

股份有限公司

Shandong Molong Petroleum Machinery Company Limited*

's Republic of China with limited liability)

(t C 568)

A E T A CE E T
THE EA E DED 31 DECE BE 2020

December 2020, the total operating revenue of the Group in the ements amounted to RMB3,009,719,029.66, representing a decrease of compared to RMB4,388,904,215.91 in the corresponding period of last

the equity owners of the Company in the consolidated financial MB32,178,630.99, representing an increase of RMB228,487,898.89 as 9,267.90 in the corresponding period of last year.

he consolidated financial statements amounted to approximately n increase of RMB0.29 as compared to the earnings per share of nding period of last year.

mend the payment of final dividend for the year ended 31 December

r ") of Shandong Molong Petroleum Machinery Company Limited* audited results of the Company and its subsidiaries (collectively, 31 December 2020.

below in this announcement does not constitute the Group's statutory r ended 31 December 2020, but represents an extract from those al information has been reviewed by the audit committee of the ") and agreed by the Group's external auditor, Shinewing Certified Public Accountants Ltd. (Special General Partnership).

ancial information of the Company was stated in Renminbi.

C [illegible] DATED C E TATE E T

For the year ended 31 December 2020

	Note	**2020**	2019
T. T t P r t n r n		**3,009,719,029.66**	4,388,904,215.91
Including: Operating revenue		**3,009,719,029.66**	4,388,904,215.91
Interest income			
Insurance premium earned			
Brokerage and commission income			
T. T t P r t n s		**3,342,727,781.59**	4,547,980,146.59
Including: Operating costs		**2,902,436,729.61**	4,034,622,745.27
Interest expenses			
Brokerage and commission expenses			
Surrenders			
Net compensation expenses			
Net amount of insurance contract reserves provided			
Policyholder dividend expenses			
Reinsurance premiums			
Tax es provi,303Tc745.27NetNet amount of i752TD(II.)-34346-8ses			

	Note	**2020**	2019
[illegible]		**17,528,546.96**	(215,227,132.00)
Less: Income tax expenses		**6,073,146.60**	9,680,705.56
[illegible]		**11,455,400.36**	(224,907,837.56)
(i) By business continuity			
1. Net profit from continuing operations		**11,455,400.36**	(224,907,837.56)
2. Net profit from discontinued operations			
(ii) By attributable ownership			
1. Net profit attributable to the shareholders of the parent company		**32,178,630.99**	(196,309,267.90)
2. Loss or profit attributable to minority interests		**(20,723,230.63)**	(28,598,569.66)
[illegible]		**1,154,980.84**	(292,277.16)
Other comprehensive income attributable to owners of the parent company, net of tax		**1,039,482.75**	(263,049.44)
(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		**1,039,482.75**	(263,049.44)
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		**1,039,482.75**	(263,049.44)
7. Others			
Other comprehensive income attributable to minority shareholders, net of tax		**115,498.09**	(29,227.72)

	Note	**2020**	2019
III. Total comprehensive income for the year		**12,610,381.20**	(225,200,114.72)
Total comprehensive income attributable to owners of the parent company		**33,218,113.74**	(196,572,317.34)
Total comprehensive income attributable to minority interests		**(20,607,732.54)**	(28,627,797.38)
IV. Earnings per share:			
(i) Basic earnings per share		**0.04**	(0.25)
(ii) Diluted earnings per share		**0.04**	(0.25)

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As at 31 December 2020

Item	31 D[illegible]m[illegible]r 2020	31 December 2019
C[illegible]rr[illegible]nt[illegible]ss[illegible]ts:		
Monetary funds	**759,979,803.03**	539,942,128.18
Settlement deposits		
Lending funds		
Financial assets held for trading		
Derivative financial assets		
Bills receivable	**164,945,170.51**	257,635,279.11
Accounts receivable	**287,920,595.28**	507,559,024.95
Loans and advances	**951,005.30**	17,046,915.97
Financing receivables	**33,575,777.00**	96,155,523.75
Prepayments	**24,755,942.84**	41,184,464.45
Insurance receivables		
Reinsurance receivables		
Reinsurance contract reserves receivable		
Other receivables	**156,486,818.72**	29,289,226.01
Including: Interests receivable		2,308,030.91
Dividends receivable		
Purchases of sell-back financial assets		
Inventories	**787,377,614.78**	934,907,320.58
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	**21,904,932.90**	35,206,341.97
T[illegible]t[illegible]rr[illegible]nt[illegible]ss[illegible]ts	**2,237,897,660.36**	2,458,926,224.97

Item	31 December 2020	31 December 2019
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	**2,314,697.29**	2,557,061.01
Investments in other equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	**2,493,577,016.35**	2,726,157,716.13
Construction-in-progress	**7,620,542.62**	55,034,853.27
Productive biological assets		
Oil and gas assets		
Right-of-use assets	**4,591,910.73**	
Intangible assets	**393,688,845.70**	443,223,548.01
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	**35,217,034.73**	40,231,904.91
Other non-current assets	**728,107.60**	9,621,036.29
Total non-current assets	**2,937,738,155.02**	3,276,826,119.62
Total assets	**5,175,635,815.38**	5,735,752,344.59

Item	31 December 2020	31 December 2019
Non-current assets:		
Insurance contract reserves		
Long-term borrowings	**114,063,150.53**	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	**4,968,359.84**	
Long-term payables	**4,585,000.00**	58,045,884.69
Long-term salaries payable		
Estimated liabilities	**14,392,824.64**	5,734,176.25
Deferred revenue	**7,176,480.86**	7,386,306.54
Deferred income tax liabilities	**5,560,648.87**	5,754,299.38
Other non-current liabilities		
Total non-current liabilities	**150,746,464.74**	76,920,666.86
Total liabilities	**3,374,065,925.58**	3,946,792,835.99
Owners' equity:		
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	**(2,015,577.82)**	(3,055,060.57)
Special reserve		
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve	**11,236.91**	11,236.91
Undistributed profits	**(66,030,056.80)**	(98,208,687.79)
Total equity attributable to owners of the parent company	**1,780,737,084.59**	1,747,518,970.85
Minority interests	**20,832,805.21**	41,440,537.75
Total owners' equity	**1,801,569,889.80**	1,788,959,508.60
Total liabilities and owners' equity	**5,175,635,815.38**	5,735,752,344.59

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	2020									
Item	Paid-up Capital	Capital Reserve	Other Comprehensive Income	Special Reserve	Surplus Reserve	General Reserve	Investment Reserve	Other Reserve	Retained Earnings	Total Shareholders' Equity
I. Balance at the end of the previous year	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 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	(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. Changes in the current period			1,039,482.75				32,178,630.99	33,218,113.74	(20,607,732.54)	12,610,381.20
(i) Total comprehensive income			1,039,482.75				32,178,630.99	33,218,113.74	(20,607,732.54)	12,610,381.20
(ii) Owners' capital injection and capital reduction										
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										
(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				26,986,008.44				26,986,008.44		26,986,008.44
2. Utilisations during the period				26,986,008.44				26,986,008.44		26,986,008.44
(vi) Others										
IV. Balance at the end 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

	2019								
	Equity attributable to shareholders of the parent company								
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. Balance at the end of the previous year	797,848,400.00	863,169,158.42	(2,792,011.13)		187,753,923.88	11,236.91	98,100,580.11	70,068,335.13	2,014,159,623.32
Add Changes of accounting policy									
II. Opening balance of the current year	797,848,400.00	863,169,158.42	(2,792,011.13)		187,753,923.88	11,236.91	98,100,580.11	70,068,335.13	2,014,159,623.32
III. Changes in the current year			(263,049.44)				(196,309,267.90)	(28,627,797.38)	(225,200,114.72)
(i) Total comprehensive income			(263,049.44)				(196,309,267.90)	(28,627,797.38)	(225,200,114.72)
(ii) Shareholder' capital injection and capital reduction									
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Amounts of share-based payments recognised in shareholders' equity									
4. Others									
(iii) Profit distribution									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Distribution to the owners									
4. Others									
(iv) Internal carry-forward of shareholders' equity									
1. Transfer of capital reserve to share capital									
2.Transfer of surplus reserve to share capital									
3. Surplus reserve offsetting against losses									
4. Others									
(v) Special reserve									
1. Appropriations during the year				25,666,860.29					25,666,860.29
2. Utilisations during the year				25,666,860.29					25,666,860.29
(vi) Others									
IV. Balance at the end of the current year	797,848,400.00	863,169,158.42	(3,055,060.57)		187,753,923.88	11,236.91	(98,208,687.79)	41,440,537.75	1,788,959,508.60

NOTES TO THE FINANCIAL STATEMENTS:

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and Small and Medium-sized Enterprises 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 Suite A, 11th Floor, Ho Lee Commercial Building, 38–44 D'Aguilar Street, Central, 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 mainly engaged in research and development, production and sales of products for the energy equipment industry. The main products included pipes for petroleum and gas extraction, fluid and structural pipes, petroleum pumping machine, petroleum pump, petroleum pumping rods, cylinder liners for drilling rigs, valve parts and large castings and forgings. The Company's products were mainly used in petroleum, natural gas, coalbed methane, shale gas and other energy drilling, machinery processing, urban pipe network, etc.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared on the going-concern basis and transactions and events actually occurred in accordance with the Accounting Standard for Business Enterprises promulgated by the Ministry of Finance of the People's Republic of China (the "Enterprise Accounting Standards") and relevant requirements (collectively "Accounting Standards for Business Enterprises"), and the disclosure requirements pursuant to 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as well as the accounting policies and estimation as stated in "Significant Accounting Policies and Accounting Estimates".

3. SEGMENT REPORTING

Total operating revenue consists of operating revenue and revenue from other operations. Operating revenue solely represents the net amount received and receivable for goods sold and services rendered to external by the Group during the year, excluding any trade discounts.

The following is an analysis of the Group's operating revenue for the year of 2020:

Item	**2020**	2019
Casings	**2,458,265,692.32**	3,456,742,513.39
Three kinds of pumping units	**40,046,101.68**	43,755,412.12
Petroleum machinery parts	**8,346,558.77**	34,536,314.66
Tube blanks	**178,497,433.73**	699,060,843.61
High-end castings and forgings	**241,350,397.49**	59,767,421.27
Others	**19,384,970.48**	20,905,589.96
Total	**2,945,891,154.47**	4,314,768,095.01

4. SEGMENT REPORTING

According to the internal organisational structure, management requirements and internal reporting system of the Group, the Group's operating segments are divided into five 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.

(1) Segment reporting information

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

Segment reporting information — the year of 2020

Item	Power Supply Business	Telecommunication Power Supply Business	Electronic Power Supply Business	Photovoltaic Power Supply Business	Hardware Business	Software Business	Unallocated	Elimination	Total
Operating revenue									
External transaction revenue	2,458,265,692.32	40,046,101.68	8,346,558.77	178,497,433.73	241,350,397.49	83,212,845.67			3,009,719,029.66
Inter-segment transaction revenue									
Total segment operating revenue	2,458,265,692.32	40,046,101.68	8,346,558.77	178,497,433.73	241,350,397.49	83,212,845.67			3,009,719,029.66
Total operating revenue in financial statements	2,458,265,692.32	40,046,101.68	8,346,558.77	178,497,433.73	241,350,397.49	83,212,845.67			3,009,719,029.66
Segment expenses	2,400,298,628.64	36,892,701.49	5,804,696.92	195,779,958.71	226,944,660.53	70,686,641.19			2,936,407,287.48
Segment operating profit	57,967,063.68	3,153,400.19	2,541,861.85	(17,282,524.98)	14,405,736.96	12,526,204.48			73,311,742.18
Adjusted for:									
Administrative expenses							194,470,836.86		194,470,836.86
Research and development expenses							52,542,810.96		52,542,810.96
Finance costs							159,212,583.52		159,212,583.52
Investment income							(39,767.09)		(39,767.09)
Gain on disposal of assets							353,358,239.23		353,358,239.23
Other income							17,770,915.00		17,770,915.00
Operating profit in financial statements	57,967,063.68	3,153,400.19	2,541,861.85	(17,282,524.98)	14,405,736.96	12,526,204.48	(35,136,844.20)		38,174,897.98
Non-operating income							7,928,370.13		7,928,370.13
Non-operating expenses							28,574,721.15		28,574,721.15
Total profit	57,967,063.68	3,153,400.19	2,541,861.85	(17,282,524.98)	14,405,736.96	12,526,204.48	(55,783,195.22)		17,528,546.96
Income tax							6,073,146.60		6,073,146.60
Net profit	57,967,063.68	3,153,400.19	2,541,861.85	(17,282,524.98)	14,405,736.96	12,526,204.48	(61,856,341.82)		11,455,400.36
Total segment assets	3,913,996,219.73	89,170,749.57	19,943,259.66	111,742,444.61	134,010,523.94	227,217,376.27	679,555,241.60		5,175,635,815.38
Total segment liabilities	1,652,442,085.04	19,864,461.62	11,513,612.40	40,794,472.59	98,562,812.69	28,616,772.13	1,522,271,709.11		3,374,065,925.58

(2) E t r n t r n s t n r n v r n r n v s v r s n n n v r r n t ss t s t n ss t s

In the year of 2020 and 2019, the Group derived all external transaction revenue from the PRC and overseas but all of its assets were located in the PRC. Therefore, external transaction revenue by origin of revenue sources is disclosed as follows:

t m	**2020**	2019
External transaction income derived from the PRC	**2,717,360,137.40**	3,724,722,383.35
External transaction income derived from other countries	**292,358,892.26**	664,181,832.56
Total	**3,009,719,029.66**	4,388,904,215.91

5. F A CE C T

t m	**2020**	2019
Interest expenses (bank borrowings due within one year)	**137,373,401.15**	159,146,751.07
Less: Interest expenses capitalised		
Less: Interest income	**5,507,436.70**	8,791,007.22
Foreign exchange difference	**20,442,211.52**	(10,538,743.57)
Others	**6,904,407.55**	6,509,178.00
Total	**159,212,583.52**	146,326,178.28

There was no capitalised borrowing costs in the year of 2020 (2019 0).

6. THE C E

Unit: RMB

v r t r n m	**A m v n t r t p r**	Amount for the last period
Incentives and subsidies for energy conservation and emission reduction		
Subsidies and grants for recycling resource enterprises		11,703,891.00
Subsidies and grants for enterprises	**13,041,300.00**	
Stability subsidies and social insurance subsidies	**2,244,789.32**	563,748.95
Bonuses for technology upgrade and energy conversion		1,108,200.00
Grants for defense basement construction	**35,954.30**	287,634.36
Special funds for external trade development		123,700.00
Reward for technological innovation patents and acquisition of international brands	**1,630,000.00**	
Others	**818,871.38**	245,120.00
Total	**17,770,915.00**	14,032,294.31

7. A E T A E E

Item	2020	2019
Loss on bad debts		
Including: Accounts receivable		
Other receivables		
Loss on impairment of inventories	**(1,047,770.83)**	(13,855,612.46)
Including: Raw materials		
Finished goods		
Work-in-progress		
Sub-contracting materials		
Impairment loss on intangible assets		
Impairment loss of fixed assets		
Loss allowances for loans		
Impairment loss on goodwill		(23,683,383.21)
Total	**(1,047,770.83)**	(37,538,995.67)

8. C ED T A E E

Item	Amount for the period	Amount for the last period
Loss on bad debts of bills receivable	**936,263.73**	(2,602,376.56)
Loss on bad debts of accounts receivable	**4,580,429.76**	(4,768,618.30)
Loss on bad debts of other receivables	**3,314,998.60**	(2,376,261.95)
Impairment loss on loans	**(7,689,658.49)**	(7,256,011.73)
Total	**1,142,033.60**	(17,003,268.54)

9. GA D A F A E

Item	Amount for the period	Amount for the last period
Gains on disposal of non-current assets	**353,358,239.23**	7,152,864.22
Including: Gains on disposal of non-current assets classified as held-for-sale		
Including: gains on disposal of fixed assets		
Gains on disposal of intangible assets		
Gains on disposal of non-current assets not classified as held-for-sale	**353,358,239.23**	7,152,864.22
Including: gains on disposal of fixed assets	**180,980,820.92**	2,140,948.22
Gains on disposal of intangible assets	**172,377,418.31**	5,011,916.00
Total	**353,358,239.23**	7,152,864.22

10. [illegible] - E A T G C E

[illegible]	**2020**	2019
Government grants		
Penalty income		
Others	**7,928,370.13**	9,730,641.34
Total	**7,928,370.13**	9,730,641.34

11. T TA ( ) F T

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

[illegible]	**2020**	2019
Staff costs (including directors' remuneration)	**220,966,043.70**	274,971,298.57
Amortisation of intangible assets	**19,184,422.00**	19,122,913.33
Auditor's remuneration (included in administrative expenses)	**1,365,309.14**	1,273,584.87
Cost of inventories recognised as expenses	**2,902,436,729.61**	4,034,622,745.27
Depreciation on fixed assets	**234,379,707.18**	233,184,214.62
Research and development expenses	**44,788,225.44**	56,348,398.99
Gain on disposal of fixed assets	**353,358,239.23**	7,152,864.22

12. C E TA (C ED T) E E E

[illegible]	**2020**	2019
Current income tax expenses	**1,251,926.93**	3,028,323.01
— Hong Kong		
— Mainland China	**1,251,926.93**	3,028,323.01
Deferred income tax expenses	**4,821,219.67**	6,652,382.55
Total	**6,073,146.60**	9,680,705.56

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% (2019: 15%) pursuant to the Enterprise Income Tax Law of the PRC.

The subsidiaries of the Company incorporated in Hong Kong were subject to the profits tax at the rate of 16.5% (2019:16.5%) in Hong Kong.

13. (E)/EA G E HA E

Item	2020	2019
Net (loss)/profit attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	**0.04**	(0.25)
Diluted (losses)/earnings per share	**0.04**	(0.25)
Net (loss)/profit from continuing operations attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	**0.04**	(0.25)
Diluted (losses)/earnings per share	**0.04**	(0.25)

14. D DE D

Item	2020	2019
Dividends recognised and distributed during the year	**0**	0
2020 final dividend — RMB0.00 per ordinary share (2019: RMB0.00)		

The Board does not recommend any payment of final dividend in respect of the year ended 31 December 2020. It has been proposed by the Board but shall be subject to approval from shareholders at the general meeting.

15. B ECE AB E

	2020			2019		
Item	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable
Bills receivable	**166,611,283.34**	**1,666,112.83**	**164,945,170.51**	260,237,655.67	2,602,376.56	257,635,279.11
Total	**166,611,283.34**	**1,666,112.83**	**164,945,170.51**	260,237,655.67	2,602,376.56	257,635,279.11

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

16. ACC T ECE AB E

	2020			2019		
Item	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable
Accounts receivable	**411,339,480.85**	**123,418,885.57**	**287,920,595.28**	635,558,340.28	127,999,315.33	507,559,024.95
Total	**411,339,480.85**	**123,418,885.57**	**287,920,595.28**	635,558,340.28	127,999,315.33	507,559,024.95

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 analy

19. 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. As the relevant new factories are under design, the specific amount of expenses has not been completely determined.

20. CONTINGENT LIABILITIES

As at the date of these financial statements, the proceedings against the Company by investors regarding false statements about securities have been entertained by the Intermediate People's Court of Jinan, and the aggregate sum involved was RMB120,057,935.29. Currently, the total amount involved in cases that have been judged or closed through mediation was RMB102,371,348.16, with settlement amount of RMB57,625,145.83. For closed proceedings, the Company is performing its obligations according to the judgment results. For other unclosed proceedings, if the result of first instance judgement come out, an estimated liabilities of RMB4,218,964.87 were provided in accordance with the amount judged in the first instance. For those proceedings that have been heard but pending judgment and those proceedings that have not been heard, an estimated liabilities of RMB10,173,859.77 were provided at a rate of 85% with reference to the proceedings already closed. The total amount of estimated liabilities provided for this matter by the Company was RMB72,017,970.47.

Annual Audited Financial Statements

For the year ended 31 December 2020, the Company recorded a revenue of RMB3,009,719,029.66, representing a decrease of approximately 31.42% as compared with last year. Profit attributable to equity owners of the Company and earnings per share amounted to RMB32,178,630.99 and RMB0.04, respectively.

Business Review

(I) Description of the Group's principal business during the reporting period

During the reporting period, the Company was mainly engaged in design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas transportation equipment, petroleum and natural gas exploitation equipment and major critical components and castings and forgings products. The Company's products were mainly used in petroleum, natural gas, coalbed methane, shale gas and other energy drilling, machinery processing, urban pipe network, etc. During the reporting period, sales of pipe products accounted for over 80% of the Company's revenue, which was the main source of the revenue and profit of the Company. During the reporting period, there was no material change in the composition of Company's main businesses.

Pipe products, as the Company's main products, were divided into API standard products and non-API standard products. The Company adopted a "sales-based production" business model for production, i.e. the production system of the Company will produce, inspect and deliver the products according to the order placed by customer specifying the required specification and quantity. The Company adopted a centralised procurement model under which all raw materials, moulds and equipment were centrally purchased by the procurement department, which was also responsible for the signing of procurement contracts, procurement status follow-up, facilitating quality improvement of raw materials. The procurement department strictly controlled the selection of suppliers based on the comprehensive overall evaluation index system, fostered quality partners and developed long-term and stable strategic partnership. The Company had a relatively mature sales network and has established dedicated sales companies and import and export companies, responsible for domestic and international market research, research and development, product sales and post-sales services, respectively.

(II) Business environment and analysis during the reporting period

The Company is in the energy equipment industry serving for oil, natural gas, shale gas, coal, coalbed methane, and so on. The industry is more obviously affected by changes in the economic development cycle, changes in market demand for consumption, cyclical changes in crude oil prices and cyclical changes in raw material prices. In 2020, amid the COVID-19 pandemic and the excessively volatile international oil prices, the capacity utilisation rate of domestic and overseas oilfield drilling operations declined. Petroleum companies reduced capital expenditures for

upstream exploration and development, which had a greater impact on the oilfield service industry. However, in the medium and long term, the national energy security strategies of the PRC provide strong support for the development of the oil service industry. Against the backdrop of the PRC's continued high external dependence on crude oil and natural gas, the goal of "stabilising oil market and increasing demand for natural gas" would not change. The white paper entitled *Energy in China's New Era* indicated that, oil and gas exploration and development efforts will be vigorously increased, oil and gas reserves and production will be promoted, and the quality of energy supply and the ability to ensure safety will continuously be improved. Furthermore, with the full opening up of China's oil and gas exploration and development market, private and foreign-invested companies and different sectors would have the opportunities of investing capital into the domestic market, to bring new blood for the PRC's oil and gas exploration and development and drive the new demand for the energy equipment industry.

With the systematic promotion of the COVID-19 vaccine in the post-epidemic era, the global production and travel are expected to gradually resume. Together with the steady implementation of the US fiscal stimulus policy, the demand for oil and gas will continue to increase. The overall demand of the energy equipment industry will gradually transcend the low point and enter the recovery stage, and the domestic oil and gas exploration and development market is expected to maintain long-term stable growth.

(iii) Discussion on the Company's performance in the Company's performance

During the reporting period, the global spread of COVID-19 hit the ordinary economic activities in all industries at different levels. The energy equipment manufacturing industry where the Company operates was hard hit by the pandemic in particular. As affected by the pandemic and the excessively volatile international oil prices, the capacity utilisation rate of domestic and overseas oilfield drilling operations declined. Petroleum companies reduced capital expenditure for upstream exploration and development, which had a greater impact on the energy equipment manufacturing industry.

During the reporting period, the Company faced a tough development landscape domestically and internationally. In 2020, the Company's orders from the oilfield market dropped significantly, of which the production and sales of pipe products decreased sharply. At the same time, the prices of the relevant products continuously decreased due to the decline in downstream demand of relevant product price, while the prices of major raw materials increased significantly compared with last year, the operating revenue and gross profit margin of the Company have fallen substantially and the profitability of the Company has decreased.

To address the pressure and challenges brought about by various uncertainties, management of the Company took active steps in adjusting business strategies to prioritising the stabilisation of the partnership with long-term and quality customers, initiating adjustment in product mix and further developing the castings and forgings market. During the reporting period, the Company proactively broadened the applications and sales of pipe products, which enabled an effective integration between, and a positive adjustment in sales of, the Oil Country Tubular Goods (OCTG) products

and the other social pipes markets. By capitalising on the market demand, the Company achieved new products development and more than ten items of craftsmanship improvement, as well as vigorously developed high value-added products. With greater effort placed in promotion, the Company achieved a further increase in the production and sales volumes of high-end castings and forgings, with a significant year-on-year growth in operating revenue. In order to optimise the production plan and achieve intensified production management, the Company sold out part of the land and fixtures, realising a revenue of approximately RMB353 million (which constitutes a non-recurring profit and loss item).

At the end of the reporting period, the Company's total assets were RMB5.176 billion, with a year-on-year decrease of 9.77%. The net assets attributable to shareholders of the Company were RMB1.781 billion, with a year-on-year increase of 1.90%. The debt-to-assets ratio was 65.19%, with a year-on-year decrease of 3.62 percentage points. During the reporting period, the Company achieved an operating income of RMB3.010 billion, with a year-on-year decrease of 31.42%. Net profits attributable to shareholders of the Company was RMB32,178,600, representing an increase of RMB228,487,900 as compared to the corresponding period of last year.

EC T

(1) F t r p m nt tr n t C mp n s n s tr

In 2020, confronted with the multiple strikes such as the unexpected COVID-19 pandemic and deep recession of the global economy, the uncertainty in the external environment of the PRC's economic development increased, which exerted mounting downward pressure on the PRC's economy. Demand for energy consumption, changes in economic cycle and fluctuations in raw material prices were the main factors affecting the prosperity of the energy equipment manufacturing industry. Due to the record low international oil prices resulted from the pandemic, global gas and oil companies reduced capital expenditures in succession. The capacity utilisation rate of domestic and overseas oilfield drilling operations declined, which had a greater impact on the energy equipment manufacturing industry.

Since 2020, in response to changes in the epidemic situation, the PRC has adjusted its prevention and control strategies in a timely manner, improved a normalised prevention and control mechanism and achieved significant strategic results in epidemic prevention and control, and was the only major economy in the world which achieved positive economic growth. Currently, the PRC is striving to build a new development pattern with the domestic big cycle as the main body and the domestic and international double cycles mutually promoting each other. Driven by the PRC's promotion economic background of "six stability, six guarantees" and the national energy security strategy, with the domestic economy going upward and the gradual recovery of international oil prices, the continuous increase in oil and gas demand occurred. The overall demand of the energy equipment industry will gradually transcend the low point and enter the recovery stage, and the domestic oil and gas exploration and development market is expected to maintain a long-term stable growth.

According to the *World Energy Outlook (2020 edition)*, fossil energy still occupies an overwhelming share in the global energy structure, providing the world with a large amount of energy indispensable for life and survival. In the long run, demand for oil and gas would still be on the rise. The national energy security strategy provides strong support for the development of the energy equipment manufacturing industry. Against the backdrop of PRC's continued high external dependence on crude oil and natural gas, the goal of "stabilising oil market and increasing demand for natural gas" would not change. The white paper entitled *Energy in China's New Era* indicated that, oil and gas exploration and development efforts will be vigorously increased, oil and gas reserves and production will be promoted, and the quality of energy supply and the ability to ensure safety will be continuously improved. The national energy security strategy drove the increase in capital expenditure in the upstream. China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) also put forward the "Seven-Year Action Plan" respectively to vigorously develop the domestic energy exploration and development business. For example, CNOOC's "Seven-Year Action Plan" clearly stated that the exploration workload and proven reserves will double by 2025.

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 Plan for the Company in 2021

In 2021, the Company will adhere to the general tone of making progress while remaining stable, committed to adapt to new development stage, with the main focus on 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, with an aim to become an internationally renowned energy equipment manufacturer and service provider, striving to achieve steady, sustainable and healthy development of the Company.

1. *Optimise the corporate governance and facilitate the standardised operation*

   The Company will further complete the relevant rules and regulations according to actual needs and ensure their effective implementation; continue to optimise the corporate governance structure and improve the standardised operation level, thereby providing guarantee for the Company's high-quality development; optimise the internal control process and constantly perfect the risk prevention mechanisms, so as to guarantee healthy, stable and sustainable development of the Company.

2. *Resort to the advantages of state-owned capital and seize the development opportunities*

In virtue of the state-owned capital background of the new controlling shareholder, Shouguang Jinxin, the Company strives to walk ahead of the industry by way of remodeling future development strategies and take full advantages of market and technologies. The Company will persist in taking technology innovation, management innovation and market innovation as fundamental means to improve core competitiveness of enterprises, and rapidly explore the market by virtue of the advantages of new products. In order to optimise production plan and achieve intensified production management, the Company will steadily implement the consolidation of industrial parks. By accelerating the application and promotion of HIsmelt reduction technology and taking full advantages of its intellectual property, HIsmelt reduction technology will be a new profit growth point for the later development of the Company and will further enhance the Company's competitiveness.

3. *Strengthen the basic management to promote the quality and efficiency improvement*

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, so as to enhance the Company's efficiency.

4. *Adhere to "market-oriented" and proactively expand the market*

The Company will further subdivide performance appraisal, improve sales incentive policies and enhance team cohesion; proactively connect to customer market and prepare the tender and bidding work in the oilfield market (such as CNOOC, CNPC and Sinopec) and tube market; take full advantages of the industry, actively explore marketing channels, intensify market development and promotion for new products, especially premium thread, high-grade steel and special material products, which contribute to increase order volume and capacity of high value-added products, as well as promote the formulation of diversified product structures. The Company will also strengthen internal risk management and control training, raise risk awareness and achieve debt clearing-up management.

5. *Reinforce the internal control management and reduce operation risks*

The Company will further perfect and complete the internal control management system, intensify internal audit, establish efficient monitoring and inspection mechanisms, regulate the specific business process and strengthen risk-resistance ability; continue to reinforce risk control and monitoring mechanisms at all levels, so as to lower the risks of corporate operation.

6. *Attach importance to technology innovation and research and development and strengthen the construction of an echelon of talents*

The Company will continue to strengthen the collaboration with scientific research institutes and tertiary schools. Leveraging on the technological advantages of tertiary schools and scientific research institutes and the advanced equipment of the Company, the Company will promptly implement process testing, development and design, so as to lay a solid foundation for the application of new products and new technology in the future. The Company will also strengthen the construction of the team of professional and technical personnel, the Company forms a professional and stable scientific research team through independent cultivation and introduction of talents, gradually establishing a technological innovation system that integrates production, education and research. The Company will also further perfect the management mechanisms on cadre appointment and talents management and gradually enhance the remuneration and labour security system, as well as further improve the overall quality of employees through business training, management training, etc., which provide human resources guarantee for the intelligent automated production.

(III) [illegible]

(1) *Market risk*

The Company operates in the energy equipment manufacturing industry which is directly relevant to the development and prosperity of the energy industry. The fluctuations of crude oil price are affected by global economic growth rate, regional, political, financial, supply and demand and many other factors, and have strong 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) *Raw material price fluctuation risk*

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

(3) *Policy risk*

In recent years, the 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

March 2021, the Company has received from Molong Holdings a "Confirmation of Registration of Share Transfer" issued by China Securities Depository and Clearing Corporation Limited, and was informed that the relevant transfer and registration procedures of the Share Transfer have been completed on 23 March 2021. Upon completion of the Share Transfer, Molong Holdings beneficially holds 235,617,000 A shares of the Company (representing approximately 29.53% of the total issued share capital of the Company) and Mr. Zhang Enrong no longer holds any shares of the Company.

Save for the disclosed above, the Group has no substantial discloseable events after the reporting period and as of the date of the announcement.

[illegible]

During the year ended 31 December 2020, the Group did not have any significant investments.

[illegible]

During the year ended 31 December 2020, the Group did not have any acquisitions, disposals or future significant investment plans.

[illegible]

The Board does not recommend any payment of final dividend in respect of the year ended 31 December 2020. It has been proposed by the Board but shall be subject to approval from shareholders at the general meeting.

[illegible]

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 accountability to all shareholders. For the year ended 31 December 2020, the Company has complied with all the code provisions and most of the recommended best practices contained in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Company has introduced and will continue to adopt measures to comply with the changes to the Listing Rules regarding corporate governance. Details of the corporate governance of the Company are set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2020. In addition, during the year, external independent internal control consultants were appointed to review the internal control and financial reporting of the Company.

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On 6 November 2020, Mr. Liu Yun Long has resigned as an executive director and the chairman of the Board and a member of the relevant committees of the Board due to work adjustment; and Mr. Zhang Yu Zhi has resigned as an executive director and the deputy general manager of the Company due to reaching the statutory retirement age.

The resolution on the election of Mr. Yang Yun Long and Mr. Yuan Rui as executive directors of the sixth session of the Board have been approved by shareholders at the extraordinary general meeting of the Company convened on 25 November 2020. The terms of office of Mr. Yang Yun Long and Mr. Yuan Rui have taken effect from the date of approval at the extraordinary general meeting, and will last until the end of term of the sixth session of the Board. Mr. Yang Yun Long and Mr. Yuan Rui have been appointed as the chairman and the deputy chairman of the Board with effect from 25 November 2020, respectively.

A D T C T,TEE

The Company's audit committee (its members consist of three independent non-executive directors of the Company) held five meetings in 2020 to discuss matters regarding the accounting standards and practices adopted by the Group, internal control and risk management and financial reporting, and they have reviewed the audited results for the year ended 31 December 2020.

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The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the " **C** ") as set out in Appendix 10 of the Listing Rules requiring the directors of the Company to follow the Model Code while conducting securities transactions, the same is also applicable to the Company's senior management. Having made specific enquiries by the Company, all directors of the Company confirmed that they have fully complied with the Model Code throughout the year of 2020.

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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 2020.

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The annual general meeting for the year of 2020 of the Company is expected to be held on 21 May 2021. A notice convening the annual general meeting will be published and despatched to shareholders of the Company in due course.

The register of members of H shares of the Company ("**H [illegible]s**") will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive), during which no transfer of the H Shares will be effected. In order to qualify to attend and vote at the annual general meeting, all completed 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, 14 May 2021.

[illegible] B [illegible] CA [illegible] F [illegible] E [illegible] T [illegible] A [illegible] CE [illegible] E [illegible] T A [illegible] D A [illegible] A [illegible] E [illegible] T [illegible] THE EB [illegible] TE [illegible] F [illegible] THE [illegible] T [illegible] C [illegible] E [illegible] CHA [illegible] GE A [illegible] D [illegible] THE C [illegible] A [illegible]

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 2020 will be dispatched 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
**[illegible] C [illegible] *
[illegible]**
Chairman

Shandong, the PRC
26 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yang Yun Long, Mr. Yuan Rui, Mr. Liu Min and Mr. Li Zhi Xin; the non-executive directors of the Company are Mr. Yao You Ling and Mr. Wang Quan Hong; and the independent non-executive directors of the Company are Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.

* *For identification purpose only*