	Last period
Undistributed profits at the end of the prior period before adjustments	<b>(1,425,879,061.33)</b>	(859,017,550.51)
Undistributed profits at the beginning of the period after adjustments	<b>(1,425,879,061.33)</b>	(859,017,550.51)
Add: Net profit attributable to owners of the parent company for the period	<b>170,134,914.07</b>	(566,861,510.82)
Undistributed profits at the end of the period	<b>(1,255,744,147.26)</b>	(1,425,879,061.33)

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

### 39. *Minority interests*

Minority interests attributable to minority shareholders of each subsidiary

Unit: RMB

<b>Name of subsidiary</b>	<b>Proportion of minority shareholding (%)</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Shouguang Baolong	30	—	(89,027,429.03)
MPM	10	<b>(306,580.64)</b>	(283,414.85)
Total	—	<b>(306,580.64)</b>	(89,310,843.88)

### 40. *Operating revenue and operating costs*

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>		<b>Amount for the last period</b>	
	<b>Revenue</b>	<b>Costs</b>	Revenue	Costs
Principal operations	<b>565,349,400.52</b>	<b>548,882,498.25</b>	774,515,255.89	721,967,610.83
Other operations	<b>39,278,530.36</b>	<b>38,311,633.44</b>	23,903,759.21	23,546,903.16
Total	<b>604,627,930.88</b>	<b>587,194,131.69</b>	798,419,015.10	745,514,513.99

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Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract category	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Business type				
Including:				
Pipe products	542,742,258.39	528,267,113.88	542,742,258.39	528,267,113.88
Three kinds of pumping units	14,317,014.33	12,047,910.61	14,317,014.33	12,047,910.61
Petroleum machinery parts	1,061,486.64	659,900.14	1,061,486.64	659,900.14
Castings and forgings	5,724,946.04	6,115,090.92	5,724,946.04	6,115,090.92
Others	40,782,225.48	40,104,116.14	40,782,225.48	40,104,116.14
Classify based on operating area				
Including:				
At home	372,373,974.21	374,669,043.43	372,373,974.21	374,669,043.43
At abroad	232,253,956.67	212,525,088.26	232,253,956.67	212,525,088.26
Classified by the time of transfer of goods				
Including:				
Transfer at some point	604,627,930.88	587,194,131.69	604,627,930.88	587,194,131.69
Classified by contract terms				
Including:				
Short-term contracts	604,627,930.88	587,194,131.69	604,627,930.88	587,194,131.69
Classified by sales channels				
Including:				
Direct sales	604,627,930.88	587,194,131.69	604,627,930.88	587,194,131.69
<b>Total</b>	<b>604,627,930.88</b>	<b>587,194,131.69</b>	<b>604,627,930.88</b>	<b>587,194,131.69</b>

Information related to performance obligation:

<b>Item</b>	<b>Time of fulfilling performance obligation</b>	<b>Material payment terms</b>	<b>Nature of goods a company undertook to transfer</b>	<b>Whether as a principal</b>	<b>Payment expected to be returned to customers borne by a company</b>	<b>The types of quality assurance provided by the Company and relevant obligations</b>
Export sales	Goods loading and departure from port	As for exports, cash collection is preferred. For most oil casing customers, prepayment will be made and the balance payment shall be settled before delivery or seeing the copy of bill of lading. Credit period of petroleum machinery parts generally lasts for two months.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/ the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3–6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Other descriptions

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 RMB420 million as at the end of the reporting period, RMB420 million of which were expected to be recognised as revenue in 2024.



#### 41. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the last period
Urban maintenance and construction tax	<b>1,261,864.73</b>	2,251,470.42
Education surcharge	<b>540,288.82</b>	969,370.21
Resources tax	<b>41,400.00</b>	185,169.00
Property tax	<b>735,526.34</b>	1,868,998.80
Land use tax	<b>460,300.40</b>	2,198,928.80
Vehicle and vessel use tax	<b>2,996.52</b>	9,405.90
Stamp duty	<b>604,641.69</b>	738,454.74
Other taxes	<b>825,123.62</b>	654,842.34
Total	<b>4,472,142.12</b>	8,876,640.21

#### 42. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Amortisation of intangible assets	<b>4,014,149.81</b>	4,928,014.63
Depreciation charges	<b>38,787,854.31</b>	63,091,581.29
Employee compensations	<b>18,039,080.49</b>	40,291,548.48
Travelling expenses	<b>168,498.92</b>	434,985.15
Machinery material consumables	<b>96,149.95</b>	1,049,781.56
Entertainment expenses	<b>459,356.38</b>	1,482,147.92
Board of directors' expenses	<b>605,821.88</b>	787,901.42
Utilities	<b>1,605,727.25</b>	6,233,464.13
Commissions	<b>702,375.21</b>	4,891,968.88
Repair charges	<b>316,986.75</b>	1,197,102.64
Others	<b>1,274,520.88</b>	11,468,222.23
Total	<b>66,070,521.83</b>	135,856,718.33

#### 43. Selling expenses

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period
Employee compensations	<b>4,140,596.91</b>	5,667,475.40
Agency fees	<b>591,938.01</b>	981,055.72
Depreciation costs	<b>98,953.20</b>	107,669.15
Travel charges	<b>309,170.31</b>	309,977.92
Business entertainment	<b>396,551.75</b>	1,212,647.65
Transport expenses	<b>11,827.10</b>	86,981.27
Office allowance	<b>139,379.10</b>	203,097.80
Others	<b>1,134,791.24</b>	1,130,248.42
Total	<b>6,823,207.62</b>	9,699,153.33

#### 44. Research and development expenditures

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period
Research and development of new products during the current year	<b>10,750,438.75</b>	13,657,003.29
Amortisation of non-patented technology for the current year	<b>1,335,359.65</b>	1,851,355.56
Total	<b>12,085,798.40</b>	15,508,358.85

#### 45. Finance costs

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period
Interest expenses	<b>46,674,510.32</b>	47,431,215.06
Interest income	<b>(568,696.72)</b>	(2,911,129.74)
Foreign exchange losses	<b>(4,960,535.36)</b>	(2,133,951.94)
Other expenses	<b>175,362.55</b>	1,232,790.19
Total	<b>41,320,640.79</b>	43,618,923.57

#### 46. Other income

	Unit: RMB	
Source of other income	Amount for the current period	Amount for the last period
Work-based training subsidies	—	—
Additional value-added tax credit	<b>6,448,846.81</b>	—
Others	<b>106,235.78</b>	132,723.59
Total	<b>6,555,082.59</b>	132,723.59

#### 47. Investment incomes

	Unit: RMB	
Item	Amount for the current period	Amount for the last period
Income from long-term equity investments calculated by equity method	<b>(106,003.59)</b>	—
Investment income on disposal of long-term equity investments	<b>281,430,276.74</b>	—
Gains on revaluation of remaining equity at fair value after losing control	<b>767,204.43</b>	—
Total	<b>282,091,477.58</b>	—

#### 48. Credit impairment losses

	Unit: RMB	
Item	Amount for the current period	Amount for the last period
Bad debt losses on notes receivable	<b>652,545.51</b>	1,124,798.77
Loss on bad debts of accounts receivable	<b>656,707.39</b>	(2,799,943.61)
Bad debt losses on other receivables	<b>(2,050,522.22)</b>	(440,434.82)
Total	<b>(741,269.32)</b>	(2,115,579.66)

49. *Assets impairment losses*

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period
I. Loss on inventory valuation and loss on contract performance costs impairment	<b>(8,955,173.29)</b>	(1,465,146.60)
Total	<b>(8,955,173.29)</b>	(1,465,146.60)

50. *Gain on disposal of assets*

Unit: RMB

<b>Source of gain on disposal of assets</b>	<b>Amount for the current period</b>	Amount for the last period
Gains on disposal of fixed assets	<b>163,084.71</b>	325,712.98
Total	<b>163,084.71</b>	325,712.98

51. *Non-operating Income*

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period	<b>Amount credited to non-recurring profit or loss for the current period</b>
Others	<b>3,592,336.79</b>	2,044,943.45	3,592,336.79
Total	<b>3,592,336.79</b>	2,044,943.45	3,592,336.79

## 52. 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	—	230,000.00	—
Loss on scrapping and retirement of non-current assets	<b>69,829.69</b>	495,310.90	69,829.69
Others	<b>341,083.55</b>	17,430.32	341,083.55
<b>Total</b>	<b>410,913.24</b>	742,741.22	410,913.24

## 53. Income tax expenses

### (1) List of income tax expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Income tax expense of current period	<b>62,936.72</b>	—
Deferred income tax expenses	<b>(457,931.24)</b>	1,458,254.39
<b>Total</b>	<b>(394,994.52)</b>	1,458,254.39

### (2) Reconciliations between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the current period
Total profit	169,062,117.84
Income tax expenses calculated at statutory/applicable tax rate	25,359,317.68
Effect of different tax rates applicable to subsidiaries	836,752.52
Influence from non-taxable income	(40,469,418.40)
Effect of non-deductible costs, expenses and loss	9,494,549.89
Effect of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in the period	6,946,072.11
Effect of additions and deductions in research and development expenditures	(2,562,268.32)
<b>Income tax expenses</b>	<b>(394,994.52)</b>

#### 54. Other comprehensive income

Refer to Note VII.35 for details.

#### 55. Statement of cash flows line items

##### (1) Cash concerning operating activities

*Other cash received relating to operating activities*

	Unit: RMB	
Item	Amount for the current period	Amount for the last period
Government grants	104,766.75	132,723.59
Interest income	569,818.86	2,908,360.86
Decrease in security deposits	1,800,000.00	1,835,160.71
Decrease in restricted deposits	894,632.32	—
Others	10,891,171.02	1,602,799.67
Total	14,260,388.95	6,479,044.83

*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	6,416,222.98	8,572,105.83
Consumables	351,099.50	1,049,781.56
Agency fees	—	—
Travelling expenses	472,147.72	434,985.15
Commissions	1,598,515.93	4,891,968.88
Repair charges	515,441.54	1,197,102.64
Utilities	1,556,946.15	6,233,464.13
Entertainment expenses	1,564,758.02	1,482,147.92
Handling charges by financial institutions	334,210.66	1,242,185.83
Increase in frozen bank deposits	511,940.38	5,196,603.81
Others	2,533,345.34	32,089,479.27
Total	15,854,628.22	62,389,825.02

(2) Cash relating to financing activities  
*Other cash received relating to financing activities*

Unit: RMB

<b>Item</b>	<b>Amount for the current period</b>	Amount for the last period
Decrease in financing margins	<b>1,800,000.00</b>	32,048,500.00
Total	<b>1,800,000.00</b>	32,048,500.00

## 56. 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
<b>1. Reconciliations of net profit to cash flows from operating activities:</b>		
Net profit	<b>169,351,108.77</b>	(163,933,635.03)
Add: Provision for impairment of assets	<b>10,688,743.58</b>	3,580,726.26
Depreciation of fixed assets, oil and gas assets and productive biological assets	<b>72,915,950.48</b>	97,690,374.32
Depreciation of right-of-use assets	<b>3,813,113.06</b>	—
Amortisation of intangible assets	<b>5,189,174.26</b>	7,104,281.58
Amortisation of long-term deferred expenses	—	—
Loss on disposal of fixed assets, intangible assets and other long-term assets	<b>(762,888.96)</b>	(325,712.98)
Loss on retirement of fixed assets	<b>25,969.87</b>	461,794.85
Loss on fair value changes	—	—
Finance expenses	<b>46,539,862.74</b>	47,999,522.57
Loss on investments	<b>(282,197,481.17)</b>	—
Decrease in deferred income tax assets	—	1,557,479.81
Increase in deferred income tax liabilities	—	—
Decrease in inventories	<b>(52,940,051.54)</b>	169,101,650.70
Decrease in trade receivables	<b>67,008,238.83</b>	(3,670,603.70)
Increase in trade payables	<b>81,709,607.48</b>	(183,336,476.03)
Others	—	—
Net cash flows generated from operating activities	<b>121,341,347.40</b>	(23,770,597.65)
<b>2. Significant investing and financing activities not involving cash receipts or payments:</b>		
Transfer of debts to capital	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under finance leases	—	—
<b>3. Net changes in cash and cash equivalents:</b>		
Balance of cash at the end of the period	<b>82,883,850.36</b>	372,832,699.67
Less: Balance of cash at the beginning of the period	<b>87,640,771.80</b>	358,672,243.57
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	<b>(4,756,921.44)</b>	14,160,456.10



(2) Net cash received from disposal of subsidiaries during the period

Unit: RMB

	<b>Amount</b>
Cash or cash equivalents received during the period from disposal of subsidiaries during the period	141,606,709.94
Including:	
Weihai Baolong/Shouguang Baolong	141,606,709.94
Less: cash and cash equivalents held by the Company on the date of loss of control	54,364.94
Including:	
Weihai Baolong	48,511.30
Shouguang Baolong	5,853.64
Including:	
Net cash received from disposal of subsidiaries	<u>141,552,345.00</u>

(3) Composition of cash and cash equivalents

Unit: RMB

<b>Item</b>	<b>Balance at the end of the period</b>	Balance at the beginning of the period
I. Cash	<b>82,883,850.36</b>	87,640,771.80
Including: Cash on hand	<b>69,644.58</b>	26,588.28
Bank deposits readily available for payments	<b>5,647,571.62</b>	10,361,260.80
Other monetary funds readily available for payments	<b>77,166,634.16</b>	77,252,922.72
III. Balance of cash and cash equivalents at the end of the period	<b>82,883,850.36</b>	87,640,771.80

(4) Monetary funds excluded from cash and cash equivalents

Unit: RMB

<b>Item</b>	<b>Amounts for the current period</b>	Amounts for the previous period	<b>Reasons for exclusion from cash and cash equivalents</b>
Frozen monetary funds	<b>5,191,512.37</b>	8,098,522.10	Due to frozen for litigation that are not readily convertible into known amounts of cash
Margin for bank acceptance drafts with a maturity of more than 3 months	<b>2,400,000.00</b>	72,910,000.00	Holding period not exceeding 3 months that are not readily convertible into known amounts of cash
Total	<b>7,591,512.37</b>	81,008,522.10	

Other descriptions:

The Company's margin for bank acceptance drafts with a maturity of more than 3 months at the end of the period is RMB2,400,000.00.

As of 30 June 2024, the balance of the Company's monetary funds was RMB90,475,362.73, and the cash balance at the end of the period as shown in the cash flow statement was RMB82,883,850.36, with the difference being RMB2,400,000.00 for the bank acceptance draft security with the maturity date exceeding three months. The funds of RMB5,191,512.37 frozen due to the lawsuit is not regarded as cash or cash equivalent because of the restriction on its use.

## 57. Foreign currency monetary item

### (1) Foreign currency monetary item

Unit: RMB

Item	Ending balance of foreign currency	Rate of translation	Computed ending balance of RMB
Monetary funds			4,826,468.53
Including: USD	677,226.31	7.1268	4,826,456.47
EUR	0.38	7.6617	2.91
HKD	10.03	0.91268	9.15
Accounts receivables			92,490,581.29
Including: USD	12,977,855.60	7.1268	92,490,581.29
EUR	—	—	—
HKD	—	—	—
Accounts payable			14,266,795.91
Including: USD	2,001,851.59	7.1268	14,266,795.91
Contract liabilities			28,653,396.91
Including: USD	3,831,827.31	7.1268	27,308,666.85
EUR	175,513.27	7.6617	1,344,730.05

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- (2) The description of overseas operating entities including the important overseas operating entity, shall disclose the main operating place, the recording currency and the basis of such selection, and the reasons for the change of the recording currency.

Applicable  Not applicable

MPM Company, a controlled subsidiary of the Company (90% of its shares and voting rights), has its registered place and principal place of business in Hong Kong, and its bookkeeping base currency is USD.

## 58. Leases

### (1) The Company as lessee

Applicable  Not applicable

Variable lease payments that are not included in the measurement of the lease liability

Applicable  Not applicable

Lease expenses for short-term leases or leases of low-value assets that are streamlined

Applicable  Not applicable

Circumstances involving sale and leaseback transactions

Unit: RMB

Item	Amount for the current period	Amount for the last period
Interest expenses on lease liabilities	<b>863,229.51</b>	1,157,233.64
Short-term leases expenses included into profit or loss for the period adopting simplified approach	—	292,608.95
Lease expenses for low-value assets included into profit or loss for the period adopting simplified approach (excluding short-term leases)	—	—
Variable lease payments not included in the measurement of lease liabilities	—	—
Including: Part of the sale and leaseback transaction	—	—
Revenue from subleasing right-of-use assets	—	—
Total cash outflows related to leasing	—	—

(2) The Company as lessor

Operating lease as lessor

Applicable  Not applicable

Unit: RMB

<b>Item</b>	<b>Rental income</b>	<b>Including: Income related to variable lease payments not included in lease payments</b>
Machinery	1,365,803.50	—
Total	1,365,803.50	—

Financing leases as lessor

Applicable  Not applicable

Annual undiscounted lease receipts for the next five years

Applicable  Not applicable

Adjustment table for undiscounted lease receipts and net lease investments

(3) As a manufacturer or distributor, confirm the profit and loss of financing lease sales

Applicable  Not applicable

## VIII. Research and development expenditure

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee compensations	6,355,281.77	10,074,822.39
Materials	7,303,248.92	7,552,790.08
Depreciation and amortisation	1,335,359.65	1,851,355.56
Others	448,018.26	598,599.62
Total	15,441,908.60	20,077,567.65
Including: Research and development costs recognised as an expense	12,085,798.40	15,508,358.85

## IX. Changes in scope of consolidation

### 1. Disposal of subsidiaries

Whether there was any transaction or event that results in loss of control over subsidiaries during the period

Yes  No

Unit: RMB

Name of subsidiary	Disposal price at the time point of losing control	Proportion of disposal at the time point of losing control	Disposal method at the time point of losing control	Time point of losing control	Basis for determining the time point of losing control	Difference between the disposal price and the share of the subsidiary's net assets at the level of the consolidated financial statement corresponding to the disposal of the investment	Percentage of remaining equity at the date of loss of control	Carrying amount of remaining equity at the level of the consolidated financial statement at the date of loss of control	Fair value of remaining equity at the level of the consolidated financial statement at the date of loss of control	Gains or losses arising from remeasurement of remaining equity at the fair value	Method of determining the fair value of remaining equity at the level of the consolidated financial statement at the date of loss of control and key assumption	Amount of other consolidated revenue which is related to the original equity investment in subsidiary and stated as investment gains/losses or retained earnings
Weihai Baolong	168,164,331.29	98.08%	Transfer	January 2024	Signing of the relevant agreement and receipt of the relevant payment	98,364,208.67	1.02%	2,530,135.40	3,297,339.83	767,204.43	—	—
Shouguang Baolong	(26,557,621.35)	100.00%	Transfer	January 2024	Signing of the relevant agreement and receipt of the relevant payment	183,066,068.07	0.00%	0.00	—	—	—	—

Other descriptions:

At the seventh extraordinary meeting of the Company's seventh session of board of directors held on 9 January 2024 and the Company's first extraordinary general meeting in 2024 held on 25 January 2024, the "Resolution on the Sale of Equity Interests in Subsidiaries" were considered and approved. It was agreed that the Company shall transfer the 70% equity interest held directly by it in Shouguang Baolong and a total of 98.0769% equity interest in Weihai Baolong held directly by it and indirectly through its wholly-owned subsidiary Shouguang Maolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏專案投資合夥企業) at a price of RMB141,606,709.94. On 26 January 2024, the Company has received all proceeds of the equity transfer. Shouguang Baolong and Weihai Baolong have successively completed changes in industrial and commercial registration and obtained renewed business licenses issued by the Market Supervision Administration. Shouguang Baolong and Weihai Baolong was no longer consolidated in the Company's financial statements.

Whether there was any disposal of investments in subsidiaries through multiple transactions and losing control over the subsidiary in the reporting period

Yes  No

## X. Interests in other entities

### 1. Interests in subsidiaries

#### (1) Structure of the business group

Unit: RMB

Name of subsidiary	Registered capital	Principal		Business nature	Type of business	Percentage of shareholding		Type of legal entity	Method of acquisition
		place of operation	Place of registration			Direct	Indirect		
MPM	USD100 ten thousand	Hong Kong, China	Hong Kong, China	Trading	Limited company	90.00%	0.00%	For-profit corporation	Business combination under uncommon control
Shouguang Maolong	RMB111,238 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	100.00%	0.00%	For-profit corporation	Business combination under uncommon control
Molong Electromechanical	USD100 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	0.00%	100.00%	For-profit corporation	Business combination under uncommon control
Molong Logistic	RMB300 ten thousand	Shouguang, China	Shouguang, China	Services	Limited company	100.00%	0.00%	For-profit corporation	Establishment by investment
Molong I&E	RMB1,000 ten thousand	Shouguang, China	Shouguang, China	Import and export	Limited company	100.00%	0.00%	For-profit corporation	Establishment by investment
Molong Commercial	RMB1,000 ten thousand	Shouguang, China	Shouguang, China	Trading	Limited company	100.00%	0.00%	For-profit corporation	Establishment by investment
Shouguang Baolong	RMB15,000 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	70.00%	0.00%	For-profit corporation	Establishment by investment
Weihai Baolong	RMB2,600 ten thousand	Weihai, China	Weihai, China	Manufacturing	Limited company	61.54%	38.46%	For-profit corporation	Business combination under uncommon control

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#### (2) Significant non-wholly owned subsidiary

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%	(811,148.17)	0.00	0.00

(3) Key financial information of significant non-wholly owned subsidiary

Unit: RMB

Name of subsidiary	Balance at the end of the period			Balance at the beginning of the period			Total liabilities
	Current assets	Current liabilities	Non-current liabilities	Total assets	Current liabilities	Non-current liabilities	
Shouguang Baolong	0.00	0.00	0.00	21,855,061.26	256,812,781.41	278,667,842.67	575,426,428.89
			0.00				—
			0.00				575,426,428.89

Unit: RMB

Name of subsidiary	Amount for the current period			Amount for the last period			Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income	Operating revenue	Net profit	Total comprehensive income	
Shouguang Baolong	1,816,694.19	(2,703,827.24)	(2,703,827.24)	16,769,187.92	(24,054,167.99)	(24,054,167.99)	(3,262.39)
			1,157.74				

(4) Major restrictions on the use of assets and settlement of debts of the business group

The Group has no major restrictions on the use of assets and settlement of the enterprise group.

(5) Provision of financial or other support for structured entity that is consolidated into the consolidated financial statements

The Group has no structural entities included into the consolidated financial statement.

(6) Other descriptions:

As at 30 June 2024, none of the Company's subsidiaries issued any share capital or debt securities.



## 2. Interests in joint arrangements or associates

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

Unit: RMB

	<b>Balance at the end of the period/Amount for the current period</b>	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	<b>1,648,769.00</b>	1,754,772.59
Total amount of the following items based on percentage of shareholdings	—	—
— Net profit	<b>(106,003.59)</b>	(216,238.68)
— Total comprehensive income	<b>(106,003.59)</b>	(216,238.68)

### (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 Company had no unrecognised commitments associated with investment in joint ventures.

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

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

## 3. Interest in structured entities not consolidated in the consolidated financial statements

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

## XI. Government grants

### 1. Government grants recognized based on amounts receivable at the end of the reporting period

Applicable  Not applicable

Reason(s) for failing to receive the expected amount of government grants on the expected date

Applicable  Not applicable

### 2. Liability projects involving government grants

Applicable  Not applicable

Unit: RMB

Accounting items	Balance at the beginning of the period	Amount of new grants during the current period	Amount included in non-operating revenue during the current period	Amount transferred to other income during the current period	Other movements during the current period	Balance at the end of the period	Asset-related/ income-related
Deferred revenue	6,547,003.82	—	—	72,446.41	287,634.34	6,186,923.07	Asset-related
<b>Total</b>	<b>6,547,003.82</b>	<b>—</b>	<b>—</b>	<b>72,446.41</b>	<b>287,634.34</b>	<b>6,186,923.07</b>	

### 3. Government grant recognised in current profit and loss

Applicable  Not applicable

Unit: RMB

Accounting items	Amount for the current period	Amount for the last period
Other incomes	<b>6,555,082.59</b>	132,723.59

## XII. Risks associated with financial instruments

### 1. Various risks arising from financial instruments

The Group is exposed to various financial instrument risks in its daily activities, including market risk (for example, exchange rate risk, interest rate risk and commodity price risk), credit risk and liquidity risk. 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

###### ① Foreign exchange risk

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 Group 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 2024, 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 2024	31 December 2023
Monetary funds — USD	<b>4,826,456.47</b>	5,731,524.96
Monetary funds — EUR	<b>2.91</b>	2.99
Monetary funds — HKD	<b>9.15</b>	9.09
Accounts receivable — USD	<b>92,490,581.29</b>	102,501,746.09
Accounts receivable — EUR	—	—
Accounts payable — USD	<b>14,266,795.91</b>	10,829,237.38
Contract liabilities — USD	<b>27,308,666.85</b>	21,973,504.18
Contract liabilities — EUR	<b>1,344,730.05</b>	1,131,724.80

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.

② Interest rate risk

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 2024, the Group's interest-bearing liabilities were mainly floating-rate loan contracts denominated in RMB amounting to RMB404,990,000.00 (31 December 2023: RMB433,140,000.00) and fixed-rate loan contracts denominated in RMB and USD amounting to RMB1,130,414,749.17 (31 December 2023: RMB1,265,203,402.10).

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 Group 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 Group's various types of needs for short-term financing.

③ Price risk

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

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2) *Credit risk*

The Group manages its credit risk by portfolio categories. Credit risk primarily arises from monetary funds, bills receivable, accounts receivable, financing receivables, other receivables, contract assets and long-term receivables.

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 Group 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.

The total amount of the top five accounts receivable of the Group was RMB230,529,609.03, accounting for 77.74% of the Group's total accounts receivable.

① Criteria for judging significant increase in credit risk

On each balance sheet date, the Group judges whether credit risk has significantly increased since the initial recognition is made by comparing the following two probabilities: i.e. the default probability of financial instruments in the expected life period determined at the time of initial recognition, and the default probability of the instrument during the expected life period determined on the balance sheet date. However, if the Group determines that the financial instrument only has a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not significantly increased since the initial recognition.

The Group determines the significant increase in credit risk mainly based on the criteria that any significant changes in one or more of the following indicators: material and adverse changes in the business environment, internal and external credit rating, actual or expected operating results of the debtor.

② Definition of assets subject to credit impairment

A financial asset becomes credit-impaired when one or more events occur that harm the expected future cash flows of the financial asset.

The Group determines that credit impairment has occurred mainly based on the following criteria. If internal or external information shows that before considering enhancing any credit held by the Group, the contract amount may not be fully recovered, the Group will also regard it as credit impairment. Credit impairment of financial assets may be the result of a merger of events and may not necessarily be the result of separately identifiable events.

Evidence that credit impairment has occurred in financial assets includes the following observable information: significant financial difficulty of the issuer or debtor; breach of contract by the debtor: such as delinquency or default in interest and principal payments; the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Group would not otherwise consider; it becomes probable that the debtor will enter bankruptcy or financial reorganization; the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor.

③ Credit risk exposure

As at 30 June 2024, the maximum credit risk exposure of the Group's financial loss mainly comes from other guarantees undertaken by the Group.

The Group's credit risk exposure includes both in-balance sheet and out-of-balance sheet items involving credit risk. On the balance sheet date, the carrying amount of the Group's financial assets represents its maximum credit risk exposure. The maximum credit risk exposure out-of-balance sheet (regardless of available collateral or other credit enhancement) is as follows:

	Unit: RMB	
<b>Out-of-balance sheet item</b>	<b>30 June 2024</b>	31 December 2023
Other credit commitment	<b>3,800,000.00</b>	4,200,000.00

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 2024, the Group had unutilised credit facilities provided by financial institutions of RMB425,350,000.00 (31 December 2023: RMB422,090,000.00), of which the unutilised short-term borrowings of the Group amounted to RMB425,350,000.00 (31 December 2023: RMB352,090,000.00). 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 2024:

Unit: RMB

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	—	—	—	—	—
Monetary funds	90,475,362.73	—	—	—	90,475,362.73
Bills receivable	12,168,168.10	—	—	—	12,168,168.10
Accounts receivable	247,800,656.37	—	—	—	247,800,656.37
Financing receivables	3,149,032.25	—	—	—	3,149,032.25
Other receivables	166,035,387.82	120,525,467.22	114,428,502.21	—	400,989,357.25
Financial liabilities	—	—	—	—	—
Short-term borrowings	1,493,153,048.51	—	—	—	1,493,153,048.51
Bills payable	4,800,000.00	—	—	—	4,800,000.00
Accounts payable	442,364,048.25	—	—	—	442,364,048.25
Other payables	26,665,185.18	—	—	—	26,665,185.18
Non-current liabilities due within					
one year	43,197,762.65	—	—	—	43,197,762.65
Other current liabilities	8,368,344.82	—	—	—	8,368,344.82
Lease liabilities	—	6,739,044.47	8,739,952.83	—	15,478,997.30
Long-term payables	—	6,722,083.41	—	—	6,722,083.41

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(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) *Sensitivity analysis of foreign exchange*

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

Item	Movement in exchange rate	30 June 2024		2023	
		Impact on net profit	Impact on owners' equity	Impact on net profit	Impact on owners' equity
All foreign currencies	5% appreciation against RMB	5,954,603.03	5,954,603.03	6,798,150.03	6,798,150.03
All foreign currencies	5% depreciation against RMB	(5,954,603.03)	(5,954,603.03)	(6,798,150.03)	(6,798,150.03)

2) *Sensitivity analysis of interest rate 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 all other variables are held constant, the effect of reasonable changes in interest rate that may arise on the profit and loss and equity for the period after tax are set out below:

Unit: RMB

Item	Movement in interest rate	30 June 2024		2023	
		Impact on net profit	Impact on owners' equity	Impact on net profit	Impact on owners' equity
Variable-rate borrowings	1% increase	(897,155.66)	(897,155.66)	(2,307,663.58)	(2,307,663.58)
Variable-rate borrowings	1% decrease	897,155.66	897,155.66	2,307,663.58	2,307,663.58

## 2. Hedging

### (1) The Company carried out hedging business for risk management

Applicable  Not applicable

### (2) The Company conducts eligible hedging operations and applies hedge accounting

The Company did not carry out hedging business for risk management in the first half of 2024.

### (3) The Company carried out hedging business for risk management, which is expected to achieve the risk management target, but did not apply hedging accounting

Applicable  Not applicable

## 3. Financial assets

### (1) Classification by transfer type

Applicable  Not applicable

Unit: RMB

Transfer type	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Judgment basis of derecognition
Bill endorsement/ bill discount	Commercial acceptance bills in bills receivable that were not due	7,496,311.44	Not derecognized	Because the commercial acceptance bills in bills receivable were accepted by enterprises with low credit ratings, commercial acceptance bills endorsed/discounted would not affect the right of recourse, and the credit risk and deferred payment risk related to the bills were not yet transferred, they are not derecognized.
Bill endorsement/ bill discount	Bank acceptance bills in financing receivables that were not due	9,824,316.61	Derecognition	Bank acceptance bills in financing receivables were accepted by banks with higher credit ratings, the credit risk and deferred payment risk were very low, and the interest rate risk related to bills was transferred to the banks.
Factoring	Bills receivable	9,780,831.08	Not derecognized	Substantially all of its risks and rewards, including the default risk associated with it, were retained.
Total		27,101,459.13		



(2) Derecognition of financial assets due to transfer

Applicable  Not applicable

Unit: RMB

Item	Ways of transferring financial assets	Amount of derecognized financial assets	Gain or loss related to derecognition
Financing receivables	Endorsement/discount	9,824,316.61	—
Total		9,824,316.61	—

(3) Continuous involvement in the transferred financial asset

Applicable  Not applicable

### XIII. Fair value disclosures

1. *Others*

As at 30 June 2024, the Company'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 Company'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.

### XIV. Related parties and related party transactions

1. *Parent company of the Company*

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 Molong Holdings (墨龍控股) who holds 235,617,000 A shares of the Company, representing 29.53% of the total share capital of the Company. The actual controller of the Company is the State-owned Assets Supervision and Administration Bureau of Shouguang City.

2. *Subsidiaries of the Company*

Particulars of subsidiaries of the Company are set out in Note X.1.

3. *Joint ventures and associates of the Company*

Details of the significant joint ventures or associates of the Company are set out in Note X.3.

The following joint ventures or associates entered into related party transactions with the Company during the current period or had balances of related party transactions with the Company from the prior period :

Name of joint venture or associate	Relationship with the Company
Karamay Yalong Petroleum Machinery Co., Ltd.	Associate of the Company

#### 4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Shouguang State-owned Assets Supervision and Administration Bureau (壽光市國有資產監督管理局)	The actual controller
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
Shouguang Chuangcai Asset Management Limited (壽光創財資產管理有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Shenghui Photovoltaic Technology Co., Ltd. (壽光高投晟輝光伏科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xinhui Real Estate Co., Ltd. (壽光市鑫惠置業有限公司)	A subsidiary of Shouguang Jinxin
Shandong Qingtai Medical Equipment Co., Ltd. (山東青泰醫療器械有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Huibang Construction and Installation Engineering Co., Ltd. (壽光高投匯邦建築安裝工程有限公司)	A subsidiary of Shouguang Jinxin
Shandong Pusen Medical Equipment Co., Ltd. (山東普森醫療器械有限公司)	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 Jintou Medical Services Co., Ltd. (壽光市金投醫療服務有限公司)	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 Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	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
Weifang Huayuan Heat Co., Ltd. (濰坊華源熱力有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Ronggeng Agricultural Technology Co., Ltd. (壽光融耕農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shandong Bolan Biotechnology Co., Ltd. (山東博嵐生物科技股份有限公司)	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 Jinhan Supply Chain Management Co, Ltd. (壽光金瀚供應鏈管理有限公司)	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 Tianyi New Energy Co., Ltd. (壽光天一新能源有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd. (壽光高投泓鑫產業園運營管理有限公司)	A subsidiary of Shouguang Jinxin
Shandong Chengsen Biotechnology Co., Ltd. (山東承森生物科技股份有限公司)	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
Shandong Chiming Salt Chemistry Co., Ltd. (山東池銘鹽化有限公司)	A subsidiary of Shouguang Jinxin

Name of other related parties	Relationship between other related parties and the Company
Shouguang Hengze Industrial Development Co., Ltd. (壽光恒澤產業發展有限公司)	A subsidiary of Shouguang Jinxin
Weifang Aolong Guarantee Co., Ltd. (濰坊奧龍擔保股份有限公司)	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 High-tech Zone 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
Shouguang Kefa Investment Co., Ltd. (壽光科發投資有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Fruit and Vegetable Variety Right Trading Center Co., Ltd. (壽光果菜品種權交易中心有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Heating Power Co., Ltd. (壽光市金投熱力有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Guoyu New Energy Co., Ltd. (壽光市國譽新能源科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Companies where the Directors hold an office
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司)	Companies where the Directors hold an office
Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司)	Companies where the Directors hold an office
Shouguang Jintou Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司)	Companies where the Directors hold an office
Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	Companies where the Directors hold an office
Shandong Jiuan Insurance Broker Co., Ltd. (山東九安保險經紀股份有限公司)	Companies controlled by the Directors
Shandong Jiu'an Investment Management Co., Ltd. (山東九安投資管理有限公司)	Companies controlled by the Directors
Shandong Qi'an Health Management Co., Ltd. (山東齊安健康管理有限公司)	Companies controlled by the Directors
Shandong Ju'an Siwei Risk Management Consulting Co., Ltd. (山東居安思危風險管理諮詢有限公司)	Companies controlled by the Directors
Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司)	Companies with associated natural persons
Weifang Mimosa Nursing Technology Co., Ltd. (濰坊含羞草護理科技股份有限公司)	Companies with associated natural persons
Shouguang Haihengwei Real Estate Development Co., Ltd. (壽光市海恒威房地產開發有限公司)	Companies with associated natural persons
Shouguang Jinkong Asset Management Co., Ltd. (壽光市金控資產管理有限公司)	Companies with associated natural persons
Shouguang Jinzheng Financing Guarantee Co., Ltd. (壽光市金政融資擔保有限公司)	Companies with associated natural persons
Weifang Huiyi Property Management Co., Ltd. (濰坊卉宜物業管理有限公司)	Companies with associated natural persons
Shouguang Changxu Thermal Power Co., Ltd. (壽光昶旭熱力有限公司)	Companies with associated natural persons
Shouguang Chengsai Agricultural Technology Co., Ltd. (壽光市誠賽農業科技有限公司)	Companies with associated natural persons
Shouguang Jincan Agricultural Technology Co., Ltd. (壽光市金燦農業科技有限公司)	Companies with associated natural persons
Kunpeng (Shandong) Asset Management Co., Ltd. (昆朋(山東)資產管理有限公司)	Companies with associated natural persons
Qingdao Jinxin Huijin Finance Leasing Co., Ltd. (青島金鑫匯金融租賃有限公司)	Companies with associated natural persons

Name of other related parties	Relationship between other related parties and the Company
Shouguang Jintou Culture Industry Development Co., Ltd. (壽光市金投文化產業發展有限公司)	Companies with associated natural persons
Shouguang Industrial Investment and Education Technology Development Co., Ltd. (壽光市產投教育科技發展有限公司)	Companies with associated natural persons
Shouguang Jindu Engineering Management Co., Ltd. (壽光市金都工程管理有限公司)	Companies with associated natural persons
Shandong Cangsheng Agricultural Science and Technology Co., Ltd. (山東倉聖農業科技有限公司)	Companies controlled by associated natural persons
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

## 5. Related party transactions

### (1) Related party transactions regarding purchase and sale of goods and rendering and receipt of services

List of purchase of goods/receipt of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount for the previous period
Weifang Huiyi Property Management Co., Ltd.	Property and sanitation service fees	60,776.00	—	No	457,587.80
Karamay Yalong Petroleum Machinery Co., Ltd.	Short sections and accessories	414,077.26	—	No	0.00

List of sale of goods/rendering of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Amount for the last period
Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pumps and accessories	582,452.54	456,221.59

Explanations on related party transactions for the purchase and sale of goods, rendering and receipt of services

## (2) Related leasing

The Company as the lessee:

Unit: RMB

Name of lessor	Types of leased assets	Rental expenses for short-term leases and leases of low-value assets that are streamlined (if applicable)		Variable lease payments that are not included in the measurement of the lease liability (if applicable)		Rental paid		Interest expenses on lease liability assumed		Increased right-to-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)	Buildings	—	—	—	—	0.00	49,443.97	—	—	0.00	1,348,422.90

Explanations on leasing between related parties:

During the reporting period, the Company and Shouguang Xiangrun Industry Co., Ltd. entered into a lease contract, pursuant to which, the Company leased an office building for business office purpose for a term of three years from 1 January 2023 to 31 December 2025, with rent of nil for the first year, rent of RMB0.6751 million for the second year and RMB1.1814 million for the third year.

## (3) Related guarantees

The Company as a guaranteed party:

Unit: RMB

Guarantor	Guarantee amount	Commencement date of the guarantee	Expiry date of the guarantee	Has the guarantee been fulfilled
Shouguang Jinxin	60,000,000.00	26 August 2021	25 August 2024	No

Description of related guarantee

On 26 August 2021, the twelfth meeting of the sixth session of the board of directors of the Company considered and passed the "Proposal for Development of Finance Lease Business" (《關於開展融資租賃業務的議案》). It was agreed that the Company should commence the sale-and-leaseback financing business with Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司) with a total amount of not exceeding RMB6,000 ten thousand for a period of no longer than 36 months, and that Shouguang Jinxin (a controlling shareholder of the Company's controlling shareholder) should undertake the joint liability guarantee for the Company for free. Details are available on the website of cninfo (<http://www.cninfo.com.cn>) in the announcement numbered 2021-052.

#### (4) Borrowings from/lending to related parties

Unit: RMB

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Borrowings				
Shouguang Jinxin	20,000,000.00	23 March 2023	26 January 2024	—
Shouguang Jinxin	20,000,000.00	27 March 2023	26 January 2024	—
Shouguang Jinxin	30,000,000.00	31 March 2023	7 February 2024	—
Shouguang Jinxin	30,000,000.00	5 July 2023	7 March 2024	—
Shouguang Jinxin	8,000,000.00	22 August 2023	1 February 2024	—
Shouguang Jinxin	5,000,000.00	29 August 2023	1 February 2024	—
Shouguang Jinxin	5,000,000.00	18 September 2023	1 February 2024	—
Shouguang Jinxin	5,000,000.00	13 October 2023	7 February 2024	—
Shouguang Jinxin	8,000,000.00	22 November 2023	7 February 2024	—
Shouguang Jinxin	5,000,000.00	14 December 2023	7 February 2024	—
Shouguang Jinxin	7,800,000.00	28 December 2023	7 March 2024	—
Shouguang Jinxin	10,000,000.00	31 December 2023	7 March 2024	—
Shouguang Jinxin	6,000,000.00	1 February 2024	7 March 2024	—
Shouguang Jinxin	56,000,000.00	4 February 2024	1 April 2024	—
Shouguang Jinxin	20,000,000.00	21 February 2024	29 March 2024	—
Shouguang Jinxin	50,000,000.00	6 March 2024	1 April 2024	—
Shouguang Jinxin	70,000,000.00	11 March 2024	12 March 2024	—
Shouguang Jinxin	20,000,000.00	25 March 2024	26 April 2024	—
Shouguang Jinxin	80,000,000.00	28 March 2024	20 June 2024	—
Shouguang Jinxin	20,000,000.00	1 April 2024	—	—
Shouguang Jinxin	16,000,000.00	9 April 2024	28 June 2024	—
Shouguang Jinxin	15,000,000.00	15 April 2024	—	—
Shouguang Jinxin	5,000,000.00	18 April 2024	—	RMB392,684.93 was repaid on 20 June 2024.
Shouguang Jinxin	20,000,000.00	29 April 2024	—	—
Shouguang Jinxin	15,000,000.00	30 April 2024	—	—
Shouguang Jinxin	10,000,000.00	6 May 2024	—	—
Shouguang Jinxin	3,000,000.00	8 June 2024	29 June 2024	—
Shouguang Jinxin	6,000,000.00	11 June 2024	—	—
Shouguang Jinxin	3,000,000.00	12 June 2024	—	—
Shouguang Jinxin	5,000,000.00	25 June 2024	—	—
Lending	—	—	—	—

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#### (5) Compensation of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the last period
Total remuneration	<b>1,023,813.34</b>	1,510,050.10

#### (6) Other related party transactions

No other related party transactions or continuing related party transactions have occurred in the Company.

## 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.	3,618,164.07	1,153,088.39	3,427,939.47	1,097,287.10

## 7. Undertakings by related parties

The Company continues to receive financial support from Shouguang Jinxin, the controlling shareholder of the controlling shareholder. On 10 February 2024, after the consideration and approval at the ninth extraordinary meeting of the seventh session of the Board of Directors of the Company, Shouguang Jinxin provided financial assistance of up to RMB300 million (including RMB300 million) to the Company for a term of less than one year (including one year), with an interest rate not higher than the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide financial assistance in installments according to the actual situation, and the interest shall be calculated based on the actual borrowing days, and the Company can repay in advance. Any form of security, including guarantee, mortgage and pledge, is not required for this financial assistance.

## XV. Share-based payments

### 1. General information of share-based payments

Applicable  Not applicable

### 2. Equity-settled share-based payments

Applicable  Not applicable

### 3. Cash-settled share-based payments

Applicable  Not applicable

### 4. Share-based payment expenses in the current period

Applicable  Not applicable

### 5. Revision and termination of share-based payments

Nil

### 6. Others

The Company had no share-based payments during the period.

## XVI. Commitments and contingencies

### 1. Significant commitments

Significant commitments at the balance sheet date

The Company has no significant commitments on the balance sheet date.

### 2. Contingencies

#### (1) Material contingencies at the balance sheet date

The Company has no material contingencies on the balance sheet date.

#### (2) To state that the Company has no material contingency that needs to be disclosed

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

### 3. Others

The Company has no other major contingencies.

## XVII. Events subsequent to the balance sheet date

### 1. Profit distribution

Amount of dividends to be distributed for every ten shares (RMB)	0
Number of bonus shares to be distributed for every ten shares (shares)	0
Number of shares to be transferred into share capital for every ten shares (shares)	0
Amount of dividends declared for every ten shares upon consideration and approval (RMB)	0
Number of bonus shares declared for every ten shares upon consideration and approval (shares)	0
Number of shares declared to be transferred into share capital for every ten shares upon consideration and approval (shares)	0
Profit distribution scheme	Nil

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### 2. Sales return

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

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

Nil

## XVIII. Other significant events

### 1. Segment information

#### (1) Basis for determining reportable segments and accounting policies

##### (1) Basis for determining reportable segments

Based on its internal organisational structure, management requirements and internal reporting system, the Company's operating businesses are divided into five reportable segments, which are determined for the basis of internal organizational structure, management requirements and internal reporting system. Management of the Company 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 Company's reportable segments include oil casing, three kinds of pumping units, petroleum machinery parts, castings and forgings, and others.



(2) Accounting policies for the reportable segments

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	Castings and forgings	Others	Unallocated	Intersegment elimination	Total
Operating revenue	—	—	—	—	—	—	—	—
Revenue from external sales	542,742,258.39	14,317,014.33	1,061,486.64	5,724,946.04	40,782,225.48	—	—	604,627,930.88
Revenue from inter-segment sales	—	—	—	—	—	—	—	—
Total segment operating revenue	542,742,258.39	14,317,014.33	1,061,486.64	5,724,946.04	40,782,225.48	—	—	604,627,930.88
Total operating revenue as reported	542,742,258.39	14,317,014.33	1,061,486.64	5,724,946.04	40,782,225.48	—	—	604,627,930.88
Segment expenses	547,388,223.42	12,316,078.15	679,782.52	6,192,575.32	40,867,995.31	741,269.32	—	608,186,924.04
Segment operating profit	(4,645,965.03)	2,000,936.18	381,704.12	(467,629.28)	(85,769.83)	(741,269.32)	—	(3,557,993.16)
Adjusted for:	—	—	—	—	—	—	—	0.00
Administrative expenses	—	—	—	—	—	66,070,521.83	—	66,070,521.83
Research and development expenses	—	—	—	—	—	12,085,798.40	—	12,085,798.40
Finance costs	—	—	—	—	—	41,320,640.79	—	41,320,640.79
Investment income	—	—	—	—	—	282,091,477.58	—	282,091,477.58
Gains on disposal of assets	—	—	—	—	—	163,084.71	—	163,084.71
Other income	—	—	—	—	—	6,555,082.59	—	6,555,082.59
Operating profit as reported	(4,645,965.03)	2,000,936.18	381,704.12	(467,629.28)	(85,769.83)	168,591,414.54	—	165,774,690.70
Non-operating income	—	—	—	—	—	3,592,336.79	—	3,592,336.79
Non-operating expenses	—	—	—	—	—	410,913.24	—	410,913.24
Total profit	(4,645,965.03)	2,000,936.18	381,704.12	(467,629.28)	(85,769.83)	171,772,838.09	—	168,956,114.25
Income tax	—	—	—	—	—	(394,994.52)	—	(394,994.52)
Net profit	(4,645,965.03)	2,000,936.18	381,704.12	(467,629.28)	(85,769.83)	172,167,832.61	—	169,351,108.77
Total segment assets	1,819,179,922.54	82,979,111.90	10,136,687.75	563,001,895.90	220,635,409.55	89,882,553.02	—	2,785,815,580.65
Total segment liabilities	521,903,085.69	20,530,666.26	7,019,165.12	839,967,950.66	19,278,157.97	782,664,492.83	—	2,191,363,518.53

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

In the first half of 2024 and 2023, 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)	<b>372,373,974.21</b>	635,768,739.52
Hong Kong	—	—
Other overseas regions	<b>232,253,956.67</b>	162,650,275.58
Total	<b>604,627,930.88</b>	798,419,015.10

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

### 1. Accounts receivable

#### (1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	692,448,879.09	516,397,871.19
1–2 years	4,813,874.22	2,596,020.65
2–3 years	829,474.07	—
Over 3 years	63,926,218.14	66,604,757.09
3–4 years	—	707,219.17
4–5 years	—	1,786,213.66
Over 5 years	63,926,218.14	64,111,324.26
<b>Total</b>	<b>762,018,445.52</b>	<b>585,598,648.93</b>

#### (2) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	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
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Including:										
Accounts receivable provided for bad debts on a collective basis	762,018,445.52	100.00%	48,640,412.03	6.38%	713,378,033.49	585,598,648.93	100.00%	49,336,733.97	8.43%	536,261,914.96
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	295,274,085.36	38.75%	48,640,412.03	16.47%	246,633,673.33	301,530,809.50	51.49%	49,336,733.97	16.36%	252,194,075.53
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	466,744,360.16	61.25%	—	—	466,744,360.16	284,067,839.43	48.51%	—	—	284,067,839.43
<b>Total</b>	<b>762,018,445.52</b>	<b>—</b>	<b>48,640,412.03</b>	<b>—</b>	<b>713,378,033.49</b>	<b>585,598,648.93</b>	<b>—</b>	<b>49,336,733.97</b>	<b>—</b>	<b>536,261,914.96</b>

Name of type for which provision for bad debts is made 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

Name	Balance at the end of the period		Provision rate
	Book balance	Provision for bad debts	
Within 1 year	246,484,209.80	2,464,842.10	1.00%
1-2 years	4,813,874.22	2,406,937.11	50.00%
2-3 years	829,474.07	622,105.55	75.00%
4-5 years	—	—	—
Over 5 years	43,146,527.27	43,146,527.27	100.00%
Total	295,274,085.36	48,640,412.03	

Basis for determining the group:

Name of type for which provision for bad debts is made on a collective basis: 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

Unit: RMB

Name	Balance at the end of the period		Provision rate
	Book balance	Provision for bad debts	
Shouguang Maolong	445,964,669.29	—	—
MPM	20,779,690.87	—	—
Total	466,744,360.16	—	

Basis for determining the group:

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss:

Applicable  Not applicable

(3) Provision, recovery or reversal of provision for bad debts for the current period

Provisions for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	49,336,733.97	(696,321.94)	—	—	—	48,640,412.03
Total	49,336,733.97	(696,321.94)	—	—	—	48,640,412.03

(4) Accounts receivables actually written off during the current period

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

(5) Balance of five largest accounts receivable and contract assets as at the end of the period by debtors

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Percentage of the total balance of accounts receivable and contract assets at the end of the period	Balance of provision for bad debts of accounts receivable and impairment allowance for contract assets at the end of the period
Entity I	445,964,669.29	—	445,964,669.29	58.52%	—
Entity II	82,822,456.20	—	82,822,456.20	10.87%	912,978.22
Entity III	58,541,478.58	—	58,541,478.58	7.68%	585,414.79
Entity IV	51,143,080.39	—	51,143,080.39	6.71%	511,430.80
Entity V	22,044,893.25	—	22,044,893.25	2.89%	1,991,397.71
Total	660,516,577.71	—	660,516,577.71	86.67%	4,001,221.52

## 2. Other receivables

Unit: RMB

Item	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Other receivables	<b>753,251,887.28</b>	466,585,433.39
Total	<b>753,251,887.28</b>	466,585,433.39

### (1) Other receivables

#### 1) Other receivables by payment nature

Unit: RMB

Payment nature	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Employee working capital	<b>289,000.00</b>	644,000.00
Deposits/Security deposits	<b>9,025,118.93</b>	3,297,459.71
Accounts due from/to other entities	<b>463,437,747.60</b>	138,767.29
Related parties within the scope of consolidation	<b>363,503,083.85</b>	462,536,062.03
Less: Provision for bad debts of other receivables	<b>(83,003,063.10)</b>	(30,855.64)
Total	<b>753,251,887.28</b>	466,585,433.39

#### 2) Disclosure by age

Unit: RMB

Age	<b>Balance at the end of the period</b>	Balance at the beginning of the period
Within 1 year (inclusive)	<b>392,322,506.56</b>	466,444,917.79
1 to 2 years	<b>443,761,372.58</b>	149,700.00
2 to 3 years	<b>149,400.00</b>	10,000.00
Over 3 years	<b>21,671.24</b>	11,671.24
3 to 4 years	<b>10,000.00</b>	987.63
4 to 5 years	<b>987.63</b>	—
Over 5 years	<b>10,683.61</b>	10,683.61
Total	<b>836,254,950.38</b>	466,616,289.03

3) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	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		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Provision for bad debts on an individual basis	474,427,618.41	56.73%	82,971,861.90	17.49%	391,455,756.51	—	—	—	—	—
Including:										
Other accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	474,427,618.41	56.73%	82,971,861.90	17.49%	391,455,756.51	—	—	—	—	—
Provision for bad debts on a collective basis	361,827,331.97	43.27%	31,201.20	0.01%	361,796,130.77	466,616,289.03	100.00%	30,855.64	0.01%	466,585,433.39
Including:										
Other accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	141,870.97	0.02%	31,201.20	21.99%	110,669.77	138,767.29	0.03%	30,855.64	22.24%	107,911.65
Other groups	361,685,461.00	43.25%	—	—	361,685,461.00	466,477,521.74	99.97%	—	—	466,477,521.74
Total	836,254,950.38	—	83,003,063.10	—	753,251,887.28	466,616,289.03	100.00%	30,855.64	0.01%	466,585,433.39

Name of type for which provision for bad debts is made on an individual basis: Other accounts receivable provided for bad debts on an individual basis due to significantly different credit risk

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Shouguang Baolong	—	—	461,615,166.48	80,929,994.11	17.53%	—
Weihai Baolong	—	—	12,812,451.93	2,041,867.79	15.94%	—
Total	—	—	474,427,618.41	82,971,861.90	—	—

Name of type for which provision for bad debts on a collective basis: Other accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

Name	Balance at the end of the period		Provision rate
	Book balance	Provision for bad debts	
Within 1 year	130,199.73	19,529.96	15.00%
1-2 years	—	—	—
Over 3 years	11,671.24	11,671.24	100.00%
Total	141,870.97	31,201.20	

Basis for determining the group:

Name of type for which provision for bad debts on a collective basis: Provision for bad debts of other groups

Unit: RMB

Name	Balance at the end of the period		Provision rate
	Book balance	Provision for bad debts	
Employee working capital	289,000.00	—	—
Deposits/Security deposits	9,025,118.93	—	—
Related parties within the scope of consolidation	352,371,342.07	—	—
Total	361,685,461.00	—	

Basis for determining the group:

Other groups are mainly deposit, security deposit and internal funds transfer, with short term, extremely low credit risk, and no provision for bad debts.

Provision for bad debts using the general approach of expected credit loss:

Unit: RMB

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Balance on 1 January 2024	19,019.40	165.00	11,671.24	30,855.64
Balance on 1 January 2024 in the current period				
Provision for the current period	82,972,372.46	(165.00)	—	82,972,207.46
Balance on 30 June 2024	82,991,391.86	0.00	11,671.24	83,003,063.10

The basis of each phase and the provision rate of bad debt provision

Significant changes in the book balance of loss allowance in the current period

Applicable  Not applicable

4) *Provision, recovery or reversal of provision for bad debts for the current period*

Provision for bad debts for the current period:

Unit: RMB

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Type	Balance at the beginning of the period	Movement 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	30,855.64	2,042,213.35	—	—	80,929,994.11	83,003,063.10
Total	30,855.64	2,042,213.35	—	—	80,929,994.11	83,003,063.10

Explanation: Other changes were mainly due to the transfer of impairment provision of RMB80,929,994.11 from expected liability item after the transfer of the equity interests in Shouguang Baolong.

5) *Other receivables actually written off during the current period*

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



6) Balance of five largest other receivables as at the end of the period by debtor

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 Baolong	Current account	461,615,166.48	Within 1 year, 1-2 years	55.20%	80,929,994.11
Shouguang Maolong	Current account	258,260,897.58	Within 1 year	30.88%	—
Molong Logistic	Current account	94,110,444.49	Within 1 year	11.25%	—
Weihai Baolong	Current account	12,812,451.93	Within 1 year, 1-2 years	1.53%	2,041,867.79
Shaanxi Energy Chemical Exchange Co., Ltd (陕西能源化工交易所股份有限公司)	Security deposits	5,637,541.71	Within 1 year	0.67%	—
Total		832,436,502.19		99.53%	82,971,861.90

3. Long-term equity investments

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
Investment in subsidiaries	1,479,024,208.17	1,113,701,397.76	365,322,810.41	1,762,019,921.73	1,321,701,397.76	440,318,523.97
Total	1,479,024,208.17	1,113,701,397.76	365,322,810.41	1,762,019,921.73	1,321,701,397.76	440,318,523.97

(1) Investment in subsidiaries

Unit: RMB

Investee	Movements during the current period							Balance of impairment provision at the end of the period
	Balance at the beginning of the period (Book value)	Balance of provision for impairment at the beginning of the period	Increase in investment	Decrease in investment	Provision for impairment	Others	Balance at the end of the period (Book value)	
Shouguang Maolong	293,042,293.97	1,113,701,397.76	—	—	—	—	293,042,293.97	1,113,701,397.76
Weihai Baolong	117,000,000.00	103,000,000.00	—	117,000,000.00	—	(103,000,000.00)	—	—
MPM	7,276,230.00	—	—	—	—	—	7,276,230.00	—
Shouguang Baolong	0.00	105,000,000.00	—	—	—	(105,000,000.00)	—	—
Molong Logistic	3,000,000.00	—	—	—	—	—	3,000,000.00	—
Molong I&E	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Commercial	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Electro-mechanical	—	—	—	—	—	42,004,286.44	42,004,286.44	—
Total	440,318,523.97	1,321,701,397.76	—	117,000,000.00	—	(165,995,713.56)	365,322,810.41	1,113,701,397.76

#### 4. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the last period	
	Revenue	Costs	Revenue	Costs
Principal operations	<b>547,240,524.33</b>	<b>531,054,834.88</b>	732,694,331.57	674,105,184.79
Other operations	<b>45,284,440.91</b>	<b>37,857,726.23</b>	38,071,840.40	35,937,862.86
<b>Total</b>	<b>592,524,965.24</b>	<b>568,912,561.11</b>	770,766,171.97	710,043,047.65

Breakdown of operating revenue and operating costs:

Unit: RMB

Contract category	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
The type of operations				
Including:				
Pipe products	531,629,716.89	518,176,304.47	531,629,716.89	518,176,304.47
Three kinds of pumping units	14,317,014.33	12,047,910.61	14,317,014.33	12,047,910.61
Petroleum machinery parts	1,061,486.64	659,900.14	1,061,486.64	659,900.14
Others	45,516,747.38	38,028,445.89	45,516,747.38	38,028,445.89
Classify based on operating area				
Including:				
At home	370,594,113.40	365,944,835.66	370,594,113.40	365,944,835.66
At abroad	221,930,851.84	202,967,725.45	221,930,851.84	202,967,725.45
Classify based on the timing of goods transferred				
Including:				
Goods transferred at a point in time	592,524,965.24	568,912,561.11	592,524,965.24	568,912,561.11
Classified by contract term				
Including:				
Short-term contract	592,524,965.24	568,912,561.11	592,524,965.24	568,912,561.11
Classified by sale channels				
Including:				
Direct sales	592,524,965.24	568,912,561.11	592,524,965.24	568,912,561.11
<b>Total</b>	<b>592,524,965.24</b>	<b>568,912,561.11</b>	<b>592,524,965.24</b>	<b>568,912,561.11</b>

Information related to performance obligation:

Item	Time of fulfilling performance obligation	Material payment terms	Nature of goods a company undertook to transfer	Whether as a principal	Payment expected to be returned to customers borne by a company	The types of quality assurance provided by the Company and relevant obligations
Export sales	Goods loading and departure from port	As for exports, cash collection is preferred. For most oil casing customers, prepayment will be made and the balance payment shall be settled before delivery or seeing the copy of bill of lading. Credit period of petroleum machinery parts generally lasts for two months.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/ the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3–6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Other descriptions

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 RMB420 million as at the end of the reporting period, RMB420 million of which were expected to be recognised as revenue in 2024.

## 5. Investment incomes

Item	Unit: RMB	
	Amount for the current period	Amount for the last period
Investment income arising from disposal of long-term equity investments	<b>(38,042,746.82)</b>	—
Total	<b>(38,042,746.82)</b>	—

## XX. Supplementary information

### 1. Breakdown of extraordinary profits or losses for the current period

Applicable  Not applicable

Unit: RMB

Item	Amount	Explanation
Non-current assets disposal profit and loss	281,321,729.97	Mainly comprised of the gain arising from the disposal of equity interests in subsidiaries during the current period.
Government grants recognised in current profit and loss (excluding those grants that are closely related to the Company's normal business operation, that conform to national policies, are entitled to according to specified standards and have a lasting impact on the Company's profit or loss)	106,235.78	Mainly comprised of the amortisation of deferred revenue during the current period.
Except for the effective hedging transactions related to the normal operation of the Company, the gains or losses from changes in fair value arising from holding financial assets and liabilities by non-financial enterprises, as well as the gains or losses from disposal of financial assets and liabilities	767,204.43	During the reporting period, the 1.92% equity interest in Weihai Baolong held by Molong Electro-mechanical, a subsidiary, was converted from long-term equity investment to investment in other equity instruments as Weihai Baolong was no longer included in the scope of consolidation after the transfer of its equity interests.
Non-operating income and expenses other than the above items	3,181,423.55	Mainly comprised of liquidated damages received from foreign customers and accounts payable which were not required to be paid during the current period.
Less: Effect on income tax	290,354.40	—
Impact amount of minority shareholders' equity (after tax)	20,375.11	—
Total	285,065,864.22	—

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 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

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

<b>Profit for the reporting period</b>	<b>Weighted average return on net assets</b>	<b>Earnings per share</b>	
		<b>Basic earnings per share (RMB/share)</b>	<b>Diluted earnings per share (RMB/share)</b>
Net profit attributable to ordinary shareholders of the Company	33.42%	0.2132	0.2132
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	-22.58%	(0.1441)	(0.1441)

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

Applicable  Not applicable