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

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

All Directors attended the Board meeting for considering this report.

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

The Company has described in detail the potential risks in the section headed "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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“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”	The Shenzhen Stock Exchange
“SEHK”	The Stock Exchange of Hong Kong Limited
“CSRC”	China Securities Regulatory Commission
“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.)
“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.)
“Molong Energy”	山東墨龍能源科技有限公司 (Shandong Molong Energy Technology Co., Ltd.)
“Molong I&E”	山東墨龍進出口有限公司 (Shandong Molong Import & Export Co., Ltd.)
“MPM”	MPM International Limited
“Molong Logistic”	壽光墨龍物流有限公司 (Shouguang Molong Logistic Co., Ltd.)
“Molong Electro-mechanical”	壽光墨龍機電設備有限公司 (Shouguang Molong Electro-mechanical Equipment Company Limited)
“Baolong Consultancy”	壽光市寶隆管理諮詢有限公司 (Shouguang Baolong Management and Consultancy Co., Ltd.)
“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 2021 to 30 June 2021
“RMB”, “RMB thousand”, “RMB ten thousand”	Renminbi, thousand Renminbi, ten thousand Renminbi

Stock short name	Shandong Molong	Stock codes	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		
Chinese short name of the Company (if any)	山東墨龍		
English name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
English short name of the Company (if any)	Shandong Molong		
Legal representative of the Company	Yang Yun Long		

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

1. *Contact method of the Company*

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

☐ Applicable ✓ Not applicable

There were no changes in the registered address, office address and zip code, website and e-mail address of the Company during the reporting period. For details, please see the Annual Report 2020.

2. *Information disclosures and places for keeping records*

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

☐ Applicable ✓ Not applicable

There were no changes in the designated newspapers for information disclosure, the website designated by CSRC for the publication of interim reports and the place of keeping interim reports of the Company during the reporting period. For details, please see the Annual Report 2020.

Whether the Company is necessary to make retrospective adjustments or restatements for the accounting data in previous years

☐ Yes ✓ No

		Same period last year	
Operating revenue (RMB)	**1,898,127,577.08**	1,346,377,691.82	**40.98%**
Net profit attributable to shareholders of the listed company (RMB)	**(68,250,795.42)**	(109,325,493.01)	**37.57%**
Net profit after extraordinary gains or losses attributable to shareholders of the listed company (RMB)	**(67,526,958.21)**	(107,680,448.54)	**37.29%**
Net cash flows generated from operating activities (RMB)	**(19,471,631.29)**	62,467,301.30	**(131.17%)**
Basic earnings per Share (RMB/share)	**(0.0855)**	(0.137)	**37.59%**
Diluted earnings per Share (RMB/share)	**(0.0855)**	(0.137)	**37.59%**
Weighted average rate of return on net assets (%)	**(3.91%)**	(6.46%)	**2.55%**

		As at the end of last year	
Total assets (RMB)	**4,913,625,494.81**	5,175,635,815.38	**(5.06%)**
Net assets attributable to shareholders of the listed company (RMB)	**1,712,635,539.42**	1,780,737,084.59	**(3.82%)**

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

✓ Applicable ☐ Not applicable

Unit: RMB

[illegible]	Amount	D[illegible]
Gains or losses arising from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	(371,900.19)	Mainly comprised of the loss on disposal of fixed assets in the current period.
Government grants included in the profit or loss for the current period (excluding those grants that are closely related to the Company's business and that were granted in accordance with the standard amount or volume prescribed by the State)	1,266,838.69	Mainly comprised of the government grants received during the current period such as the work-based subsidies from the local human resources services centre.
Gains or losses arising from contingencies unrelated to the normal operation of the Company	(2,227,197.33)	Mainly attributable to the compensation loss provided for in accordance with the latest judgment.
Non-operating income and expenses other than the above items	580,151.61	Mainly comprised of the compensation income received in respect of breach of contract during the current period.
Less: Effect on income tax	(121,932.00)	—
Effect on minority interests (after tax)	93,661.99	—
Total	(723,837.21)	—

Reasons should be given if the Company has classified any extraordinary profit or loss items (as defined and listed in the Explanatory Announcement 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 classify any extraordinary profit and loss items (as defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as recurring gain and loss items during the reporting period.

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

During the reporting period, the Group 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 major key components, and castings and forgings products, etc. The Group's products were mainly used in industries in connection with the drilling, machinery processing, urban pipe network of petroleum, natural gas, coalbed methane, shale gas and other energy sources. During the reporting period, pipe products and tube blanks contributed over 90% of the Group's sales, and were the main source of the revenue and profit of the Group. During the reporting period, the Group made timely adjustments to its product mix by increasing the production and sales volume of tube blanks based on market trends. As a result, the Group realised a year-on-year increase in operating revenue and further boosted its profitability.

The Group's main products are pipe products, tube blanks and high-end castings and forgings. The Group has adopted a "sales-based production" business model for production under which the Group manufactures, inspects and delivers products under its production system and according to the plan specified in the customer orders secured by the sales department through market sales initiatives. The Group 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 Group 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.

As at the end of the reporting period, the Group had total assets of RMB4.914 billion, representing a decrease of 5.06% year-on-year. Net assets attributable to shareholders of the listed company were RMB1.713 billion, representing a decrease of 3.82% year-on-year. Gearing ratio dropped by 0.89 percentage points year-on-year to 64.30%. During the reporting period, the Company realised an operating revenue of RMB1.898 billion, representing a growth of 40.98% compared with the corresponding period of last year. Net profit attributable to shareholders of the listed company increased by RMB41.0747 million form the corresponding period of last year to -RMB68.2508 million.

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

The Group operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which is apparently vulnerable to changes in economic development cycle, market consumption and demand, cycle of crude oil prices and cycle of raw material prices. Since 2021, in line with macroeconomic recovery, global demand for oil and gas has been on the rise and therefore, recovery momentum sustained in the oil and gas industry. However, as industry recovery lagged behind changes in oil and gas prices, downstream energy equipment manufacturers stilled faced short-term pressure over supply imbalances. Moreover, bulk commodity prices led to high volatility in raw material prices, which brought the Group great challenges in costs.

In recent years, with the continued implementation of the "Seven-Year Action Plan" in China, the Group saw a growth trend in the domestic oil and gas exploration and development market. In the medium to long run, the national energy security strategy will provide strong support to the development of the oilfield services industry. Against the backdrop of China's continued high external dependence on crude oil and natural gas, the goal of "stabilising oil market and increasing demand for natural gas" will remain unchanged, giving room for further development of oil exploration and development. The white paper titled Energy in China's New Era indicated that, China has intensified efforts for the exploration and exploitation of oil and gas resources, to increase their reserve and production volumes, and has been enhancing its supply capacity for safer and higher-quality energy. Furthermore, with the full opening up of the China's oil and gas exploration and development market, private and foreign-invested companies and different sectors in the community will have the opportunities of tapping into the domestic oil and gas exploration and development market, to bring new blood for China's oil and gas exploration and development and drive new demand for the energy equipment industry.

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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 70 national and provincial-level related scientific research projects. We are the leading enterprises in China's energy equipment base with Shandong Provincial Enterprise Technology Center, Shandong Petroleum Special Pipe Engineering Technology Research Center, and National Accreditation Laboratory and Weifang Petroleum Machinery Engineering Technology Research Center and other innovation platforms in place. The Company has built a professional and stable scientific research team through independent training, introduction of talents, and cooperation with universities and research institutes, which is creating the enterprises-based and market-oriented technology innovation system with in-depth integration of production, education and research.

2. *Strength in product quality*

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

3. *Strength in marketing*

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

4. *Strength in furnace rehabilitation technology*

HIsmelt furnace rehabilitation technology is a furnace rehabilitation metallurgical technology of Shandong Molong which actively follows the national manufacturing transformation and upgrade, continues to develop the recycling economy and builds a green metallurgical enterprise. The Company has all the technical intellectual property rights of HIsmelt, the only HIsmelt industrial chemical plant in the world, rich experience in HIsmelt plant operation and maintenance and strong equipment R&D and manufacturing capabilities. The Company has obtained HIsmelt furnace rehabilitation technology series patents and authorizations. After the identification of scientific and technological achievements organized by the Chinese Society for Metals, Shandong Molong HIsmelt furnace rehabilitation technology has reached the international leading level. The application and promotion of HIsmelt furnace rehabilitation technology is expected to become a new profit growth point for the Company's future development.

5. Strength in new products

During the reporting period, in order to meet market demand, the Group developed a series of new products and improved its technical know-how by making additional investments in R&D activities. Full set installation and factory inspection and testing were completed for heat gun equipment. The Group developed and commenced small-batch trial production of EH sucker rod, which has been up to standard in terms of all performance indicators and covers the preparatory works for preliminary development of smart logistic oil pumps. The Group also developed a manufacturing process of boronized pump barrels for oil pumps and completed the testing and verification in Xinjiang market. The specialised double-channel oil pump product was completed with its design and manufacturing and has been put into trial run in the oilfields in Xinjiang. As

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See "I. Principal businesses of the Group during the reporting period" for details.

Year-on-year changes in key financial data

Unit: RMB

		Same period last year		
Operating revenue	**1,898,127,577.08**	1,346,377,691.82	40.98%	Mainly attributable to the rebound in market prices and the increase in sales volume of products.
Operating costs	**1,726,169,152.48**	1,266,769,839.94	36.27%	Mainly attributable to the increase in operating revenue for the current period, resulting in a corresponding increase in operating costs.
Selling expenses	**5,871,146.55**	4,809,238.16	22.08%	Mainly attributable to the increased business expenses in line with the increase in revenue for the period.
Administrative expenses	**114,235,240.60**	86,163,288.05	32.58%	Mainly attributable to the carrying out of periodic examination and maintenance works of subsidiaries in the first quarter and the low capacity utilisation rate of certain production lines for further processing which resulted in the increase in the relevant expenses.
Finance costs	**59,928,458.91**	73,135,285.58	(18.06%)	Mainly attributable to the decrease in financing amount during the current period.
Income tax expenses	**3,033,465.40**	1,300,015.86	133.34%	Mainly attributable to the increase in income tax expenses as a result of the decrease in deferred income tax assets.
Research and development expenditures	**33,718,872.51**	22,669,450.38	48.74%	Mainly attributable to the more investments made for the research and development of new products during the current period.
Net cash flow generated from operating activities	**(19,471,631.29)**	62,467,301.30	(131.17%)	Mainly attributable to the increase in payments for raw materials during the current period.
Net cash flow generated from investing activities	**117,818,189.36**	(12,605,213.76)	1,034.68%	Mainly attributable to the collection of a portion of proceeds from disposal of assets last year during the current period.
Net cash flow generated from financing activities	**(405,003,055.57)**	(74,444,055.54)	(444.04%)	Mainly attributable to the increase in cash repayments for due debts during the current period.
Net increase in cash and cash equivalents	**(305,871,029.79)**	(26,016,644.43)	(1,075.67%)	Mainly attributable to the combined effects of the operating, investing and financing activities.
Business taxes and surcharges	**6,681,418.77**	10,232,230.64	(34.70%)	Mainly attributable to the decrease in value-added tax during the current period and the decrease in property tax and land use tax resulting from the disposal of certain assets during late of last year.

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

☐ Applicable ✓ Not applicable

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

Composition of operating revenue

Unit: RMB

	[illegible]		Same period last year		
	[illegible]		Amount	Percentage of operating revenue	Year-on-year increase/ decrease
Total operating revenue	**1,898,127,577.08**	**100%**	1,346,377,691.82	100%	40.98%
By industry					
Special equipment manufacturing	**1,898,127,577.08**	**100.00%**	1,346,377,691.82	100.00%	40.98%
By product					
Pipe products	**1,053,440,211.21**	**55.50%**	1,075,867,038.06	79.91%	(2.08%)
Tube blanks	**706,827,222.90**	**37.24%**	92,664,669.60	6.88%	662.78%
High-end castings and forgings	**74,500,029.58**	**3.92%**	122,510,014.88	9.10%	(39.19%)
Three kinds of pumping units	**12,529,223.05**	**0.66%**	17,235,153.36	1.28%	(27.30%)
Petroleum machinery parts	**3,907,356.56**	**0.21%**	5,554,410.20	0.41%	(29.65%)
Others	**46,923,533.78**	**2.47%**	32,546,405.72	2.42%	44.17%
By region					
Within China	**1,804,034,637.51**	**95.04%**	1,107,541,201.08	82.26%	62.89%
Outside China	**94,092,939.57**	**4.96%**	238,836,490.74	17.74%	(60.60%)

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

✓ Applicable ☐ Not applicable

Unit: RMB

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
By industry						
Special equipment manufacturing	1,898,127,577.08	1,726,169,152.48	9.06%	40.98%	36.27%	3.15%
By product						
Pipe products	1,053,440,211.21	944,154,644.18	10.37%	(2.08%)	(6.08%)	3.81%
Tube blanks	706,827,222.90	651,524,260.94	7.82%	662.78%	566.48%	13.32%
High-end castings and forgings	74,500,029.58	69,202,030.33	7.11%	(39.19%)	(39.69%)	0.78%
By region						
Within China	1,804,034,637.51	1,641,863,528.64	8.99%	62.89%	54.08%	5.20%
Outside China	94,092,939.57	84,305,623.84	10.40%	(60.60%)	(58.09%)	(5.37%)

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

✓ Applicable ☐ Not applicable

1. Operating revenue and operating costs from tube blanks increased by 662.78% and 566.48% respectively from the same period of last year, primarily attributable to the increase in product market prices and the adjustments made by the Company to its product structure to increase production and sales of tube blank products during the reporting period.

2. Revenue and operating costs from high-end castings and forgings decreased by 39.19% and 39.69% respectively from the same period of last year, primarily attributable to the less production and sales activities of the Company for high-end castings and forgings with reference to market trends.

3. Revenue from other products increased by 44.17% from the same period of last year, primarily attributable to the increase in operating revenue as more augmented products of the Company were sold during the reporting period.

4. Operating revenue and operating costs from domestic sales increased by 62.89% and 54.08% respectively, primarily attributable to the more production and sales activities of the Company for tube blanks during the reporting period.

5. Operating revenue and operating costs from international sales decreased by 60.60% and 58.09% respectively, primarily attributable to the significant decrease in operating revenue from export business under the impact of COVID-19 pandemic outside China and the tax refund policy on line pipes.

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✓ Applicable ☐ Not applicable

Unit: RMB

Non-operating income	1,211,776.85	(2.71%)	Mainly comprised of the compensation income received in respect of breach of contract during the current period.	No
Non-operating expenses	3,240,554.91	(7.24%)	Mainly attributable to the compensation provided for claims related to investors' litigation in accordance with the latest judgment and the loss on scrap on raw materials.	No
Credit impairment losses	1,642,377.15	(3.67%)	Mainly attributable to the combined effects of the provision for impairment losses on account receivables, bills receivables, loans granted and other assets in accordance with the requirements of accounting standards and the reversal of impairment losses.	No
Other income	1,266,838.69	(2.83%)	Mainly comprised of the government grants received during the current period such as the work-based subsidies from the local human resources services centre.	No

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1. Significant changes in the composition of assets

Unit: RMB

	[illegible]	[illegible]	As at the end of last year			
			Amount	Percentage of total assets	Increase/ decrease in percentage	Descriptions of the significant change
Monetary funds	**543,539,364.60**	**11.06%**	759,979,803.03	14.68%	(3.62%)	Mainly attributable to the increase in payments for raw materials and the increase in repayments of debts during the current period.
Accounts receivables	**302,058,266.65**	**6.15%**	287,920,595.28	5.56%	0.59%	—
Inventories	**1,029,140,296.18**	**20.94%**	787,377,614.78	15.21%	5.73%	Mainly attributable to the Company's failure of prompt delivery of certain products.
Long-term equity investments	**2,314,697.29**	**0.05%**	2,314,697.29	0.04%	0.01%	—
Fixed assets	**2,390,672,383.78**	**48.65%**	2,493,577,016.35	48.18%	0.47%	—
Construction-in-progress	**5,301,780.20**	**0.11%**	7,620,542.62	0.15%	(0.04%)	Mainly attributable to the transfer of certain projects to fixed assets at the end of the reporting period for accounting purposes.
Right-of-use assets	**3,061,273.77**	**0.06%**	4,591,910.73	0.09%	(0.03%)	Mainly attributable to the amortisation of right-of-use assets for the current period.
Short-term borrowings	**1,868,626,940.77**	**38.03%**	2,054,225,378.29	39.69%	(1.66%)	Mainly attributable to the repayment of certain short-term borrowings during the current period.
Contract liabilities	**108,239,241.39**	**2.20%**	83,749,468.02	1.62%	0.58%	Mainly attributable to the increase in receipts in advance at the end of the current period.
Long-term borrowings	**74,878,648.55**	**1.52%**	114,063,150.53	2.20%	(0.68%)	Mainly attributable to the decrease in long-term borrowings due after one year during the current period.
Lease liabilities			4,968,359.84	0.10%	(0.10%)	Mainly attributable to the transfer to non-current liabilities due within one year at the end of the reporting period for accounting purposes.
Bills receivables	**94,022,651.06**	**1.91%**	164,945,170.51	3.19%	(1.28%)	Mainly attributable to the decrease in settlement amount of trade acceptance bills during the current period.
Financing receivables	**11,910,940.80**	**0.24%**	33,575,777.00	0.65%	(0.41%)	Mainly attributable to the decrease in settlement amount of bank acceptance bills during the current period.
Prepayments	**70,336,556.61**	**1.43%**	24,755,942.84	0.48%	0.95%	Mainly attributable to the increase in prepayments for material procurements as at the end of the current period.
Other receivables	**24,281,068.49**	**0.49%**	156,486,818.72	3.02%	(2.53%)	Mainly attributable to the collection of a portion of proceeds from disposal of assets last year during the current period.
Other current assets	**7,173,075.76**	**0.15%**	21,904,932.90	0.42%	(0.27%)	Mainly attributable to the decrease in input value-added tax as at the end of the current period.
Taxes payable	**12,756,441.35**	**0.26%**	27,192,105.60	0.53%	(0.27%)	Mainly attributable to the decrease in tax payments as at the end of the current period as compared to that as at the end of last year.

Unit: RMB

			As at the end of last year			
			Amount	Percentage of total assets	Increase/ decrease in percentage	Descriptions of the significant change
Other payables	**57,234,279.85**	**1.16%**	43,853,326.94	0.85%	0.31%	Mainly attributable to the increase in accrued energy charges as at the end of the current period.
Other current liabilities	**13,994,068.22**	**0.28%**	50,195,434.08	0.97%	(0.69%)	Mainly attributable to the decrease in unmatured endorsed trade acceptance bills during the current period.
Estimated liabilities	**9,325,722.88**	**0.19%**	14,392,824.64	0.28%	(0.09%)	Mainly attributable to the decrease in compensation amount of the outstanding investors' litigations as at the end of the current period.
Long-term payables			4,585,000.00	0.09%	(0.09%)	Mainly attributable to the transfer to non-current liabilities due within one year at the end of the reporting period for accounting purposes.

2. *Major overseas assets*

☐ Applicable ✓ Not applicable

3. *Assets and liabilities measured at fair value*

✓ Applicable ☐ Not applicable

Unit: RMB

Financial assets								
Financing receivables	33,575,777.00	—	—	—	—	—	(21,664,836.20)	11,910,940.80
Total of the above	33,575,777.00	—	—	—	—	—	(21,664,836.20)	11,910,940.80
Financial liabilities	—	—	—	—	—	—	—	—

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.

Whether there were any significant 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

Monetary funds	**198,261,570.58**	Security deposits
Bills receivable	**77,009,807.06**	Pledge of bills
Fixed assets	**220,920,511.71**	Charge for loans
Intangible assets	**156,206,609.30**	Charge for borrowings
Financing receivables	**8,000,000.00**	Pledge of bills
Accounts receivables	**59,537,365.00**	Factoring financing of accounts receivables
Monetary funds	**2,590,296.19**	Frozen for litigation
Total	**722,526,159.84**	—

A

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 hold any investments in securities during the reporting period.

(2) Investments in derivatives

☐ Applicable ✓ Not applicable

The Company did not hold any investments in derivatives during the reporting period.

1. Disposals of material assets

☐ Applicable ✓ Not applicable

2. *Disposal of material equity interests*

☐ Applicable ✓ Not applicable

✓ Applicable ☐ Not applicable

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

Unit: RMB

Shouguang Baolong	Subsidiary	Production and sale of oil equipment and castings and forgings	15,000	891,929,328.08	(15,281,948.24)	1,800,604,326.08	92,368,893.44	91,918,278.16
Weihai Baolong	Subsidiary	Casting of ferrous metals; steel rolling and processing; recycling of productive scrap metals; manufacturing of special equipment; import and export of goods, import and export of technology	2,600	157,271,250.10	104,036,130.88	23,994,073.66	(6,987,846.58)	(7,147,926.97)
Shouguang Maolong	Subsidiary	Research of new materials for energy equipment; production and sale of metal castings and forgings; sea water desalination; waste heat and gas power generation.	71,238	1,404,158,655.25	313,490,918.52	635,359,623.14	(34,941,970.02)	(34,868,045.80)

Acquisitions and disposals of subsidiaries during the reporting period

☐ Applicable ✓ Not applicable

Information on major controlled and invested companies

Nil

☐ Applicable ✓ Not applicable

(1) Market risk

The Company operates in the energy equipment and service industry. The development and sentiment of the energy industry are directly relevant to the growth of the industry where the Company operates in. Crude oil prices are highly cyclical and volatile as they are subject to fluctuation due to global economic growth rate, regional, political, financial, supply and demand, and a number of other factors. At times of low oil prices, oil and gas companies accordingly cut capital expenditures, invest less in exploration and development, and thus the demand for equipment and services in the oil and gas industry becomes weaker. In response, the Company will adjust its product structure and market plan in a timely manner according to market changes.

(2) Raw material price fluctuation risk

Fluctuations in raw material prices affect directly the manufacturing costs of products which have a direct impact on product prices. The Company closely monitors the movements of raw material prices and controls the manufacturing costs of product by certain ways such as locking the raw material prices, and will timely adjust the product prices and product mix according to situations.

(3) Policy risk

In recent years, the PRC has continuously raised environmental protection requirements, and environmental protection policies have become more frequently issued and stricter. Environmental protection supervision has been continuously implemented. The improvement of emission standards is bound to increase the Company's environmental protection related costs. The Company has always been aiming at "energy saving, emission reduction and harmonious development", vigorously pursuing circular economy, maximising resource utilization, and increasing environmental protection investment to ensure the waste discharges of the Company is up to standards.

(4) Exchange rate risk

Any 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.

D

1. Results

The Group's revenue and the financial positions of the Group and of the Company for the first half of 2021 are set out in the financial report/financial statements in Section X of this interim report.

2. Financial highlights

Summary of the results and of the assets and liabilities of the Group's interim results and assets and liabilities for the past 2 financial years is summarised as follows:

		30
	2021	2020
	B'0,000	RMB'0,000
Total operating revenue	**189,812.76**	134,637.77
Operating profit	**(4,270.97)**	(12,018.06)
Total profit	**(4,473.85)**	(12,253.83)
Net profit	**(4,777.20)**	(12,383.83)
Minority interests	**2,047.88**	(1,451.28)
Net profit attributable to shareholders of the parent company	**(6,825.08)**	(10,932.55)
Basic earnings per share (RMB)	**(0.0855)**	(0.137) 36.85 29 e03.7

[illegible]

[illegible]	[illegible] 30 2021 B0'000	[illegible] 30 30 June 2020 RMB0'000
Total assets	**491,362.55**	544,877.85
Total liabilities	**315,966.17**	378,392.14
Net assets	**175,396.38**	166,485.71

3. Changes in share capital

There were no changes in the share capital of the company during the first half of 2021. Details are set out in note (VII) to the financial report/financial statements in Section X of this interim report.

4. Reserves and distributable reserves

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

As at 30 June 2021, the following directors, supervisors and chief executives of the Company had (a) interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) interests and short positions which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Company (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and to the SEHK as below:

Liu Yun Long	Long position	Beneficial interest	2,500	0.00%	0.00%
Wang Quan Hong	Long position	Beneficial interest	139,500	0.03%	0.02%

Note: The approximate percentage is based on the 541,722,000 A shares and 797,848,400 shares in issue as at 30 June 2021.

Saved as disclosed above, as at 30 June 2021, to the best knowledge of any directors, supervisors or chief executive of the Company, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or (b) were required pursuant to the Model Code to be notified to the Company and the SEHK.

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

None of the directors or supervisors or their respective associates (as defined under Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any rights to acquire any shares in or debentures of the Company or had exercised any such rights in the first half of 2021.

11. *Share option scheme*

The Company does not operate any share option scheme.

12. *Substantial shareholders*

Details are set out in the section headed "Changes in share capital and shareholders" in Section VII of this interim report.

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

There were no contracts of significance to the business of the Group and in which any of the directors or supervisors had a material interest, whether directly or indirectly, subsisted in the first half of 2021 or as at 30 June 2021.

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 2021.

16. Pre-emptive rights

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

17. Corporate Governance

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

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

18. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the SEHK and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code during the six months ended 30 June 2021.

19. Sufficiency of public float

According to information publicly available to the Company and to the best knowledge of the directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Listing Rules of the SEHK throughout the current year and up to the date of this report.

20. Substantial shareholders' interests in securities

21. Liquidity and financial resources

As at 30 June 2021, the Group recorded a current ratio of 67.99%, quick ratio of 34.39%, receivable turnover ratio of 1286.91% and inventory turnover ratio of 380.11%. 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 2021, the Group had total borrowings of RMB2.064 billion (as at the end of last year, the Group had total borrowings of RMB2.313 billion). As at 30 June 2021, the Group had monetary funds of RMB544 million (monetary funds as at the end of last year of RMB760 million).

22. Gearing ratio

The Group's gearing ratio was approximately 64.30% (2020: approximately 65.19%) which is calculated based on the Group's total liabilities of approximately RMB315,966 ten thousand (2020: approximately RMB337,407 ten thousand) and total assets of approximately RMB491,363 ten thousand (2020: approximately RMB517,564 ten 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 2021, the Group had restricted assets as follows:

	B	
Monetary funds	198,261,570.58	Security deposits
Bills receivable	77,009,807.06	Pledge of bills
Fixed assets	220,920,511.71	Charge for borrowings
Intangible assets	156,206,609.30	Charge for borrowings
Financing receivables	8,000,000.00	Pledge of bills
Accounts receivables	59,537,365.00	Factoring financing for accounts receivables
Monetary funds	2,590,296.19	Frozen for litigation
Total	722,526,159.84	—

Pursuant to a finance lease contract entered into between the Company and Cosco Shipping Leasing Co., Ltd. ("Cosco Shipping"), the Company commenced the finance lease business using certain equipment by way of sale and leaseback arrangement. As at 30 June 2021, the equipment had a cost of RMB18,705.96 ten thousand and a net book value of RMB11,761.53 ten thousand. The financing amount under the contract was RMB15,000.00 ten thousand. The contract will expire on 15 April 2022.

The Company and Shouguang Maolong (a subsidiary of the Company) entered into a financing agreement with Great Wall Asset Management, pursuant to which, the Company provided collaterals to secure the financing of the Company and Shouguang Maolong (a subsidiary of the Company) by its own land use rights and the relevant ground buildings with licence numbered Shou Guoyong (2011) No. 0164, Shou Guoyong (2009) No. 0204, Shou Guoyong (2010) No. 0083, Shou Guoyong (2010) No. 0082, Shou Guoyong (2009) No. 0203, Lu (2019) Shouguang City Fixed Asset Right No. 0015760, Lu (2019) Shouguang City Fixed Asset Right No. 0015758, Lu (2019) Shouguang City Fixed Asset Right No. 0015752, Lu (2019) Shouguang City Fixed Asset Right No. 0015747, Lu (2019) Shouguang City Fixed Asset Right No. 0015757, Wen Guoyong (2006) No. 160005 and Wen Guoyong (2010) No. 160001. The financing amount of the Company under the contract was RMB19,240.85 ten thousand. As at 30 June 2021, the above pledged land use rights had an book value of RMB15,620.66 ten thousand and the real property buildings had a book value of RMB10,330.52 ten thousand. The contract will expire on 30 June 2023.

25. Contingent liabilities

As at 30 June 2021, the claim cases against the Company by investors regarding false statements about securities have been accepted by the Jinan Intermediate People's Court (濟南市中級人民法院), and the aggregate sum involved was RMB123,681,563.45. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB112,710,124.78, with a final settlement amount of RMB64,919,444.92. For those closed cases, the Company is performing its obligations according to the judgments. For those cases that have been heard but pending for judgment and those cases that have not been heard, provision for estimated liabilities of RMB9,325,722.88 were made at a rate of 85% with reference to the previously closed cases. The Company has made cumulative total provisions for estimated liabilities of RMB74,245,167.80 in respect of this issue so far.

26. Business review

Key financial and results performance indicators

During the reporting period, the Group achieved an unaudited operating revenue of RMB189,812.76 ten thousand, representing an increase of 40.98% compared to the corresponding period of last year. Unaudited net profit attributable to shareholders of the listed company was a loss of RMB6,825.08 ten thousand, compared to a loss of RMB10,932.55 ten thousand in the corresponding period of last year. Basic earnings per share was –RMB0.0855 per share, compared to –RMB0.137 per share for the same period of last year. Review of the Group's results for the half year ended 30 June 2021 is set out in the sections headed "Discussion and Analysis of Operations" and "Financial Report" of this 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. Management has identified the major risks of the Group and regularly reviews its exposure to industry, policy, operational and currency risks.

Sustainability Initiatives

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

The Group has a set of compliance and risk management policies and procedures in place. Members of senior management are delegated with the responsibility to continuously 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.

27. Significant events subsequent to the reporting period

Reference is made to the announcement of the Company dated 14 July 2021. As disclosed therein, the Company received a notice from a subsidiary, Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司) ("Shouguang Baolong") in relation to its suspension of production for inspection and maintenance. Taking into account the business of Shouguang Baolong in recent years, in order to further optimise production process, enhance product competitiveness and improve overall efficiency, Shouguang Baolong has suspended production for inspection and maintenance in accordance with its production arrangement, and has carried out modification and upgrade of its existing production lines. The duration of the suspension of production has not been determined. It is expected that the suspension of production for inspection and maintenance as well as the modification and upgrade of Shouguang Baolong will lead to an increase in the related costs and expenses of the Company, which will have an adverse impact on the operating results of the Company in the second half of 2021. However, in the long run, the completion of the suspension of production for inspection and maintenance as well as the modification of Shouguang Baolong will facilitate and enhancement of stability of the equipment of the production lines, further enhance product competitiveness and improve overall efficiency.

Save as disclosed above, the Group had no significant events subsequent to the reporting period.

28. Audit Committee

The Audit Committee of the Company (with members consisting of three independent non-executive directors) held two meetings during the six months ended 30 June 2021 to discuss matters such as the accounting standards and practices adopted by the Group, internal control and financial reporting, and has reviewed the unaudited interim results for the six months ended 30 June 2021. Based on the discussions in the meetings, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and the results for the six months ended 30 June 2021. The interim results for the six months ended 30 June 2021 have not been reviewed and audited by the auditors of the Company.

C C A A C A

1. General meetings during the reporting period

			C	D	
2021 first extraordinary general meeting	Extraordinary general meeting	30.08%	3 March 2021	4 March 2021	Announcement of the resolutions passed at 2021 first extraordinary general meeting (2021–010); Legal opinion on 2021 first extraordinary general meeting. For details of the above announcement, please refer to China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of cninfo (www.cninfo.com.cn).
2020 annual general meeting	Annual general meeting	57.12%	21 May 2021	22 May 2021	Announcement of the resolutions passed at 2020 annual general meeting (2021–039); Legal opinion on 2020 annual general meeting. For details of the above announcement, please refer to China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of cninfo (www.cninfo.com.cn).

2. Extraordinary general meeting convened at the request of preferred shareholders with restored voting rights

☐ Applicable ✓ Not applicable

C

☐ Applicable ✓ Not applicable

There were no changes in directors, supervisors and senior management of the Company during the reporting period. Please refer to the 2020 Annual Report for details.

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☐ 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.

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☐ 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.

C A A D, C B

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

✓ Yes ☐ No

C				D	D		A	
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50mg/m³	0	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	109mg/m³	150mg/m³	726.72 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	2.9 mg/m³	10mg/m³	109.92 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	12mg/m³	50mg/m³	27.6 kilograms	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	115mg/m³	150mg/m³	1,190 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	3.4mg/m³	10mg/m³	109.92 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50mg/m³	0	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	17mg/m³	150mg/m³	1,030 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	6.8mg/m³	10mg/m³	362.64 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50mg/m³	0	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	44mg/m³	150mg/m³	12.96 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	8.5mg/m³	10mg/m³	2.4 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50mg/m³	0	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	52mg/m³	150mg/m³	8.16 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	8.1mg/m³	10mg/m³	1.44 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	5.8mg/m³	10mg/m³	11.52 kilograms	–	No
Shandong Molong	Hydrogen chloride	Organised	1	Production complex	1.955mg/m³	15mg/m³	17.7 kilograms	–	No
Shandong Molong	Hydrogen chloride	Organised	1	Production complex	2.476mg/m³	15mg/m³	82.06 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0mg/m³	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0mg/m³	5mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0mg/m³	15mg/m³	0	–	No
Shandong Molong	Volatile organic compounds	Organised	1	Production complex	18.1mg/m³	50mg/m³	120 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0mg/m³	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0mg/m³	5mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0mg/m³	15mg/m³	0	–	No
Shandong Molong	Volatile organic compounds	Organised	1	Production complex	20.42mg/m³	50mg/m³	3.36 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0mg/m³	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0mg/m³	5mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0mg/m³	15mg/m³	0	–	No
Shandong Molong	Volatile organic compounds	Organised	1	Production complex	17.52mg/m³	50mg/m³	103.36 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0mg/m³	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0mg/m³	5mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0mg/m³	15mg/m³	0	–	No
Shandong Molong	Volatile organic compounds	Organised	1	Production complex	7.02mg/m³	50mg/m³	40.7 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0.987mg/m³	50mg/m³	41.3 kilograms	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	23.7mg/m³	150mg/m³	1,250 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	0.401mg/m³	10mg/m³	15.97 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	9mg/m³	50mg/m³	117.6 kilograms	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	70mg/m³	150mg/m³	4,530 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	5mg/m³	10mg/m³	226.34 kilograms	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	6mg/m³	50mg/m³	94,080 kilograms	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	61mg/m³	150mg/m³	2,210 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	7.4mg/m³	10mg/m³	188.6 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	6.3mg/m³	10mg/m³	163.68 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	5.8mg/m³	10mg/m³	1,340 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	7.4mg/m³	10mg/m³	401.8 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0mg/m³	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	1.92mg/m³	5mg/m³	120.3 kilograms	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0.477mg/m³	15mg/m³	29.8 kilograms	–	No
Shandong Molong	Volatile organic compounds	Organised	1	Production complex	1.26mg/m³	50mg/m³	960.3 kilograms	–	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	17mg/m³	50mg/m³	7,270 kilograms	–	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	17.3mg/m³	150mg/m³	4,050 kilograms	–	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	0.735mg/m³	10mg/m³	316 kilograms	–	No

Shouguang Baolong	Particulate matter	Organised	1	Production complex	2.32mg/m³	10mg/m³	6,720 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	1.02mg/m³	10mg/m³	982 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	5.7mg/m³	10mg/m³	166.93 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	5.6mg/m³	10mg/m³	4,190 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	6.2mg/m³	10mg/m³	1.2 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	6.2mg/m³	10mg/m³	600.62 kilograms	–	No
Shouguang Baolong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50mg/m³	0	–	No
Shouguang Baolong	Nitrogen oxides	Organised	1	Production complex	43.4mg/m³	150mg/m³	10.67 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	4.2mg/m³	10mg/m³	1.03 kilograms	–	No

Construction and operation of pollution prevention and control facilities

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

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

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

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

The Company strictly complied with the requirements of the environmental laws and regulations to carry out environmental impact assessment of contraction project. The construction projects have all passed the environmental impact assessment procedures and been accepted by the relevant competent authorities, where

Administrative penalties arising from environmental issues during the reporting period

During the reporting period, the Company was not subject to any administrative penalties arising from environmental issues.

Other discloseable environmental information

There was no other discloseable environmental information during the reporting period.

Other environmentally related information

There was no other environmentally related information during the reporting period.



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.

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. During the first half of 2021, 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 around 100 staff members to participate in voluntary blood donation public welfare activities, which demonstrated the social responsibility and undertaking of the Company.

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☐ 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.

☐ 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.

☐ Applicable ✓ Not applicable

There were no illegal external guarantees during the reporting period.

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Whether the interim financial report has been audited

☐ Yes ✓ No

The Company's interim report is unaudited.

☐ Applicable ✓ Not applicable

☐ Applicable ✓ Not applicable

☐ Applicable ✓ Not applicable

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

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

Investor litigation cases that have been judged or closed through mediation	11,271.01	No	The litigation cases have been judged or closed through mediation, please refer to section X of this report under the title headed "XIV.2 Contingencies" for details	The Company has recognised the expenses in respect of the litigations.	The Company is in the process of paying claims amounting to RMB6,491.94 ten thousand for closing the cases.	Not applicable	http://www.cninfo.com.cn
Investor litigation cases that have been heard but pending for judgment or have not been heard	1,097.15	Yes	The litigation cases have been heard but pending for judgment or have not been heard, please refer to section X of this report under the title headed "XIV.2 Contingencies" for details	The Company has made provision for the litigations.	The cases are in progress.	Not applicable	http://www.cninfo.com.cn

Note: The above litigations reflect the overall investor compensation litigations against the Company regarding false statements about securities since 2017 up to the end of this reporting period.

☐ Applicable ✓ Not applicable

There were no punishments and rectifications during the reporting period.

☐ Applicable ✓ Not applicable

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 and 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:

Shouguang Jinxin	Original controlling shareholder	Financial assistance	10,000	33,900	38,900	3.85%	135.95	5,000	

Impact of the related debts on the operating results and financial position of the Company	After the consideration and approval at the fifth special meeting of the sixth session of the board of directors and the 2020 first extraordinary general meeting of the Company, Shouguang Jinxin, an original controlling shareholder of the Company, provided financial assistance of up to RMB350 million to the Company for a term of less than one year. The credit is revolving within the loan limit and valid period and bears interest at market rate. The Company is not required to provide guarantees, mortgages, pledges or any form of security for the financial assistance, which helps meet the capital requirements for business development and reduce finance costs of the Company.

5. *Transactions with related financial companies and financial companies controlled by the Company*

☐ Applicable ✓ Not applicable

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

6. *Other significant related party transactions*

☐ Applicable ✓ Not applicable

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



1. *Custody, Contracting and leasing*

(1) Custody

☐ Applicable ✓ Not applicable

There was no custody during the reporting period.

(2) Contracting

☐ Applicable ✓ Not applicable

There was no contracting during the reporting period.

(3) Leasing

✓ Applicable ☐ Not applicable

Information about the leasing

(1) In December 2020, the Company disposed the land, ground attachments and other assets of the production complex in science park to Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司). On 17 March 2021, the Company entered into a lease agreement with Shandong Shouguang Vegetable Wholesale Market Co., Ltd., pursuant to which, during the relocation period of the park, the Company shall lease back certain assets it disposed for a term ending on 30 June 2022 at an annual rent of RMB1,072 ten thousand.

(2) In order to further reduce production costs and turnaround the continuing loss-making position of Weihai Baolong, a subsidiary, Weihai Baolong entered into the Asset Lease Framework Agreement regarding the Casting and Forging Production Line of Weihai Baolong with Weihai Senming Metal Materials Co., Ltd. (威海森銘金屬材料有限公司) ("Weihai Senming") on 5 March 2021, whereby Weihai Baolong shall lease the related facilities of the casting and forging production line to Weihai Senming for use for a term of 8 years, and Weihai Baolong shall charge rental fee based on the benchmark production volume of such lease.

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.

3. *Entrusted wealth management*

✓ Applicable ☐ Not applicable

Unit: RMB ten thousand



Bank financial products	Self-owned fund	16,000	0	0	0
Total		16,000	0	0	0

Particulars of high-risk entrusted wealth management with individually significant, low-security, low-liquidity, non-principal protected products

☐ Applicable ✓ Not applicable

Expected irrecoverable principal or other potential impairment in entrusted wealth management

☐ Applicable ✓ Not applicable

4. *Major contracts during daily operations*

☐ Applicable ✓ Not applicable

5. *Other significant contracts*

☐ Applicable ✓ Not applicable

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

D

✓ Applicable ☐ Not applicable

1. *Change of the scope of business of the Company*

The Company convened the eighth extraordinary meeting of the sixth session of the board of directors on 8 February 2021 and the first extraordinary general meeting for 2021 on 3 March 2021. At the meetings, the Company considered and approved the Resolution on the Change of the Scope of Business of the Company and the Amendments to the Articles of Association (《關於變更公司經營範圍及修訂〈公司章程〉的議案》). The related announcement is available on the information disclosure website of cninfo (http://www.cninfo.com.cn). On 4 March 2021, the Company completed the industrial and commercial registration for the change, and received the replaced business licence from Weifang Municipal Administration for March Regulation (濰坊市市場監督管理局).

2. *Completion of registration for the transfer under controlling shareholder agreement and change in controlling shareholders of the Company*

On 24 March 2021, the Company was notified by Shouguang Molong Holdings Co., Ltd., a controlling shareholder, that it has entered into an agreement for the transfer of 235,617,000 A shares of the Company held by Mr. Zhang En Rong (which represented 29.53% of the total share capital of the Company), and the registration of transfer was completed with China Securities Depository and Clearing Co., Ltd. Shenzhen Branch on 23 March 2021. Upon completion of the share transfer, Molong Holdings holds 235,617,000 shares of the listed company, all of them are circulating shares not subject to lock-up and representing 29.53% of the total share capital of the listed company, making it become a controlling shareholder of the listed company. the actual controller of the listed company remains State-owned Assets Supervision and Administration Commission of Shouguang City (壽光市國有資產監督管理局). The related announcement is available on the information disclosure website of cninfo (http://www.cninfo.com.cn).

3. *Progress of the proposed deregistration of a subsidiary*

The Company convened the sixth meeting of the sixth session of the board of directors and the sixth meeting of the sixth session of supervisory committee respectively on 27 March 2020, and considered and passed a "Resolution on the Deregistration of a Controlled Subsidiary" (《關於註銷控股子公司的議案》), which proposed to dispose Shouguang Baolong Management and Consultancy Co., Ltd. (a controlled subsidiary), by way of liquidation and deregistration (Announcement number：2020-017). Up to the date of disclosure of the report, the liquidation and deregistration of the subsidiary have not been completed.

4. *Progress of material disposal of assets*

The Company convened the sixth extraordinary meeting of the sixth session of the board of directors on 18 November 2020, and at which the "Resolution on the Disposal of Assets" (《關於出售資產的議案》) was considered and passed, which was also considered and passed by the Company's second extraordinary general meeting in 2020. Details are set out in the Announcement in relation to Disposal of Assets ("《關於出售資產的公告》") (Announcement No. 2020-056) dated 19 November 2020 and disclosed on the designated information disclosure media, namely China Securities Journal, Securities Daily and Securities Times, and the website of cninfo (www.cninfo.com.cn). During the reporting period, the Company received RMB140 million pursuant to the agreement and the aggregated receipts amounted to RMB490 million (representing 97.45% of the total proceeds).

5. *Progress of investigation*

On 1 June 2021, the Company received an investigation notice from China Securities Regulatory Commission for a suspected incompliance of information disclosure requirements. According to the Securities Law of the People's Republic of China, China Securities Regulatory Commission has decided to initiate investigation proceedings against the Company and conduct investigation against the concerned persons. As at the disclosure date of this report, the Company has not been notified about the progress of the investigation. The Company will continue to monitor the progress of the investigation and perform information disclosure obligation in strict accordance with regulatory requirements.



☐ Applicable ✓ Not applicable

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1. Changes in Shares

Unit: share

I. Shares subject to lock-up	106,500	0.01%	0	0	0	0	0	106,500	0.01%
1. State-owned shares	–	0.00%	0	0	0	0	0	–	0.00%
2. State-owned legal person shares	–	0.00%	0	0	0	0	0	–	0.00%
3. Other domestic shares	106,500	0.01%	0	0	0	0	0	106,500	0.01%
Including: Domestic legal person shares	–	0.00%	0	0	0	0	0	–	0.00%
Domestic natural person shares	106,500	0.01%	0	0	0	0	0	106,500	0.01%
4. Foreign shares	–	0.00%	0	0	0	0	0	–	0.00%
Including: Overseas legal person shares	–	0.00%	0	0	0	0	0	–	0.00%
Overseas natural person shares	–	0.00%	0	0	0	0	0	–	0.00%
II. Shares not subject to lock-up	797,741,900	99.99%	0	0	0	0	0	797,741,900	99.99%
1. RMB ordinary shares	541,615,500	67.88%	0	0	0	0	0	541,615,500	67.88%
2. Domestically-listed foreign shares	–	0.00%	0	0	0	0	0	–	0.00%
3. Overseas-listed foreign shares	256,126,400	32.10%	0	0	0	0	0	256,126,400	32.10%
4. Others	–	0.00%	0	0	0	0	0	–	0.00%
III. Total number of shares	797,848,400	100.00%	0	0	0	0	0	797,848,400	100.00%

Reason(s) for change in shares

☐ Applicable ✓ Not applicable

Approval for the change in shares

☐ Applicable ✓ Not applicable

Transfer for the change in shares

☐ Applicable ✓ Not applicable

Status of share buy-backs

☐ Applicable ✓ Not applicable

Status 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

☐ Applicable ✓ Not applicable

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	42,367 (of which 42,323 were for A shares and 44 were for H shares)	Total number of preferred shareholders with restored voting rights as at the end of reporting period (if any)	0

Shouguang Molong Holdings Co., Ltd.	State-owned legal person	29.53%	235,617,000	235,617,000	0	235,617,000	–	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	12.55%	100,145,730	(146,620,860)	0	100,145,730	–	–
Shandong Zhimeng Holdings Co., Ltd.	Domestic non-state owned legal person	9.20%	73,394,911	73,394,911	0	73,394,911	–	–
Zhang Yun San	Domestic natural person	4.03%	32,168,400	0	0	32,168,400	–	–
Shouguang Hongsen Logistics Co., Ltd.	Domestic non-state owned legal person	3.99%	31,800,000	31,800,000	0	31,800,000	–	–
Shouguang Panjin Property Co., Ltd.	Domestic non-state owned legal person	3.89%	31,000,000	31,000,000	0	31,000,000	–	–
Shouguang Ruisen New Building Materials Co., Ltd.	Domestic non-state owned legal person	2.93%	23,374,800	23,374,800	0	23,374,800	–	–
Lin Fu Long	Domestic natural person	2.08%	16,604,302	(7,998,398)	0	16,604,302	–	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.44%	11,510,091	8,806,576	0	11,510,091	–	–
Li Yu E	Domestic natural person	0.51%	4,067,800	4,067,800	0	4,067,800	–	–

Strategic investors or ordinary legal person becoming top 10 ordinary shareholders upon placing of new shares (if any)	Not applicable
Connected relationship or acting in concert 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. became parties acting in concert through entering into a concert party agreement and they do not control each other. Save for the above, the Company is not aware of any connected relationship or acting in concert among other shareholders.
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Not applicable
Specific descriptions of special repurchase account of top 10 shareholders (if any)	Not applicable

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Shouguang Molong Holdings Co., Ltd.	235,617,000	RMB ordinary shares	235,617,000
HKSCC Nominees Limited	100,145,730	Overseas listed foreign shares	100,145,730
Shandong Zhimeng Holdings Co., Ltd.	73,394,911	RMB ordinary shares	8,654,911
		Overseas listed foreign shares	64,740,000
Zhang Yun San	32,168,400	RMB ordinary shares	23,108,000
		Overseas listed foreign shares	9,060,400
Shouguang Hongsen Logistics Co., Ltd.	31,800,000	Overseas listed foreign shares	31,800,000
Shouguang Panjin Property Co., Ltd.	31,000,000	RMB ordinary shares	200,000
		Overseas listed foreign shares	30,800,000
Shouguang Ruisen New Building Materials Co., Ltd.	23,374,800	Overseas listed foreign shares	23,374,800
Lin Fu Long	16,604,302	RMB ordinary shares	16,604,302
Hong Kong Securities Clearing Company Limited	11,510,091	RMB ordinary shares	11,510,091
Li Yu E	4,067,800	RMB ordinary shares	4,067,800

Connected relationship or acting in

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☐ Yes ✓ No

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

. C

☐ 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 2020.

. C

Changes in controlling shareholders during the reporting period

✓ Applicable ☐ Not applicable

Name of the new controlling shareholder	Shouguang Molong Holdings Co., Ltd.
Date of change	23 March 2021
Index to designated website	http://www.cninfo.com.cn
Disclosure date on designated website	25 March 2021

Changes in actual controllers during the reporting period

☐ Applicable ✓ Not applicable

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

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☐ Applicable ✓ Not applicable

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

C B D

☐ Applicable ✓ Not applicable

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Whether the interim report has been audited

☐ Yes ✓ No

The Company's interim financial report is unaudited.

Unit used in the financial statements of the financial report: RMB

1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

	30	**2021**	31 December 2020
C			
Monetary funds		**543,539,364.60**	759,979,803.03
Settlement deposits			—
Lending funds			—
Financial assets held for trading			—
Derivative financial assets			—
Bills receivable		**94,022,651.06**	164,945,170.51
Accounts receivable		**302,058,266.65**	287,920,595.28
Loans and advances			951,005.30
Financing receivables		**11,910,940.80**	33,575,777.00
Prepayments		**70,336,556.61**	24,755,942.84
Insurance receivables			—
Reinsurance receivables			—
Reinsurance contract reserves receivable			—
Other receivables		**24,281,068.49**	156,486,818.72
Including: Interest receivables			—
Dividends receivable			—
Purchases of sell-back financial assets			—
Inventories		**1,029,140,296.18**	787,377,614.78
Contract assets			—
Assets held for sale			—
Non-current assets due within one year			—
Other current assets		**7,173,075.76**	21,904,932.90
		2,082,462,220.15	2,237,897,660.36

Unit: RMB

	30	**2021**	31 December 2020
[illegible]			
Loans and advances			—
Debt investments			—
Other debt investments			—
Long-term receivables			—
Long-term equity investments		**2,314,697.29**	2,314,697.29
Investments in other equity instruments			—
Other non-current financial assets			—
Investment properties			—
Fixed assets		**2,390,672,383.78**	2,493,577,016.35
Construction-in-progress		**5,301,780.20**	7,620,542.62
Productive biological assets			—
Oil and gas assets			—
Right-of-use assets		**3,061,273.77**	4,591,910.73
Intangible assets		**389,134,145.10**	393,688,845.70
Development expenditures		**6,964,564.86**	—
Goodwill			—
Long-term deferred expenses			—
Deferred income tax assets		**32,721,720.29**	35,217,034.73
Other non-current assets		**992,709.37**	728,107.60
[illegible]		**2,831,163,274.66**	2,937,738,155.02
[illegible]		**4,913,625,494.81**	5,175,635,815.38

Unit: RMB

	30	2021	31 December 2020
C			
Short-term borrowings		**1,868,626,940.77**	2,054,225,378.29
Borrowings from the central bank			—
Borrowing funds			—
Financial liabilities held for trading			—
Derivative financial liabilities			—
Bills payable		**126,536,838.20**	121,472,511.10
Accounts payable		**690,177,991.84**	648,352,428.48
Receipts in advance			—
Contract liabilities		**108,239,241.39**	83,749,468.02
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		**64,298,116.40**	54,493,884.87
Taxes payable		**12,756,441.35**	27,192,105.60
Other payables		**57,234,279.85**	43,853,326.94
Including: Interests payable			—
Dividends payable			—
Brokerage and commission payables			—
Reinsurance payables			—
Liabilities held for sale			—
Non-current liabilities due within one year		**120,955,854.47**	139,784,923.46
Other current liabilities		**13,994,068.22**	50,195,434.08
		3,062,819,772.49	3,223,319,460.84
Insurance contract reserves			—
Long-term borrowings		**74,878,648.55**	114,063,150.53
Bonds payable			—
Including: Preferred shares			—
Perpetual bonds			—
Lease liabilities			4,968,359.84
Long-term payables			4,585,000.00
Long-term salaries payable			—
Estimated liabilities		**9,325,722.88**	14,392,824.64
Deferred income		**7,176,480.86**	7,176,480.86
Deferred income tax liabilities		**5,461,103.50**	5,560,648.87
Other non-current liabilities			—
		96,841,955.79	150,746,464.74
		3,159,661,728.28	3,374,065,925.58

Unit: RMB

	30 2021	31 December 2020
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments		—
Including: Preferred shares		—
Perpetual bonds		—
Capital reserve	**863,169,158.42**	863,169,158.42
Less: Treasury shares		—
Other comprehensive income	**(1,866,327.57)**	(2,015,577.82)
Special reserve		—
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve	**11,236.91**	11,236.91
Undistributed profits	**(134,280,852.22)**	(66,030,056.80)
	1,712,635,539.42	1,780,737,084.59
Minority interests	**41,328,227.11**	20,832,805.21
	1,753,963,766.53	1,801,569,889.80
	4,913,625,494.81	5,175,635,815.38

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

2. *Balance sheet of the parent company*

Unit: RMB

	30 2021	31 December 2020
Current assets:		
Monetary funds	**468,725,968.23**	708,481,226.15
Financial liabilities held for trading		—
Derivative financial assets		—
Bills receivables	**94,022,651.06**	164,945,170.51
Accounts receivable	**481,352,143.48**	442,232,065.03
Financing receivables	**10,790,541.80**	10,980,000.00
Prepayments	**485,051,694.23**	618,700,408.46
Other receivables	**647,585,542.84**	756,323,484.10
Including: Interest receivables		—
Dividends receivable		—
Inventories	**694,287,263.71**	511,814,843.00
Contract assets		—
Assets held for sale		—
Non-current assets due within one year		—
Other current assets	**5,037,127.97**	3,749,202.40
Total current assets	**2,886,852,933.32**	3,217,226,399.65

Unit: RMB

[illegible]	30	2021	31 December 2020
Non-current assets:			
Debt investments			—
Other debt investments			—
Long-term receivables			—
Long-term equity investments		**1,144,019,921.73**	1,144,019,921.73
Investments in other equity instruments			—
Other non-current financial assets			—
Investment properties			—
Fixed assets		**842,897,487.85**	889,048,148.96
Construction-in-progress		**2,035,398.23**	—
Productive biological assets			—
Oil and gas assets			—
Right-of-use assets		**3,061,273.77**	4,591,910.73
Intangible assets		**91,159,789.50**	91,321,208.29
Development expenditures		**6,964,564.86**	—
Goodwill			—
Long-term deferred expenses			—
Deferred income tax assets		**30,643,185.19**	33,048,514.20
Other non-current assets		**642,709.37**	378,107.60
[illegible]		**2,121,424,330.50**	2,162,407,811.51
[illegible]		**5,008,277,263.82**	5,379,634,211.16
C [illegible]:			
Short-term borrowings		**1,442,193,449.97**	1,543,791,887.49
Financial liabilities held for trading			—
Derivative financial liabilities			—
Bills payable		**523,761,358.80**	692,839,443.49
Accounts payable		**273,512,957.14**	219,825,699.80
Receipts in advance			—
Contract liabilities		**51,762,589.17**	55,899,703.37
Salaries payable		**39,928,358.55**	34,757,933.77
Taxes payable		**6,945,907.78**	23,942,984.02
Other payables		**141,721,247.31**	139,153,160.81
Including: Interests payable			—
Dividends payable			—
Liabilities held for sale			—
Non-current liabilities due within one year		**43,067,887.95**	63,235,847.52
Other current liabilities		**6,659,458.72**	46,582,393.75
[illegible]		**2,529,553,215.39**	2,820,029,054.02

Unit: RMB

	30	**2021**	31 December 2020
Non-current liabilities:			
Long-term borrowings			—
Bonds payable			—
Including: Preferred shares			—
Perpetual bonds			—
Lease liabilities			4,968,359.84
Long-term payables			4,585,000.00
Long-term salaries payable			—
Estimated liabilities		**9,325,722.88**	14,392,824.64
Deferred income			—
Deferred income tax liabilities			—
Other non-current liabilities			—
[illegible]		**9,325,722.88**	23,946,184.48
[illegible]		**2,538,878,938.27**	2,843,975,238.50
[illegible]			
Share capital		**797,848,400.00**	797,848,400.00
Other equity instruments			—
Including: Preferred shares			—
Perpetual bonds			—
Capital reserve		**863,150,490.92**	863,150,490.92
Less: Treasury shares			—
Other comprehensive income			—
Special reserve			—
Surplus reserve		**187,753,923.88**	187,753,923.88
Undistributed profits		**620,645,510.75**	686,906,157.86
[illegible]		**2,469,398,325.55**	2,535,658,972.66
[illegible]		**5,008,277,263.82**	5,379,634,211.16

3. *Consolidated income statement*

Unit: RMB

	2021	Interim 2020
[illegible]	**1,898,127,577.08**	1,346,377,691.82
Including: Operating revenue	**1,898,127,577.08**	1,346,377,691.82
Interest income		—
Insurance premium earned		—
Brokerage and commission income		—
[illegible]	**1,938,925,728.63**	1,452,590,013.40
Including: Operating costs	**1,726,169,152.48**	1,266,769,839.94
Interest expenses		—
Brokerage and commission expenses		—
Surrenders		—
Net compensation expenses		—
Net charge of insurance liability reserve		—
Policyholder dividend expenses		—
Reinsurance premiums		—
Taxes and surcharges	**6,681,418.77**	10,232,230.64
Selling expenses	**5,871,146.55**	4,809,238.16
Administrative expenses	**114,235,240.60**	86,163,288.05
Research and development expenses	**26,040,311.32**	11,480,131.03
Finance costs	**59,928,458.91**	73,135,285.58
Including: Interest expenses	**57,876,192.60**	74,244,592.48
Interest income	**2,892,675.32**	2,700,511.98
Add: Other income	**1,266,838.69**	601,950.96
Investment income		—
Including: Gains on investment in associates and joint ventures		—
Gain on derecognition of financial assets measured at amortised cost		—
Exchange gains		—
Net gains on exposure hedges		—
Gain on fair value changes		—
Credit impairment losses	**1,642,377.15**	(8,118,063.86)
Asset impairment losses	**(4,830,609.84)**	(6,431,967.73)
Gains on disposal of assets	**9,832.15**	(20,157.66)
[illegible]	**(42,709,713.40)**	(120,180,559.87)
Add: Non-operating income	**1,211,776.85**	1,086,698.16
Less: Non-operating expenses	**3,240,554.91**	3,444,396.64
[illegible]	**(44,738,491.46)**	(122,538,258.35)
Less: Income tax expenses	**3,033,465.40**	1,300,015.86
[illegible]	**(47,771,956.86)**	(123,838,274.21)
(I) By business continuity		
1. Net profit from continuing operations	**(47,771,956.86)**	(123,838,274.21)
2. Net profit from discontinued operations		—
(II) By attributable ownership		
1. Net profit attributable to the owners of the parent company	**(68,250,795.42)**	(109,325,493.01)
2. Minority interests	**20,478,838.56**	(14,512,781.20)

Unit: RMB

		2021	Interim 2020
		165,833.59	(264,115.52)
Other comprehensive income attributable to owners of the parent company, net of tax		**149,250.25**	(237,703.98)
(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	**149,250.25**	(237,703.98)
	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	**149,250.25**	(237,703.98)
	7. Others		—
Other comprehensive income attributable to minority shareholders, net of tax		**16,583.34**	(26,411.54)
		(47,606,123.27)	(124,102,389.73)
Total comprehensive income attributable to owners of the parent company		**(68,101,545.17)**	(109,563,196.99)
Total comprehensive income attributable to minority shareholders		**20,495,421.90**	(14,539,192.74)
(I)	Basic earnings per share	**(0.0855)**	(0.137)
(II)	Diluted earnings per share	**(0.0855)**	(0.137)

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

4. *Income statement of the parent company*

Unit: RMB

		2021	Interim 2020
		1,124,494,963.72	1,115,639,819.69
Less:	Operating costs	**1,075,489,871.48**	1,028,950,464.79
	Taxes and surcharges	**3,187,488.96**	7,439,336.84
	Selling expenses	**5,353,699.32**	4,408,023.78
	Administrative expenses	**29,573,007.59**	33,899,846.42
	Research and development expenses	**26,040,311.32**	11,480,131.03
	Finance costs	**42,665,585.96**	55,020,271.86
	Including: Interest expenses	**40,248,914.19**	55,776,505.65
	Interest income	**2,084,560.75**	2,598,276.86
Add:	Other income	**1,037,529.57**	413,426.64
	Investment income		—
Including:	Gains on investment in associates and joint ventures		—
	Gain on derecognition of financial assets measured at amortised cost		—
	Net gains on exposure hedges		—
	Gain on fair value changes		—
	Credit impairment losses	**(261,198.71)**	(8,073,799.54)
	Asset impairment losses	**(4,830,609.84)**	(5,316,175.04)
	Gains on disposal of assets	**2,736.08**	1,699.12
		(61,866,543.81)	(38,533,103.85)
Add:	Non-operating income	**704,563.34**	375,245.20
Less:	Non-operating expenses	**2,693,337.63**	3,386,234.73
		(63,855,318.10)	(41,544,093.38)
Less:	Income tax expenses	**2,405,329.01**	1,339,499.99
		(66,260,647.11)	(42,883,593.37)
(I)	Net profit from continuing operations	**(66,260,647.11)**	(42,883,593.37)
(II)	Net profit from discontinued operations		—

Unit: RMB

		2021	Interim 2020
(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. Credit-impaired provision for other debt investments		—
	5. Cash flow hedge reserve		—
	6. Exchange differences on translation of foreign financial statements		—
	7. Others		—
		(66,260,647.11)	(42,883,593.37)
	:		—
(I)	Basic earnings per share		—
(II)	Diluted earnings per share		—

5. *Consolidated statement of cash flows*

Unit: RMB

[illegible]	[illegible] 2021	Interim 2020
C [illegible]:		
Cash received from sales of goods and rendering of services	**2,163,057,674.77**	1,539,659,241.46
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	**21,927,407.90**	9,735,889.58
Other cash received relating to operating activities	**14,439,075.32**	9,370,946.65
[illegible]	**2,199,424,157.99**	1,558,766,077.69
Cash paid for purchasing goods and receiving services	**1,996,176,263.79**	1,313,669,738.67
Net increase in loans and advances to customers	**(3,320,474.50)**	(390,974.85)
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	**111,793,101.95**	103,034,113.38
Taxes paid	**31,800,103.42**	15,659,347.88
Cash paid relating to other operating activities	**82,446,794.62**	64,326,551.31
[illegible]	**2,218,895,789.28**	1,496,298,776.39
[illegible]	**(19,471,631.29)**	62,467,301.30

Unit: RMB

	2021	Interim 2020
C		
Cash received from return on investments		—
Cash received from gains on investments		—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	**140,023,427.58**	9,033,785.00
Net cash received from disposal of subsidiaries and other business units		—
Other cash received relating to investing activities		—
	140,023,427.58	9,033,785.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**22,205,238.22**	21,638,998.76
Cash paid for investments		—
Net increase in pledged loans		—
Net cash paid for acquisition of subsidiaries and other business units		—
Cash paid relating to other investing activities		—
	22,205,238.22	21,638,998.76
	117,818,189.36	(12,605,213.76)
C		
Cash received from capital contributions		—
Including: Cash received from capital contributions from minority shareholders by subsidiaries		—
Cash received from borrowings	**1,834,214,757.03**	2,009,460,964.54
Other cash received relating to financing activities		—
	1,834,214,757.03	2,009,460,964.54
Cash paid for repayment of debts	**2,089,977,909.48**	1,815,517,128.88
Cash paid for distribution of dividends and profits or repayment of interests	**56,324,403.12**	74,395,683.20
Including: Dividends and profits paid to minority shareholders by subsidiaries		—
Cash paid relating to other financing activities	**92,915,500.00**	193,992,208.00
	2,239,217,812.60	2,083,905,020.08
	(405,003,055.57)	(74,444,055.54)
	785,467.71	(1,434,676.43)
	(305,871,029.79)	(26,016,644.43)
Add: Balance of cash and cash equivalents at the beginning of the period	**699,989,196.48**	496,256,836.18
B	**394,118,166.69**	470,240,191.75

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

Unit: RMB

	2021	Interim 2020
C		
Cash received from sales of goods and rendering of services	**1,268,254,259.65**	1,441,439,497.40
Refunds of taxes received	**21,927,407.90**	9,648,112.40
Other cash received relating to operating activities	**12,122,436.74**	5,305,322.26
	1,302,304,104.29	1,456,392,932.06
Cash paid for purchasing goods and receiving services	**1,366,230,393.33**	848,739,877.62
Cash paid to and on behalf of employees	**70,633,032.71**	65,913,459.99
Cash paid for taxes	**22,378,072.06**	11,883,733.68
Other cash paid relating to operating activities	**139,107,415.89**	238,554,020.52
	1,598,348,913.99	1,165,091,091.81
	(296,044,809.70)	291,301,840.25
C		
Cash received from disposal of investments		—
Cash received from gains on investments		—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	**140,002,736.08**	—
Net cash received from disposal of subsidiaries and other operating entities		—
Other cash received relating to investing activities		—
	140,002,736.08	—
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**2,981,100.00**	296,000.00
Cash paid for investments		—
Net cash paid for acquisition of subsidiaries and other operating entities		—
Other cash paid relating to investing activities		—
	2,981,100.00	296,000.00
	137,021,636.08	(296,000.00)
C		
Cash received from capital contributions		—
Cash received from borrowings	**1,427,614,757.03**	1,330,263,500.00
Other cash received relating to financing activities		—
	1,427,614,757.03	1,330,263,500.00
Cash paid for repayment of liabilities	**1,560,877,909.48**	1,629,103,849.50
Cash paid for dividend and profit distributions or interest repayments	**36,184,753.53**	53,365,957.00
Other cash paid relating to financing activities		—
	1,597,062,663.01	1,682,469,806.50
	(169,447,905.98)	(352,206,306.50)
	809,419.96	(1,487,286.66)
	(327,661,659.64)	(62,687,752.91)
Add: Balance of cash and cash equivalents at the beginning of the period	**664,816,726.15**	471,734,072.09
B	**337,155,066.51**	409,046,319.18

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

Amounts for the current period

Unit: RMB

Amounts for the prior period

Unit: RMB

Item	Interim 2020														
	Equity attributable to owners of the parent company														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I. B [illegible]	797,848,400.00	–	–	–	863,169,158.42	–	(3,055,060.57)	–	187,753,923.88	11,236.91	(98,208,687.79)	–	1,747,518,970.85	41,440,537.75	1,788,959,508.60
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. B [illegible]	797,848,400.00	–	–	–	863,169,158.42	–	(3,055,060.57)	–	187,753,923.88	11,236.91	(98,208,687.79)	–	1,747,518,970.85	41,440,537.75	1,788,959,508.60
III. C [illegible]	–	–	–	–	–	–	(237,703.98)	–	–	–	(109,325,493.01)	–	(109,563,196.99)	(14,539,192.74)	(124,102,389.73)
(i) Total comprehensive income	–	–	–	–	–	–	(237,703.98)	–	–	–	(109,325,493.01)	–	(109,563,196.99)	(14,539,192.74)	(124,102,389.73)
(ii) Owners' capital contribution and reduction															
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Profit distribution															
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriations to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity															
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve															
1. Charge for the period	–	–	–	–	–	–	–	16,103,187.39	–	–	–	–	16,103,187.39	–	16,103,187.39
2. Utilised during the period	–	–	–	–	–	–	–	16,103,187.39	–	–	–	–	16,103,187.39	–	16,103,187.39
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. B [illegible]	797,848,400.00	–	–	–	863,169,158.42	–	(3,292,764.55)	–	187,753,923.88	11,236.91	(207,534,180.80)	–	1,637,955,773.86	26,901,345.01	1,664,857,118.87

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

Amounts for the current period

Unit: RMB

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

Amounts for the prior period

Unit: RMB

Item	Interim 2020											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
[illegible] B [illegible]	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	508,891,540.57	–	2,357,644,355.37
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
[illegible] B [illegible]	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	508,891,540.57	–	2,357,644,355.37
[illegible] C [illegible]	–	–	–	–	–	–	–	–	–	(42,883,593.37)	–	(42,883,593.37)
(i) Total comprehensive income	–	–	–	–	–	–	–	–	–	(42,883,593.37)	–	(42,883,593.37)
(ii) Owners' capital contribution and reduction												
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Profit distribution												
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity												
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve												
1. Charge for the period	–	–	–	–	–	–	–	7,305,455.14	–	–	–	79,765.60
2. Utilised during the period	–	–	–	–	–	–	–	7,305,455.14	–	–	–	79,765.60
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–
[illegible] B [illegible]	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	466,007,947.20	–	2,314,760,762.00

Shandong Molong Petroleum Machinery Company Limited (hereunder the "Company", together with its subsidiaries, the "Group") is a joint stock limited company registered in the People's Republic of China. Its predecessor company is Shandong Molong Group Co.. The Company was jointly promoted and founded 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 Shandong Economic Restructuring Office (山東省經濟體制改革辦公室) under with the Document Lu Ti Gai Han Zi [2001] No. 53 (魯體改函字[2001]53號文).

Upon the approval by China Securities Regulatory Commission under the Document 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) with a nominal value of RMB0.10 each at an issue price of HKD0.70 per share, and listed on the Growth Enterprise Market of the SEHK.

Upon the approval by China Securities Regulatory Commission under the Document 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) with a nominal value of RMB0.10 each at an issue price of HKD0.92 per share.

Upon the approval under the Document Zheng Jian Guo He Zi [2007] No. 2 (證監國合字[2007]2號文) issued by China Securities Regulatory Commission on 26 January 2007 and the approval issued by the SEHK on 6 February 2007, the Company's overseas listed foreign shares (H Shares) were withdrawn from listing on the Growth Enterprise Market of the SEHK and transferred to list on the Main Board of the SEHK on 7 February 2007.

Upon the approval by China Securities Regulatory Commission under the Document 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 RMB ordinary shares (A Shares) with a nominal value of RMB1 each at an issue price of RMB18 per share, which were listed for trading on the SZSE since 21 October 2010. The Company's registered capital was changed to RMB398,924,200.00, and the total number of shares was changed to 398,924,200 shares.

Pursuant to a resolution of the Annual General Meeting 2011 convened on 25 May 2012, on the basis of a total of 398,924,200 shares as at 31 December 2011, the Company increased its share capital through transfer of capital reserve at the ratio of 1 new share for 1 existing share, totalling 398,924,200 new shares, on the date of transfer, being 19 July 2012. Upon such transfer, the Company's registered capital was changed to RMB797,848,400.00, and the total number of shares was changed to 797,848,400 shares.

As at 30 June 2021, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

The Company's place of domicile and office address are both at No. 999 Wen Sheng Street, Shouguang City, Shandong Province.

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

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

The Group's consolidated financial statements covers nine companies including Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司), Shouguang Maolong New Materials Technology Development Co., Ltd. (壽光懋隆新材料技術開發有限公司) and Weihai Baolong Special Petroleum Materials Co., Ltd. (威海市寶隆石油專材有限公司).

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

V. Basis of preparation of financial statements

1. Basis of preparation

The financial statements of the Group have been prepared using the going-concern basis and the transactions and events actually occurred and in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant requirements (collectively, "ASBEs"), and the disclosure requirements under China Securities Regulatory Commission's Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2014 Revision), the Companies Ordinance of Hong Kong and the Listing Rules of the SEHK, on the basis of the accounting policies and accounting estimates as stated in "IV. Significant accounting policies and accounting estimates" of this note.

2. Going concern

As at 30 June 2021, the Group's current liabilities in the consolidated financial statements exceeded its current assets by RMB98,035.76 ten thousand. Currently, the Group is in smooth partnership with the associated financial institutions, with financial support of RMB35,000 ten thousand provided by the former controlling shareholder of the Company, Shandong Shouguang Jinxin Investment Development Holdings Group Limited, to the Company.

As at the end of the reporting period, the Group had a total of unutilised credit line from financial institutions of RMB336 million and unexecuted orders of approximately RMB620 million. The products newly developed by the Company had a relatively positive market prospect.

Combined the above factors, the management of the Company considers that the Company is able to meet its debts as and when they become due, and able to operate as a going concern. Therefore, the financial statements of the Group have been prepared under the going concern assumption.

Specific accounting policies and accounting estimates:

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

1. Statement of compliance with the ASBEs

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

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

The reporting currency of the Group is RMB.

5. Accounting for business combinations under common and uncommon control

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

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

6. *Preparation of consolidated financial statements*

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

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

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

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

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

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

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

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

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

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

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

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

8. Criteria for determination of cash and cash equivalents

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

9. Foreign currency operations and translation of foreign currency statements

(1) Foreign currency transactions

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

(2) Translation of foreign currency financial statements

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

10. Financial instruments

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

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

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

2) *Basis of recognition and method of measurement of transfer of financial assets*

A financial asset is derecognised if any one of the following conditions is satisfied: ① the contractual rights to receive cash flows from the financial asset have ceased; ② the financial asset has been transferred and the Group has transferred substantially all the risks and rewards incidental to the ownership of the financial asset; ③ the financial asset has been transferred and the Group has neither transferred nor retained substantially all the risks and rewards incidental to the ownership of the financial asset, and has not retained its control over the financial asset.

Where the transfer of a financial asset in whole satisfies the criteria of derecognition, the difference between the carrying amount of the financial asset transferred and the sum of consideration received for the transfer and any cumulative gain or loss of fair value that has been recognised directly in other comprehensive income for the part derecognised (the contractual terms of the transferred financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) is included in profit or loss for the current period.

Where the transfer of financial asset in part satisfies the criteria of derecognition, the carrying amount of the entire financial asset transferred is allocated between the part to be derecognised and the part not to be derecognised in proportion to their respective relative fair values, and the difference between the sum of the consideration received for the transfer and any cumulative gain or loss of fair value for the part derecognised that has been recognised directly in other comprehensive income for the part derecognised (the contractual terms of the transferred financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the carrying amount of the entire financial asset abovementioned for allocation is included in profit or loss for the current period.

(2) Financial liabilities

1) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified either as financial liabilities at fair value through profit or loss and other financial liabilities.

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

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method. Except for the following, the Group classifies financial liabilities as financial liabilities at amortised cost: ① Financial liabilities at fair value through profit or loss, including held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. ② Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. ③ Financial guarantee contracts that do not fall into ① or ② above, and commitments to provide a loan at a below-market interest rate that do not fall into ① above.

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

2) Criteria for derecognition of financial liabilities

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

(3) Method for determination of fair values of financial assets and financial liabilities

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

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

(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and shall not be offset. However, when all of the following conditions are met, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet: (1) the Group has a legal right that is currently enforceable to set off the recognised amount, and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Classification and 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 another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument will or may be settled in the Group's own equity instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Group's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

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

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

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

11. Bills receivable

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

12. Accounts receivable

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

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

Information considered by the Group includes:

— the issuer or debtor has significant financial difficulty;

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

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

— the debtor will probably enter bankruptcy or financial restructuring;

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

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

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

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

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

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

[illegible]	[illegible] 1	1 2 [illegible]	2 3 [illegible]	3 5 [illegible]	[illegible] 5 [illegible]
Default loss rate	1.00%	50.00%	75.00%	85.00%	100.00%

13. Financing receivables

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

14. Other receivables

Recognition and accounting methods for expected credit loss on other receivables

The Group provides for the loss of other receivables according to the following circumstances: ① for financial assets that the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount of future 12-month expected credit losses; ② for financial assets that the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses of the financial instrument; ③ for purchased or originated credit-impaired financial assets, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

Assessment made on a combined basis: For other receivables, the Group is unable to obtain sufficient evidence for any significant increase in credit risk at reasonable cost for one instrument, but finds it feasible to assess whether there is any significant increase in credit risk on a combined basis, therefore, by taking the type of financial instruments, credit risk rating, collateral type, date of initial recognition, remaining periods of time to maturity under remaining contracts, industry the borrower operates in and loan pledge rate as the common characteristics of risk, the Group categorizes other receivables into different groups and considers and assesses whether there is any significant increase in credit risk on a combined basis. The Group categorises other receivables into groups by nature and assesses whether there is any significant increase in credit risk.

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

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

15. Inventories

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

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

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

16. Contract assets

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

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

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

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

17. Contract costs

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

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

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

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

(2) Amortisation of assets related to contract costs

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

(3) Impairment of assets related to contract costs

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

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

18. Assets held for sale

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

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

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

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

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

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

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

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

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

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

19. Long-term equity investments

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

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

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

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

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

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

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

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

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

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

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

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

(2) Depreciation method

Category	Depreciation method	Useful life (years)	Residual value (%)	Annual depreciation rate (%)
Buildings	Straight-line	20	5	4.75
Machinery	Straight-line	5–20	5	19.00–4.75
Electronic equipment	Straight-line	3–5	5	31.67–19.00
Vehicles	Straight-line	5	5	19.00
Other equipment	Straight-line	5	5	19.00

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

21. Construction-in-progress

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

22. Borrowing costs

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

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

23. Right-of-use assets

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

(1) Initial measurement

At the commencement of a lease term, the Group initially measures a right-of-use asset at cost, which comprises the following four elements: ① the amount of lease liability initially measured; ② the lease payment made on or before the commencement date of lease term, net of any incentives received; ③ any initial expenses directly incurred, that is the incremental cost incurred to obtain the lease; ④ the costs expected to be incurred in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease, unless it is incurred from the production of inventories.

(2) Subsequent measurement

After the commencement date of lease term, the Group subsequently measures the right-of-use asset on a cost basis, that is to measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses.

The Group remeasures lease liabilities according to the requirements under the standard of leases and makes corresponding adjustment to the carrying amount of right-of-use assets.

(3) Depreciation of right-of-use assets

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

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

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

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

24. Intangible assets

(1) Measurement method, useful life and impairment test

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

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

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

25. Impairment of long-term assets

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

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

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

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

26. Long-term deferred expenses

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

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

(2) Accounting for post-employment benefits

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

(3) Accounting for termination benefits

The Group has currently no termination benefits.

(4) Accounting for other long-term compensations

The Group has currently no other long-term compensations.

29. Lease liabilities

(1) Initial measurement

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

1) Lease payments

A lease payment refers to the amount paid by the Group to a lessor in relation to the right to use a leased asset during the lease term, which includes: ① the fixed payments and the substantial fixed payments, net of the lease incentive amount, if any; ② the variable lease payments depending on an index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; ③ the price of exercising the option to purchase, if the Company can reasonably be certain that it will exercise the option; ④ the amount payable to exercise the option to terminate the lease, if the lease term reflects that the Group will exercise the option to terminate the lease; ⑤ the amount payable based on the residual value of the guarantee provided by the Group.

2) Discount rate

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

(2) Subsequent measurement

After the commencement date of the lease term, the Group follows the principles below for the subsequent measurement of a lease liability: ① to increase the carrying amount of the lease liability when recognising the interest on the lease liability; ② to reduce the carrying amount of the lease liability when a lease payment is made; ③ to remeasure the carrying amount of the lease liability when there is a change in lease payment due to a change of reassessment or the lease.

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

(3) Remeasurement

After the commencement date of the lease term, the Group remeasures the lease liability based on the lease payments after the change and the revised discount rate, with a corresponding adjustment made to the carrying amount of the right-of-use asset. The carrying amount of the right-of-use asset is reduced to zero. If there is any further reduction of the lease liability, the Group charge the remaining amount to the profit or loss for the current period. ① There is a change in the substantial fixed payment; ② There is a change in projected payable of the guarantee residual value; ③ There is a change in the index or ratio used for determining the lease payment; ④ There is a change in the assessment result of the purchase option; ⑤ There is a change in the assessment result of the extension or termination option or the actual exercise of the option.

30. Provisions

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

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

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

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

31. Production Safety Fee

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

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

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

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

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

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

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

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

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

32. Revenue

Accounting policy adopted for the recognition and measurement of revenue

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

(1) Principles of revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

5) the customer has accepted the goods or services.

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

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

① *Contracts for sale of goods*

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

② *Contracts for provision of services*

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

Difference in accounting policy for revenue recognition arises when adopting different business models for the same type of business

33. *Government grants*

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

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

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

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

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

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

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

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

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

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

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

34. Deferred income tax assets/deferred income tax liabilities

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be

If the modification of lease is not accounted for as a separate lease, on the effective date of the modification of lease, the Group allocates the consideration of the modified contract in accordance with the accounting standard in respect of leases and re-determines the lease term after modification; and discount the lease payments after modification at the discount rate after modification for remeasurement of lease liability. When calculating the present value of the lease payment after modification, the Group uses the interest rate implicit in lease of the remaining lease term as the discount rate. If the interest rate implicit in lease of the remaining lease term cannot be determined, the Group uses lessee's incremental borrowing rate at the effective date of the modification of the lease as the discount rate. The Group accounts for the consequences of the above adjustment under the following circumstances: 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.

(3) The Group as a lessor

On the basis of determining the contract is or contains a lease as mentioned in "V. 35.(1)", the Group, as a lessor, classifies the lease as finance lease and operating lease at the inception of the lease.

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

A lease is usually classified as a finance lease by the Group when one or more of the following conditions are satisfied: ① When the lease term expires, the ownership of the leased asset is transferred to the lessee; ② The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, it can be reasonably certain at the commencement date of the lease that the lessee will exercise the option; ③ The ownership of the asset is not transferred, but the lease term takes up most of the useful life of the leased assets (not less than 75% of the useful life of the leased asset); ④ On the commencement date of the lease, the present value of the lease receipt is basically equivalent to the fair value of the leased asset (not less than 90% of the fair value of the leased asset); ⑤ The leased assets are of a special nature. If no major modifications are made, it can only be used by the lessee. If one or more of the following indications exist in a lease, the Group may also classify it as a finance lease: ① If the lessee cancels the lease and the loss caused to the lessor arising from the cancellation of lease is borne by the lessee; ② The gain or loss arising from the fair value change in the balance of the asset belongs to the lessee; ③ The lessee is able to continue the lease for the next period at a rent far below the market level.

1) *Accounting for finance leases*

Initial measurement

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

The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease receipts at the commencement date of the lease term (discounted by the interest rate implicit in the lease). A lease receipt is the payment receivable from the lessee by the lessor for conveying the right to use a leased asset within the lease period, which comprises: ① the fixed payments and the substantial fixed payments to be made by the lessee, net of the lease incentive amount, if any; ② the variable lease payments depending on an index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; ③ the price of exercising the option to purchase, provided that it is reasonably certain that the lessee will exercise the option; ④ the amount payable by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; ⑤ the residual value of the guarantee provided by the lessee, its related party and an independent third party having financial capability to fulfil the obligation under the guarantee.

Subsequent measurement

The Group calculates and recognises interest income in each period during the lease term based on fixed periodic interest rate. Periodic interest rate is the implicit discount rate used to determine the net lease investment (For sub-leases where the implicit interest rate cannot be determined, the discount rate of the original lease is used (adjusted by any initial direct expenses in relation to the sub-lease), or the revised discount rate fixed when the modification of the finance lease is not treated as a separate lease and the leased is classified as finance lease in accordance with the relevant requirement with the criteria are satisfied had the modification take effect on the commencement date of the lease.

Accounting for lease modification

If the finance lease is modified and meets the following conditions, the Group accounts for the modification as a separate lease: ① The modification expands the lease scope by adding right to use of one or more leased assets; ② The increased consideration is equal to the standalone price of the expanded lease scope as adjusted based on the contract.

If the modification of finance lease is not accounted for as a separate lease, and it satisfies the criteria of classification of the lease as an operating lease had the modification takes effect on the lease commencement date, the Group accounts for the lease modification as a new lease since the effective date of the lease modification, with the net lease investment prior to the effective date of the lease modification as the carrying amount of the leased asset.

2) *Accounting for operating leases*

Treatment for rents

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

Incentive measures provided

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

Initial direct expenses

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

Depreciation

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

Variable lease payments

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

Modifications of operating leases

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

36. Other Significant Accounting Policies and Accounting Estimates

Accounting for income tax

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

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

Segment information

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

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

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.

37. 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) Adjustments to the relevant items in the financial statements at the beginning of the year upon implementation of the New Lease Standard for the first time since 2021

☐ Applicable ✓ Not applicable

(4) Retrospective adjustments to the comparative figures for prior period upon implementation of the New Lease Standard for the first time since 2021

☐ Applicable ✓ Not applicable

1. Main tax types and tax rates

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

Disclosures regarding taxpaying entities subject to different enterprise income tax rates

The Company	15%
Shouguang Molong Logistic Co., Ltd.	25%
MPM International Limited	16.5%
Shouguang Baolong Petroleum Equipment Co., Ltd.	25%
Shouguang Maolong New Materials Technology Development Co., Ltd.	25%
Shouguang Molong Electro-mechanical Equipment Co., Ltd.	25%
Weihai Baolong Special Petroleum Materials Co., Ltd.	25%
Shouguang Baolong Management and Consultancy Co., Ltd.	25%
Shandong Molong Import & Export Co., Ltd.	25%
Shandong Molong Energy Technology Co., Ltd.	25%

2. Tax incentives

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

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

1. Monetary funds

Unit: RMB

	Balance at the beginning of the period	Balance at the end of the period
Cash on hand	53,744.41	**56,704.36**
Cash at banks	509,754,630.52	**345,221,089.66**
Other monetary funds	250,171,428.10	**198,261,570.58**
Total	759,979,803.03	**543,539,364.60**
Including: total deposits overseas	2,326,746.13	**2,303,502.60**

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 as at the end of the period included bank acceptance margins of RMB190,898,060.94 (as at the beginning of the year: RMB242,336,453.10), loan margins of RMB4,840,000.00 (as at the beginning of the year: RMB7,240,000.00), USD fixed-rate margins of RMB775,212.00 (as at the beginning of the year: RMB0.00). deposits for letter of guarantee of RMB450,901.72 (as at the beginning of the year: RMB0.00), and deposits in other financing institutions of RMB1,297,395.92 (as at the beginning of the year: RMB594,975.00).

(3) The Group had security deposits for bank acceptance bills with maturity date over 3 months of RMB146,830,901.72 (as at the beginning of the year: RMB59,664,500.00).

(4) As at the balance sheet date, there were funds of RMB2,590,296.19 (as at the beginning of the year: RMB326,106.55) subject to judicial freezing for litigations.

2. Bills receivable

(1) Presentation of bills receivable by type

Unit: RMB

	Balance at the beginning of the period	Balance at the end of the period
Trade acceptance bills	166,611,283.34	**94,972,374.81**
Less: Provision for impairment of bills receivable	(1,666,112.83)	**(949,723.75)**
Total	164,945,170.51	**94,022,651.06**

Unit: RMB

						Balance at the beginning of the period				
						Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Bills receivable provided for bad debts on a collective basis	**94,972,374.81**	**100.00%**	**949,723.75**	**1.00%**	**94,022,651.06**	166,611,283.34	100.00%	1,666,112.83	1.00%	164,945,170.51
Including:										
Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**94,972,374.81**	**100.00%**	**949,723.75**	**1.00%**	**94,022,651.06**	166,611,283.34	100.00%	1,666,112.83	1.00%	164,945,170.51
Total	**94,972,374.81**	**100.00%**	**949,723.75**	**1.00%**	**94,022,651.06**	166,611,283.34	100.00%	1,666,112.83	1.00%	164,945,170.51

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

Within 1 year	94,972,374.81	949,723.75	1.00%
Total	94,972,374.81	949,723.75	—

Basis for determining the group:

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

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

☐ Applicable ✓ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

	B				B	
Provisions for impairment of bills receivable	1,666,112.83	(716,389.08)	0.00	0.00	0.00	949,723.75
Total	1,666,112.83	(716,389.08)	0.00	0.00	0.00	949,723.75

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

☐ Applicable ✓ Not applicable

(3) Pledged bills receivable of the Company at the end of the period

Unit: RMB

Trade acceptance bills	77,009,807.06
Total	77,009,807.06

(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

	Amount not derecognised as at the end of the period
Trade acceptance bills	2,189,555.90
Total	2,189,555.90

(5) Bills transferred to accounts receivable due to non-performance of drawers at the end of the period

The Group had no bills transferred to accounts receivable due to non-performance of drawers at the end of the period.

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

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

3. *Accounts receivable*

(1) Disclosure of accounts receivable by type

Unit: RMB

						Balance at the beginning of the period				
						Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Accounts receivable provided for bad debts on an individual basis	**17,365,734.73**	**4.07%**	**3,473,146.95**	**20.00%**	**13,892,587.78**	17,365,734.73	4.22%	3,473,146.95	20.00%	13,892,587.78
Including:										
Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	**17,365,734.73**	**4.07%**	**3,473,146.95**	**20.00%**	**13,892,587.78**	17,365,734.73	4.22%	3,473,146.95	20.00%	13,892,587.78
Accounts receivable provided for bad debts on a collective basis	**409,540,740.53**	**95.93%**	**121,375,061.66**	**29.64%**	**288,165,678.87**	393,973,746.12	95.78%	119,945,738.62	30.45%	274,028,007.50
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**409,540,740.53**	**95.93%**	**121,375,061.66**	**29.64%**	**288,165,678.87**	393,973,746.12	95.78%	119,945,738.62	30.45%	274,028,007.50
Total	**426,906,475.26**		**124,848,208.61**		**302,058,266.65**	411,339,480.85	–	123,418,885.57	–	287,920,595.28

Provision for bad debts on an individual basis: Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk

Unit: RMB

Hebei Zhongtai Steel Pipes Manufacturing Company Limited (河北中泰鋼管製造有限公司)	17,365,734.73	3,473,146.95	20.00%	Provision was made based on the expected credit loss amount of the customer
Total	17,365,734.73	3,473,146.95	—	—

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

Within 1 year	285,433,116.29	2,854,331.16	1.00%
1–2 years	8,639,411.31	4,319,705.66	50.00%
2–3 years	3,117,077.21	2,337,807.91	75.00%
3–4 years	1,615,927.29	1,373,538.19	85.00%
4–5 years	1,636,864.60	1,391,334.91	85.00%
Over 5 years	109,098,343.83	109,098,343.83	100.00%
Total	409,540,740.53	121,375,061.66	—

Descriptions of basis for determining the group:

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

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

A	
Within 1 year (inclusive)	285,433,116.29
1 to 2 years	8,639,411.31
2 to 3 years	3,117,077.21
Over 3 years	129,716,870.45
3 to 4 years	1,615,927.29
4 to 5 years	6,655,954.00
Over 5 years	121,444,989.16
Total	426,906,475.26

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

Provision for bad debts for the current period:

Unit: RMB

	B					B
Provision for bad debts of accounts receivable	123,418,885.57	1,429,323.04	—	—	—	124,848,208.61
Total	123,418,885.57	1,429,323.04	—	—	—	124,848,208.61

(3) Actual write-off of accounts receivable for the current period

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

(4) Balance of five largest accounts receivable as at the end of the period by debtors

Unit: RMB

4. *Financing receivables*

Unit: RMB

[illegible]	[illegible]	Balance at the beginning of the period
Bank acceptance bills	**11,910,940.80**	33,575,777.00
Total	**11,910,940.80**	33,575,777.00

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

✓ Applicable ☐ Not applicable

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

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

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

☐ Applicable ✓ Not applicable

Other descriptions:

Pledged financing receivables as at the end of the period

Unit: RMB

[illegible]	[illegible]
Bank acceptance bills	8,000,000.00
Total	8,000,000.00

Financing receivables that have been endorsed or discounted at the end of the year and have not yet expired at the balance sheet date

Unit: RMB

[illegible]	[illegible]	Amount not derecognised as at the end of the period
Bank acceptance bills	**143,291,640.96**	—
Total	**143,291,640.96**	—

5. *Loans and advances*

Unit: RMB

	Balance at the beginning of the year
Loans and advances, net	951,005.30
Total	951,005.30

(1) Breakdown of loans and advances

Unit: RMB

	Balance at the beginning of the year

(3) By lender type

Unit: RMB

	B				
	B				
	A		(%)	A	(%)
Corporate loans	**29,081,322.90**	**93.52**	**29,081,322.90**	**100**	
Personal loans	**2,015,000.00**	**6.48**	**2,015,000.00**	**100**	
Total	**31,096,322.90**	**100.00**	**31,096,322.90**		

Continued

	Balance at the beginning of the year				
	Book balance		Loss allowance for loans		
Type	Amount	Percentage (%)	Amount	Provision rate (%)	Net loans
Corporate loans	36,913,901.90	94.80	35,962,896.60	97.42	951,005.30
Personal loans	2,025,000.00	5.20	2,025,000.00	100.00	—
Total	38,938,901.90	100.00	37,987,896.60	—	951,005.30

(4) Loss allowances for loans and advances

As of 30 June 2021, the Group had overdue loans of RMB31,096,322.90. The profile of the Group's loans based on their securities and guarantees and status using the expected credit loss model was as follows:

Unit: RMB

	1	2	3	
Balance at 31 December 2020	—	—	37,987,896.60	37,987,896.60
Book balance of loans and advances granted during the year at 1 January 2020	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	—	—	—	—
— Reversal to Stage 2	—	—	—	—
— Reversal to Stage 1	—	—	—	—
Provision for the year	—	—	—	—
Reversals for the year	—	—	1,991,573.70	1,991,573.70
Offset for the year	—	—	—	—
Write-off for the year	—	—	4,900,000.00	4,900,000.00
Other movements	—	—	—	—
Balance at 30 June 2021	—	—	31,096,322.90	31,096,322.90

(5) Loss allowance for loans

Unit: RMB

	B				B
Loss allowance for loans	37,987,896.60	—	1,991,573.70	4,900,000.00	31,096,322.90
Total	37,987,896.60	—	1,991,573.70	4,900,000.00	31,096,322.90

(6) Actual write-offs of loans and advances for the period

Unit: RMB

Loans and advances	4,900,000.00

6. *Prepayments*

(1) Presentation of prepayments by age

Unit: RMB

A	B		Balance at the beginning of the period	
	A		Amount	Percentage
Within 1 year	**68,985,999.29**	**98.08%**	24,122,905.08	97.44%
1 to 2 years	**776,081.00**	**1.10%**	—	0.00%
2 to 3 years		**0.00%**	10,800.00	0.04%
Over 3 years	**574,476.32**	**0.82%**	622,237.76	2.52%
Total	**70,336,556.61**		24,755,942.84	—

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

As at the end of the period, the Group did not have any significant prepayments with an age over one year.

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

Unit: RMB

	B	A	(%)
Entity I	47,958,452.96	Within 1 year	68.18%
Entity II	6,199,314.71	Within 1 year	8.81%
Entity III	3,930,359.57	Within 1 year	5.59%
Entity IV	1,521,719.12	Within 1 year	2.16%
Entity V	982,172.00	Within 1 year	1.40%
Total	60,592,018.36	—	86.14%

7. *Other receivables*

Unit: RMB

	[illegible]	Balance at the beginning of the period
Other receivables	**24,281,068.49**	156,486,818.72
Total	**24,281,068.49**	156,486,818.72

(1) Other receivables

1) Other receivables by payment nature

Unit: RMB

	[illegible]	Book balance at the beginning of the period
Staff turnover loans	**886,500.00**	1,227,252.00
Deposits/margins	**3,415,634.04**	2,108,347.00
Amounts due from administrative entities	**1,300,000.00**	1,300,685.00
Amounts due from other entities	**20,579,977.64**	154,115,315.32
Less: Provision for bad debts of other receivables	**(1,901,043.19)**	(2,264,780.60)
Total	**24,281,068.49**	156,486,818.72

2) Provision for bad debts

Unit: RMB

	1	2	3

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

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

A	B
1 year (inclusive)	23,241,284.21
1 to 2 years	794,108.52
2 to 3 years	69,800.00
Over 3 years	2,076,918.95
3 to 4 years	225,956.43
4 to 5 years	—
Over 5 years	1,850,962.52
Total	26,182,111.68

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

Provision for bad debts for the current period:

Unit: RMB

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

Unit: RMB

[illegible]	[illegible]	B [illegible] A	[illegible]	[illegible] B [illegible]	[illegible]
Shandong Shouguang Vegetable Wholesale Market Co., Ltd.	Amounts due from other entities	12,808,000.00	Within 1 year	48.92%	768,480.00
Wendeng Gaocun Town People's Government	Amounts due from administrative entities	1,300,000.00	Over 5 years	4.97%	546,000.00
Sinopec International Business Co., Ltd., Nanjing Bidding Centre (中國石化國際事業有限公司南京招標中心)	Security deposits	1,170,761.00	Within 2 years	4.47%	—
Shaanxi Energy Chemical Industry Exchange Co., Ltd. (陝西能源化工交易所股份有限公司)	Security deposits	1,117,604.25	Within 1 year	4.27%	—
Shouguang Social Insurance Affairs Administration Centre (Work Injury) (壽光市社會保險事業管理中心(工傷))	Amounts due from administrative entities	751,154.12	Within 1 year	2.87%	17,189.40
Total	—	17,147,519.37	—	65.50%	1,331,669.40

6) Government grants receivable

Nil

7) Other receivables derecognised on transfer of financial assets

As at 30 June 2021, the Group had no other receivables derecognised on transfer of financial assets.

8) Amount of assets or liabilities arising from transfer of other receivables and continuous involvement

As at 30 June 2021, there were no assets or liabilities arising from transfer of other receivables and continuous involvement.

Other descriptions:

As at 30 June 2021, there were no other receivables that have been used as a pledge.

8. *Inventories*

Should the Company comply with the disclosure requirements for property industry

No

(1) Category of inventories

Unit: RMB

	B		B	Balance at the beginning of the period		
	B		B	Book balance	Provision for impairment of inventories or provision for devaluation of costs of contract performance	Book value
Raw materials	**350,407,841.60**	**4,947,818.76**	**345,460,022.84**	370,245,791.30	5,068,482.54	365,177,308.76
Work-in-progress	**161,442,681.14**	**672,514.33**	**160,770,166.81**	107,978,797.99	1,481,224.74	106,497,573.25
Goods in stock	**512,472,836.09**	**5,143,562.67**	**507,329,273.42**	321,415,737.28	5,966,469.73	315,449,267.55
Sub-contracting materials	**15,580,833.11**		**15,580,833.11**	253,795.42	330.20	253,465.22
Total	**1,039,904,191.94**	**10,763,895.76**	**1,029,140,296.18**	799,894,121.99	12,516,507.21	787,377,614.78

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

Unit: RMB

			D		B	
	B					B
Raw materials	5,068,482.54	2,177,854.71	—	2,298,518.49	—	4,947,818.76
Work-in-progress	1,481,224.74	1,005,729.01	—	1,814,439.42	—	672,514.33
Goods in stock	5,966,469.73	1,647,026.13	—	2,469,933.19	—	5,143,562.67
Sub-contracting materials	330.20	—	—	330.20	—	—
Total	12,516,507.21	4,830,609.85	—	6,583,221.30	—	

Allowances for impairment of inventories



Raw materials	The selling price of the products formed by the production of the

10. Long-term equity investments

Unit: RMB

(1) Details of fixed assets

Unit: RMB

I. Original carrying amount:						
1.	Balance at the beginning of the period	952,316,538.20	3,309,613,999.73	116,666,978.80	13,371,621.87	4,391,969,138.60
2.	Additions during the period	—	8,190,954.45	433,101.66	1,373,191.85	9,997,247.96
	(1) Purchases	—	3,619,874.57	433,101.66	1,373,191.85	5,426,168.08
	(2) Transfer from construction-in-progress	—	4,571,079.88	—	—	4,571,079.88
	(3) Additions from business combinations	—	—	—	—	—
3.	Reductions during the period	394,937.37	1,853,279.35	413,923.35	306,000.00	2,968,140.07
	(1) Disposals or retirements	394,937.37	1,853,279.35	413,923.35	306,000.00	2,968,140.07
4.	Balance at the end of the period	951,921,600.83	3,315,951,674.83	116,686,157.11	14,438,813.72	4,398,998,246.49
II. Accumulated depreciation						
1.	Balance at the beginning of the period	279,617,559.03	1,455,564,671.50	89,261,635.62	7,239,675.32	1,831,683,541.47
2.	Additions during the period	22,350,789.06	86,291,568.42	2,598,874.06	947,781.50	112,189,013.04
	(1) Provision	22,350,789.06	86,291,568.42	2,598,874.06	947,781.50	112,189,013.04
3.	Reductions during the period	50,361.98	1,748,458.50	392,067.10	63,650.00	2,254,537.58
	(1) Disposals or retirements	50,361.98	1,748,458.50	392,067.10	63,650.00	2,254,537.58
4.	Balance at the end of the period	301,917,986.11	1,540,107,781.42	91,468,442.58	8,123,806.82	1,941,618,016.93
III. Impairment provision						
1.	Balance at the beginning of the period	4,986,478.28	61,722,102.50	—	—	66,708,580.78
2.	Additions during the period	—	—	—	—	—
	(1) Provision	—	—	—	—	—
3.	Reductions during the period	—	735.00	—	—	735.00
	(1) Disposals or retirements	—	735.00	—	—	735.00
4.	Balance at the end of the period	4,986,478.28	61,721,367.50	—	—	66,707,845.78
IV. Book value						
1.	Book value at the end of the period	645,017,136.44	1,714,122,525.91	25,217,714.53	6,315,006.90	2,390,672,383.78
2.	Book value at the beginning of the period	667,712,500.89	1,792,327,225.73	27,405,343.18	6,131,946.55	2,493,577,016.35

(2) Fixed assets with uncompleted property ownership certificate

Unit: RMB

[illegible]	[illegible]	[illegible]
Workshop plant, office building and staff canteen of Shouguang Maolong	233,310,211.89	Not yet applied

Other descriptions

The Group had no temporarily idle fixed assets ; had no fixed assets that were leased in under finance leases or leased out under operating leases.

12. Construction-in-progress

Unit: RMB

[illegible]	[illegible]	Balance at the beginning of the period
Construction-in-progress	**5,301,780.20**	7,620,542.62
Total	**5,301,780.20**	7,620,542.62

(1) Details of construction-in-progress

Unit: RMB

[illegible]	[illegible]	[illegible]	Balance at the beginning of the period		
			Book balance	Provision for impairment	Book value
Employee technical development training centre	**3,036,531.70**	**3,036,531.70**	3,036,531.70	–	3,036,531.70
Other miscellaneous projects	**2,265,248.50**	**2,265,248.50**	4,584,010.92	–	4,584,010.92
Total	**5,301,780.20**	**5,301,780.20**	7,620,542.62	–	7,620,542.62

(2) Movements in major construction-in-progress projects during the period

Unit: RMB

Employee technical development training centre	26,000,000.00	3,036,531.70	–	–	–	3,036,531.70	89.62%	95%	–	–	–	Others
Total	26,000,000.00	3,036,531.70	–	–	–	3,036,531.70	–	–	–	–	–	–

(3) Provision for impairment of construction-in-progress for the 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.

(4) Other descriptions

As at the end of the period, there were no restrictions on the ownership or use right of construction-in-progress due to pledge, guarantee or any other reasons.

13. Right-of-use assets

Unit: RMB

I. Original book value		
1. Balance at the beginning of the period	4,591,910.73	4,591,910.73
2. Additions during the period	—	—
3. Reductions during the period	—	—
4. Balance at the end of the period	4,591,910.73	4,591,910.73
II. Accumulated depreciation		
1. Balance at the beginning of the period	—	—
2. Additions during the period	1,530,636.96	1,530,636.96
(1) Provision	1,530,636.96	1,530,636.96
3. Reductions during the period	—	—
4. Balance at the end of the period	1,530,636.96	1,530,636.96
III. Provision for Impairment		
1. Balance at the beginning of the period	—	—
2. Additions during the period	—	—
3. Reductions during the period	—	—
4. Balance at the end of the period	—	—
IV. Book value		
1. Book value at the end of the period	3,061,273.77	3,061,273.77
2. Book value at the beginning of the period	4,591,910.73	4,591,910.73

14. Intangible assets

(1) Details of intangible assets

Unit: RMB

I. Original book value					
1. Balance at the beginning of the period	446,183,759.48	2,886,248.19	406,720,362.93	770,036.72	856,560,407.32
2. Additions during the period	—	—	4,717,944.36	—	4,717,944.36
(1) Acquisitions	—	—	—	—	—
(2) Internally generated through research and development	—	—	4,717,944.36	—	4,717,944.36
(3) Additions from business combinations	—	—	—	—	—
3. Reductions during the period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
II. Accumulated amortisation					
1. Balance at the beginning of the period	77,018,612.26	2,810,407.22	348,304,129.97	770,036.72	428,903,186.17
2. Additions during the period	5,250,463.23	18,233.70	4,003,948.03	—	9,272,644.96
(1) Provision	5,250,463.23	18,233.70	4,003,948.03	—	9,272,644.96
3. Reductions during the period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	82,269,075.49	2,828,640.92	352,308,078.00	770,036.72	438,175,831.13
III. Provision for Impairment					
1. Balance at the beginning of the period	—	—	33,968,375.45	—	33,968,375.45
2. Additions during the period	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Reductions during the period	—	—	—	—	—
(1) Disposals	—	—	—	—	—
4. Balance at the end of the period	—	—	33,968,375.45	—	33,968,375.45
IV. Book value					
1. Book value at the end of the period	363,914,683.99	57,607.27	25,161,853.84	—	389,134,145.10
2. Book value at the beginning of the period	369,165,147.22	75,840.97	24,447,857.51	—	393,688,845.70

The internally generated intangible assets accounted for 6.47% of the balance of intangible assets as at the end of the period.

(2) Land use rights with uncompleted property ownership certificate

Nil

15. Development expenditures

Unit: RMB

	B		D		B
Project I	—	2,495,446.15	—	—	2,495,446.15	—
Project II	—	7,286,215.21	—	—	7,286,215.21	—
Project III	—	4,717,944.36	—	4,717,944.36	—	—
Project IV	—	5,818,198.46	—	—	5,818,198.46	—
Project V	—	6,105,531.21	—	—	—	6,105,531.21
Project VI	—	859,033.65	—	—	—	859,033.65
Total	—	27,282,369.04	—	4,717,944.36	15,599,859.82	6,964,564.86

Other descriptions

Please refer to V.24 of this note for the division in the phase of research and development expenditures and the phase of development, the time and basis of capitalisation of development phase.

16. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

	B		Balance at the beginning of the period	
	D	D	Deductible temporary difference	Deferred income tax assets
Unrealised profits from intragroup transactions	**8,499,284.83**	**2,078,535.10**	8,674,082.12	2,168,520.53
Bills receivable	**949,723.75**	**142,458.56**	1,666,112.83	249,916.92
Accounts receivable	**124,553,776.85**	**18,683,066.53**	123,240,340.22	18,486,051.03
Other receivables	**469,799.92**	**70,469.99**	805,648.76	120,847.31
Allowance for impairment of inventories	**8,990,818.91**	**1,348,622.84**	9,699,861.11	1,454,979.17
Difference in amortisation of intangible assets	**59,998,058.96**	**8,999,708.84**	70,518,640.46	10,577,796.07
Estimated liabilities	**9,325,722.88**	**1,398,858.43**	14,392,824.64	2,158,923.70
Total	**212,787,186.10**	**32,721,720.29**	228,997,510.14	35,217,034.73

(2) Deferred tax liabilities before offsetting

Unit: RMB

	B	D	Balance at the beginning of the period	
			Taxable temporary difference	Deferred income tax liabilities
Long-term equity investments	**15,237.52**	**3,809.38**	15,237.52	3,809.38
Fixed assets			0.00	0.00
Intangible assets	**21,902,446.57**	**5,457,294.12**	22,227,357.96	5,556,839.49
Total	**21,917,684.09**	**5,461,103.50**	22,242,595.48	5,560,648.87

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

Unit: RMB

	B	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	**32,721,720.29**	—	35,217,034.73
Deferred income tax liabilities	**5,461,103.50**	—	5,560,648.87

(4) Breakdown of unrecognised deferred income tax assets

Unit: RMB

	B	Balance at the beginning of the period
Deductible temporary differences	**101,302,920.56**	109,150,800.67
Deductible losses	**1,049,600,429.42**	986,842,767.09
Total	**1,150,903,349.98**	1,095,993,567.76

(5) Deductible losses of unrecognised deferred income tax assets will be expired by the year as specified below

Unit: RMB

	A	Amount at the beginning of the period	Remark
2021	**158,888,578.18**	158,888,578.18	—
2022	**175,248,363.36**	175,248,363.36	—
2023	**52,476,863.76**	52,476,863.76	—
2024	**195,959,906.47**	219,282,588.57	—
2025	**99,630,667.85**	164,322,306.42	—
2026	**186,445,784.39**	144,086,568.32	—
2027		—	—
2028		—	—
2029	**72,537,498.48**	72,537,498.48	—
2030		—	—
2031	**108,412,766.93**	—	—
Total	**1,049,600,429.42**	986,842,767.09	—

17. Other non-current assets

Unit: RMB

	B	Balance at the beginning of the period		
	B	Book balance	Provision for impairment	Book value
Prepayments for equipment	**992,709.37**	350,000.00	—	350,000.00
Prepayment for construction works		378,107.60	—	378,107.60
Total	**992,709.37**	728,107.60	—	728,107.60

18. *Short-term borrowings*

(1) Category of short-term borrowings

Unit: RMB

	B	Balance at the beginning of the period
Pledged borrowings	**23,515,483.58**	19,560,839.26
Guaranteed borrowings	**750,762,227.78**	827,986,114.72
Credit borrowings	**667,915,738.61**	696,244,933.51
Borrowings for bills discounting and letters of credit	**426,433,490.80**	510,433,490.80
Total	**1,868,626,940.77**	2,054,225,378.29

Explanations about the classification of short-term borrowings:

Details of the interest rate: In the first half of 2021, the weighted average annual interest rate for short-term borrowings of the Group was 4.53% (2020: 4.46%).

(2) Details of outstanding overdue short-term borrowings

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

19. *Bills payable*

Unit: RMB

	B	Balance at the beginning of the period
Bank acceptance bills	**126,536,838.20**	121,472,511.10
Total	**126,536,838.20**	121,472,511.10

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

20. *Accounts payable*

(1) Presentation of accounts payable

Unit: RMB

[illegible]	B[illegible]	Balance at the beginning of the period
Amounts due to suppliers	**690,177,991.84**	648,352,428.48
Total	**690,177,991.84**	648,352,428.48

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

Unit: RMB

[illegible]	B[illegible]	[illegible]
Entity I	**5,284,445.98**	Settlement conditions unsatisfied
Entity II	**4,385,439.70**	Settlement conditions unsatisfied
Entity III	**3,906,684.00**	Settlement conditions unsatisfied
Entity IV	**2,675,738.50**	Settlement conditions unsatisfied
Entity V	**2,670,218.65**	Settlement conditions unsatisfied
Total	**18,922,526.83**	—

(3) Presentation of accounts payable by age

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

Unit: RMB

[illegible]	A[illegible]	Amount at the beginning of the year
Within 2 months	**348,972,535.74**	235,495,851.68
2–3 months	**61,891,733.60**	60,317,253.24
3–4 months	**18,983,137.16**	49,675,192.97
4 months –1 year	**116,811,136.93**	119,046,525.55
1–2 years	**50,602,948.38**	90,009,423.77
2–3 years	**39,213,147.53**	31,048,337.92
Over 3 years	**53,703,352.50**	62,759,843.35
Total	**690,177,991.84**	648,352,428.48

21. *Contract liabilities*

Unit: RMB

	B	Balance at the beginning of the period
Receipts in advance	**108,239,241.39**	83,749,468.02
Total	**108,239,241.39**	83,749,468.02

22. *Salaries payable*

(1) Presentation of salaries payable

Unit: RMB

	B		D	B
I. Short-term salaries	54,493,884.87	111,597,057.72	101,792,826.19	64,298,116.40
II. Post-employment benefits				
— defined contribution plans	—	9,846,428.12	9,846,428.12	—
Total	54,493,884.87	121,443,485.84	111,639,254.31	64,298,116.40

(2) Presentation of short-term salaries

Unit: RMB

	B		D	B
1. Wages, bonuses, allowances and subsidies	39,050,417.01	98,642,127.95	89,429,929.86	48,262,615.10
2. Staff welfare	—	1,560,025.53	1,560,025.53	—
3. Social insurances	—	5,432,506.41	5,432,506.41	—
Including: Medical insurance	—	4,405,598.15	4,405,598.15	—
Work injury insurance	—	397,537.10	397,537.10	—
Maternity insurance	—	629,371.16	629,371.16	—
4. Housing provident fund	—	3,412,905.70	3,412,905.70	—
5. Union fund and staff education fund	15,443,467.86	2,549,492.13	1,957,458.69	16,035,501.30
Total	54,493,884.87	111,597,057.72	101,792,826.19	64,298,116.40

(3) Presentation of defined contribution plans

Unit: RMB

	B	D	B
1. Basic pension insurance	—	9,435,488.45	9,435,488.45	—
2. Unemployment insurance	—	410,939.67	410,939.67	—
Total	—	9,846,428.12	9,846,428.12	—

Other descriptions:

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

Salaries payables of the Group as at the end of the period included accrued wages, bonuses and allowances of RMB48,262,615.10 in total, which were expected to be paid in the second half of 2021.

As at 30 June 2021, contributions to all planned pension insurances and unemployment insurances of the Group have made.

23. Taxes Payable

Unit: RMB

[illegible]	B [illegible]	Balance at the beginning of the period
Value-added tax	**2,800,347.70**	15,593,882.12
Enterprise income tax	**6,568,141.26**	6,510,813.92
Individual income tax	**86,680.31**	1,083,896.01
Urban maintenance and construction tax	**575,937.18**	1,015,263.75
Property tax	**934,691.62**	1,231,131.25
Land use tax	**869,314.19**	639,164.00
Education surcharge	**411,246.94**	724,499.53
Local water resources fund		74,457.99
Stamp duty	**207,717.50**	236,453.80
Others	**302,364.65**	82,543.23
Total	**12,756,441.35**	27,192,105.60

Other descriptions:

As at 30 June 2021, taxes payable of the Group included Hong Kong profit tax payable of RMB0.00.

24. Other payables

Unit: RMB

[illegible]	B [illegible]	Balance at the beginning of the period
Other payables	**57,234,279.85**	43,853,326.94
Total	**57,234,279.85**	43,853,326.94

(1) Other payables

1) Presentation of other payables by payment nature

Unit: RMB

[illegible]	Balance at the beginning of the period	Balance at the beginning of the period
Accrued energy charges	**37,723,940.07**	28,988,476.97
Deposits	**12,437,870.76**	8,968,660.35
Others	**7,072,469.02**	5,896,189.62
Total	**57,234,279.85**	43,853,326.94

2) Significant other payables with an age of more than 1 year

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

25. Non-current liabilities due within one year

Unit: RMB

[illegible]	Balance at the beginning of the period	Balance at the beginning of the period
Long-term borrowings due within one year	**77,887,966.52**	76,549,075.94
Long-term payables due within one year	**27,601,314.80**	53,044,531.57
Lease liabilities due within one year	**15,466,573.15**	10,191,315.95
Total	**120,955,854.47**	139,784,923.46

26. Other current liabilities

Unit: RMB

[illegible]	Balance at the beginning of the period	Balance at the beginning of the period
Unmatured endorsed trade acceptance bills	**2,189,555.90**	42,860,229.13
Output tax to be transferred	**11,804,512.32**	7,335,204.95
Total	**13,994,068.22**	50,195,434.08

27. Long-term borrowings

(1) Category of long-term borrowings

Unit: RMB

	B	Balance at the beginning of the period
Secured borrowings	**152,766,615.07**	190,612,226.47
Less: Amounts due within one year	**(77,887,966.52)**	(76,549,075.94)
Total	**74,878,648.55**	114,063,150.53

Explanation about the classification of long-term borrowings:

Long-term borrowings due within one year have been reclassified to "non-current liabilities due within one year". See note VII.25.

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

Unit: RMB

	A	Amount at the beginning of the year
Secured borrowings	**152,766,615.07**	190,612,226.47
Total	**152,766,615.07**	190,612,226.47
The carrying amounts of the aforementioned borrowings shall be repaid in the following periods:		
Within one year	**77,887,966.52**	76,549,075.94
After one year from the balance sheet date but within two years	**74,878,648.55**	114,063,150.53
Less: Amount due within one year shown under current liabilities	**77,887,966.52**	76,549,075.94
Amount shown under non-current liabilities	**74,878,648.55**	114,063,150.53

Details of interest rates: The Group's long-term borrowings carried an interest rate of 7% in the first half of 2021.

28. Lease liabilities

Unit: RMB

[illegible]	A[illegible]	Amount at the beginning of the period
Lease liabilities	**15,466,573.15**	15,159,675.79
Less: Amounts due within one year	**(15,466,573.15)**	(10,191,315.95)
Total		4,968,359.84

29. Long-term payables

Unit: RMB

[illegible]	B[illegible]	Balance at the beginning of the period
Long-term payables		4,585,000.00
Total		4,585,000.00

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

Balance at the beginning of the period

Profile of maturity dates of long-term payables

Unit: RMB

	A	Amount at the beginning of the year
Leaseback financing	**27,601,314.80**	57,629,531.57
Total	**27,601,314.80**	57,629,531.57
The carrying amounts of the aforementioned borrowings shall be repaid in the following periods:		
Within one year	**27,601,314.80**	53,044,531.57
After one year from the balance sheet date but within two years		4,585,000.00
After two years from the balance sheet date but within five years		—
Less: Amount due within one year shown under current liabilities	**27,601,314.80**	53,044,531.57
Amount shown under non-current liabilities		4,585,000.00

30. Estimated liabilities

Unit: RMB

	B	B	C
Pending litigations	**9,325,722.88**	14,392,824.64	See note XIV.2 for details
Total	**9,325,722.88**	14,392,824.64	—

31. *Deferred income*

Unit: RMB

	B		D	B	
					C
Government grants	7,176,480.86	—	—	7,176,480.86	Asset-related government grants
Total	7,176,480.86	—	—	7,176,480.86	—

Items involving the government grants:

Unit: RMB

	A							
	A							
	A							
	B A						B A	
Grants for ancillary infrastructure	6,780,983.62	—	—	—	—	—	6,780,983.62	Asset-related
Grants for defense basement construction	395,497.24	—	—	—	—	—	395,497.24	Asset-related
Total	7,176,480.86	—	—	—	—	—	7,176,480.86	Asset-related

Other descriptions:

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. The construction of the relevant infrastructure was completed in 2020.

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, Wendeng District, Weihai City, 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.

32. *Share capital*

Unit: RMB

	B						B
Total number of shares	797,848,400.00	—	—	—	—	—	797,848,400.00

33. *Capital Reserves*

Unit: RMB

	B		D	B
Capital premium (share capital premium)	849,481,990.92	—	—	849,481,990.92
Other capital reserves	13,687,167.50	—	—	13,687,167.50
Total	863,169,158.42	—	—	863,169,158.42

34. *Other comprehensive income*

Unit: RMB

	B							B
I. Other comprehensive income that may not reclassified to profit or loss	—	—	—	—	—	—	—	—
II. Other comprehensive income that will be reclassified to profit or loss	(2,015,577.82)	165,833.59	—	—	—	149,250.25	16,583.34	(1,866,327.57)
Exchange differences on translation of foreign financial statements	(2,015,577.82)	165,833.59	—	—	—	149,250.25	16,583.34	(1,866,327.57)
	(2,015,577.82)	165,833.59	—	—	—	149,250.25	16,583.34	(1,866,327.57)

35. Special Reserve

Unit: RMB

	B	D	B
Safety production fees	—	14,492,760.59	14,492,760.59	—
Total	—	14,492,760.59	14,492,760.59	—

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

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

36. Surplus Reserve

Unit: RMB

	B	D	B
Statutory surplus reserve	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

37. General risk reserve

Unit: RMB

	A	D	A
General risk reserve	11,236.91	—	—	11,236.91
Total	11,236.91	—	—	11,236.91

38. *Undistributed profits*

Unit: RMB

	C	Prior period
Undistributed profits at the end of the prior period before adjustments	**(66,030,056.80)**	(98,208,687.79)
Undistributed profits at the beginning of the period after adjustments	**(66,030,056.80)**	(98,208,687.79)
Add: Net profit attributable to owners of the parent company for the period	**(68,250,795.42)**	32,178,630.99
Undistributed profits at the end of the period	**(134,280,852.22)**	(66,030,056.80)

The Company did not distribute dividends for the period. During the track record period, the Company did not distribute dividends for 2020. As of 30 June 2021, the Company had no profit available for distribution to shareholders.

Adjustments breakdown of undistributed profits at the beginning of the period:

1) The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and their new related requirements on the undistributed profits as at the beginning of the period amounted to RMB0.00.

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

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

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

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

39. *Minority interests*

Minority interests attributable to minority shareholders of each subsidiary

Unit: RMB

		B	B
	(%)		
Shouguang Baolong	30	(32,306,387.80)	(50,841,975.41)
Baolong Consultancy	50	73,732,326.22	71,780,347.47
MPM	10	(97,711.31)	(105,566.85)
Total	—	41,328,227.11	20,832,805.21

40. Operating revenue and operating costs

Unit: RMB

	[illegible]		Amount for the prior period	
[illegible]	[illegible]	[illegible]	Revenue	Costs
Principal operations	**1,858,207,262.11**	**1,690,763,057.70**	1,322,881,285.82	1,246,032,281.79
Other operations	**39,920,314.97**	**35,406,094.78**	23,496,406.00	20,737,558.15
Total	**1,898,127,577.08**	**1,726,169,152.48**	1,346,377,691.82	1,266,769,839.94

Information on revenue:

Unit: RMB

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Type of goods							
Pipe products	1,053,440,211.21	—	—	—	—	—	1,053,440,211.21
Three kinds of pumping units	—	12,529,223.05	—	—	—	—	12,529,223.05
Petroleum machinery parts	—	—	3,907,356.56	—	—	—	3,907,356.56
Tube blanks	—	—	—	706,827,222.90	—	—	706,827,222.90
High-end castings and forgings	—	—	—	—	74,500,029.58	—	74,500,029.58
Others	—	—	—	—	—	46,923,533.78	46,923,533.78
By business location							
China	961,900,965.66	12,330,423.23	1,552,462.36	706,827,222.90	74,500,029.58	46,923,533.78	1,804,034,637.51
Outside China	91,539,245.55	198,799.82	2,354,894.20	—	—	—	94,092,939.57
Type of contracts							
Revenue recognised at a point in time	1,053,440,211.21	12,529,223.05	3,907,356.56	706,827,222.90	74,500,029.58	46,923,533.78	1,898,127,577.08
Total	1,053,440,211.21	12,529,223.05	3,907,356.56	706,827,222.90	74,500,029.58	46,923,533.78	1,898,127,577.08

Information on performance obligations:

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

Information on transaction price allocated to remaining performance obligations:

The corresponding revenue from performance obligations that have been contracted but not yet performed or completed amounted to RMB56,777 ten thousand as at the end of the reporting period, RMB56,777 ten thousand of which were expected to be recognised as revenue in the second half of 2021.

41. Taxes and surcharges

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Urban maintenance and construction tax	**1,018,549.18**	1,878,164.23
Education surcharge	**677,383.91**	1,339,914.29
Resources tax	**0.00**	39,418.80
Property tax	**1,869,381.80**	2,481,161.06
Land use tax	**1,738,628.40**	3,825,093.99
Vehicle and vessel use tax	**10,320.00**	5,932.74
Stamp duty	**742,217.70**	394,763.32
Local water resource fund	**0.00**	133,991.42
Other taxes	**624,937.78**	133,790.79
Total	**6,681,418.77**	10,232,230.64

42. Selling expenses

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Agency fees	**130,623.29**	46,651.88
Wages	**2,645,448.42**	1,822,765.95
Travelling expenses	**390,105.02**	157,032.24
Entertainment expenses	**1,170,912.63**	1,254,420.96
Office expenses	**128,022.82**	112,976.02
Commissions	**166,123.75**	277,117.54
Depreciation charges	**122,062.45**	133,645.18
Bidding service charges	**748,114.68**	33,962.26
Others	**369,733.49**	970,666.13
Total	**5,871,146.55**	4,809,238.16

43. Administrative expenses

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Amortisation of intangible assets	**4,943,785.54**	5,755,458.40
Depreciation charges	**35,358,329.18**	35,809,129.10
Staff remunerations	**29,253,531.88**	22,000,728.35
Travelling expenses	**455,391.64**	284,023.16
Machinery material consumables	**3,520,209.59**	2,068,309.96
Entertainment expenses	**1,687,892.19**	1,417,481.91
Board of directors' expenses	**509,990.72**	892,296.67
Utilities	**17,049,314.77**	8,448,474.65
Commissions	**2,513,049.88**	2,258,707.06
Repair charges	**10,990,150.99**	3,292,763.20
Others	**7,953,594.22**	3,935,915.59
Total	**114,235,240.60**	86,163,288.05

44. Research and development expenditures

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Research and development of new products for the year	**22,036,363.29**	7,704,388.16
Amortisation of non-patent technology for the year	**4,003,948.03**	3,775,742.87
Total	**26,040,311.32**	11,480,131.03

45. Finance costs

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Interest expenses	**57,876,192.60**	74,244,592.48
Interest income	**(2,892,675.32)**	(2,700,511.98)
Foreign exchange losses	**(808,887.43)**	(1,501,780.09)
Other expenses	**5,753,829.06**	3,092,985.17
Total	**59,928,458.91**	73,135,285.58

46. Other income

Unit: RMB

	[illegible]	Amount for the prior period
Stability subsidies	**0.00**	569,548.00
Work-based training subsidies	**998,000.00**	0.00
Others	**268,838.69**	32,402.96
Total	**1,266,838.69**	601,950.96

47. Credit impairment losses

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Loss on impairment of loans	**1,991,573.70**	207,752.18
Loss on bad debts of accounts receivable	**(1,429,323.04)**	(9,186,990.41)
Loss on bad debts of bills receivable	**716,389.08**	1,284,969.50
Loss on bad debts of other receivables	**363,737.41**	(423,795.13)
Total	**1,642,377.15**	(8,118,063.86)

48. Loss on impairment of assets

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Loss on impairment of inventories	**(4,830,609.84)**	(6,431,967.73)
Total	**(4,830,609.84)**	(6,431,967.73)

49. Gain on disposal of assets

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Gain on disposal of fixed assets	**9,832.15**	(20,157.66)
Total	**9,832.15**	(20,157.66)

50. Non-operating income

Unit: RMB

[illegible]	[illegible]	Amount for the prior period	[illegible]
Others	**1,211,776.85**	1,086,698.16	**1,211,776.85**
Total	**1,211,776.85**	1,086,698.16	**1,211,776.85**

51. Non-operating expenses

Unit: RMB

[illegible]	[illegible]	Amount for the prior period	[illegible]
Donations to external parties	**230,000.00**	—	**230,000.00**
Scrap loss of non-current assets loss	**399,687.46**	69,324.73	**399,687.46**
Estimated liabilities	**2,227,197.33**	3,216,057.10	**2,227,197.33**
Others	**352,041.65**	159,014.81	**352,041.65**
Total	**3,240,554.91**	3,444,396.64	**3,240,554.91**

52. Income tax expenses

(1) List of income tax expenses

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Current income tax expenses	**637,696.33**	—
Deferred income tax expenses	**2,395,769.07**	1,300,015.86
Total	**3,033,465.40**	1,300,015.86

(2) Reconciliations between accounting profit and income tax expenses

Unit: RMB

[illegible]	[illegible]
Total profit	**(44,738,491.46)**
Income tax expenses at statutory/applicable tax rate	**(6,710,773.72)**
Effect of different tax rates applicable to subsidiaries	**1,911,682.66**
Effect of non-taxable income	**203,866.32**
Effect of non-deductible costs, expenses and loss	**(1,205,020.06)**
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	**(16,261,915.04)**
Effect of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in the period	**30,786,812.90**
Effect of additions and deductions in research and development expenditures	**(5,691,187.67)**
Income tax expenses	**3,033,465.40**

53. Other comprehensive income

See note VII.34 for details.

54. Statement of cash flows line items

(1) Other cash received relating to operating activities

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Government grants	**1,266,838.69**	601,950.96
Interest income	**2,892,675.32**	2,700,511.98
Decrease in security deposits	**5,749,098.28**	—
Others	**4,530,463.03**	6,068,483.71
Total	**14,439,075.32**	9,370,946.65

(2) Other cash paid relating to operating activities

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Delivery fees	**0.00**	22,616,386.36
Expenditures for research and development of new products	**16,625,512.07**	7,704,388.16
Consumables	**3,546,305.28**	1,274,817.31
Agency fees	**130,623.29**	68,165.69
Travelling expenses	**845,496.66**	441,055.40
Commissions	**2,679,173.63**	3,428,121.27
Repair charges	**10,990,150.99**	3,292,763.20
Utilities	**17,049,314.77**	8,448,474.65
Entertainment expenses	**2,858,804.82**	2,671,902.87
Handling charges by financial institutions	**5,753,829.06**	3,428,467.88
Increase in frozen bank deposits	**2,264,189.64**	0.00
Compensations for claims related to shareholders' litigations	**11,053,960.15**	8,987,619.90
Others	**8,649,434.26**	1,964,388.62
Total	**82,446,794.62**	64,326,551.31

(3) Other cash paid relating to financing activities

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Increase in financing margins	**92,915,500.00**	193,992,208.00
Total	**92,915,500.00**	193,992,208.00

55. Supplemental information on statement of cash flows

(1) Supplemental information on statement of cash flows

Unit: RMB

	Amount for the	Amount for the prior period
1.		
Net profit	**(47,771,956.86)**	(123,838,274.21)
Add: Provision for impairment of assets	**4,830,609.84**	6,431,967.73
Credit impairment provision	**(1,642,377.15)**	8,118,063.86
Depreciation of fixed assets, oil and gas assets and productive biological assets	**112,243,636.18**	116,640,645.30
Depreciation of right-of-use assets	**1,530,636.96**	—
Amortisation of intangible assets	**9,272,644.96**	9,531,201.27
Amortisation of long-term unamortised expenses		—
Loss on disposal of fixed assets, intangible assets and other long-term assets	**(7,096.07)**	(2,077,392.20)
Loss on retirement of fixed assets	**425,560.76**	11,234.56
Loss on fair value changes		—
Finance costs	**57,876,192.60**	74,299,666.36
Investment loss		—
Decrease in deferred income tax assets	**2,621,469.07**	1,429,485.42
Increase in deferred income tax liabilities		—
Decrease in inventories	**(249,100,035.40)**	72,234,801.31
Decrease in trade receivables	**22,445,535.52**	123,695,405.99
Increase in trade receivables	**67,803,548.30**	(224,009,504.09)
Others		—
Net cash flow generated from operating activities	**(19,471,631.29)**	62,467,301.30
2.		
Transfer of debts to capital		—
Convertible corporate bonds maturing within one year		—
Fixed assets under finance lease		—
3.		
Balance of cash at the end of the period	**394,118,166.69**	470,240,191.75
Less: Balance of cash at the beginning of the period	**699,989,196.48**	496,256,836.18
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	**(305,871,029.79)**	(26,016,644.43)

(2) Composition of cash and cash equivalents

Unit: RMB

		B	Balance at the beginning of the period
I.	Cash	**394,118,166.69**	699,989,196.48
	Including: Cash on hand	**56,704.36**	53,744.41
	Bank deposits readily available for payments	**345,221,089.66**	509,428,523.97
	Other monetary funds readily available for payments	**48,840,372.67**	190,506,928.10
II	Balance of cash and cash equivalents at the end of the period	**394,118,166.69**	699,989,196.48

Other descriptions:

The Company had margins of bank acceptance bills due after 3 months of RMB146,830,901.72.

As at 30 June 2021, the Company had a balance of monetary funds of RMB543,539,364.60, which was shown in the statement of cash flows under balance of cash at the end of the period amounting to RMB394,118,166.69. The difference represented the margins of bank acceptance bills due after 3 months of RMB146,830,901.72 and bank deposits frozen for litigations of RMB2,590,296.19. As it is restricted for use, it was not accounted for as cash and cash equivalents.

56. Assets with restriction on ownership or use right

Unit: RMB

	B	
Monetary funds	**198,261,570.58**	Margins
Bills receivable	**77,009,807.06**	Pledge of bills
Fixed assets	**220,920,511.71**	Charge for borrowings
Intangible assets	**156,206,609.30**	Charge for borrowings

57. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

	B		B
Monetary funds	—	—	51,522,291.99
Including: USD	7,975,460.68	6.4601	51,522,288.75
EUR	0.42	7.6862	3.22
HKD	0.03	0.8321	0.02
Accounts receivable	—	—	118,642,679.60
Including: USD	18,193,847.10	6.4601	117,534,071.60
EUR	144,233.56	7.6862	1,108,608.00
HKD	—	—	—
Prepayments	—	—	21,560.58
Including: USD	3,337.50	6.4601	21,560.58
Long-term borrowings	—	—	—
Including: USD	—	—	—
EUR	—	—	—
HKD	—	—	—
Accounts payable	—	—	21,160,594.12
Including: USD	3,275,583.06	6.4601	21,160,594.12
Contract liabilities	—	—	17,435,109.75
Including: USD	2,698,891.62	6.4601	17,435,109.75

(2) Information on foreign operating entities, including disclosures of the overseas principal place of business of significant foreign operating entities, their respective reporting currency and basis for selection, and the reason(s) for any changes in the reporting currency.

✓ Applicable ☐ Not applicable

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

58. Government grants

(1) General information of government grants

Unit: RMB

	[illegible]	[illegible]	[illegible]
Work-based training subsidies	998,000.00	Other income	998,000.00
Others	268,838.69	Other income	268,838.69
Total	1,266,838.69	—	1,266,838.69

(2) Refunds of government grants

☐ Applicable ✓ Not applicable

Other descriptions:

The Group had no refund of government grants during the period.

[illegible]

1. Others

Comparing with last year, there were no changes in the scope of consolidation of this year.

1. Interests in subsidiaries

(1) Structure of the business group

MPM	Hong Kong	Hong Kong	Trading	USD100 ten thousand	Limited company	90.00%	0.00%	For-profit corporation	Business combination not under common control
Shouguang Maolong	Shouguang	Shouguang	Manufacturing	RMB71,238 ten thousand	Limited company	100.00%	0.00%	For-profit corporation	Business combination not under common control
Molong Electro-mechanical	Shouguang	Shouguang	Manufacturing	USD100 ten thousand	Limited company	0.00%	100.00%	For-profit corporation	Business combination not under common control
Shouguang Baolong	Shouguang	Shouguang	Manufacturing	RMB15,000 ten thousand	Limited company	70.00%	0.00%	For-profit corporation	Establishment by investment
Weihai Baolong	Weihai	Weihai	Manufacturing	RMB2,600 ten thousand	Limited company	61.54%	38.46%	For-profit corporation	Business combination not under common control
Molong Logistic	Shouguang	Shouguang	Services	RMB300 ten thousand	Limited company	100.00%	0.00%	For-profit corporation	Establishment by investment
Molong I&E	Shouguang	Shouguang	Import and export	RMB1,000 ten thousand	Limited company	100.00%	0.00%	For-profit corporation	Establishment by investment
Baolong Consultancy	Shouguang	Shouguang	Services	RMB15,000 ten thousand	Limited company	0.00%	50.00%	For-profit corporation	Business combination not under common control
Molong Energy	Shouguang	Shouguang	Services	RMB1,000 ten thousand	Limited company	51.00%	0.00%	For-profit corporation	Establishment by investment

Save as disclosed above, as at 30 June 2021, none of the subsidiaries of the Company has issued any share capital or debt securities.

Basis for holding less than half of voting rights but retaining control over investees, and holding more than half of voting rights but not having control over investees:

The Group was the largest shareholder of Baolong Consultancy holding 50% equity interest. The other six shareholders were all natural persons and their shareholdings were dispersed (at a percentage of 10% or 6.67%). As stipulated in the articles of association of Baolong Consultancy, for a resolution proposed at board meeting, each person can cast one vote. A board resolution shall be passed by a majority of directors. The company had 3 directors, all of them were appointed by the Group. The Group had effective control over Baolong Consultancy, and therefore, it was included within the scope of consolidation.

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Shouguang Baolong	30.00%	18,535,587.61	0.00	(32,306,387.80)
Baolong Consultancy	50.00%	1,951,978.75	0.00	73,732,326.22
Total	—	20,487,566.36	0.00	41,425,938.42

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

Unit: RMB

						Balance at the beginning of the period					
						Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shouguang Baolong Baolong	**480,363,898.22**	**411,565,429.86**	**891,929,328.08**	**907,211,276.32**	**907,211,276.32**	358,593,909.81	433,636,788.16	792,230,697.97	899,430,924.37	0.00	899,430,924.37
Consultancy	**147,939,878.90**		**147,939,878.90**	**475,226.46**	**475,226.46**	143,581,857.20	0.00	143,581,857.20	21,162.25	0.00	21,162.25

Unit: RMB

					Amount for the prior period			
					Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shouguang Baolong	**1,800,604,326.08**	**91,918,278.16**	**91,918,278.16**	**57,579,524.75**	662,740,985.60	(37,975,943.20)	(37,975,943.20)	(275,423,848.94)
Baolong Consultancy	**226,316.50**	**3,903,957.49**	**3,903,957.49**	**3,274,420.35**	1,752,079.21	4,302,561.08	4,302,561.08	214,336.99

(4) Major restri0 Tna TdFe(4))Tj/SpaAct 3.q 1 0 0 1 30.350 34t50 34t50 34t5cd(re Tm and Tmtlem)Tj(redebm (re4t business group.0)Tj5 0 1 30.3

2. Transactions resulting in changes in share of owners' equity of subsidiaries with control over subsidiaries retained

(1) Details of the changes in share of owners' equity of subsidiaries

Nil

3. Interests in joint arrangements or associates

(1) Summarised financial information of insignificant joint venture or associate

Unit: RMB

	B [illegible] /A [illegible]	Balance at the beginning of the period/Amount for the prior period
Joint ventures:		—
Total amount of the following items based on percentage of shareholdings		—
Associates:		—
Total carrying amount of investment	**2,314,697.29**	2,314,697.29
Total amount of the following items based on percentage of shareholdings		—
— Net profit	**(63,119.70)**	(770,756.02)

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

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

(3) Excessive losses incurred by joint ventures or associates

None of the associates incurred any excessive losses.

(4) Unrecognised commitments associated with investment in joint ventures

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

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

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

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

Descriptions of structured entities not consolidated in the consolidated financial statements:

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

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

1. Objectives and policies of risk management

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

(1) Market risks

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 company and its subsidiaries MPM of the Group which entered purchases and sales in USD, EUR and HKD, other principal operating activities of the Group are settled in RMB. As at 30 June 2021, 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

	30	**2021**	31 December 2020
Monetary funds — USD		**51,522,288.75**	197,995,723.66
Monetary funds — EUR		**3.22**	2.97
Monetary funds — HKD		**0.02**	0.03
Accounts receivable — USD		**117,534,071.60**	112,740,075.21
Accounts receivable — EUR		**1,108,608.00**	1,179,465.07
Prepayments — USD		**21,560.58**	0.00
Short-term borrowings — USD		**0.00**	32,624,500.00
Accounts payable — USD		**21,160,594.12**	20,019,063.18
Contract liabilities — USD		**17,435,109.75**	27,324,814.53

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 2021, the Group's interest-bearing liabilities were mainly floating-rate loan contracts denominated in RMB amounting to RMB571,800,000.00 (31 December 2020: RMB573,800,000.00) and fixed-rate loan contracts denominated in RMB and USD amounting to RMB1,486,849,105.23 (31 December 2020: RMB1,728,667,136.33).

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

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

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

3) *Price risk*

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

(2) Credit risk

As at 30 June 2021, the maximum credit risk exposure that may cause financial loss to the Group mainly derived from the loss on financial assets of the Group due to the failure of performing obligations by contract counterparties. Specifically:

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

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

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

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

Total amount of top 5 account receivables: RMB318,118,102.33.

(3) Liquidity risk

The 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 2021, the Group had unutilised credit facilities provided by financial institutions of RMB335,848,436.87 (31 December 2020: RMB567,336,700.00), of which the unutilised short-term borrowings of the Group amounted to RMB335,848,436.87 (31 December 2020: RMB567,336,700.00). 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 2021:

Unit: RMB

[illegible]	[illegible] 1	1 [illegible] 2 [illegible]	2 [illegible] 5 [illegible]	[illegible] 5 [illegible]	[illegible]
Financial assets					
Monetary funds	543,539,364.60	–	–	–	543,539,364.60
Bills receivable	94,022,651.06	–	–	–	94,022,651.06
Accounts receivable	302,058,266.65	–	–	–	302,058,266.65
Financing receivables	11,910,940.80	–	–	–	11,910,940.80
Other receivables	24,281,068.49	–	–	–	24,281,068.49
Financial liabilities					
Short-term borrowings	1,868,626,940.77	–	–	–	1,868,626,940.77
Bills payable	126,536,838.20	–	–	–	126,536,838.20
Accounts payable	690,177,991.84	–	–	–	690,177,991.84
Other payables	57,234,279.85	–	–	–	57,234,279.85
Non-current liabilities due within one year	120,955,854.47	–	–	–	120,955,854.47
Other current liabilities	13,994,068.22	–	–	–	13,994,068.22
Long-term borrowings	–	74,878,648.55	–	–	74,878,648.55

2. Sensitivity analysis

[illegible]

1. *Others*

As at 30 June 2021, the Group's financing receivables were measured at fair value. As the related bank acceptance bills had short maturities, the difference between their fair value and carrying amount was minimal.

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

[illegible]

1. *Parent company of the Company*

Description of the parent company of the Company

On 23 March 2021, Mr. Zhang En Rong, the original controlling shareholder of the Company, transferred

4. Other related parties

Shouguang Molong Holdings Co., Ltd.	Controlling shareholder of the Company
Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Controlling shareholder of the controlling shareholder of the Company
Shouguang Jinsheng Investment Co., Ltd. (壽光金盛投資有限公司)	Company under common control
Shandong Chiming Salt Chemistry Co., Ltd. (山東池銘鹽化有限公司)	Company under common control
Shouguang Fuyuan Salt Co., Ltd. (壽光市富源鹽業有限公司)	Company under common control
Shouguang Ronggeng Agricultural Technology Co., Ltd. (壽光融耕農業科技有限公司)	Company under common control
Shouguang Jinhan Supply Chain Management Co, Ltd. (壽光金瀚供應鏈管理有限公司)	Company under common control
Shouguang Tianyi New Energy Co., Ltd. (壽光天一新能源有限公司)	Company under common control
Shouguang Heda Polar Ocean World Co., Ltd. (壽光合達極地海洋世界有限公司)	Company under common control
Shouguang Rongyuan Agricultural Technology Co., Ltd. (壽光市融源農業科技有限公司)	Company under common control
Shouguang Fenghui Agricultural Technology Co., Ltd. (壽光市豐匯農業科技有限公司)	Company under common control
Shouguang Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	Company under common control
Shouguang Judianhu Haohan Joy Land Playground Co., Ltd. (壽光市洁澱湖浩瀚歡樂世界遊樂園有限公司)	Company under common control
Shouguang Judianhu Haoyang Water World Playground Co., Ltd. (壽光市洁澱湖浩洋水世界遊樂園有限公司)	Company under common control
Shouguang Haoyang Catering Co., Ltd. (壽光市浩洋餐飲有限公司)	Company under common control
Shouguang Gaoxin District Infrastructure Development Co., Ltd. (壽光市高新區基礎設施開發有限公司)	Company under common control
Shouguang Jintou Heating Power Co., Ltd. (壽光市金投熱力有限公司)	Company under common control
Shouguang Guoyu New Energy Co., Ltd. (壽光市國譽新能源科技有限公司)	Company under common control
Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	Company under common control
Shouguang Construction Engineering Quality Testing Co., Ltd. (壽光市建設工程質量檢測有限公司)	Company under common control
Shouguang Fruit and Vegetable Variety Right Transaction Center Co., Ltd. (壽光果菜品種權交易中心有限公司)	Company under common control
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)	Company under common control
Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	Company under common control
Shandong Nongsheng Information Technology Co., Ltd. (山東農聖信息科技有限公司)	Company under common control
Shandong Wohua Health Technology Co., Ltd. (山東沃華健康科技有限公司)	Company under common control
Global Wohua (Beijing) Software Technology Co., Ltd. (環球沃華(北京)軟件科技有限公司)	Company under common control
Shouguang Xingyunganghang Investment Management Center (Limited Partnership) (壽光市星雲港航投資管理中心(有限合夥))	Company under common control
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)	Company under common control
Weifang Huayuan Heat Co., Ltd. (濰坊華源熱力有限公司)	Company under common control
Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司)	Company in which directors and senior management of the Company hold positions
Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司)	Company in which directors and senior management of the Company hold positions
Shouguang Jintou Culture Industry Development Co., Ltd. (壽光市金投文化產業發展有限公司)	Company in which directors and senior management of the Company hold positions
Shouguang Jintou Non Financing Guarantee Co., Ltd. (壽光市金投非融資性擔保有限公司)	Company in which directors and senior management of the Company hold positions
Weifang Jinxuan Equity Investment Fund Management Co., Ltd. (濰坊金萱股權投資基金管理有限公司)	Company in which directors and senior management of the Company hold positions
Kunpeng Qinghai Asset Management Co., Ltd. (昆朋青海資產管理股份有限公司)	Company in which directors and senior management of the Company hold positions
Zhang En Rong	The original controlling shareholder and actual controller in the past twelve months
Shouguang Molong Cultural Transmission Co., Ltd. (壽光市墨龍文化傳播有限公司)	Another company controlled by the original controlling shareholder in past twelve months

5. *Related party transactions*

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

List of sale of goods/rendering of services

Unit: RMB

Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pumps and accessories	3,078,999.28	650,407.46

Descriptions of related party transactions regarding purchase and sale of goods and rendering and receipt of services

(2) Related guarantees

The Company as a guarantor

Unit: RMB

Shouguang Maolong	192,408,495.33	30 June 2020	30 June 2023	No

The Company as a guaranteed party

Unit: RMB

Zhang En Rong	192,408,495.33	30 June 2020	30 June 2023	No

Descriptions of related guarantees

On 15 May 2020, Resolution on the Provision of Guarantee for Shouguang Maolong was considered and approved at the third extraordinary meeting of the sixth session of the Board of the Company. It was agreed that Shouguang Maolong (a wholly-owned subsidiary) should commence the provision of comprehensive financial services with China Great Wall Asset Management Co., Ltd. Shandong Branch with a total amount of not exceeding RMB20,000 ten thousand and with a term up to 36 months. The Company, Shouguang Baolong and Weihai Baolong provided guarantee for Shouguang Maolong to conduct the aforementioned business by pledging certain property and land use right, respectively. Mr. Zhang En Rong, the original controlling shareholder and actual controller of the Company, provided a joint and several guarantee for the above business to be commenced by Shouguang Maolong. Such guarantee was considered and approved at 2019 general meeting of the Company on 19 June 2020. Please refer to Announcement No. 2020-030 of cninfo.com (巨潮資訊網) (www.cninfo.com.cn) for details.

(3) Borrowings from/lending to related parties

Unit: RMB

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Borrowings				
Shouguang Jinxin	100,000,000.00	2 December 2020	7 February 2021	RMB5,000 ten thousand was repaid
			16 April 2021	RMB5,000 ten thousand was repaid
Shouguang Jinxin	100,000,000.00	8 February 2021	18 March 2021	—
Shouguang Jinxin	100,000,000.00	1 April 2021	6 April 2021	—
Shouguang Jinxin	80,000,000.00	11 May 2021	13 May 2021	—
Shouguang Jinxin	59,000,000.00	17 June 2021	—	RMB900 ten thousand was repaid on 24 June

(4) Compensation of key management personnel

Unit: RMB

[illegible]	[illegible]	Amount for the prior period
Compensation of key management personnel	**1,460,640.75**	1,180,117.37

(5) Other connected transactions

The Group had no other related party transactions or continuing related party transactions.

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

(1) Receivables

Unit: RMB

[illegible]	[illegible]	[illegible]	[illegible]	Balances at the beginning of the period	
[illegible]	[illegible]	[illegible]	[illegible]	Book balance	Provision for bad debts
Accounts receivable	Karamay Yalong Petroleum Machinery Co., Ltd.	**4,731,848.92**	**47,318.49**	4,406,682.29	1,134,172.74

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. Revision and termination of share-based payments

Nil

5. Others

The Group had no share-based payments during the current period.

1. Significant commitments

Significant commitments at the balance sheet date

The Group did not have any capital commitment at the end of the period. The Group has initiated the related work for factory relocation. As the relevant new factories are under planning and design, the specific amount of expenses has not been completely determined.

2. Contingencies

(1) Material contingencies at balance sheet date

As at the date of these financial statements, the claim cases against the Company by investors regarding false statements about securities have been accepted by the Jinan Intermediate People's Court (濟南市中級人民法院), and the aggregate sum involved was RMB123,681,563.45. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB112,710,124.78, with a final settlement amount of RMB64,919,444.92. For those closed cases, the Company is performing its obligations according to the judgments. For those cases that have been heard but pending for judgment and those cases that have not been heard, provision for estimated liabilities of RMB9,325,722.88 were made at a rate of 85% with reference to the previously closed cases. The Company has made cumulative total provisions for estimated liabilities of RMB74,245,167.80 in respect of this issue so far.

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

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

3. *Others*

Save as disclosed above, the Group has no other significant contingencies.

[illegible]

1. *Profit Distribution*

Unit: RMB

Proposed distribution of profits and dividends	0.00
Considered and approved Distribution of profits and dividends declared after consideration and approval	0.00

2. *Sales Returns*

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

3. *Other events subsequent to balance sheet date*

Save for the subsequent event as disclosed above, the Group had no other material subsequent events.

[illegible]

1. *Segment information*

(1) Basis for determining reportable segments and accounting policies

According to the internal organisational structure, management requirements and internal reporting system of the Group, the Group's operating segments are divided into 5 reportable segments. The Group identifies the operating segments according to the internal organization structure, management requirements and internal reporting system. The Group's management regularly evaluates the operating results of these reportable segments to determine the resources to be allocated and its results to be evaluated. The main products provided by each of the Group's reportable segments includes pipe products, three kinds of pumping units, petroleum machinery, tube blanks parts, high-end castings and forgings and others.

(2) Financial information of reportable segments

Unit: RMB

Operating revenue								
Revenue from external sales	1,053,440,211.21	12,529,223.05	3,907,356.56	706,827,222.90	74,500,029.58	46,923,533.78	–	1,898,127,577.08
Revenue from inter-segment sales								
Total segment operating revenue	1,053,440,211.21	12,529,223.05	3,907,356.56	706,827,222.90	74,500,029.58	46,923,533.78	–	1,898,127,577.08
Total operating revenue as reported	1,053,440,211.21	12,529,223.05	3,907,356.56	706,827,222.90	74,500,029.58	46,923,533.78	–	1,898,127,577.08
Segment expenses	957,882,792.73	12,949,072.94	5,681,250.52	652,827,764.81	69,277,243.16	43,291,826.34	–	1,741,909,950.49
Segment expenses	95,557,418.48	(419,849.88)	(1,773,893.96)	53,999,458.09	5,222,786.42	3,631,707.44	–	156,217,626.59
Adjusted for:								
Administrative expenses	–	–	–	–	–	–	114,235,240.60	114,235,240.60
Research and development expenses	–	–	–	–	–	–	26,040,311.32	26,040,311.32
Finance costs	–	–	–	–	–	–	59,928,458.91	59,928,458.91
Investment income	–	–	–	–	–	–	–	–
Gains on disposal of assets	–	–	–	–	–	–	9,832.15	9,832.15
Other income	–	–	–	–	–	–	1,266,838.69	1,266,838.69
Operating profit as reported	95,557,418.48	(419,849.88)	(1,773,893.96)	53,999,458.09	5,222,786.42	3,631,707.44	(198,927,339.99)	(42,709,713.40)
Non-operating income	–	–	–	–	–	–	1,211,776.85	1,211,776.85
Non-operating expenses	–	–	–	–	–	–	3,240,554.91	3,240,554.91
Total profit	95,557,418.48	(419,849.88)	(1,773,893.96)	53,999,458.09	5,222,786.42	3,631,707.44	(200,956,118.05)	(44,738,491.46)
Income tax	–	–	–	–	–	–	3,033,465.40	3,033,465.40
Net profit	95,557,418.48	(419,849.88)	(1,773,893.96)	53,999,458.09	5,222,786.42	3,631,707.44	(203,989,583.45)	(47,771,956.86)
Total segment assets	3,697,864,987.06	63,900,549.18	19,258,780.63	372,408,729.31	93,665,120.90	233,509,361.13	433,017,966.59	4,913,625,494.81
Total segment liabilities	1,237,366,632.74	13,043,146.18	10,961,191.16	353,888,240.02	72,038,194.68	29,930,419.10	1,442,433,904.41	3,159,661,728.29

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

In the interim period of 2021 and the interim period of 2020, 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

		Amount for the prior period
PRC (excluding Hong Kong)	**1,804,034,637.51**	1,107,541,201.08
Hong Kong		—
Other overseas regions	**94,092,939.57**	238,836,490.74
Total	**1,898,127,577.08**	1,346,377,691.82

1. Accounts receivable

(1) Disclosure of accounts receivable by type

Unit: RMB

						Balance at the beginning of the period				
						Book balance		Provision for bad debts		Book value
						Amount	Percentage	Amount	Provision rate	
Accounts receivable provided for bad debts on an individual basis	**17,365,734.73**	**2.87%**	**3,473,146.95**	**20.00%**	**13,892,587.78**	17,365,734.73	3.07%	3,473,146.95	20.00%	13,892,587.78
Including:										
Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	**17,365,734.73**	**2.87%**	**3,473,146.95**	**20.00%**	**13,892,587.78**	17,365,734.73	3.07%	3,473,146.95	20.00%	13,892,587.78
Accounts receivable provided for bad debts on a collective basis	**588,540,185.60**	**97.13%**	**121,080,629.90**	**20.57%**	**467,459,555.70**	548,106,670.52	96.93%	119,767,193.27	31.33%	428,339,477.25
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**400,115,902.68**	**66.03%**	**121,080,629.90**	**30.26%**	**279,035,272.78**	382,304,367.10	67.61%	119,767,193.27	31.33%	262,537,173.83
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	**188,424,282.92**	**31.10%**			**188,424,282.92**	165,802,303.42	29.32%	–	0.00%	165,802,303.42
Total	**605,905,920.33**		**124,553,776.85**		**481,352,143.48**	565,472,405.25	–	123,240,340.22	–	442,232,065.03

Provision for bad debts on an individual basis: Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk

Unit: RMB

Hebei Zhongtai Steel Pipes Manufacturing Company Limited	17,365,734.73	3,473,146.95	20.00%	Provision was made based on the amount of expected credit loss of the customer
Total	17,365,734.73	3,473,146.95	—	—

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

[illegible]	B [illegible]	B [illegible]	[illegible]
Within 1 year	276,352,414.09	2,763,524.14	1.00%
1–2 years	8,421,503.31	4,210,751.66	50.00%
2–3 years	2,990,849.56	2,243,137.17	75.00%
3–4 years	1,615,927.29	1,373,538.19	85.00%
4–5 years	1,636,864.60	1,391,334.91	85.00%
Over 5 years	109,098,343.83	109,098,343.83	100.00%
Total	400,115,902.68	121,080,629.90	—

Descriptions of basis for determining the group:

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

Unit: RMB

[illegible]	B [illegible]	B [illegible]	[illegible]
Shouguang Maolong New Materials Technology Development Co., Ltd.	169,588,496.74	0.00	0.00%
MPM INTERNATIONAL LIMITED	18,835,786.18	0.00	0.00%
Total	188,424,282.92	0.00	—

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

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

A	B [illegible]
Within 1 year (inclusive)	445,940,910.83
1 to 2 years	8,421,503.31
2 to 3 years	2,990,849.56
Over 3 years	148,552,656.63
3 to 4 years	20,451,713.47
4 to 5 years	6,655,954.00
Over 5 years	121,444,989.16
Total	605,905,920.33

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

Provisions for bad debts for the period:

Unit: RMB

Provision for bad debts of accounts receivable	123,240,340.22	1,313,436.63	—	—	—	124,553,776.85
Total	123,240,340.22	1,313,436.63	—	—	—	124,553,776.85

(3) Accounts receivables written off during the period

The Company had no actual write-offs of accounts receivable for the current period.

(4) Balance of five largest accounts receivable as at the end of the period by debtors

Unit: RMB

Entity I	169,588,496.74	27.99%	0.00
Entity II	94,103,108.21	15.53%	941,031.08
Entity III	83,780,020.56	13.83%	837,800.21
Entity IV	77,359,136.66	12.77%	5,539,163.05
Entity V	45,224,703.19	7.46%	45,224,703.19
Total	470,055,465.36	77.58%	—

(5) Account receivables derecognised on transfer of financial assets

As at 30 June 2021, the Company had no accounts receivable derecognised on transfer of financial assets.

(6) Amount of assets or liabilities arising from transfer of accounts receivable and continuous involvement

As at 30 June 2021, the Company had no assets or liabilities arising from transfer of accounts receivable and continuous involvement.

Other descriptions:

As at 30 June 2021, the right-of-use for accounts receivables of RMB59,537,365.00 of the Company was restricted due to factoring financing.

2. *Other receivables*

Unit: RMB

	B	Balance at the beginning of the period
Other receivables	**647,585,542.84**	756,323,484.10
Total	**647,585,542.84**	756,323,484.10

(1) Other receivables

1) Other receivables by payment nature

Unit: RMB

	B	Balance at the beginning of the period
Staff turnover loans	**830,000.00**	1,155,000.00
Deposits/margins	**3,415,634.04**	1,494,947.00
Amounts due from other entities	**19,411,745.35**	152,950,899.25
Related parties within the scope of consolidation	**624,397,963.37**	601,528,286.61
Less: Provision for bad debts of other receivables	**(469,799.92)**	(805,648.76)
Total	**647,585,542.84**	756,323,484.10

2) Provision for bad debts

Unit: RMB

	1	2	3	
	12			
Balance at 1 January 2021	785,817.55	19,831.21	0.00	805,648.76
Balance at 1 January 2021 during the period	—	—	—	—
Charge for the period	(343,148.44)	7,299.60	0.00	(335,848.84)
Balance at 30 June 2021	442,669.11	27,130.81	0.00	469,799.92

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

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

A	B
Within 1 year (inclusive)	551,528,767.86
1 to 2 years	788,037.63
Over 3 years	95,738,537.27
3 to 4 years	87,652,917.18
4 to 5 years	910,000.00
Over 5 years	7,175,620.09
Total	648,055,342.76

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

Provision for bad debts for the current period:

Unit: RMB

	B					B
Provisions for bad debts of other receivables	805,648.76	(335,848.84)	0.00	0.00	0.00	469,799.92
Total	805,648.76	(335,848.84)	0.00	0.00	0.00	469,799.92

4) Actual write-off of other receivables for the current period

There were no actual write-offs of other receivables for the current period.

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

Unit: RMB

Shouguang Maolong New Materials Technology Development Co., Ltd.	Amounts due from entities	525,909,327.47	Within 1 year	81.15%	0.00
Shouguang Molong Logistic Co., Ltd.	Amounts due from entities	98,488,635.90	Within 5 years	15.20%	0.00
Shandong Shouguang Vegetable Wholesale Market Co., Ltd.	Amounts due from entities	12,808,000.00	Within 1 year	1.98%	64,040.00
Sinopec International Business Co., Ltd., Nanjing Bidding Centre	Security deposits	1,170,761.00	Within 1 year	0.18%	0.00
Shaanxi Energy Chemical Industry Exchange Co., Ltd.	Security deposits	1,117,604.25	Within 1 year	0.17%	167,640.64
Total	—	639,494,328.62	—	98.68%	231,680.64

6) Government grants receivable

Nil

7) Other receivables derecognised on transfer of financial assets

As at 30 June 2021, the Company had no other receivables derecognised on transfer of financial assets.

8) Amount of assets or liabilities arising from transfer of other receivables and continuous involvement

As at 30 June 2021, the Company had no assets or liabilities arising from transfer of other receivables and continuous involvement.

Other descriptions:

As at 30 June 2021, the Company had no other receivables that have been used as a pledge.

3. *Long-term equity investments*

Unit: RMB

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

(1) Investment in subsidiaries

Unit: RMB

Information on revenue:

Unit: RMB

C					
Type of goods					
Pipe products	1,043,129,162.00	—	—	—	1,043,129,162.00
Three kinds of pumping units	—	12,529,223.05	—	—	12,529,223.05
Petroleum machinery parts	—	—	2,354,894.19	—	2,354,894.19
Others	—	—	—	66,481,684.48	66,481,684.48
By business location					
China	951,589,916.44	12,330,423.23	—	66,481,684.48	1,030,402,024.15
Outside China	91,539,245.56	198,799.82	2,354,894.19	—	94,092,939.57
Type of contracts					
Revenue recognised at a point in time	1,043,129,162.00	12,529,223.05	2,354,894.19	66,481,684.48	1,124,494,963.72
Total	1,043,129,162.00	12,529,223.05	2,354,894.19	66,481,684.48	1,124,494,963.72

Information on performance obligations:

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

Information on transaction price allocated to remaining performance obligations:

The corresponding revenue from performance obligations that have been contracted but not yet performed or completed amounted to RMB39,197 ten thousand as at the end of the reporting period, RMB39,197 ten thousand of which were expected to be recognised as revenue in the second half of 2021.

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

✓ Applicable ☐ Not applicable

Unit: RMB

Gain or loss on disposal of non-current assets	**(371,900.19)**	Mainly comprised of the loss on disposal of fixed assets in the current period.
Government grants included in the profit or loss for the current period (excluding those grants that are closely related to the Company's business and that were granted in accordance with the standard amount or volume prescribed by the State)	**1,266,838.69**	Mainly comprised of the government grants received during the current period such as the work-based subsidies from the local human resources services centre.
Gains or losses arising from contingencies unrelated to the normal operation of the Company	**(2,227,197.33)**	Mainly attributable to the compensation loss provided for in accordance with the latest judgment.
Non-operating income and expenses other than the above items	**580,151.61**	Mainly comprised of the compensation income received in respect of breach of contract during the current period.
Less: Effect on income tax	**(121,932.00)**	—
Effect on minority interests (after tax)	**93,661.99**	—
Total	**(723,837.21)**	—

Reasons should be given if the Company has classified any extraordinary profit or loss items (as defined and listed in the Explanatory Announcement 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

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

Net profit attributable to ordinary shareholders of the Company	(3.91%)	(0.0855)	(0.0855)
Net profit after extraordinary gains or losses attributable to shareholders of the Company	(3.87%)	(0.0846)	(0.0846)

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

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

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

Nil

4. *Others*

C D C A AB C

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

(2)

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