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山東墨龍石油機械股份有限公司
Shandong Molong Petroleum Machinery Company Limited*

(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 568)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- For the six months ended 30 June 2022, revenue of the Group amounted to RMB1,570.9419 million, representing a decrease of approximately 17.24% as compared to the corresponding period of last year.
- Net profit attributable to equity owners of the Company amounted to -RMB172.7177 million, as compared to -RMB68.2508 million for the corresponding period of last year.
- Earnings per share was approximately -RMB0.2165, as compared to -RMB0.0855 for the corresponding period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

The board of directors (the "**Board**") of Shandong Molong Petroleum Machinery Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022.

The information contained in this announcement does not constitute the statutory financial statements of the Group for the six months ended 30 June 2022 but the financial information is extracted therefrom. The interim results for the six months ended 30 June 2022 have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "**PRC ASBEs**") and the relevant requirements. They have not been audited by any accounting firm but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

Unless otherwise specified, the financial information of the Company is expressed in Renminbi ("**RMB**").

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	**2022 (Unaudited)**	2021 (Unaudited)
Total operating revenue	*3 and 4*	**1,570,941,941.65**	1,898,127,577.08
Total operating costs		**1,746,829,087.21**	1,938,925,728.63
Operating costs		**1,517,239,001.79**	1,726,169,152.48
Business tax and surcharges		**7,134,994.01**	6,681,418.77
Selling expenses		**7,124,810.84**	5,871,146.55
Administrative expenses		**136,188,184.82**	114,235,240.60
Research and development expenditures		**25,104,469.52**	26,040,311.32
Finance costs	*5*	**54,037,626.23**	59,928,458.91
Including: Interest expenses		**58,378,820.98**	57,876,192.60
Interest income		**3,752,773.33**	2,892,675.32
Add: Credit impairment losses	*6*	**5,831,665.58**	1,642,377.15
Asset impairment losses	*7*	**(15,000,113.67)**	(4,830,609.84)
Gains on changes in fair value			
Investment income			
Including: Gain on investment in associates and joint ventures			
Gains on disposal of assets	*8*		9,832.15
Other income	*9*	**49,128.67**	1,266,838.69
Operating profit		**(185,006,464.98)**	(42,709,713.40)
Add: Non-operating income	*10*	**4,960,223.84**	1,211,776.85
Less: Non-operating expenses		**1,061,228.98**	3,240,554.91
Total profit	*11*	**(181,107,470.12)**	(44,738,491.46)
Less: Income tax expenses	*12*	**2,063,592.49**	3,033,465.40
Net profit		**(183,171,062.61)**	(47,771,956.86)
Other comprehensive income		**(859,902.79)**	165,833.59
Total comprehensive income		**(184,030,965.40)**	(47,606,123.27)
Net profit attributable to			
Shareholders of the Company		**(172,717,715.72)**	(68,250,795.42)
Minority interests		**(10,453,346.89)**	20,478,838.56
Total comprehensive income attributable to			
Shareholders of the Company		**(173,491,628.23)**	(68,101,545.17)
Minority interests		**(10,539,337.17)**	20,495,421.90
Earnings per share	*13*		
(I) Basic earnings per share		**(0.2165)**	(0.0855)
(II) Diluted earnings per share		**N/A**	N/A
Dividends	*14*	**N/A**	N/A

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Notes	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021 (Audited)
Current assets			
Monetary funds		**804,218,264.79**	475,191,176.69
Bills receivable		**125,821,059.44**	235,005,278.71
Accounts receivable	*15*	**371,450,687.22**	299,530,976.41
Loans and advances			
Financing receivables		**125,635,423.74**	28,539,024.92
Prepayments		**24,991,960.33**	49,598,390.41
Other receivables		**28,964,650.51**	17,440,781.64
Including: Interests receivable			
Dividends receivable			
Inventories		**1,049,870,058.59**	715,282,787.11
Assets classified as held for sale			
Other current assets		**12,857,399.75**	26,180,538.95
Total current assets		**2,543,809,504.37**	1,846,768,954.84
Non-current assets			
Available-for-sale financial assets			
Long-term equity investments		**2,144,833.69**	2,144,833.69
Investment properties			9,929,101.58
Fixed assets		**2,099,679,832.56**	2,181,361,123.66
Construction-in-progress		**4,084,504.22**	10,029,521.56
Right-of-use assets			1,530,636.81
Intangible assets		**367,487,139.37**	376,053,902.88
Goodwill			
Deferred income tax assets		**26,902,298.78**	29,065,116.69
Research and development expenditures		**2,591,455.48**	
Long-term deferred expenses			
Gain or loss on properties to be dealt			
Other non-current assets		**728,107.60**	728,107.60
Total non-current assets		**2,503,618,171.70**	2,610,842,344.47
Total assets		**5,047,427,676.07**	4,457,611,299.31

	Notes	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021 (Audited)
Current liabilities			
Short-term borrowings		**2,307,863,719.72**	1,916,706,214.72
Bills payable		**58,451,284.51**	101,209,067.42
Accounts payable	*16*	**1,013,193,967.90**	599,514,345.81
Receipts in advance			
Contract liabilities		**151,720,589.80**	70,368,931.26
Salaries payable		**49,119,939.43**	57,833,087.83
Taxes payable		**18,756,560.92**	25,793,838.53
Other payables		**68,905,056.91**	64,231,003.43
Including: Interests payable			
Other current liabilities		**66,234,632.55**	67,434,388.00
Non-current liabilities due within one year		**96,486,627.80**	107,001,393.82
Total current liabilities		**3,830,732,379.54**	3,010,092,270.82
Net current assets		**(1,286,922,875.17)**	(1,163,323,315.98)
Total assets less current liabilities		**1,216,695,296.53**	1,447,519,028.49
Non-current liabilities			
Long-term borrowings			37,141,617.50
Lease liabilities			
Long-term payables		**28,052,450.54**	37,742,329.02
Estimated liabilities			558,467.38
Deferred revenue		**6,966,655.18**	6,966,655.18
Bonds payable			
Deferred income tax liabilities		**5,262,972.60**	5,362,198.02
Other non-current liabilities			
Total non-current liabilities		**40,282,078.32**	87,771,267.10
Total liabilities		**3,871,014,457.86**	3,097,863,537.92
Shareholders' equity			
Share capital		**797,848,400.00**	797,848,400.00
Capital reserve		**864,052,733.42**	863,356,311.20
Surplus reserve		**187,753,923.88**	187,753,923.88
General risk reserve			
Undistributed profits		**(606,765,540.64)**	(434,047,824.92)
Other comprehensive income		**(2,445,860.80)**	(1,671,948.29)
Total equity attributable to shareholders of the parent company		**1,240,443,655.86**	1,413,238,861.87
Minority interests		**(64,030,437.65)**	(53,491,100.48)
Total shareholders' equity		**1,176,413,218.21**	1,359,747,761.39

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2022

	2022								
	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. 1 January 2022 (audited)	797,848,400.00	863,356,311.20	(1,671,948.29)		187,753,923.88		(434,047,824.92)	(53,491,100.48)	1,359,747,761.39
II. Changes during the period		696,422.22	(773,912.51)				(172,717,715.72)	(10,539,337.17)	(183,334,543.18)
(I) Total comprehensive income			(773,912.51)				(172,717,715.72)	(10,539,337.17)	(184,030,965.40)
(II) Shareholders' capital injection and reduction		696,422.22							696,422.22
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others		696,422.22							696,422.22
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within 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 period				13,594,754.41					13,594,754.41
2. Utilisations during the period				13,594,754.41					13,594,754.41
(VI) Others									
III. 30 June 2022 (unaudited)	797,848,400.00	864,052,733.42	(2,445,860.80)		187,753,923.88		(606,765,540.64)	(64,030,437.65)	1,176,413,218.21

	2021								
	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. 1 January 2021 (audited)	797,848,400.00	863,169,158.42	(2,015,577.82)		187,753,923.88	11,236.91	(66,030,056.80)	20,832,805.21	1,801,569,889.80
II. Changes during the period			149,250.25				(68,250,795.42)	20,495,421.90	(47,606,123.27)
(I) Total comprehensive income			149,250.25				(68,250,795.42)	20,495,421.90	(47,606,123.27)
(II) Shareholders' capital injection and reduction									
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others									
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within 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 period				14,492,760.59					14,492,760.59
2. Utilisations during the period				14,492,760.59					14,492,760.59
(VI) Others									
III. 30 June 2021 (unaudited)	797,848,400.00	863,169,158.42	(1,866,327.57)		187,753,923.88	11,236.91	(134,280,852.22)	41,328,227.11	1,753,963,766.53

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

The Company is a limited liability company established in the People's Republic of China ("**PRC**" or "**China**"), with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Main Board of Shenzhen Stock Exchange ("**SZSE**"). The address of the registered office of the Company is at No. 99 Xing Shang Road, Gucheng Subdistrict, Shouguang City, Shandong Province, PRC, and the address of the principal place of business of the Company in Hong Kong is at 5/F, Kam Sang Building, 257 Des Voeux Road central, Hong Kong.

The financial statements are presented in RMB, which is also the functional currency of the Company.

During the six months ended 30 June 2022, 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 and forgings, etc.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared using the going concern basis of accounting based on 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 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 and the disclosure requirements under the Companies Ordinance of Hong Kong, on the basis of the accounting policies and accounting estimates as stated in "Significant Accounting Policies and Accounting Estimates".

There were no changes in the accounting policies adopted for the preparation of the financial statements for the current period.

3. TOTAL OPERATING REVENUE

Total operating revenue includes operating revenue and income from other businesses. Operating revenue only represents the net amounts received and receivable by the Group from external sales of goods and rendering of services less trade discounts during the six months ended 30 June 2022.

Analysis of the Group's operating revenue for the six months ended 30 June 2022 is as follows:

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Pipe products	**593,912,032.35**	1,053,440,211.21
Tube blanks		706,827,222.90
High-end castings and forgings	**878,006,892.23**	74,500,029.58
Three kinds of pumping units	**16,732,788.46**	12,529,223.05
Petroleum machinery parts	**8,763,820.61**	3,907,356.56
Others	**73,526,408.00**	46,923,533.78
Total	**1,570,941,941.65**	1,898,127,577.08

4. SEGMENT INFORMATION

(1) Basis for determining reportable segments and accounting policies

1) *Basis for determining reportable segments*

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

2) *Accounting policies for the reportable segments*

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

Segment reporting information — For the six months ended 30 June 2022 (Unaudited)

	Pipe products	Tube blanks	High-end castings and forgings	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue								
Revenue from external sales	593,912,032.35		878,006,892.23	16,732,788.46	8,763,820.61	73,526,408.00		1,570,941,941.65
Revenue from inter-segment sales								
Total segment operating revenue	593,912,032.35		878,006,892.23	16,732,788.46	8,763,820.61	73,526,408.00		1,570,941,941.65
Total operating revenue as reported	593,912,032.35		878,006,892.23	16,732,788.46	8,763,820.61	73,526,408.00		1,570,941,941.65
Segment expenses	571,789,430.24		878,408,657.46	17,280,712.24	9,639,445.80	63,549,008.99		1,540,667,254.73
Segment operating profit	22,122,602.11		(401,765.23)	(547,923.78)	(875,625.19)	9,977,399.01		30,274,686.92
Adjusted for:								
Administrative expenses							136,188,184.82	136,188,184.82
Research and development expenditures							25,104,469.52	25,104,469.52
Finance costs							54,037,626.23	54,037,626.23
Investment income								
Gains on disposal of assets								
Other income							49,128.67	49,128.67
Operating profit as reported	22,122,602.11		(401,765.23)	(547,923.78)	(875,625.19)	9,977,399.01	(215,281,151.90)	(185,006,464.98)
Non-operating income							4,960,223.84	4,960,223.84
Non-operating expenses							1,061,228.98	1,061,228.98
Total profit	22,122,602.11		(401,765.23)	(547,923.78)	(875,625.19)	9,977,399.01	(211,382,157.04)	(181,107,470.12)
Income tax							2,063,592.49	2,063,592.49
Net profit	22,122,602.11		(401,765.23)	(547,923.78)	(875,625.19)	9,977,399.01	(213,445,749.53)	(183,171,062.61)

Segment reporting information — For the six months ended 30 June 2021 (Unaudited)

	Pipe products	Tube blanks	High-end castings and forgings	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue:								
Revenue from external sales	1,053,440,211.21	706,827,222.90	74,500,029.58	12,529,223.05	3,907,356.56	46,923,533.78		1,898,127,577.08
Revenue from inter-segment sales								0.00
Total segment operating revenue	1,053,440,211.21	706,827,222.90	74,500,029.58	12,529,223.05	3,907,356.56	46,923,533.78		1,898,127,577.08
Total operating revenue as reported	1,053,440,211.21	706,827,222.90	74,500,029.58	12,529,223.05	3,907,356.56	46,923,533.78		1,898,127,577.08
Segment expenses	957,882,792.73	652,827,764.81	69,277,243.16	12,949,072.94	5,681,250.52	43,291,826.34		1,741,909,950.49
Segment operating profit	95,557,418.48	53,999,458.09	5,222,786.42	(419,849.88)	(1,773,893.96)	3,631,707.44		156,217,626.59
Adjusted for:								
Administrative expenses							114,235,240.60	114,235,240.60
Research and development expenditures							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	53,999,458.09	5,222,786.42	(419,849.88)	(1,773,893.96)	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	53,999,458.09	5,222,786.42	(419,849.88)	(1,773,893.96)	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	53,999,458.09	5,222,786.42	(419,849.88)	(1,773,893.96)	3,631,707.44	(203,989,583.45)	(47,771,956.86)
Total segment assets	3,697,864,987.06	372,408,729.31	93,665,120.90	63,900,549.18	19,258,780.63	233,509,361.13	433,017,966.59	4,913,625,494.81
Total segment liabilities	1,237,366,632.74	353,888,240.02	72,038,194.68	13,043,146.18	10,961,191.16	29,930,419.10	1,442,433,904.41	3,159,661,728.29

(2) Revenue from external sales by origin of revenue and non-current assets by location of assets

The Group derives all revenue from external sales from the PRC and overseas but all of its assets are located in the PRC. Therefore, the disclosures of revenue from external sales by origin of revenue are as follows:

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Revenue from external sales derived from the PRC	**1,507,525,783.97**	1,804,034,637.51
Revenue from external sales derived from other countries	**63,416,157.68**	94,092,939.57
Total	**1,570,941,941.65**	1,898,127,577.08

5. FINANCE COSTS

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Interest expenses	**58,378,820.98**	57,876,192.60
Less: Interest expenses capitalised		
Less: Interest income	**(3,752,773.33)**	(2,892,675.32)
Exchange differences	**(3,432,565.42)**	(808,887.43)
Others	**2,844,144.00**	5,753,829.06
Total	**54,037,626.23**	59,928,458.91

6. CREDIT IMPAIRMENT LOSSES

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Loss on bad debts	**5,831,665.58**	(349,196.55)
Including: Accounts receivable	**4,843,687.17**	(1,429,323.04)
Bills receivable	**1,074,148.13**	716,389.08
Other receivables	**(86,169.72)**	363,737.41
Others		1,991,573.70
Total	**5,831,665.58**	1,642,377.15

7. ASSET IMPAIRMENT LOSSES

For the six months ended 30 June 2022 (Unaudited)

Item	**2022**	2021
Loss on impairment of inventories and loss on impairment of costs of contract performance	**(15,000,113.67)**	(4,830,609.84)
Total	**(15,000,113.67)**	(4,830,609.84)

8. GAINS ON DISPOSAL OF ASSETS

For the six months ended 30 June 2022 (Unaudited)

Source of gains on disposal of assets	**2022**	2021
Gains on disposal of fixed assets	**—**	9,832.15
Total	**—**	9,832.15

9. OTHER INCOME

For the six months ended 30 June 2022 (Unaudited)

S		

12. INCOME TAX EXPENSES

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Current income tax expenses		637,696.33
— PRC		
Deferred income tax expenses	**2,063,592.49**	2,395,769.07
Total	**2,063,592.49**	3,033,465.40

The Company has been listed as a high and new technology enterprise and is subject to the PRC enterprise income tax at a PRC income tax rate of 15% (2021: 15%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%

13. EARNINGS PER SHARE

For the six months ended 30 June 2022 (Unaudited)

	2022	2021
Calculated based on the net profit attributable to shareholders of the parent company:	**(172,717,715.72)**	(68,250,795.42)
Basic earnings per share	**(0.2165)**	(0.0855)
Diluted earnings per share	**N/A**	N/A
Calculated based on the net profit from continuing operations attributable to shareholders of the parent company:	**(172,717,715.72)**	(68,250,795.42)
Basic earnings per share	**(0.2165)**	(0.0855)
Diluted earnings per share	**N/A**	N/A

14. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

15. ACCOUNTS RECEIVABLE

For the six months ended 30 June 2022 (Unaudited)

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Accounts receivable	**473,945,406.49**	406,840,660.08
Less: Provision for bad debts of accounts receivable	**102,494,719.27**	107,309,683.67
Total	**371,450,687.22**	299,530,976.41

The Group as primary obligor satisfies its obligations of supplying products to customers in a timely manner by reference to the category, standard and time requested by the customers in accordance with the provisions of the contracts. There are different payments terms for different customers and different products: domestic customers of pipes are normally subject to payment in advance of delivery, and domestic customers of oil casing are normally subject to payment terms of 3-6 months after invoicing for account 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 delivery of products. As to petroleum machinery parts, the credit term is normally 2 months.

Aging analysis of accounts receivable for the six months ended 30 June 2022 based on the date of invoices is as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Within 1 year	**371,997,296.25**	286,440,544.44
1–2 years	**4,702,946.79**	9,564,790.04
2–3 years	**1,813,517.44**	2,354,706.30
Over 3 years	**95,431,646.01**	108,480,619.30
Total	**473,945,406.49**	406,840,660.08

16. ACCOUNTS PAYABLE

Aging analysis of accounts payable for the six months ended 30 June 2022 based on the date of invoices is as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Within 1 year	**844,521,551.45**	433,416,450.73
1–2 years	**70,575,051.22**	60,116,780.67
2–3 years	**24,053,285.19**	36,152,773.49
Over 3 years	**74,044,080.04**	69,828,340.92
Total	**1,013,193,967.90**	599,514,345.81

17. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had the following commitments in respect of capital expenditures

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Contracted but not recognised in financial statements — Commitment in respect of acquisition and construction of long-term assets	**0**	0

18. CONTINGENT LIABILITIES

Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the six months ended 30 June 2022, the Group achieved an unaudited operating revenue of RMB1,570.9419 million, representing a decrease of 17.24% compared to the corresponding period of last year. Unaudited operating profit was -RMB185.0065 million, compared to that of -RMB42.7097 million in the corresponding period of last year. Unaudited total profit was -RMB181.1075 million, compared to that of -RMB44.7385 million in the corresponding period of last year. Unaudited net profit attributable to shareholders of the listed company was -RMB172.7177 million, compared to that of -RMB68.2508 million in the corresponding period of last year.

Business Review

During the reporting period, the Company was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and high-end castings and forgings products, etc. These products were mainly used in the manufacture of equipment in connection with industries such as oil and gas drilling, machinery processing, urban pipe network and wind turbine castings.

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

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

Significant Events Subsequent to the Reporting Period

The Group had no significant events subsequent to the reporting period.

Prospects

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

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

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

Looking forward to the second half of 2022, with the strategic goal of becoming an internationally renowned energy equipment manufacturer and service provider, the Group will adhere to the general principle of making steady process and establish a strong foothold for the next stage of development. With the focus of promotion high-quality development, the Group will use a customer-centered and market-oriented approach and concentrate its efforts on the development and sales of high-grade, precision and advanced new products. The Group will fully capitalise on its industry strengths to further improve its standard of technological research and development and service delivery. It will continue to optimise the quality of its business management and operation in order to form an economical, efficient, advanced and eco-friendly industry chain of energy equipment manufacturing. The Group will also uphold its philosophy of green, innovative and sustainable development, striving to achieve healthy corporate development.

Significant Investments Held

During the six months ended 30 June 2022, the Company did not hold any significant investments.

Material Acquisitions, Disposals and Future Plans for Investments

During the six months ended 30 June 2022, the Group did not have any acquisitions, disposals or future plans for material investments.

Charges on Assets

(1) On 30 June 2020, the Company and Shouguang Maolong (a subsidiary of the Company) entered into a financing agreement and the relevant mortgage contract with Great Wall Asset Management, pursuant to which, the Company provided mortgage guarantees in favour of Great Wall Asset Management to secure the financing of the Company and Shouguang Maolong (a subsidiary of the Company) with its own land use rights and the relevant ground buildings with licences 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 RMB192.4085 million. As at 30 June 2022, the above charged land use rights had a book value of RMB143.2134 million and the real property buildings had a book value of RMB79.5577 million. The contract will expire on 30 June 2023.

(2) On 18 September 2021, the Company entered into a finance lease contract with Yangtze United Financial Leasing Co., Ltd. ("**Yangtze United**") pursuant to which, the Company commenced the finance lease business using certain equipment by way of sale and leaseback arrangement. As at 30 June 2022, the equipment had a cost of RMB342.7593 million and a net book value of RMB243.3945 million. The financing amount under the contract was RMB60.0000 million. The contract will expire on 16 September 2024.

Foreign Exchange Exposure

During the six months ended 30 June 2022, the Group's revenue was denominated in RMB and United States dollars and its expenses were denominated in Hong Kong dollars, RMB and United States dollars. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any prolonged or significant change in RMB against United States dollars and RMB against Hong Kong dollars may have impact on the Group's results and financial position.

Corporate Governance

The Company is committed to reaching high standards of corporate governance. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal control, and transparency and accountability to stakeholders. During the six months ended 30 June 2022, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Audit Committee

The Audit Committee of the Company (with members consisting of three independent non-executive directors) held three meetings during the six months ended 30 June 2022 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 2022. 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 2022. The interim results for the six months ended 30 June 2022 have not been reviewed and audited by the auditors of the Company.

Director's 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 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 for the six months ended 30 June 2022.

Purchase, Sale or Redemption of Listed Securities of the Group

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2022.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Publication of results announcement and interim report

This announcement is published on the websites of the Stock Exchange and the Company. The interim report for the six months ended 30 June 2022 will be despatched to the shareholders of the Company as and when appropriate and will be available on the Company's website at http://www.molonggroup.com and the websites of the Stock Exchange and SZSE in due course.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Chan Wing Nang, Billy
Company Secretary

Shandong, the PRC
30 August 2022

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

* *For identification purpose only*