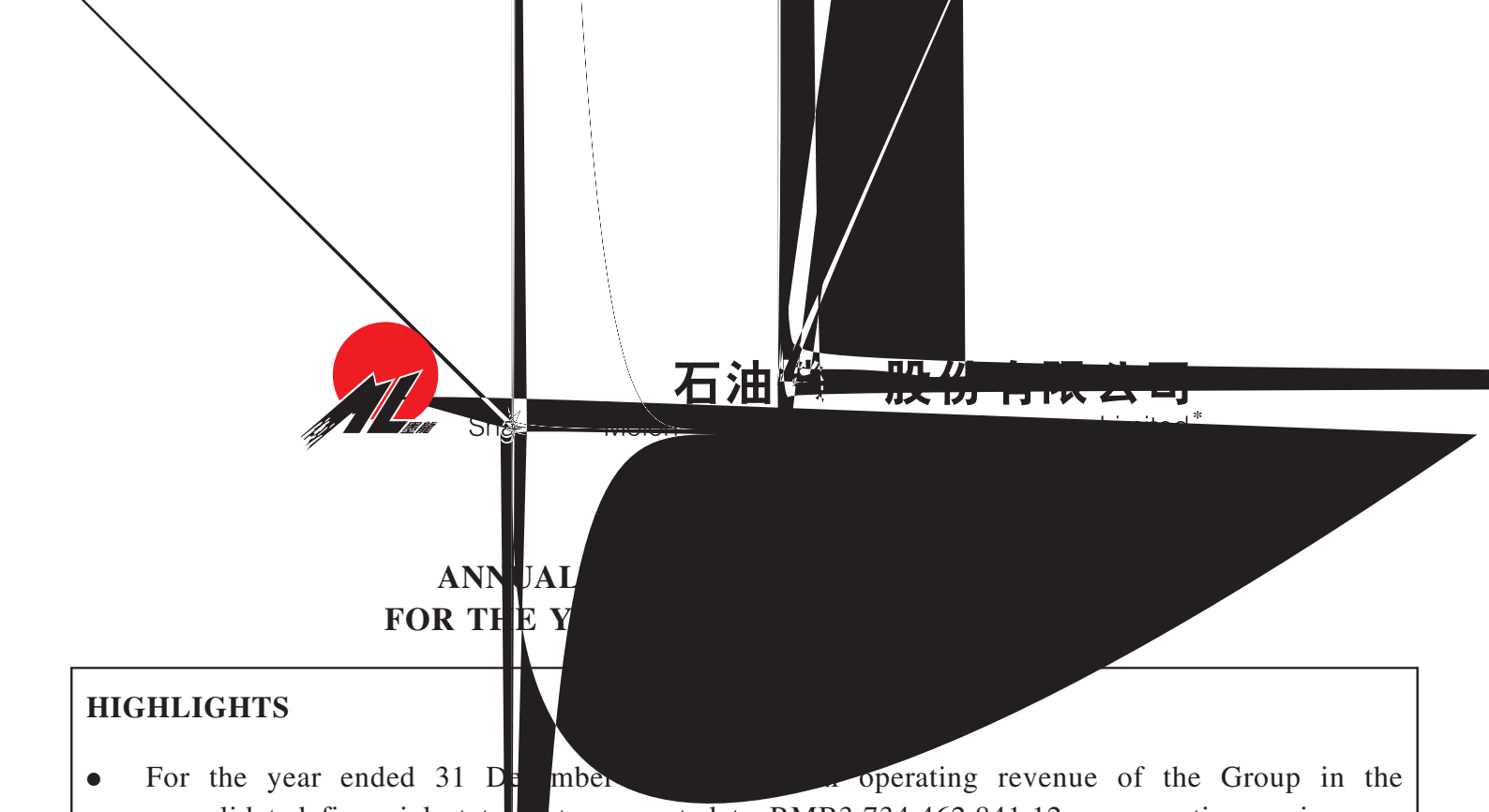

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HIGHLIGHTS

- For the year ended 31 D mber operating revenue of the Group in the consolidated financial state nts amounted to RMB3,734,462,841.12, representing an increase of approximately 24.08% as ompared to RMB3,009,719,029.66 in the corresponding period of last year.
- Revenue attributable to th equity owners of the Company in the consolidated financial statements amounted to MB368,017,768.12, representing a decrease of approximately 1,243.67% as compared to MB32,178,630.99 in the corresponding period of last year.
- Earnings per share in th consolidated financial statements amounted to approximately –RMB0.46, representing a ecrease of approximately 1,250.00% as compared to the earnings per share of RMB0.04 in th corresponding period of last year.
- The Board does not recomm nd the payment of final dividend for the year ended 31 December 2021.

The board of directors (the "**Boa d**") of Shandong Molong Petroleum Machinery Company Limited* (the "**Company**") announces the udited results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 ecember 2021.

The financial information set out elow in this announcement does not constitute the Group's statutory financial statements for the yea ended 31 December 2021, but represents an extract from those financial statements. The financi l information has been reviewed by the audit committee of the Company (the "**Audit Committe**") and agreed by the Group's external auditor, Shinewing Certified Public Accountants Ltd., Certified Public Accountants Ltd. (Special General Partnership).

Unless specified otherwise, the fi ancial information of the Company was stated in Renminbi.

CONSOLIDATED INCOME STATEMENT

F[illegible] 31 D[illegible] 2021

	2021	2020
I. Total operating revenue	**3,734,462,841.12**	3,009,719,029.66
Including: Operating revenue	**3,734,462,841.12**	3,009,719,029.66
Interest income		
Insurance premium earned		
Brokerage and commission income		
II. Total operating costs	**3,999,888,750.28**	3,342,727,781.59
Including: Operating costs	**3,514,477,916.63**	2,902,436,729.61
Interest expenses		
Brokerage and commission expenses		
Surrenders		
Net compensation expenses		
Net amount of insurance contract reserves provided		
Policyholder dividend expenses		
Reinsurance premiums		
Tax and surcharges	**20,493,455.61**	19,116,487.72
Selling expenses	**13,402,249.30**	14,948,332.92
Administrative expenses	**278,990,958.47**	194,470,836.86
Research and development expenses	**57,076,465.12**	52,542,810.96
Finance costs	**115,447,705.15**	159,212,583.52
Including: Interest expenses	**114,302,110.50**	137,373,401.15
Interest income	**4,907,692.93**	5,507,436.70
Add: Other gains	**2,335,726.68**	17,770,915.00
Investment income	**(169,863.60)**	(39,767.09)
Including: Gains on investment in associates and joint ventures	**(169,863.60)**	(242,363.72)
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	**14,647,126.44**	1,142,033.60
Asset impairment losses	**(112,901,651.42)**	(1,047,770.83)
Gain on disposal of assets	**399,239.27**	353,358,239.23

	2021	2020
III. Operating profit	**(361,115,331.79)**	38,174,897.98
Add: Non-operating income	**5,272,356.06**	7,928,370.13
Less: Non-operating expenses	**6,213,826.89**	28,574,721.15
IV. Total profit	**(362,056,802.62)**	17,528,546.96
Less: Income tax expenses	**6,363,692.81**	6,073,146.60
V. Net profit	**(368,420,495.43)**	11,455,400.36
(i) By business continuity		
1. Net profit from continuing operations	**(368,420,495.43)**	11,455,400.36
2. Net profit from discontinued operations		
(ii) By attributable ownership		
1. Net profit attributable to the shareholders of the parent company	**(368,017,768.12)**	32,178,630.99
2. Loss or profit attributable to minority interests	**(402,727.31)**	(20,723,230.63)
VI. Other comprehensive income, net of tax	**381,810.59**	1,154,980.84
Other comprehensive income attributable to owners of the parent company, net of tax	**343,629.53**	1,039,482.75
(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	**343,629.53**	1,039,482.75
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	**343,629.53**	1,039,482.75
7. Others		
Other comprehensive income attributable to minority shareholders, net of tax	**38,181.06**	115,498.09

	2021	2020
VII. Total comprehensive income	**(368,038,684.84)**	12,610,381.20
Total comprehensive income attributable to owners of the parent company	**(367,674,138.59)**	33,218,113.74
Total comprehensive income attributable to minority interests	**(364,546.25)**	(20,607,732.54)
VIII. Earnings per share:		
(i) Basic earnings per share	**(0.46)**	0.04
(ii) Diluted earnings per share	**(0.46)**	0.04

CONSOLIDATED BALANCE SHEET

A 31 D 2021

Item	31 December 2021	31 December 2020
Current assets:		
Monetary funds	**475,191,176.69**	759,979,803.03
Settlement deposits		
Lending funds		
Financial assets held for trading		
Derivative financial assets		
Bills receivable	**235,005,278.71**	164,945,170.51
Accounts receivable	**299,530,976.41**	287,920,595.28
Financing receivables	**28,539,024.92**	33,575,777.00
Loans and advances		951,005.30
Prepayments	**49,598,390.41**	24,755,942.84
Insurance receivables		
Reinsurance receivables		
Reinsurance contract reserves receivable		
Other receivables	**17,440,781.64**	156,486,818.72
Including: Interests receivable		
Dividends receivable		
Purchases of sell-back financial assets		
Inventories	**715,282,787.11**	787,377,614.78
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	**26,180,538.95**	21,904,932.90
Total current assets	**1,846,768,954.84**	2,237,897,660.36

Item	31 December 2021	31 December 2020
Current liabilities:		
Short-term borrowings	**1,916,706,214.72**	2,054,225,378.29
Borrowings from the central bank		
Borrowing funds		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	**101,209,067.42**	121,472,511.10
Accounts payable	**599,514,345.81**	648,352,428.48
Receipts in advance		
Contract liabilities	**70,368,931.26**	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	**57,833,087.83**	54,493,884.87
Taxes payable	**25,793,838.53**	27,192,105.60
Other payables	**64,231,003.43**	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	**107,001,393.82**	139,784,923.46
Other current liabilities	**67,434,388.00**	50,195,434.08
Total current liabilities	**3,010,092,270.82**	3,223,319,460.84

Item	31 December 2021	31 December 2020
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings	**37,141,617.50**	114,063,150.53
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		4,968,359.84
Long-term payables	**37,742,329.02**	4,585,000.00
Long-term salaries payable		
Estimated liabilities	**558,467.38**	14,392,824.64
Deferred revenue	**6,966,655.18**	7,176,480.86
Deferred income tax liabilities	**5,362,198.02**	5,560,648.87
Other non-current liabilities		
Total non-current liabilities	**87,771,267.10**	150,746,464.74
Total liabilities	**3,097,863,537.92**	3,374,065,925.58
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	**863,356,311.20**	863,169,158.42
Less: Treasury shares		
Other comprehensive income	**(1,671,948.29)**	(2,015,577.82)
Special reserve		
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve		11,236.91
Undistributed profits	**(434,047,824.92)**	(66,030,056.80)
Total equity attributable to owners of the parent company	**1,413,238,861.87**	1,780,737,084.59
Minority interests	**(53,491,100.48)**	20,832,805.21
Total owners' equity	**1,359,747,761.39**	1,801,569,889.80
Total liabilities and owners' equity	**4,457,611,299.31**	5,175,635,815.38

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

F . . n . . 31 D . . 2021

	2021									
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous year	797,848,400.00	863,169,158.42	(2,015,577.82)		187,753,923.88	11,236.91	(66,030,056.80)	1,780,737,084.59	20,832,805.21	1,801,569,889.80
Add: Changes of accounting policy										
Correction of prior period errors										
Business combination under common control										
Others										
II. Balance at the beginning of the current year	797,848,400.00	863,169,158.42	(2,015,577.82)		187,753,923.88	11,236.91	(66,030,056.80)	1,780,737,084.59	20,832,805.21	1,801,569,889.80
III. Changes in the current period		187,152.78	343,629.53			(11,236.91)	(368,017,768.12)	(367,498,222.72)	(74,323,905.69)	(441,822,128.41)
(i) Total comprehensive income			343,629.53				(368,017,768.12)	(367,674,138.59)	(364,546.25)	(368,038,684.84)
(ii) Owners' capital injection and capital reduction		187,152.78						187,152.78		187,152.78
1. Ordinary shares contributed by owners										
2. Capital contributed by holders of other equity instruments										
3. Amounts of share-based payments recognised in owners' equity										
4. Others		187,152.78						187,152.78		187,152.78
(iii) Profit distribution										
1. Appropriations of surplus reserve										
2. Appropriations of general risk reserve										
3. Distribution to the owners (or shareholders)										
4. Others										
(iv) Internal carry-forward 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 offsetting against 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. Appropriations during the period				24,468,609.59				24,468,609.59		24,468,609.59
2. Utilisations during the period				24,468,609.59				24,468,609.59		24,468,609.59
(vi) Others						(11,236.91)		(11,236.91)	(73,959,359.44)	(73,970,596.35)
IV. Balance at the end of the current year	797,848,400.00	863,356,311.20	(1,671,948.29)		187,753,923.88		(434,047,824.92)	1,413,238,861.87	(53,491,100.48)	1,359,747,761.39

NOTES TO THE FINANCIAL STATEMENTS:

1. GENERAL

The Company was established in the PRC with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Main Board of Shenzhen Stock Exchange (the "**Shenzhen Stock Exchange**"). The address of the Company's registered office is No. 999 WenSheng Street, Shouguang City, Shandong Province, PRC and the principal place of business in Hong Kong is 5/F., Kam Sang Building, 257 Des Voeux Road, Hong Kong.

The financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

During the year, 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 high-end castings, etc. The products were mainly used in the manufacture of equipment for oil and gas drilling, machinery processing, urban pipeline network and wind turbine castings.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

6. OTHER INCOME

Source of other income	Amount for the period	Amount for the last period
Subsidies and grants for enterprises		13,041,300.00
Stability subsidies and social insurance subsidies	**1,402,091.88**	2,244,789.32
Grants for defense basement construction	**35,954.30**	35,954.30
Reward for technological innovation patents and acquisition of international brands	**106,000.00**	1,630,000.00
Others	**791,680.50**	818,871.38
Total	**2,335,726.68**	17,770,915.00

7. ASSETS IMPAIRMENT LOSSES

Item	2021	2020
Loss on bad debts		
Including: Accounts receivable		
Other receivables		
Loss on impairment of inventories	**(17,739,032.81)**	(1,047,770.83)
Impairment loss on intangible assets		
Impairment loss of fixed assets	**(95,162,618.61)**	
Loss allowances for loans		
Impairment loss on goodwill		
Total	**(112,901,651.42)**	(1,047,770.83)

8. CREDIT IMPAIRMENT LOSSES

Item	Amount for the period	Amount for the last period
Loss on bad debts of bills receivable	**(707,677.86)**	936,263.73
Loss on bad debts of accounts receivable	**13,897,008.65**	4,580,429.76
Loss on bad debts of other receivables	**(633,778.05)**	3,314,998.60
Impairment loss on loans	**2,091,573.70**	(7,689,658.49)
Total	**14,647,126.44**	1,142,033.60

9. NON-OPERATING INCOME

Item	2021	2020
Gain on scrapping and retirement of fixed assets	**58,988.81**	
Others	**5,213,367.25**	7,928,370.13
Total	**5,272,356.06**	7,928,370.13

10. TOTAL (LOSS) PROFIT

Total (loss) profit has been arrived at after charging/(crediting):

Item	2021	2020
Staff costs (including directors' remuneration)	**238,853,255.44**	220,966,043.70
Amortisation of intangible assets	**22,352,887.18**	19,184,422.00
Auditor's remuneration (included in administrative expenses)	**1,367,924.49**	1,365,309.14
Cost of inventories recognised as expenses	**3,514,477,916.63**	2,902,436,729.61
Depreciation on fixed assets	**223,973,971.67**	234,379,707.18
Research and development expenses	**49,978,469.51**	44,788,225.44
Gain on disposal of fixed assets	**399,239.27**	353,358,239.23

11. INCOME TAX (CREDIT) EXPENSES

Item	2021	2020
Current income tax expenses	**410,225.62**	1,251,926.93
— Hong Kong		
— Mainland China	**410,225.62**	1,251,926.93
Deferred income tax expenses	**5,953,467.19**	4,821,219.67
Total	**6,363,692.81**	6,073,146.60

The Company has been listed as a new high-technology enterprise and was subject to the PRC enterprise income tax at a rate of 15% (2020: 15%) pursuant to the Enterprise Income Tax Law of the People's Republic of China.

The subsidiaries of the Company incorporated in Hong Kong were subject to the profits tax at the rate of 16.5% (2020:16.5%) in Hong Kong.

12. (LOSSES)/EARNINGS PER SHARE

Item	2021	2020
Net (loss)/profit attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	**(0.46)**	0.04
Diluted (losses)/earnings per share	**(0.46)**	0.04
Net (loss)/profit from continuing operations attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	**(0.46)**	0.04
Diluted (losses)/earnings per share	**(0.46)**	0.04

13. DIVIDENDS

Item	2021	2020
Dividends recognised and distributed during the year	**0**	0
2021 final dividend — RMB per ordinary share	**0**	0

The Board does not recommend any payment of final dividend in respect of the year ended 31 December 2021. It has been proposed by the Board but shall be subject to approval from shareholders at the general meeting.

14. BILLS RECEIVABLE

	2021			2020		
Item	**Balance of accounts receivable**	**Provision for bad debts**	**Net amount of accounts receivable**	Balance of accounts receivable	Provision for bad debts	Net amount of accounts receivable
Bills receivable	**237,379,069.40**	**2,373,790.69**	**235,005,278.71**	166,611,283.34	1,666,112.83	164,945,170.51
Total	**237,379,069.40**	**2,373,790.69**	**235,005,278.71**	166,611,283.34	1,666,112.83	164,945,170.51

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

15. ACCOUNTS RECEIVABLE

	2021			2020		
Item	**Balance of accounts receivable**	**Provision for bad debts**	**Net amount of accounts receivable**	Balance of accounts receivable	Provision for bad debts	Net amount of accounts receivable
Balance of accounts receivable	**406,840,660.08**	**107,309,683.67**	**299,530,976.41**	411,339,480.85	123,418,885.57	287,920,595.28
Total	**406,840,660.08**	**107,309,683.67**	**299,530,976.41**	411,339,480.85	123,418,885.57	287,920,595.28

The Group 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: Customers of tubes of Mainland China are normally subject to payment in advance of distribution and customers of oil casing of Mainland China 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.

The following is an aging analysis of accounts receivable based on invoice dates:

Age	**2021**	2020
Within 1 year	**286,440,544.44**	270,075,676.86
1 to 2 years	**9,564,790.04**	8,761,658.21
2 to 3 years	**2,354,706.30**	168,705.00
3 to 4 years	**168,705.00**	2,109,650.15
4 to 5 years	**977,938.85**	17,776,652.99
Over 5 years	**107,333,975.45**	112,447,137.64
Total	**406,840,660.08**	411,339,480.85

16. BILLS PAYABLE

Category	**2021**	2020
Bills payable	**101,209,067.42**	121,472,511.10
Total	**101,209,067.42**	121,472,511.10

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

17. ACCOUNTS PAYABLE

Category	**2021**	2020
Accounts payable	**599,514,345.81**	648,352,428.48
Total	**599,514,345.81**	648,352,428.48

The following is an aging analysis of accounts payables based on invoice dates:

Age	**2021**	2020
Within 1 year	**433,416,450.73**	464,534,823.44
1 to 2 years	**60,116,780.67**	90,009,423.77
2 to 3 years	**36,152,773.49**	31,048,337.92
Over 3 years	**69,828,340.92**	62,759,843.35
Total	**599,514,345.81**	648,352,428.48

18. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at the end of the year. The Group has initiated the related work for factory relocation, and has received the Filing Proof for Construction Project in Shandong. The procedures for capability assessment, safety assessment and environmental assessment are being processed. The Group is also in the

ANNUAL RESULTS

For the year ended 31 December 2021, the Group recorded a revenue of RMB3,734,462,841.12, representing an increase of approximately 24.08% as compared with last year. Profit attributable to equity owners of the Company and earnings per share amounted to –RMB368,017,768.12 and –RMB0.46, respectively.

BUSINESS REVIEW

(I) Descriptions of the Company's main businesses during the reporting period

During the year, the Company was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and high-end castings, etc. The products were mainly used in the manufacture of equipment for oil and gas drilling, machinery processing, urban pipeline network and wind turbine castings. During the reporting period, the principal business of the Company was the manufacturing and sales of special equipment and castings and forgings, and the Company achieved a growth in operating revenue as compared to the same period of last year.

The Company's main products are pipe products and high-end castings and forgings. The Company has adopted a "sales-based production" business model for production under which the Company 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 Company has adopted a centralised procurement model under which the procurement department is responsible for the purchase of all raw materials, moulds and equipment, including the signing of procurement contracts, procurement status tracking, facilitating quality improvement of raw materials, etc. The procurement department strictly controls the selection of suppliers based on a comprehensive overall evaluation index system. It fosters quality partners and develops long-term and stable strategic partnership. The Company has a relatively mature sales network and has established a professional team dedicated to sales and import and export operations with members responsible for domestic and international market research and study, development, product sales and after-sales services, respectively.

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

The Company operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which 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 the gradual improvement in global economic development, demand for oil and gas has become increasingly stronger with international oil prices fluctuated upward, which helped further boost active investment in capital expenditure by oil and gas companies and in turn drive the sentiment in the oilfield services industry to

rebound. However, the downstream equipment manufacturers for oilfield services continued to face a fierce industry competition as international oil and gas companies remained conservative in their investment in oil and gas exploration and development and there was only limited improvement in the imbalance of supply over demand due to the combined impacts of the persistent global COVID-19 pandemic, volatility of international oil and gas industry and accelerated transformation of the energy industry. Under the background of carbon peaking and carbon neutrality, international oil and gas companies speeded up their pace of exploring opportunities for transformation towards new energy business by making greater investment in new energy sector. In addition, costs remained a though challenge for industry players as raw material prices fluctuated widely along with commodity prices.

In recent years, the ongoing "Seven-Year Action Plan" in China has driven continued improvement in the overall domestic economy and the domestic oil and gas exploration and development market has experienced growth momentum. 2021 is the first year of China's 14th Five-Year Plan, which explicitly advocated that players in China's oil and gas exploration and development shall concentrate advantageous resources to make breakthroughs in core equipment for sectors such as oil and gas exploration and development, accelerate the utilisation of deep-sea, deep-seated, and unconventional oil and gas resources, and promote the increase of oil and gas reserves and production, and build on domestic output to maintain a high and steady yield of crude oil and natural gas. As China continues high external dependence on energy, it is imperative to increase efforts in the exploration and development without hesitation. The National Energy Administration stated in the Guiding Opinions on Energy-Related Work in 2021 that it is important to vigorously strengthen the foundation for safeguarding energy supply and promote the increase of oil and gas reserves and production, ensure that the investment in exploration and development is maintained, and accelerate the development of unconventional resources such as shale oil and gas, tight gas and coalbed methane. Moreover, the National Energy Administration held a meeting for the promotion of shale oil exploration and development in 2021, calling for making all-out efforts in the exploration and development of shale oil and gas, and including the strengthening of the exploration and development of shale oil into the 14th Five-Year Plan for energy and oil and gas field development. As the global economy continues to recover and the demand and supply come closer to balance, China's energy strategy of increasing efforts in the exploration and development and the increase in reserves of production of oil and gas resources brings added certainty to the domestic demand for energy equipment.

(III) Discussion and analysis of operation of the Company during the reporting period

As at the end of the reporting period, the Company had total assets of RMB4.458 billion, representing a decrease of 13.87% year-on-year. Net assets attributable to shareholders of the listed company were RMB1.413 billion, representing a decrease of 20.64% year-on-year. Gearing ratio dropped by 4.31 percentage points year-on-year to 69.50%. During the reporting period, the Company realised an operating revenue of RMB3.734 billion, representing a year-on-year growth of 24.08%. Net profit attributable to shareholders of the listed company was –RMB368 million. During the reporting period, due to the significant increase in the purchase prices of coal and

mineral powder, the major raw materials of the Company, the suspension of production for overhaul of Shouguang Maolong and Shouguang Baolong, the Company's principal subsidiaries, and the shortage in supply of raw materials, there was an increase in the production costs and procurement costs. Meanwhile, the suspension of production also led to the increase in costs and expenses. During the reporting period, the Company carried out a thorough review on assets at the end of the year and provided for an impairment loss of RMB98,254.5 thousand in respect of those assets with an indication of impairment according to the relevant requirements.

PROSPECTS

(I) Future development trend of the Company's industry

Under the background of continued global efforts in fighting against COVID-19 pandemic and weak economic recovery, the internal and external environment remains complex and difficult which exposes China to risks and challenges. The sentiment in the energy equipment manufacturing industry is highly sensitive to factors such as demand for energy consumption, economic changes in economic cycles and movements of raw material prices. Currently, due to the combined impacts of the sporadic COVID-19 cases in China, price movements of commodities at high levels, volatility in international oil and gas industry, accelerated transformation of the energy sector and other factors, international oil and gas companies remain conservative in the investment in oil and gas exploration and development. Competition in the energy equipment manufacturing industry remains fierce.

In 2021, China made an auspicious start of the 14th Five-Year Plan by implementing a set of regular prevention and control measures and coordinating pandemic prevention and control with economic and social development. China is creating a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Driven by the national strategy for energy security, China is on the trajectory of economic improvement, which, together with the rising international crude oil prices, boosts increasing demand for oil and gas exploration and development. This helps the sentiment in the industry rebound.

In the long run, the demand for oil and gas will continue to grow. Under the 14th Five-Year Plan, it is proposed that the oil and gas exploration and development industry shall promote the increase of oil and gas reserves and production and shall maintain a high and steady yield of crude oil and national gas. The National Energy Administration stated in the Guiding Opinions on Energy-Related Work in 2021 that it is important to vigorously strengthen the foundation for safeguarding energy supply and promote the increase of oil and gas reserves and production, and ensure that the investment in exploration and development is maintained. 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. The national strategy for energy security has provided a strong support to the development of the energy equipment manufacturing 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. The national strategy for energy security has driven increased upstream capital expenditure, as evidenced by the proposals of CNPC and CNOOC on their "Seven-Year Action Plan" to vigorously develop the business of domestic energy exploration and development.

In addition, the PRC has comprehensively liberalised the oil and gas exploration and development market. Private and foreign-invested enterprises and other social capitals are expected to enter the domestic oil and gas exploration and development market to inject new blood into the domestic oil and gas exploration and development, driving new demands for the energy equipment industry. With the acceleration of oil and gas production and the continuous growth of oil and gas capital expenditures, the overall demand for the energy equipment manufacturing industry will continue to expand, and the industry's prosperity is expected to further improve.

(II) Business plans of the Company for 2022

In 2022, centering around the strategic goal of "becoming an internationally renowned energy equipment manufacturer and service provider, Shandong Molong will adhere to the general tone of making progress while remaining stable, with the main focus on the promotion of high-quality corporate development. The Company will persist on a customer-centered and market-oriented approach, with a key focus on developing and selling high-end, precise and advanced new products. The Company will capitalise on its industry strengths to strengthen the research and development of technology and service capability, forming an economical, efficient, advanced and eco-friendly industry chain of energy equipment manufacturing, striving to achieve steady corporate development.

1. A

The Company will set its sight on market segments according to the trends of industry development with its marketing activities centering around key markets and focusing on major customer. The Company will work hard on tender and bidding in the oilfield market (such as CNPC, Sinopec and CNOOC) and client acquisition in the tube market; take full advantages of the industry, actively explore marketing channels, vigourously push forward to management of key projects, further capitalise on its advantages to explore new applications markets, increase order volume and capacity of high value-added products to promote the formulation of diversified product structures that effectively increase market share and help achieve improved business results.

2. S

The Company will strictly pay attention to safety, environmental protection and production management, continue to implement safety education and training for all employees, practically raise their safety awareness and pre-control safety risks in advance. The Company will also strengthen equipment operation management, strictly implement hidden danger identification and rectification and ensure stable production operations. The Company will

further consolidate basic management, pay attention to product quality, and establish a good reputation for the Company. Production process management will also be practically implemented and the Company will raise the awareness of cost control, reduce costs in various aspects. The Company will also further enhance the standard of quality management

regulated and transparent operating system as a listed company; optimise the internal control process and constantly perfect the risk prevention mechanisms, so as to guarantee healthy, stable and sustainable development of the Company.

(III) Major risk factors for future development strategy and business goals of the Company

(1) *M* .

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

(2) *R*

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

(3) *P*

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

(4) *E*

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

(5) *Interest rate risk*

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market interest rate. Financial instruments bearing fixed interest rates expose the Company to fair value interest rate risk and financial instruments bearing floating interest rates expose the Company to cash flow interest rate risk. The Company determines the relative proportions of financial instruments between fixed and floating interest rates depending on the market conditions, maintains an appropriate portfolio of financial instruments through regular review and monitoring.

EVENTS AFTER THE REPORTING PERIOD

Amendments to Articles of Association

In order to improve corporate governance of the Company, according to the relevant legal and regulatory requirements under the "Company Law of the People's Republic of China*" (中華人民共和國公司法), the "Securities Law of the People's Republic of China*" (中華人民共和國證券法) and the Guidance No.1 for Self-regulation of Listed Companies — Standardized Operation of Listed Companies on Main Board" (上市公司自律監管指引

CORPORATE GOVERNANCE

The Company is committed to achieving a high standard of corporate governance. The principles of corporate governance adopted by the Company emphasises a high-quality board of directors, sound internal control, and transparency and accountab

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The annual general meeting for the year of 2021 of the Company is expected to be held on 19 May 2022. A notice convening the annual general meeting will be published and despatched to the shareholders of the Company in due course.

The register of members of H shares of the Company ("**H Shares**") will be closed from Monday, 16 May 2022 to Thursday, 19 May 2022 (both days inclusive), during which no transfer of the H Shares will be effected. In order to qualify to attend and vote at the upcoming annual general meeting, all completed forms of transfers accompanied by the relevant share certificates must be lodged with the H Shares registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 13 May 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.molonggroup.com). The annual report for the year ended 31 December 2021 will be despatched to shareholders as soon as possible and will be available on the website of the Company and the websites of the Stock Exchange and Shenzhen Stock Exchange.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Yang Yun Long
C.

Shandong, the PRC
30 March 2022

A *B* *D* *M.* *L* *M.* *R* *M.* *L* *M.* *L*; *D* *M.* *Q* *H* *M.* *L* *J. L*; *D* *M.* *Q* *B* *M. S* *M. C* *J.*

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