山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited*



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Section I. Important, Contents and Definitions

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

Yuan Rui, the legal representative of the Company, Zhao Xiao Tong, the person in charge of accounting department and Zhu Lin, the head of the accounting department, declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in the Annual Report.

All Directors attended the Board meeting for considering this report.

ShineWing Certified Public Accountants LLP issued an unqualified audit report with paragraphs regarding material uncertainties on the ability to continue as a going concern (XYZH/2024JNAA3B0050).

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

The Company has described in detail the potential risks in the section headed "XI. Prospects for future development of the Company" under "Management Discussion and Analysis" in Section III of this report. Investors are advised to read carefully the contents thereof.

The Company does not propose any payment of cash dividends or any issue of bonus shares or any transfer of reserve to capital.

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Section I. Important, Contents and Definitions

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“Company”, “parent company” and “Shandong Molong”	Shandong Molong Petroleum Machinery company Limited († ˆ ² i 0 Ú Û p … Þ " ® !)
“Group”	collectively, the Company and its subsidiaries
“SZSE”	The Shenzhen Stock Exchange
“SEHK” and “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“CSRC”	China Securities Regulatory Commission
“Shouguang Maolong”	Shouguang Maolong New Materials (ª ˆ Ô ¤ - ¿ Ø ¦ ” š ï Þ " ® !)
“Shouguang Baolong”	Shouguang Baolong Petroleum Equipment Co., Ltd. (ª ˆ ¤ i 0 œ ¿ Þ " ® !)
“Weihai Baolong”	Weihai Baolong Special Petroleum Materials Co., Ltd. (þ 9 ¤ i 0 Y ¿ Þ " ® !)
“Molong Energy”	Shandong Molong Energy Technology Co., Ltd. († ˆ ² • U Å ¦ Þ " ® !)
“Molong I&E”	Shandong Molong Import & Export Co., Ltd. († ˆ ² † y Þ " ® !)
“MPM Corporation”	MPM International Limited
“Molong Logistic”	Shouguang Molong Logistic Co., Ltd. (ª ˆ ˆ ² J t Þ " ® !)
“Molong Electro-mechanical”	Shouguang Molong Electro-mechanical Equipment Company Limited (ª ˆ ˆ ² Ú e £ ê Þ " ® !)
“Molong Commercial”	Shandong Molong Commercial Trading Company († ˆ ² q Þ " ® !)
“Shouguang Jinxin”	Shandong Shouguang Jinxin Investment Development Holdings Group Limited († ª ˆ –4¥ ³ ï • › p « Þ " ® !)
“Shouguang SAB”	State-owned Assets Supervision and Administration Bureau of Shouguang City (ª ˆ 9 7 Þ * 9 – M # …)
“Molong Holdings”	Shouguang Molong Holdings Co., Ltd. (ª ˆ ˆ ² › p Þ " ® !)
“reporting period”	1 January 2023 to 31 December 2023
“RMB”, “RMB thousand”, “RMB ten thousand”	Renminbi, thousand Renminbi, ten thousand Renminbi

Section II. Company Profile and Key Financial Indicators

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Stock Name Abbreviation	Shandong Molong	Stock Code	002490, 00568
Stock exchanges of listed shares	SZSE, SEHK		
Chinese name of the Company	† ˆ² i 0 Ú Û p … Þ " ® !		
Abbreviation of the Chinese Name	† ˆ²		
English Name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the English Name (if any)	Shandong Molong		
Legal Representative of the Company	Yuan Rui		
Registered Address	No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province		
Postal Code of Registered Address	262700		
Historical Changes in the Company's Registered Address	The company held the 2021 Annual General Meeting of Shareholders on May 19, 2022, where the Proposal on Changing the Company's Registered Address and Amending the Articles of Association was reviewed and approved. On June 16, 2022, the company's relevant industrial and commercial change procedures were completed. The company's registered address was changed from "No. 999 Wensheng Street, Shouguang City, Shandong Province" to "No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province".		
Office Address	Floors 8-10, Building 19, Corporate Headquarters Complex, Shengcheng Street, Shouguang City, Shandong Province		
Postal Code of Office Address	262700		
Company Website	https://www.molonggroup.com		
Email Address	dsh@molonggroup.com		

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Name	Zhao Xiao Tong
Contact Address	Floors 8-10, Building 19, Corporate Headquarters Complex, Shengcheng Street, Shouguang City, Shandong Province
Telephone	0536-5100890
Facsimile	0536-5100888
Email Address	dsh@molonggroup.com

Section II. Company Profile and Key Financial Indicators

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Websites of stock exchanges on which the annual report of the Company is disclosed	Shenzhen Stock Exchange (http://www.szse.cn); Stock Exchange of Hong Kong (http://www.hkex.com.hk)

Section II. Company Profile and Key Financial Indicators

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Accounting firm engaged by the Company

Name of the accounting firm	ShineWing Certified Public Accountants LLP
Office address of the accounting firm	9th Floor, Fuhua building A, No. 8 Chaoyangmen North Street, Dongcheng District, Beijing
Name of the signing certified public accountants	Wang Gongyong, Zhang Chao

Sponsor institution which executes continuous supervision duties during the reporting period engaged by the Company

½ Applicable Not applicable

Financial consultant which executes continuous supervision duties during the reporting period engaged by the Company

½ Applicable Not applicable

V [illegible]

Whether the Company made retroactive adjustment or restated accounting data in previous years

½ Yes No

	2023	2022	Year-on-year increase/ decrease	2021
Operating revenue (RMB)	**1,317,495,782.20**	2,765,645,281.40	-52.36%	3,734,462,841.12
Net profit attributable to shareholders of listed company (RMB)	**(566,861,510.82)**	(424,969,725.59)	-33.39%	(368,017,768.12)
Net profit after extraordinary gains or losses attributable to shareholders of listed company (RMB)	**(555,852,375.02)**	(361,001,956.50)	-53.97%	(369,613,746.87)
Net cash flows generated from operating activities (RMB)	**134,992,577.56**	(11,509,782.41)	1,272.85%	35,792,357.33
Basic earnings per Share (RMB/share)	**(0.71)**	(0.53)	-33.96%	(0.46)
Diluted earnings per Share (RMB/share)	**(0.71)**	(0.53)	-33.96%	(0.46)
Weighted average rate of return on net assets	**-80.46%**	-35.39%	-45.07%	-23.05%

	A **2023**	As at the end of 2022	Year-on-year increase/ decrease	As at the end of 2021
Total assets (RMB)	**2,888,081,988.80**	4,038,605,559.51	-28.49%	4,457,611,299.31
Net assets attributable to shareholders of listed company (RMB)	**424,013,364.43**	987,960,842.88	-57.08%	1,413,238,861.87

Section II. Company Profile and Key Financial Indicators

The lower of the Company's net profit before and after deduction of extraordinary gains or losses in the latest three fiscal years is negative, and the audit report of the latest year shows that the Company's ability to continue operations is uncertain

Yes ½ No

The lower of the net profit before and after deduction of extraordinary gains or losses is negative

Yes ½ No

I	**2023**	2022	Remark
Operating revenue (RMB)	**1,317,495,782.20**	2,765,645,281.40	Mainly comprised of revenue from sales of products.
Deduction amount from operating revenue (RMB)	**124,331,753.27**	97,894,560.60	Mainly comprised of revenue from sales of wastes.
Operating revenue after deduction amount (RMB)	**1,193,164,028.93**	2,667,750,720.80	Mainly product sales revenue.

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½ Applicable Not applicable

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

2. D

C GAA

½ Applicable Not applicable

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

Section II. Company Profile and Key Financial Indicators

Unit: RMB

	F			F
Operating revenue	408,037,331.85	390,381,683.25	203,704,216.55	315,372,550.55
Net profit attributable to shareholders of listed company	(87,097,310.59)	(71,145,086.54)	(88,667,654.68)	(319,951,459.01)
Net profit after extraordinary gains or losses attributable to shareholders of listed company	(87,328,973.96)	(72,386,607.47)	(88,792,097.28)	(307,344,696.31)
Net cash flows from operating activities	34,975,015.23	(58,745,612.88)	44,166,551.80	114,596,623.41

Whether the above financial indicators or aggregate is material different from the relevant financial indicators disclosed in quarter reports or semi-annual reports of the Company

½ Yes No

Section II. Company Profile and Key Financial Indicators

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Applicable ½ Not applicable

Unit: RMB

I	2023 A	2022 Amount	2021 Amount	Explanation
Gains or losses arising from the disposal of noncurrent assets (including the written-offs that have been provided for impairment of assets)	**609,956.37**	(397,481.76)	(3,178,219.53)	

Details of other profit or loss items that fall within the definition of extraordinary gain or loss:

Applicable ½ Not applicable

Items not listed in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Not-recurring Profit or Loss (revised in 2023) were recognized as non-recurring profit or loss items with material amounts

I	A , (B)	
Estimated loss on claims of subsidiaries with excess losses	(12,958,782.06)	Loss on claims of subsidiaries with excess losses was estimated. The loss on disposal of equity in future disposal of such equity will be reduced upon the provision of estimated loss, which is a non-recurring profit or loss. Therefore, it is recognized as non-recurring profit or loss.

Explanation for defining the non-extraordinary gain or loss items listed in (the Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss) as extraordinary gain and loss items

½ Applicable Not applicable

The Company did not define any non-extraordinary profit or loss items listed in (the Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss) as extraordinary gain and loss items.

Section III. Management Discussion and Analysis

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The Company was in the industry category of production and service of dedicated equipment for oil, natural gas and other energy exploitation, and the development and prosperity degree of oil, natural gas and other energy exploitation directly influenced the development status of the industry. In the long term, the global economic growth rate, price cycles and consumption demands of oil and natural gas, the global expenses and scale of oil and gas exploitation and development, and "carbon neutrality and carbon peaking" policies of countries around the world are all decisive factors influencing the prosperity degree of the industry.

In recent years, the National Development and Reform Commission and the National Energy Administration have repeatedly issued guidance emphasizing the importance of ensuring energy security, as well as work requirements such as promoting stable national domestic oil and gas reserves and increasing production, and vigorously increasing domestic oil and gas exploration and development efforts. Affected by factors such as the national energy security strategy, macroeconomic growth, energy demand growth, and international oil price fluctuations, the exploration and development scale of oil and gas companies fluctuates cyclically, resulting in corresponding cyclical changes in market demand and business scale in the oil services industry. In the context of high oil prices and continued improvement in the prosperity of the oil and gas industry chain, the overall performance of oil and gas companies is expected to improve. At the same time, there is strong certainty in capital expenditures in the upstream of crude oil, and the prosperity of the oil services industry has rebounded. The amount of business of oil services companies is expected to see a continuing growth.

The 2023 Work Meeting on Great Efforts to Enhance Oil and Gas Exploration and Development held by the National Energy Administration stressed that as the next step, the national energy system and the oil and gas industry will continue to deeply implement the decision and deployment of the 20th National Congress of the CPC on "further promoting the energy revolution" and "strengthening the exploration and development of oil and gas resources and the efforts on increasing reserves and production", strengthen global planning and forward-looking thinking, and coordinate scientific and technological research and application of results, as well as build a scientific long term development strategy, establish strategic confidence, maintain confidence in success, and firmly increase oil and gas reserves and production, so as to resolutely guarantee the core demand for oil and gas in China. Under the guidance of the strategy of improving energy security, the demand for oil and gas equipment and services continues to grow, which shows positive prospects of oil service industry.

Section III. Management Discussion and Analysis

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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 casting products. 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 main business of the Company was production and sales of dedicated equipment. The Company's main products are oil pipes, casing, fluid and structural pipes, three pumping equipment, petroleum machinery parts and casting and forging products. For the pipe products, the Company adopted a "sales-based production" business model for production, i.e. the Sales Department coordinated with the production system of the Company for orderly production, inspection and delivery based on the marketing patterns and customer order plans. For the casting products, the Company adopted a "production-based sales" business model for production, i.e., the Company determined the production indicators and compiled the sales plans based on the production indicators. The Company adopted a centralized 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 professional import and export teams, responsible for domestic and international market research and study, development, product sales and post-sales services, respectively.

As at the end of the Reporting Period, the Company had total assets of RMB2.888 billion, representing a decrease of 28.49% year-on-year. Net assets attributable to shareholders of the listed company were RMB424 million, representing a decrease of 57.08% year-on-year. During the Reporting Period, the Company realised an operating revenue of RMB1.317 billion, representing a year-on-year decrease of 52.36%. Net profit attributable to shareholders of the listed company was RMB-567 million.

During the reporting period, due to insufficient product orders, the Company's product sales declined year-on-year and its operating income decreased; due to insufficient operation of various production lines, related costs and expenses increased, resulting in a decrease in the comprehensive gross profit margin of the products. The Company regularly conducts comprehensive inspection of various assets. According to relevant accounting standards, a provision for asset impairment of RMB240,905.8 thousand yuan has been made for relevant assets with signs of impairment. The combination of the above factors resulted in losses in the Company's operating performance.

Section III. Management Discussion and Analysis

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The Company is deeply involved in the field of melting reduction technology, and is committed to the application and promotion of Hlsmelt technology in iron and steel smelting and the like fields. As an advantageous technology of the Company, Hlsmelt is a furnace rehabilitation metallurgical technology of Shandong Molong which actively follows the national manufacturing transformation and upgrade, continues to develop the recycling economy and builds a green metallurgical enterprise. The Company has obtained Hlsmelt series patents and authorizations. After the identification of scientific and technological achievements organised by the Chinese Society for Metals, Shandong Molong Hlsmelt technology has reached the international leading level. In 2022, the Company's Project entitled "Key Technologies of Green and Efficient Melting Reduction Ironmaking and their Applications" won the second prize of Weifang Science and Technology Progress Award in 2022; the Project of "Complete Package of Core Technical Equipment for Hlsmelt Melting Reduction Process" was selected as the first technical equipment project organized by Shandong Provincial Department of Industry and Information Technology, which filled the gap in the industry and had good value of populaA 0.045 T5 (sv1.529 TdHlsm (h)29 pulaA0 -1.529 Tdurgicro0.0marke

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

5.

The Company sets foothold in China and goes global. Over the years of development, the Company has built a network providing long-term, stable, fast and effective sales services and established a loyal, long-lasting and winwin partnership with mass customers. In the domestic market, the Company has a relatively stable customer base which includes, without limitation to, oil and gas companies such as PetroChina, Sinopec, CNOOC and Yanchang Petroleum. The major overseas markets are countries and regions in the Middle East, North Africa, Southeast Asia, Central Asia, and South America. In 2023, nearly 7 new market territories and 16 new customers will be developed overseas. The Company's marketing team consists of talents who are professionals in international trade and marketing and have relatively extensive experience and strong business competence, which allows the Company to enjoy, to a certain extent, competitive edge in marketing of energy equipment products.

6.

The Company is a listed company that specialises in the design, research and development, process manufacturing, sales and exports of energy equipment. The Company is also a qualified supplier of the largest four oil conglomerates in China. The Company has always adhered to its principle of "encouraging all people, absorbing all thinks, collecting all contributions and creating all achievements". Through expansion of scale and extension of production chains, the Company has gained good reputation and solid position in the energy equipment market sector. The "Molong" trademark of the Company is named as a famous trademark of Shandong Province, and the products of the Company have become a key export brand for nurturing and development in Shandong Province.

Section III. Management Discussion and Analysis

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C , , , ,

Applicable ½ Not applicable

Unit: RMB

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(3) C ' , , ,

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Yes ½ No

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I ,	I		2023	2022	
Special equipment manufacturing	Sales volume	Ten thousand tonnes	18.67	51.07	-63.44%
	Production volume	Ten thousand tonnes	16.51	50.06	-67.02%
	Stock volume	Ten thousand tonnes	3.68	5.84	-36.99%

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

Applicable ½ Not applicable

The annual sale, production and stock volume decreased by 63.44%, 67.02% and 36.99% respectively year-on-year, mainly due to insufficient orders in the current period, which led to operation under capacity of some production lines and decreased production, sale and stock.

(4) C , ,

½ Applicable Not applicable

(5) C ,

Product Classification

Unit: RMB

, C	I	2023		2022		
		A ,	, ,	Amount	Percentage of operating cost	Year-on-year increase/ decrease
Pipe products	Materials	**813,855,705.82**	**76.09%**	1,159,697,276.31	76.75%	-29.82%
Pipe products	Depreciation	**78,829,235.80**	**7.37%**	68,541,486.24	4.54%	15.01%
Pipe products	Labour cost	**69,844,628.19**	**6.53%**	65,518,876.98	4.34%	6.60%
Pipe products	Expenses	**107,066,573.99**	**10.01%**	217,204,533.63	14.38%	-50.71%
Three kinds of pumping units	Materials	**22,293,977.44**	**74.43%**	22,620,464.12	72.20%	-1.44%
Three kinds of pumping units	Depreciation	**691,913.04**	**2.31%**	926,629.75	2.96%	-25.33%
Three kinds of pumping units	Labour cost	**4,594,781.86**	**15.34%**	5,381,091.26	17.18%	-14.61%
Three kinds of pumping units	Expenses	**2,372,273.29**	**7.92%**	2,401,241.76	7.66%	-1.21%
Petroleum machinery parts	Materials	**7,026,029.58**	**53.86%**	15,132,773.45	69.46%	-53.57%
Petroleum machinery parts	Depreciation	**1,497,564.42**	**11.48%**	2,005,688.97	9.21%	-25.33%
Petroleum machinery parts	Labour cost	**3,563,890.24**	**27.32%**	2,929,030.79	13.44%	21.67%
Petroleum machinery parts	Expenses	**957,501.99**	**7.34%**	1,719,796.41	7.89%	-44.32%
Castings and forgings	Materials	**22,541,520.12**	**77.87%**	914,751,636.27	91.49%	-97.54%
Castings and forgings	Depreciation	**1,415,682.78**	**4.89%**	26,261,592.91	2.63%	-94.61%
Castings and forgings	Labour cost	**1,816,266.63**	**6.27%**	14,830,537.84	1.48%	-87.75%
Castings and forgings	Expenses	**3,172,384.38**	**10.96%**	43,941,270.51	4.40%	-92.78%
Others	Materials	**60,382,328.69**	**81.40%**	72,888,657.75	65.46%	-17.16%
Others	Depreciation	**326,390.97**	**0.44%**	11,424,345.08	10.26%	-97.14%
Others	Labour cost	**10,437,092.93**	**14.07%**	17,314,675.04	15.55%	-39.72%
Others	Expenses	**3,033,952.39**	**4.09%**	9,720,714.67	8.73%	-68.79%

Explanation

The material accounted for the most significant part of the Company's cost of products, and the major raw material of the Company are tube blank.

(6)

½ Yes No

(7)

½ Applicable Not applicable

(8)

Information on the major customers of the Company

Total sales of the top 5 customers (RMB)	586,923,663.43
Proportion of total sales of the top 5 customers over total sales for the year	44.55%
Proportion of sales of connected parties in the top 5 customers over total sales for the year	0.00%

Information on the Company's top 5 customers

1	Shaanxi Yanchang Petroleum (Group) Co., Ltd. (ï · — i 0€ « Þ " ª , ® !)	202,673,511.90	15.38%
2	PetroChina Company Limited (• 7 i 0 Â Í p … Þ " ® !)	142,188,600.62	10.79%
3	Libya ADC (; â - ADC)	130,509,923.06	9.91%
4	CNOOC China Limited (• i 0€ • 7 Þ " ® !)	60,444,747.14	4.59%
5	Tianjin Haiyi Steel Co., Ltd (Â u H { › Þ " ® !)	51,106,880.71	3.88%
Total	{	586,923,663.43	44.55%

Other particulars of the major customers

Applicable ½ Not applicable

The Company did not have any related relationship with the top 5 customers and the directors, supervisors, senior management, key technicians, shareholders who had more than 5% of the shares, actual controller and other related parties of the Company did not have any interest in the major customers.

Major suppliers of the Company

Total purchases attributable to the top 5 suppliers (RMB)	547,447,014.18
Proportion of total purchases attributable to the top 5 suppliers over total purchases for the year	77.00%
Proportion of purchases of connected parties in the top 5 suppliers over total purchases for the year	0.00%

Top 5 Suppliers of the Company

		(B)	
1	Shouguang Fangzhou Material Co., Ltd. (ª ˆ 9 Ù ž J Þ " ® !)	214,575,992.46	30.18%
2	Shaanxi Yanchang Petroleum Material Group Co., Ltd. (ï · — i 0 J « Þ " ª , ® !)	163,911,455.91	23.06%
3	Urumqi Land Port International Trade Co., Ltd (" • Ý Ô ¥ 7 ç q ø Þ " ª , ® !)	88,610,143.42	12.46%
4	Qingdao Jianfa Materials Co., Ltd (¡ ¥ ï J Þ " ® !)	43,932,309.73	6.18%
5	Shouguang Baolilong Gas Group Co., Ltd (ª ˆ 9 þ ¤ ÷ « Þ " ® !)	36,417,112.66	5.12%
Total	{	547,447,014.18	77.00%

Other descriptions of major suppliers

Applicable ½ Not applicable

The Company did not have any related relationship with the top 5 suppliers and the directors, supervisors, executive officers, key technicians, shareholders who had more than 5% of the shares, actual controller and other related parties of the Company did not have any interest in the major suppliers.

3. E

Unit: RMB

	2023	2022	Year-on-year increase/decrease	D , ,
Selling expenses	**18,657,986.37**	17,580,244.46	6.13%	{
Administrative expenses	**228,139,393.15**	274,947,866.01	-17.02%	Mainly due to the decrease of equipment maintenance fee and employee compensations in the current period.
Finance expense	**114,134,318.96**	105,822,746.34	7.85%	{
Research and development expenditures	**35,480,208.21**	41,651,730.15	-14.82%	Primarily attributable to decrease of investment in R&D for the current period.

4. I

Applicable ½ Not applicable

J	&D , J	J	I ,	E , , C
Direct buckling tubing	To develop tubing with small OD and minimum wall thickness, gas-sealed performance as well as high connection strength, which are mainly used for post-treatment of complex boreholes.	Completed	To complete the design of direct connecting gas-sealed tubing to satisfy the technological specifications for oil fields; to complete the design, manufacture and thickening test of the thickening supporting molds.	To increase the product categories, enhance the Company's product competitiveness, and expand the market share of the products.
48.3mm (OD) internal upsetting tubing	To develop special tubing with a special structure and high connection strength, which is applicable to heavy oil thermal recovery wells.	Completed	To form tubing products with identical-connection outer diameter and elevation structure, allowing dropping two tubing columns in one borehole at the same time.	To enhance the Company's product competitiveness, meet the demand for special tubing with special functions in petroleum exploration and development, and expand the market share of the products.

&D J	, J	J	I ,	E , , C
High-strength and high-toughness special thread casings	To develop tubing products that adopt non-tapered threads to realize highly resistant thread gluing performance, on the basis of the large deformation of tubing ends and diameter expanding technology, so as to process directly connecting gas-sealed tubing.	Completed	To generate oil casings with high strength, high toughness and relatively strong gas-sealed performance, which are mainly applicable for ultra-deep wells and horizontal wells in the oil fields.	To increase the product categories, enhance the Company's product competitiveness, and expand the market share of the products.
ML-H6 special resistant thread gluing buckling tubing	To develop tubing products that adopt non-tapered threads to realize highly resistant thread gluing performance, on the basis of the large deformation of tubing ends and diameter expanding technology, so as to process directly connecting gas-sealed tubing.	Completed	To complete the design of multi-step thickening molds and thickening tests, and complete the design and tests of taperless, double-sealed joints, mainly for deep wells, reconditioning wells, and other types of well conditions.	To increase the product categories, enhance the Company's product competitiveness, and expand the market share of the products.
ML150V casings with high strength and high toughness	To develop casings with ultra-high strength and ultra-high toughness based on new chemical components, the optimized tube rolling process and thermal treatment process match.	Completed	To generate high-strength, high-toughness oil casings with a minimum yield strength of 150KSI, which are mainly applicable for shale gas production in oilfields, extra-deep wells.	To enhance the Company's product competitiveness, meet the needs of special tubing with high strength in petroleum exploration and development, and expand the market share of the products.
Seamless steel tubing for crane booms	To develop seamless steel tubing for crane booms with ultra-high strength based on the optimization of new material composition, thermal treatment process and hot rolling process.	Completed	To generate seamless steel tubing with high strength and high toughness, so as to be used in crane booms.	To enhance the Company's product competitiveness, and expand the market share of the products.

Profile of research and development personnel of the Company

	2023	2022	Percentage change
Number of individuals of research and development personnel	**193**	229	-15.72%
Proportion of research and development personnel	**9.94%**	9.16%	0.78%
D			
Bachelor's degree	**41**	48	-14.58%
Master's degree	**17**	22	-22.73%
Others	**135**	159	-15.09%
D			
Below 30 years old	**26**	20	30.00%
30 – 40 years old	**99**	122	-18.85%
Over 40 years old	**68**	87	-21.84%

Research and development expenditures of the Company

	2023	2022	Percentage change
Amount of research and development expenditures (RMB)	**30,578,559.41**	33,412,376.94	-8.48%
Percentage of research and development expenditures of operating revenue	**2.32%**	1.21%	1.11%
Amount of capitalised research and development expenditures (RMB)	**0.00**	0.00	0.00%
Percentage of capitalised research and development expenditures of research and development expenditures	**0.00%**	0.00%	0.00%

Reasons for and impacts of significant changes in the composition of research and development personnel of the Company

½ Applicable Not applicable

Reason for significant changes in the proportion of total research and development expenditures to operating revenue when compared with last year

½ Applicable Not applicable

Reason and rationality explain for significant changes in capitalised research and development expenditures rate

½ Applicable Not applicable

5. C

Unit: RMB

I	2023	2022	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	**1,110,574,709.99**	2,534,043,352.91	-56.17%
Subtotal of cash outflows from operating activities	**975,582,132.43**	2,545,553,135.32	-61.68%
Net cash flows from operating activities	**134,992,577.56**	(11,509,782.41)	1,272.85%
Subtotal of cash inflows from investing activities	**2,908,746.75**	1,123.89	258,710.63%
Subtotal of cash outflows from investing activities	**5,684,175.36**	8,467,557.77	-32.87%
Net cash flows generated from investing activities	**(2,775,428.61)**	(8,466,433.88)	67.22%
Subtotal of cash inflows from financing activities	**3,460,950,983.90**	3,516,764,976.72	-1.59%
Subtotal of cash outflows from financing activities	**3,866,065,632.29**	3,558,033,048.62	8.66%
Net cash flow generated from financing activities	**(405,114,648.3/ 1 98.62** ，		**605,114,648.3/ 1 982** ，

Explanation on main reasons for the material difference between net cash flows from operating activities during the reporting period and net profit for the year

Applicable ½ Not applicable

The Company's net cash flows generated from operating activities was materially different from its net profit, the reasons of which were mainly due to the provision for impairment of assets of the Company for the Reporting Period, and the combined effects of the depreciation of fixed assets, amortisation of intangible assets, significant finance expenses and decrease in inventory for the Reporting Period.

V

Applicable ½ Not applicable

Unit: RMB

	A		( )	
Investment income	(102,690.47)	0.02%	Mainly comprised of loss of associates.	No
Impairment of assets	(231,188,456.56)	42.03%	Mainly comprised of provisions for impairment of inventories and fixed assets under ASBE.	No
Non-operating income	3,644,165.08	-0.66%	Mainly comprised of the related accounts payable that no longer required to be paid during the current period.	No
Non-operating expenses	4,543,363.00	-0.83%	Mainly the payable that needs to be repaid according to the judgment.	No
Credit loss impairment	(9,717,389.11)	1.77%	This is mainly due to the fact that accrual in the current period, the parent company accrued credit impairment losses for the creditor's rights of subsidiaries with excess	No
Other gains	380,410.90	-0.07%	Mainly comprised of the amortisation of deferred revenue associated with assets and the receipts of stability subsidies during the current period.	No
Gain on disposal of assets	1,941,021.83	-0.35%	Mainly comprised of the gains on disposal of certain fixed assets during the current period.	No

V

1.

Unit: RMB

	A	2023	At the beginning of 2023			
	A		Amount	Percentage of total assets	Increase/ decrease in proportion	Description of significant change
Monetary funds	**99,072,876.12**	**3.43%**	459,657,822.57	11.38%	-7.95%	Mainly attributable to the decrease in security deposits and the increase in repayment of financing funds during the current period.
Accounts receivables	**253,264,672.00**	**8.77%**	294,399,562.75	7.29%	1.48%	
Inventories	**454,882,307.24**	**15.75%**	670,217,844.40	16.60%	-0.85%	Mainly attributable to the sales of inventory products during the current period.
Investment properties	**16,874,595.83**	**0.58%**	0.00	0.00%	0.58%	Mainly attributable to the leasing of some fixed assets through operating lease during the current period.
Long-term equity investments	**1,754,772.59**	**0.06%**	1,857,463.06	0.05%	0.01%	
Fixed assets	**1,577,594,066.22**	**54.62%**	2,003,871,030.19	49.62%	5.00%	Mainly attributable to the provision of depreciation and impairment during the current period.
Construction-inprogress	**2,192,776.49**	**0.08%**	298,971.19	0.01%	0.07%	Mainly attributable to the incomplete installation of the equipment purchased by the company during the current period.
Right-of-use assets	**21,377,297.83**	**0.74%**	0.00	0.00%	0.74%	Mainly attributable to the leasing of some fixed assets in the current period.
Short-term borrowings	**1,633,111,107.94**	**56.55%**	1,962,936,789.90	48.60%	7.95%	Mainly attributable to partial repayment of its borrowings in the current period.
Contract liabilities	**54,732,615.40**	**1.90%**	107,582,152.10	2.66%	-0.76%	Mainly attributable to the decrease in receipts in advance at the end of the current period.
Lease liabilities	**14,615,767.79**	**0.51%**	0.00	0.00%	0.51%	Mainly attributable to the leasing of some fixed assets in the current period.
Financing receivables	**2,485,020.78**	**0.09%**	5,371,855.71	0.13%	-0.04%	Mainly attributable to decrease in settlement amount of bank acceptance bills in the end of current period year-on-year.
Bills receivables	**78,005,897.66**	**2.70%**	171,547,752.98	4.25%	-1.55%	Mainly attributable to decrease in settlement amount of trade acceptance bills during the current period compared to the end of the previous year.

	A	2023	At the beginning of 2023			
	A ,	,	Amount	Percentage of total assets	Increase/ decrease in proportion	Description of significant change
Other current assets	**858,918.49**	**0.03%**	5,790,675.91	0.14%	-0.11%	Mainly attributable to decrease in interests receivable for acceptance margins in the current period and tax allowance at the end of the current period.
Deferred income tax assets	**1,628,607.92**	**0.06%**	26,108,899.14	0.65%	-0.59%	The main reason is that deductible temporary difference will not be recognised as deferred income tax assets.
Bills payable	**0.00**	**0.00%**	64,855,401.04	1.61%	-1.61%	Mainly attributable to decrease in payment by bank acceptance in the current period.
Salaries payable	**75,699,078.02**	**2.62%**	42,790,646.48	1.06%	1.56%	Mainly attributable to the increase in unpaid salaries as at the end of the current period.
Taxes payable	**19,595,319.94**	**0.68%**	11,279,406.47	0.28%	0.40%	Mainly attributable to the increase in value-added tax realised as at the end of the period.
Non-current liabilities due within one year	**52,797,378.40**	**1.83%**	87,329,367.25	2.16%	-0.33%	Mainly attributable to the repayment of long-term borrowings due within one year during the current period.
Long-term payables	**19,854,583.39**	**0.69%**	65,461,963.55	1.62%	-0.93%	Mainly attributable to the repayment of financing funds for the sale-and leaseback financing business during the current period.
Deferred income tax liabilities	**8,311,071.27**	**0.29%**	5,266,932.29	0.13%	0.16%	Mainly attributable to the recognition of right-of-use assets during the current period.

Higher proportion of overseas assets

½ Applicable Not applicable

Section III. Management Discussion and Analysis

2. A

Applicable ½ Not applicable

Unit: RMB

Financial assets	{	{	{	{	{	(2,886,834.93)	2,485,020.78
Financing receivables	5,371,855.71	{	{	{	{	(2,886,834.93)	2,485,020.78
Total of the above	5,371,855.71	{	{	{	{	(2,886,834.93)	2,485,020.78
Financial liabilities	0.00	{	{	{	{	0.00	0.00

Content of other changes

Other changes in the financing receivables are the net amount of new and matured or endorsed bank acceptance bills during the current period.

Whether there were any significant changes in the measurement attributes of the Company's major assets during the reporting period

½ Yes No

3.

Unit: RMB

Item	B	B	A 2023 Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	**80,290,000.00**	**80,290,000.00**	Security deposits	Security deposits on bills
Monetary funds	**7,232,104.32**	**7,232,104.32**	Frozen	Frozen for litigation
Bills receivables	**1,248,205.76**	**1,235,723.70**	Pledge	Pledge notes/Factoring financing
Accounts receivables	**22,689,402.72**	**22,462,508.69**	Pledge	Factoring financing
Inventories	**9,267,029.80**	**9,267,029.80**	Seizure	Seizure for litigation
Fixed assets	**617,823,204.78**	**479,774,388.55**	Charge/Seizure	Charge for financing/ Seizure for litigation
Intangible assets	**279,733,929.79**	**279,733,929.79**	Charge/Seizure	Charge for financing/ Seizure for litigation
Total	**1,018,283,877.17**	**879,995,684.85**	{	{

V

1. G

Applicable ½ Not applicable

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400,000,000.00 0.00 N/A

2. _ , , , , , ,

Applicable ½ Not applicable

Unit: RMB ten thousand

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F I C E I D

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Shouguang Maolong	Research of new materials for energy equipment; production and sale of metal castings and forgings; sea water desalination; waste heat and gas power generation	Capital increase	40,000	100%	Debt	Nil	Long term	N/A	Capital increased	0	0	Yes	29 April 2023	CNINFO(6 " Ã) (http://www.cninfo.com.cn)
Total	{	{	40,000	{	{	{	{	{	{	0	0	{	{	{

Section III. Management Discussion and Analysis

3.

½ Applicable Not applicable

4. I

(1)

½ Applicable Not applicable

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

(2) D

½ Applicable Not applicable

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

5.

½ Applicable Not applicable

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

1. D

½ Applicable Not applicable

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

2. D

½ Applicable Not applicable

X [illegible]

Applicable ½ Not applicable

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

Unit: RMB

Shouguang Baolong	Subsidiary	Production and sale of petroleum equipment and castings and forgings	15,000 ten thousand	278,667,842.67	(296,758,586.22)	27,801,093.46	(42,109,612.44)	(43,978,633.85)
Shouguang Maolong	Subsidiary	Research of new materials for energy equipment; production and sale of metal castings and forgings; sea water desalination; waste heat and gas power generation	111,238 ten thousand	942,862,842.28	160,728,118.42	71,803,209.41	(270,788,123.85)	(269,963,654.19)

Acquisitions and disposals of subsidiaries during the reporting period

½ Applicable Not applicable

Information on major controlled and invested companies

(1) Shouguang Baolong achieved an operating income of RMB27.8011 million in the current period, with a decrease of 94.13% year-on-year; and loss in the current period was RMB43.9786 million, as compared to the loss of RMB95.1580 million for the same period of last year, mainly due to the insufficient utilization rate of production lines during the reporting period and relevant expense reduction, resulting in a decrease in the loss of the current period compared with the same period last year.

(2) Shouguang Maolong achieved an operating income of RMB71.8032 million in the current period, with a decrease of 93.37% year-on-year; and loss in the current period was RMB269.9637 million, as compared to the loss of RMB156.0662 million for the same period of last year, mainly due to the insufficient utilization rate of production lines during the reporting period, a significant decrease in sales revenue and net profit, and the provision of relevant asset impairment of RMB144.2681 million.

X [illegible]

½ Applicable Not applicable

Section III. Management Discussion and Analysis

X

(I) F C :

Data of global primary energy consumption indicates that oil and gas energy still dominate the global energy. While various countries are seeking alternative energy sources with lower carbon emissions as acceleration of the global carbon neutrality and low-carbon energy transition, the dependence on fossil fuels will gradually decrease. However, in the long run, oil and gas energy will still be the main force of global energy and will continue to play an important role in the global energy system. Also, driven by the stable global demand for oil and gas, the oil and gas market will sustain its continuous growth.

The 20th National Congress of the Communist Party of China proposed to put more efforts to "increase the exploration and development of oil & gas resources, as well as increase reserves and production". With the highlighting of the importance of national energy security and the continuous promotion of the "increase reserves and production" policy, the domestic oil and gas industry has experienced a rapid development. The impact of fluctuations in international oil prices on domestic oil and gas exploration and development expenditures is relatively limited. The three major state-owned oil enterprises still maintain high upstream capital expenditures against the downward of oil prices. Therefore, it will an inevitable trend in the future for the domestic oil and gas exploration and development efforts to be enhanced and capital expenditures to be increased, bringing strong certainty to sustained growth of oil service companies and driving the continuous and rapid development of service demand and market size in the oil service industry. The future prospects of the domestic oil service industry are promising.

(II) B C 2024:

In 2024, Shandong Molong will focus on the vision of "building a national manufacturer and service provider of first-class energy equipment, and providing satisfactory products and services for the global energy industry", actively promoting the development of our main operations. The whole efforts will adhere to the general tone of striving for stability, seize opportunities, overcome difficulties, conscientiously accomplish the key tasks of the Company, strive to improve the safe operation and standardized governance, keep optimizing the quality of enterprise management and operation, and strive to achieve steady development of enterprises.

1.

In 2024, we will adjust our sales strategy in time according to the market conditions. Adhering to the business strategy of "putting exports first, focusing on oil pipelines, and strengthening general management", the marketing departments should pay great attention to the market, especially in developing new markets and new customers, sales and customer service, and keep optimizing the product and customer structure. Marketing efforts should focus on key markets and major customers and do a good job in bidding for major oilfield markets; fully utilize advantages of the industry, actively expand marketing channels, increase the order quantity and production capacity of high value-added products, promote the formation of diversified product structure, effectively increase market share, boost performance growth, and strive to improve operating conditions.

2.

The Company will strictly enforce safety and environmental protection, strengthen production management, and seek benefits from the production. With a spirit of high reverence for life and responsible for employees, we will focus on safety management, continue to promote safety education and training for all employees to effectively enhance their safety awareness, and proactively implement risk prevention and control. We will control the production process effectively and improve various economic and technical indicators; implement potential hazard investigation and rectification strictly to ensure orderly, stable, efficient, safe, and high-quality production; strengthen basic management, focus on product quality, and continuously improve product quality; enhance awareness of cost control, explore potential for cost reduction in multiple aspects, effectively carry out cost reduction and efficiency improvement work, seek benefits from positions, machines, and every ton of products, and enhance our profitability.

3.

We aim to develop and produce new products, new materials, equipment and technology with precise innovation through seizing customer information promptly, timely grasping development trends of the market, technology and product updates, combining market demand and customer needs as well as positioning and targeting innovation points, so as to provide products that can reach market, customers and benefits. Then to seize the market, reduce costs with innovation, create benefits as well as seek development with innovation. The company has established an effective incentive mechanism for innovation to foster a culture where everyone talks about innovation, everyone knows how to innovate, everyone can innovate and everyone creates benefits.

4.

HI

Go all out to do all preparatory works under the Company's technology promotion plan. Strengthen the communication and exchange with design institutes and user enterprises to ensure the accurate and timely implementation of various tasks; keep close contact with industry units, keep up with the forefront of technological development, and constantly improve work efficiency and service level. Continuously improve the technical popularity and competitiveness of the Company and HIsmelt in terms of scientific and technological innovation, technology research and development and engineering services to meet the need of technology promotion.

5. **I**

Strengthen communication with banks, do a good job of contact and exchange with banks and other financial institutions, and ensure the safety and continuity of the capital chain, which directly impacts the survival and growth of enterprises. It is necessary to prioritize the five major banks, with commercial banks and relevant financial institutions as supplements, to ensure the Company's financing stability and normal production and operation. We will strive to optimize the liability structure, significantly reduce the high-interest debt ratio, and lower the Company's financial costs. In addition, we will further strengthen the management of accounts receivable, accelerate the turnover rate of accounts receivable, reduce the occurrence of bad debts, and ensure the safety of funds.

6. A

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; and strengthen internal legal audit, review the Company's daily operations and contract signing in advance, and proactively identify and prevent various risks. The Company will continue to strengthen risk management and control systems and monitoring mechanisms at all levels to reduce operation risks.

7.

The Company will further complete the relevant rules and regulations according to actual needs and ensure their effective implementation; formulate a management framework that is flat in management, simplified in organization, and efficient in management; continue to optimise the corporate governance structure and improve the standardised operation, thereby providing fundamental guarantee for the Company's high-quality development and setting up a more 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) J
C :

(1)

(1) 0.005 he relevant ed adj(1dthe1 Tt92 Tw 0 -1.529)1(reduce operation risks.)Tj/T1m Tc 0. transpantifscesels mofndud en

(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) I

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.

K

Applicable ½ Not applicable

D

F

20 April 2023	EasyIR platform of Shenzhen Stock Exchange (http://irmcninfo.com.cn) "Cloud Interview" column	Communicate

Section IV. Corporate Governance

I

In strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Company, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Rules Governing the Listing of Securities on the Stock Exchanges of Hong Kong Limited and the requirements of relevant laws, rules and regulatory documents, and based on its actual situation, the Company strives to improve its governance structure, establish a sound internal management and control systems and further enhance its governance standards. The actual condition of the Company's governance meets the requirements of the laws, rules and regulatory documents issued by the China Securities Regulatory Commission, Shenzhen Stock Exchange.

1.

In strict compliance with the Company Law, Rules for General Meetings of Listed Company and the Articles of Association, the Rules of Procedures for General Meetings and the relevant rules and requirements of Shenzhen Stock Exchange, the Company has provisions for the convening, holding and voting procedures for general meetings. The Company adopts a combination of onsite voting and online voting for the convenience of shareholders in exercising their rights and to ensure all minority shareholders can exercise their shareholders' rights adequately.

During the reporting period, the Company held 1 annual general meeting and 1 extraordinary general meetings which were all convened by the board of directors. At the same time, the Company has engaged professional lawyers to attend as witnesses and issue legal opinions, and issue legal opinions on matters such as the convening of the meetings, eligibility of attendees, qualification of conveners, voting procedures and poll results, to ensure the regulated operation of the general meetings.

2. C

The controlling shareholder of the Company is Molong Holdings and the actual controller is the State-owned Assets Supervision and Administration Commission of Shouguang City. During the Reporting Period, the controlling shareholder of the Company strictly complied with the Code of Corporate Governance for Listed Company, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Articles of Association and other rules and requirements in regulating its own conduct, and there was no direct or indirect interference with the Company's decision-making and operating activities overriding the general meeting of the Company, nor was there any behaviour jeopardising the interests of the Company and other shareholders of the Company by taking advantage of its controlling capacity, or any occupation of the Company's funds by the controlling shareholder, or any provision of guarantee by the Company in favour of the controlling shareholder.

The Company has independent and complete business operations and the ability to operate independently. The Company independent from the controlling shareholder in terms of business, assets, work forces, organisation and finance. The board of directors, supervisory board and internal organisations of the Company operate independently.

3. D B D

The board of directors of the Company consists of 9 directors, 3 of them are independent directors. The number of members, composition and qualification of the board of directors meet the requirements of relevant laws, regulations and the rules of the Company. All directors of the Company have the ability to perform duties, attend board meetings and general meetings in accordance with the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Rules of Procedures for Board Meetings and Work System for Independent Directors and other rules. They take active part in training programmes. They are familiar with relevant laws and regulations and discharge directors' duties with diligence and accountability in order to safeguard the interests of the Company and shareholders.

The board of directors of the Company has four special committees, namely the strategy committee, the nomination committee, the remuneration and evaluation Committee, and the audit committee, which are all comprised of directors and independent directors of the Company. Other than the strategy committee which is chaired by the chairman of the board of directors, other special committees are chaired by independent directors, and the number of independent directors accounts for more than half of the total number of members of the special committees, which provides scientific and professional opinions and references for the decision-making of the board of directors. All special board committees operate in strict accordance with the Articles of Association and the Rules of Procedures for Board Meetings and their respective terms of reference, and carry out studies, give advice and recommendations in respect of professional matters.

4.

The supervisory board of the Company consists of 3 supervisors, 1 of them is employee representative supervisor. The number of members, composition and appointment of the supervisory board meet the requirements of relevant laws and regulations. All supervisors of the Company have the ability to seriously perform their own duties with the intention of protection the interest of shareholders, carry out effective supervision on significant events and financial position of the Company and the performance of duties by directors and executive officers and practically safeguard the legitimate interests of all shareholders in accordance with the Articles of Association and the Rules of Procedures for Board Meetings.

5. I

The Company attaches great importance to information disclosure and make true, accurate, complete, timely and fair information disclosures in strict compliance with the requirements of relevant laws and regulations and the System for Management of Information Disclosures, the Guidance No.5 of Shenzhen Stock Exchange for Selfregulation of Listed Company – Management of Information Disclosures. The Company has designated the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo as the Company's media for information disclosure to ensure all shareholders of the Company have equal opportunity to access to information.

6.

The Company has established and improves its fair, transparent and effective performance evaluation standards and incentive mechanism for directors, supervisors and senior management. The Company appoints its senior management in an open and transparent manner and in strict accordance with relevant laws and regulations.

Section IV. Corporate Governance

7.

Pursuant to relevant laws and regulations, the Company has designated the secretary to the board of directors as the investors' relations manager, who is responsible to coordinate investors' relations, receive shareholder visitors, answer questions and queries of investors, provide investors with information the needs to be disclosed, and other tasks. The Company replies investors' questions and queries by telephone, email, on interactive platforms for investors' relations and at investor reception day to strengthen information communication, promote positive interaction with investors and enhance and transparency of the Company.

8.

The Company highly respects and protects the legitimate interests of stakeholders and is conscious of its social responsibility. Therefore, the Company actively communicates, exchanges ideas and cooperates with stakeholder in order to strike a harmonious balance among the interests of shareholders, employees and the society, and jointly promote healthy and sustainable development of the Company.

Any significant differences between the actual condition of corporate governance of the Company and the requirements of laws, administrative regulations and CSRC in relation to the governance of listed companies

½ Yes No

There were no significant differences between the actual condition of corporate governance of the Company and the requirements of laws, administrative regulations and CSRC in relation to the governance of listed companies.

I

During the Reporting Period, the Company operated in strict compliance with the Company Law, the Securities Law and other laws and regulations and the Articles of Association. It was independent from the controlling shareholder and the actual controller in terms of assets, employees, finance, organisation and business. It had a well-developed business system which allowed it to operate independently and directly to the market.

1. I

The Company had independent and complete procurement, production and sales systems and supporting production facilities, and has fixed assets such as properties for business and production operations and facilities for production and operation, and intangible assets such as land use rights, trademarks, patents and proprietary technology, the titles of which were all vested in the Company. The assets of the Company were complete with ownership clearly defined and were independent from the controlling shareholder, the actual controller and other entities controlled by them.

2. I

The employees, labour forces, human resources and payroll relationship were completely independent. The appointment of directors, supervisors and senior management of the Company was conducted in accordance with the Company Law and other laws, rules, regulatory documents and the Articles of Association. The senior management of the Company did not hold any concurrent posts which were prohibited by relevant laws and regulations, did not hold any position in the the controlling shareholder, the actual controller and other entities controlled by them, did not receive any remuneration from the controlling shareholder, the actual controller and other entities controlled by them, or the finance personnel of the Company did not hold any concurrent posts in the controlling shareholder, the actual controller and other entities controlled by them.

3. I

Pursuant to the Accounting Law of the People's Republic of China and the Accounting Standards for Business Enterprises, the Company has established a set of independent, complete and standardised financial and accounting treatment system and financial management system, and has improved the respective internal control system for independent financial decision making. The Company has established an independent finance department, recruited independent finance staff according to the business requirements and developed an independent accounting treatment system. The Company has opened independent back accounts and has its own bank account number. Being an independent taxpayer, the Company is subject to tax payments independently according to the laws.

4. I

The Company has established a well-developed organisational system under which the general meeting, the board, the supervisory board and all other functional departments exercise their respective authorities independently. The Company possesses independent production operation and office organisations which are completely independent from the controlling shareholder, the actual controller and other entities controlled by them. There was no joint operation or joint office with the controlling shareholder, the actual controller and other entities controlled by them, and there was no interference by the controlling shareholder, the actual controller and any other entities or individuals.

5. I

The Company has independent and complete business systems for research and development, procurement, production and sales, which are capable to operate independently and directly to the market and is not in reliance to shareholders or any other related parties. There was no peer competition between the business of the Company and that of the controlling shareholder, the actual controller and other entities controlled by them and there was no direct or indirect interference to the Company's operation by the controlling shareholder or the actual controller.

I

½ Applicable Not applicable

Section IV. Corporate Governance

V

1. G

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D D D

2022 Annual general	Annual general meeting	31.10%	19 May 2023	20 May 2023	Announcement on resolutions adopted at the annual general meeting 2022 (2023-029); Legal opinions on the annual general meeting 2022.Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www. cninfo. com.cn).
2023 First extraordinary general meeting	Extraordinary general meeting	29.80%	26 September 2023	27 September 2023	Announcement on resolutions adopted at the first extraordinary general meeting 2023 (2023-041); Legal opinions on the first extraordinary general meeting 2023. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo. com.cn).

2.

½ Applicable Not applicable

V. Disclosure

1. G

	G	A					( )	( )	( )	( )	( )	
Yuan Rui	Male	36	chairman	Incumbent	24 February 2023	25 November 2024	0	0	0	0	0	Not applicable
Yao You Ling	Male	60	Executive director	Incumbent	26 November 2021	25 November 2024	0	0	0	0	0	Not applicable
Li Zhi Xin	Male	46	Executive director	Incumbent	21 December 2018	25 November 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	32	Executive director	Incumbent	19 May 2023	25 November 2024	0	0	0	0	0	Not applicable
Ding Yi	Male	39	Non-executive director	Incumbent	26 September 2023	25 November 2024	0	0	0	0	0	Not applicable
Zhang Min	Female	42	Non-executive director	Incumbent	19 May 2023	25 November 2024	0	0	0	0	0	Not applicable
Tang Qing Bin	Male	60	Independent director	Incumbent	21 December 2018	25 November 2024	0	0	0	0	0	Not applicable
Song Zhi Wang	Male	60	Independent director	Incumbent	21 December 2018	25 November 2024	0	0	0	0	0	Not applicable
Cai Zhong Jie	Male	61	Independent director	Incumbent	21 December 2018	25 November 2024	0	0	0	0	0	Not applicable
Liu Shu Bao	Male	53	Chairman of the supervisory board	Incumbent	12 October 2021	11 October 2024	0	0	0	0	0	Not applicable
Liu Cheng An	Male	50	Supervisor	Incumbent	12 October 2021	11 October 2024	0	0	0	0	0	Not applicable
Li Jing Wei	Male	41	Supervisor	Incumbent	21 September 2022	11 October 2024	0	0	0	0	0	Not applicable
Yao You Ling	Male	60	General manager	Appointment and dismissal	8 October 2023	25 November 2024	0	0	0	0	0	Not applicable
Yao You Ling	Male	60	Deputy general manager	Appointment and dismissal	0	0	0	0	Not applicable			

u Ling 50 0 Super6 general managerNon-executive529re0 Tintment 0 0 0 Not applicable

139,500Tj 56.395Tj -102.827 -3.059 Td (Yao You Ling)Tj 10.375 0Td (MXe)Tj 5.929 0 Td (60)Tj 5.929 0 Td (Inde46 general manager857 0 Td (Appointment)Tj 0 -1.5)Tjarturetember 2022)Tj 1.152 1.529 Tf(fh7 -1Sfd (0)Tj 7.47 0 L8

Section IV. Corporate Governance

Any department of directors or supervisors within their terms of office, or any dismissal of senior management during the reporting period

½ Yes No

Change of Directors, Supervisors and Senior Management

Applicable ½ Not applicable

			D	
Yuan Rui	Chairman	Appointment and dismissal	24 February 2023	Elected as the chairman and ceased to serve as the vice chairman, due to work adjustment.
Yuan Rui	Vice chairman	Appointment and dismissal	24 February 2023	Elected at the general meeting and by the Board.
Yao You Ling	General manager	Appointment and dismissal	8 October 2023	Elected as the general manager and ceased to serve as a deputy general manager, due to work adjustment.
Yao You Ling	Deputy general manager	Appointment and dismissal	8 October 2023	
Li Zhi Xin	Deputy general manager	Appointment and dismissal	8 October 2023	Elected as the deputy general manager and ceased to serve as the general manager, due to work adjustment.
Li Zhi Xin	General manager	Appointment and dismissal	8 October 2023	
Zhao Xiao Tong	Director	Election	19 May 2023	Elected at the general meeting and by the Board.
Zhang Min	Director	Election	19 May 2023	Elected at the general meeting and by the Board.
Ding Yi	Director	Election	26 September 2023	Elected at the general meeting and by the Board.
Zhao Xiao Tong	Financial controller (Acting)	Appointment	9 January 2024	Appointed by the Board.
Yang Yun Long	Chairman, director	Departure	24 February 2023	Resigned as the chairman, an executive director and a member of relevant special Board Committees due to personal work arrangement.
Liu Ji Lu	Director	Departure	7 April 2023	Resigned as a director of the Company due to personal work-related reasons.
Wang Quan Hong	Director	Departure	7 July 2023	Resigned as a director of the Company due to personal work arrangements.
Hao Yun Feng	Deputy general manager, financial controller	Dismissal	11 November 2023	Resigned as a deputy general manager and the financial controller due to personal reasons.

2. D

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, D , C

Updated information of the directors as required by the SEHK are described below. Having made specific enquiry of all directors by the Company, all of them confirmed that save as disclosed in this report, there is no other change in the information of the directors that is required to be disclosed pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). There is no financial, business, family or other material/relevant relationship between the directors.

(1) B

E , D :

. , , male, Chinese, born in February 1987, is a holder of a bachelor's degree and a CPC party member. once served as the deputy chief and the chief of Shouguang Municipal People's Government Office; currently a director of Shouguang Jinxin; a director of Shouguang Industrial Investment Holding Group Co., Ltd.; supervisor and director of Shandong Boyuan Pharmaceutical Chemical Co., Ltd.; the director and supervisor of Shandong Longxing Plastic Film Technology Co., Ltd.; serve as supervisor of Kunpeng Asset Management Co., Ltd.; Supervisor of Shandong Shouguang Rural Commercial Bank Co., Ltd.; a director of Shouguang Molong Holdings Co., Ltd.; from November 2020 to February 2023, served as director and vice Chairperson of the Company; since February 2023, served as director and Chairperson of the Company.

. , L , male, Han ethnicity, born in July 1963, is a CPC party member, a graduate student with a doctoral degree in engineering, and a researcher of engineering technology application. He was the deputy factory manager of Laigang Steel Rolling Plant (: { • { @), the factory manager of the Cold Rolling Steel Sheet MillL under Laigang Group (: { « 8 • [@), the deputy chief of the command department for the technical transformation project of Laigang Steel and later the chief of the same department, an executive deputy general manager of Rigang Holding Group Co., Limited (Ú { › p « Þ " ® !), a member of the Party Committee, director and deputy general manager of Luyin Investment Group Co., Ltd. (• Õ ³ « p … Þ " ® !), a visiting professor of Anhui University of Technology, a non-executive director and deputy general manager of the Company. He is currently an executive director and the general

Section IV. Corporate Governance

- ¸ D :

. D ¸ , male, Han ethnicity, born in November 1984, is a CPC party member and a holder of a bachelor's degree. He successively served as a section member of the Finance Bureau in Shouguang City, a deputy director of the Financial Supervision Office of Hou Town, Shouguang City, and the assistant to the general manager of Shouguang Financial Investment Group Co., Ltd.* (ª ˆ 9 – D ³ « Þ " ® !). He is currently a director and the general manager of Shouguang Jinxin, the chairman and general manager of Shouguang Financial Investment GroupCo., Ltd. (ª ˆ 9 – D ³ « Þ " ® !), and a director of Shouguang Industrial Investment Holding Group Co., Ltd. (ª ˆ 9 * 8 ³ › p « Þ " ® !). He is currently a non-executive director of the Company.

. ¸ , female, Han ethnicity, born in December 1981, is a holder of a bachelor's degree. She served as a director of Shouguang Finance Public Assets Operations Co., Ltd. (ª ˆ 9 – Ì ® Þ * ¾ Þ " ® !) and a director and supervisor of Shouguang Jinxin. She currently serves as the assistant to general manager of Shouguang Finance Investment Group Co., Ltd. (ª ˆ 9 – D ³ « Þ " ® !), an executive director of Shouguang Finance Investment Equity Investment Fund Management Co., Ltd. (ª ˆ 9 – ³ p Æ ³ ? – M # Þ " ® !), a director of Shandong Global Software Co., Ltd. († " ´ • p … Þ " ® !), a director of Shandong Longxing Plastic FilmTechnology Co., Ltd († ² 3 ç ë Å ¦ p … Þ " ® !) and a supervisor of Shouguang Xinjing Tourism Development Co., Ltd. (ª ˆ 94¥ { Ú 7 ï • Þ " ® !). She is currently a non-executive director of the Company.

I D :

. ¸ ´ ¸ B , male, Han ethnicity, born in October 1963, is a CPC party member and a certified public accountant with a college degree. He has extensive practical experience in corporate restructuring,

. C , J , male, Han ethnicity, born in November 1962, is a CPC party member and holds a master's degree in law, is a senior counsel, was served as a lawyer in Shandong Law Firm, a founding partner and a director of Shandong Kang Qiao Law Firm, the chairman of the partners' meeting of Shandong Zhongcheng Renhe Law Firm, and an independent director of Jinneng Science and Technology Company Limited. Recognised as an Outstanding Provincial Lawyer and an Outstanding National Lawyer, and has been selected as a member of the Legal Expert Database of Shandong Provincial People's Government, the Legal Expert Database of CPC Shandong Provincial Committee, and the Legal Advisory Committee of Shandong SASAC. He is currently a senior partner of Jincheng Tongda & Neal (Jinan) Law Firm in Beijing, and serving as Independent Director of the Company since December 2018.

(2)

. L , , male, Chinese, Han ethnicity, born in April 1970, received education up to a higher education level. He joined the Company in 1990 and successively served as an accounting officer in the finance department of the Company, and a finance officer, head of the audit department of Weihai Baolong. He is currently the head of audit department and the chairman of the supervisory board of the Company.

. L J , male, Chinese nationality, Han nationality, CPC member, born in August 1982, bachelor's degree, graduated from Shandong University with a major in finance, and won honors such as Excellent Certified Public Accountant in Shandong Province, Excellent Party Worker in Certified Public Accountant Industry in Weifang City, and Excellent Young and Middle-aged Expert in Kuiwen District of Weifang City; currently a partner of Yongtuo Certified Public Accountants and has been a supervisor of the Company since September 2022.

. L , C , A , male, Chinese, Han ethnicity, born in March 1973, a CPC member and Doctor in Law, once served in positions such as the vice president of the Supreme People's Court of Shandong Province and third-level senior judge; currently a teacher at the School of Law in Shandong Jianzhu University, a council member of Shandong Association of Engineering Law and the vice Chairperson of Shandong Association of Insurance Law, and serving as a supervisor of the Company since October 2021. Mr. Liu Cheng An has submitted his resignation on March 5, 2024, and his resignation will be effective after the election of new supervisors at the general meeting of the Company.

(3)

. , , J , male, Han ethnicity, born in August 1970. Joining Shandong Molong in 1992, he served as a deputy manager and manager at the central plain branch of the sales company, a manager at the central China branch of the sales company, a manager at Xinjiang branch of the sales company, a manager at northeast branch of the sales company, a manager at the technical services department of the sales company, and a deputy general manager and general manager of the sales company. He currently serves as a deputy general manager of the Company and the general manager of the sales company.

Section IV. Corporate Governance

Details of the Company's general manager, Mr. Yao You Ling, the deputy general managers, Mr. Li Zhi Xin and Mr. Zhao Xiao Tong, please refer to (1) Members of the Board in this section.

Employment with shareholder entities

Applicable ½ Not applicable

					E
Yuan Rui	Shouguang Molong Holdings Co., Ltd.	Director	1 October 2020	{	No
Employment with shareholder entities		Nil	{	{	{

Details of employment with other entities

Applicable ½Not applicable

					E
Yuan Rui	Shouguang Industry Investment Holding Group Co., Ltd.	Chairman	19 December 2023	{	Yes
Yuan Rui	Shandong Longxing Plastic Rui				

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E

Zhang Min	Shouguang Financial Investment Group Co., Ltd.	Assistant to general manager	1 June 2022	{	Yes
Zhang Min	Shandong Longxing Plastic Film Technology Co., Ltd.	Director	19 June 2020	{	No
Zhang Min	Shandong Global Software Co., Ltd.	Director	3 August 2023	{	No
Zhang Min	Shouguang Jintou Agricultural Technology Development Group Co., Ltd.	Executive director and general manager	4 September 2018	{	No
Zhang Min	Shouguang Xinjing Tourism Development Co., Ltd.	Supervisor	8 December 2017	{	No
Tang Qing Bin	Energy International Investments Holdings Limited	Independent director	1 January 2019	{	Yes
Tang Qing Bin	Lucion Venture Capital Group Co., Ltd.	Independent director	18 January 2019	{	Yes
Song Zhi Wang	Shandong Jiuan Insurance Broker Co., Ltd.	Chairman and general manager	1 March 2003	{	Yes
Song Zhi Wang	Shandong Jiu'an Investment Management Co., Ltd.	Executive director	21 March 2014	{	No
Song Zhi Wang	Shandong Juan Siwei Risk Management Consulting Co., Ltd.	Executive director	21 March 2014	{	No
Song Zhi Wang	Shandong Qi'an Health Management Co., Ltd.	Executive director and general manager	6 September 2016	{	No
Song Zhi Wang	Guoyu Dehui Equity Investment Management (Shandong) Co., Ltd.	Director	2 April 2020	{	No
Cai Zhong Jie	Beijing Jincheng Tongda (Jinan) Law Firm	Senior partner	1 September 2014	{	Yes
Liu Cheng An	Shandong Jianzhu University	Teacher	1 July 2020	{	Yes
Li Jing Wei	Yongtuo CPA Firm	General Partner	25 January 2017	{	Yes
Details on employment with any other entity		Nil	{	{	{

Any securities regulatory institution punishment to the Company's Director, Supervisor and senior management who are incumbent and outgoing during the reporting period at last 3 years

½ Applicable Not applicable

Section IV. Corporate Governance

3. **D**

Section IV. Corporate Governance

	G	A			C	C
Yang Yun Long	Male	47	Chairman	Departure	0	Yes
Wang Quan Hong	Male	55	Non-executive director	Departure	0	No
Liu Ji Lu	Male	56	Non-executive director	Departure	1.68	No
Hao Yun Feng	Male	50	Financial controller	Departure	33.23	No
Total	{	{	{	{	282.83	{

Other particulars

½ Applicable Not applicable

V

1. B

	D	D	
3rd extraordinary meeting of 7th session of the Board of Directors	10 February 2023	11 February 2023	Announcement on resolutions adopted at the third extraordinary meeting of the seventh session of the Board of Directors (Announcement No.: 2023-003). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
4th extraordinary meeting of 7th session of the Board of Directors	24 February 2023	25 February 2023	Announcement on resolutions adopted at the fourth extraordinary meeting of the seventh session of the Board of Directors (Announcement No.: 2023-005). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
5th meeting of 7th session of the Board of Directors	31 March 2023	1 April 2023	Announcement on resolutions adopted at the fifth meeting of the seventh session of the Board of Directors (Announcement No.: 2023-008). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

,	D ,	D ,	, ,
6th meeting of 7th session of the Board of Directors	28 April 2023	29 April 2023	Announcement on resolutions adopted at the sixth meeting of the seventh session of the Board of Directors (Announcement No.: 2023-022). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
7th meeting of 7th session of the Board of Directors	30 August 2023	31 August 2023	Announcement on resolutions adopted at the seventh meeting of the seventh session of the Board of Directors (Announcement No.: 2023-035). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
5th extraordinary meeting of 7th session of the Board of Directors	6 September 2023	7 September 2023	Announcement on resolutions adopted at the fifth extraordinary meeting of the seventh session of the Board of Directors (Announcement No.: 2023-038). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
6th extraordinary meeting of 7th session of the Board of Directors	8 October 2023	10 October 2023	Announcement on resolutions adopted at the sixth extraordinary meeting of the seventh session of the Board of Directors (Announcement No.: 2023-042). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
8th meeting of 7th session of the Board of Directors	30 October 2023	31 October 2023	Announcement on resolutions adopted at the eighth meeting of the seventh session of the Board of Directors (Announcement No.: 2023-045). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

2. A

A

F

D

Yuan Rui	8	8	0	0	0	No	2
Yao You Ling	8	7	1	0	0	No	2
Li Zhi Xin	8	8	0	0	0	No	2
Zhao Xiao Tong	4	4	0	0	0	No	2
Ding Yi	2	2	0	0	0	No	1
Zhang Min	4	4	0	0	0	No	2
Tang Qing Bin	8	0	8	0	0	No	2
Song Zhi Wang	8	1	7	0	0	No	2
Cai Zhong Jie	8	1	7	0	0	No	2
Yang Yun Long	1	1	0	0	0	No	0
Wang Quan Hong	4	1	3	0	0	No	1
Liu Ji Lu	3	1	2	0	0	No	0

Information about failure to attend two consecutive board meetings in person

Not applicable

3. D C

Whether the directors raised any disagreement on matters to the Company

½Yes No

During the reporting period, the directors did not raise any disagreement on matters to the Company.

4.

Whether director's suggestions for the Company were accepted

Yes ½ No

Information about directors' suggestions to the Company accepted or not accepted

During the Reporting Period, all directors of the Company diligently performed their duties by carrying out their works in strict compliance with the requirements of the CSRC and SZSE and under the systems of the Articles of Association and Rules of Procedures for Board Meetings, closely monitoring the regulated business operation and trading of the Company, giving advice on the Company's significant matters about governance and business decision-making according to the actual situation of the Company, arriving at a consensus after adequate communication and discussion, and resolutely supervising and promoting the implementation of board resolutions, to ensure that the decision-making is scientific, timely, efficient and the legitimate interests of the Company and all shareholders are protected.

Section IV. Corporate Governance

V

			D	A			
Audit committee	Tang Qing Bin Song Zhi Wang Cai Zhong Jie	6	24 March 2023	To listen the report of audit work by the auditor.	To listen the report of audit work by the accountants.	{	{
			31 March 2023	To consider the Full Texts and Summary of the Annual Report 2022, the Self-assessment Report on Internal Control 2022, the Annual Profit Distribution Proposal 2022, and the Proposal for the Reappointment of Audit Firm for 2023.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			28 April 2023	To consider the Full Texts and Main Body of the First Quarterly Report 2023.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			30 August 2023	To consider the Full Texts and Summary of the Interim Report 2023.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			30 October 2023	To consider the Third Quarterly Report 2023.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			23 December 2023	To communicate with the auditor in respect of the year-end audit plan for 2023.	Agreed with the accountants on the year-end audit plan.	{	{
Remuneration and evaluation committee	Yuan Rui Tang Qing Bin Song Zhi Wang Cai Zhong Jie	1	31 March 2023	To consider the Remuneration Policy for Directors, Supervisors and Senior Management 2023.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{

Section IV. Corporate Governance

			D	A			
Nomination Committee	Yuan Rui Tang Qing Bin Song Zhi Wang Cai Zhong Jie	4	24 February 2023	To consider the Proposal for the Election of the Chairman of the Seventh Session of the Board of Directors and the Proposal for the Adjustment of the Members of Special Committees of the Board of Directors.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			28 April 2023	To consider the Proposal for the By-election of Directors.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			6 September 2023	To consider the Proposal for the By-election of Directors.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
			8 October 2023	To consider the Proposal for the Appointment of the General Manager of the Company and the Proposal for the Appointment of the Deputy General Manager of the Company.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{
Strategy Committee	Yuan Rui Tang Qing Bin Song Zhi Wang Cai Zhong Jie	1	28 April 2023	To consider the Proposal for the Capital Increase of a Wholly-owned Subsidiary Through Debt-to-equity Swap.	Agreed to submit the relevant proposal to the Board of Directors for consideration.	{	{

Did the supervisory board find any risk exposure of the Company in the course of supervision during the reporting period

½ Yes No

The supervisory board had no disagreement to the supervisory matters in the reporting period.

Section IV. Corporate Governance

X

1.

Number of employees serving the parent company as at the end of the reporting period (persons)	1,571
Number of employees serving the major subsidiaries as at the end of the reporting period (persons)	370
Total number of serving employees as at the end of the reporting period (persons)	1,941
Total number of paid employees in the current period (persons)	1,941
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	0

( )

Production personnel	1,595
Sales personnel	64
Technicians	29
Financial staff	27
Administrative staff	226
Total	1,941

( )

Doctorate	1
Master	27
Bachelor	153
Junior college	407
Junior college and below	1,353
Total	1,941

2.

(1) In order to govern the remuneration management of the Company, give full play of the incentive effect of remuneration, define responsibilities of all departments, depending on the current actual circumstances, the Company gradually established and improved a relatively reasonable remuneration structure and formulated a corresponding remuneration system and work process;

(2) Based on the premise of stabilizing employees' income and encouraging them to work more and get more, and taking fairness and reasonableness as the principle, the Company should ensure the stable income of their basic salary, link their pay with performance level, fully mobilize their enthusiasm and sense of responsibility, and make their payroll in line with the pay scale of the industry and type of work in society, which is more attractive to the outside world and more stimulating to the inside;

(3) To encourage new employee to stay in the job for a longer term and also encourage older employees to continue to shine and make greater contributions to the Company, the Company implements a nondescending calculation method for length of employment, which is more humanised, rationalised and attractive than surrounding companies. It also guarantees employees of the Company to have a long-term job; and fully mobilises staffs' positive initiative and creativity and constantly improves staff's satisfaction and loyalty;

(4) Combining with domestic and foreign market demand, the Company vigorously promotes the development of new products and formulated incentive measures for new products and new markets to further enhance the enthusiasm of employees for greater performance and higher profitability, so that the employees can share interests with the Company.

3.

(1) The Company has always taken talent nurturing and development as one of the measures supporting the Company's development strategy. Therefore, the Company links employee training with its strategic planning and operating indicators by coordinating internal and external resources. Based on the concept of "going out and recruiting in" and taken into account the requirements of the Company and various departments for quality and competence of employees, the Company has formulated an annual training implementation plan;

(2) To facilitate new employees to quickly adapt to the Company's culture and management principles and meet the job requirements, in addition to focusing on the training in corporate culture, corporate mechanism as well as quality, safety, technique systems, the Company also continuously improves the internal training mechanism by establishing a team of internal trainers, organising internal staff training programmes, increasing training efforts, optimising training results, and making constant adjustments and update according to the training results;

(3) Depending on the actual circumstances and based on the requirements of specific posts, the Company organises and enrolls external professional training programmes on an irregular basis so as to improve staff achievements and job competence. The Company also engages external trainers on an irregular basis to provide collective training for management personnel of the Company, in order to continuously raise their management skill and professionalism and enhance competitiveness of the Company;

(4) To further improve the governance of corporate systems, the Company adopts various training approaches to promote staff development and help them plan reasonable career paths, enhance staff cohesiveness, create good learning-oriented corporate culture, and boost shared development of employees and the Company.

4. L

½ Applicable Not applicable

X

Profit distribution policy during the reporting period, especially the formulation, implementation or adjustment of cash dividends

½ Applicable Not applicable

Distribution of cash dividends not proposed when the Company was profitable during the reporting period and the parent company had positive profits distributable to shareholders

½ Applicable Not applicable

Profit distribution and conversion of capital reserves into share capital during the reporting period

½ Applicable Not applicable

The Company has no plan to distribute cash bonus, no issuance of bonus share and no capital reserve capitalisation.

X

½ Applicable Not applicable

There was no stock incentive plan, employee shareholding plan or other employee incentive measure and its implementation during the reporting period.

Section IV. Corporate Governance

1. E

The board of directors of the Company has established a sound and effectively implemented internal control system, assesses its effectiveness and truthfully discloses the assessment report on internal control in accordance with the requirements of the Standardised Internal Control System for Companies. The supervisory board supervises the board of directors in the establishment and implementation of internal control. The management is responsible to organise and lead the daily operation of internal control.

The board of directors of Company has established an audit committee which shall be responsible to review the internal control of the Company, supervise its effective implementation and the self-assessment on internal control, and coordinate the audit of internal control and other relevant matters.

The internal audit organisation (audit department) of the Company is responsible for the supervision of internal audit of the Company, which includes to supervise and check the implementation of the Company's internal control, assess the scientificity and effectiveness of the internal control and give suggestions for improving the internal control; to carry out audit and routine examination on finance, internal control, major projects and other businesses on a regular or irregular basis to control and prevent risks. The audit department has the right to directly report to the board of directors, audit committee and supervisory board in case any material deficiencies in the internal control are identified in the course of supervision and checking.

Based on the identification of material deficiencies in the internal control of financial reporting of the Company, as at the benchmark date of the assessment report on internal control, there was no material deficiency in the internal control of financial reporting, and the Company maintained effective internal control of financial reporting in all material respects according to the requirements of the Standardised Internal Control System for Companies and other rules.

Based on the identification of material deficiencies in the internal control of non-financial reporting of the Company, as at the benchmark date of the assessment report on internal control, no material deficiencies in the internal control of non-financial reporting of the Company were noted.

2. A

½ Yes No

Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Section IV. Corporate Governance

X

1. A

Date of disclosure on the full texts of the assessment report on internal control	29 March 2024
Reference of disclosure on the full texts of the assessment report on internal control	Cninfo (http://www.cninfo.com.cn)
Proportion of total assets of entities included in the assessment to the total assets per consolidated financial statements of the Company	97.74%
Proportion of operating revenue of entities included in the assessment to the operating revenue per consolidated financial statements of the Company	98.25%

C ,	F ,	- ,
Qualitative standard	Signs of financial reporting great defect include: fraud of the company directors, supervisors and senior management personnel, the correction of the published financial report, current report material misstatement is found by a certified public accountant, but not identified through intra-company control, the invalid audit committee and audit function to the Company's external financial reports and financial reporting internal control supervision. Financial reporting important defect signs include: not in accordance with generally accepted accounting principles to select and apply appropriate accounting policies, procedures and control measures of antifraud has not been established, the accounting treatment of unusual or special transaction do not set up corresponding control mechanism or no implementation, and no corresponding compensatory control, for the control of the final financial reporting process have one or more of the defects and cannot guarantee reasonable preparation of financial statements to realise the fair reflection. Common Defects is other control defect in addition to the above major flaws and important defects control.	Non-financial reporting signs of major defects including: violate national laws and regulations or normative documents, the major decisionmaking process is unscientific, lack of system can lead to systemic failure, significant or important defects can't get the rectification and other significant negative impact on the company. Other circumstances according to the influence degree were identified as important defects or defects in general.

Section IV. Corporate Governance

C ,	F ,	- ,
Quantitative standard	Significant deficiency refers to consider compensating control measures and major defects after actual deviation rate, overall impact levels above the level of the importance of the defects (0.5% of the operating revenue or total profits of RMB10 million). Material deficiency refers to consider important defects after compensating the control measures and actual deviation rate, the flaw overall impact level below the importance level (0.5% of the operating revenue or total profits of RMB10 million), but higher than the general level (0.2% of the operating revenue or total profits of RMB5 million). General deficiency refers to consider compensating control measures and actual deviation rate, defect the overall level is lower than the general level (0.2% of the operating revenue or the total profits of RMB5 million).	Non-financial reporting major defects refer to the direct property losses in RMB5 million (inclusive) above, signs include: has been publicly disclosed and to the company regularly report produce negative impact; Enterprise key positions and personnel erosion is serious; Negative news frequently exposed by the media. Important defects refer to the direct property losses in RMB0.5 million (inclusive) – RMB5 million, signs include: fined by the national government, but have not produced a negative impact on the regular report of the Company; The media exposure and have a negative impact. General deficiency refers to the direct property losses under RMB0.5 million, signs include: punished the following government departments at or below the provincial level but have not produced a negative impact on the regular report of the Company.

Number of significant deficiencies in financial reporting	0
Number of significant deficiencies in nonfinancial reporting	0
Number of material deficiencies in financial reporting	0
Number of material deficiencies in nonfinancial reporting	0

Section IV. Corporate Governance

X

1.

The Group's revenue and the financial positions of the Group and of the Company for 2023 are set out in the financial statement contained in the "Financial Report" section of this report.

2. F

A summary of the results and of the assets and liabilities of the Group for the past five financial years is as follows:

		F	31 D		
	2023	2022	2021	2020	2019
	B'000	RMB'000	RMB'000	RMB'000	RMB'000
Total operating income	**1,317,496**	2,765,645	3,734,463	3,009,719	4,388,904
Operating (loss)/profit	**(549,182)**	(441,513)	(361,115)	38,175	(189,049)
Total (loss)/profit	**(550,081)**	(446,042)	(362,057)	17,529	(215,227)
Net profit/(loss)	**(578,534)**	(448,935)	(368,420)	11,455	(224,908)
Minority interests	**(11,673)**	(23,966)	(403)	(20,723)	(28,599)
Net (loss)/profit attributable to shareholders of the parent company	**(566,862)**	(424,970)	(368,018)	32,179	(196,309)
Basic (loss)/earnings per share (RMB)	**(0.71)**	(0.53)	(0.46)	0.04	(0.25)

A

		F	31 D		
	2023	2022	2021	2020	2019
	B'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross assets	**2,888,082**	4,038,606	4,457,611	5,175,636	5,735,752
Total liabilities	**2,553,379**	3,128,252	3,097,863	3,374,066	3,946,792
Net assets	**334,703**	910,353	1,359,748	1,801,570	1,788,960

Section IV. Corporate Governance

3. C ,

For details of changes in the share capital of the Company for 2023, please refer to the section headed "Changes in shares and shareholders".

4. ,

Details of changes in the reserves and distributable reserves of the Group in 2023 are set out in the sub-section headed "Undistributed profits" under "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.

5. , ,

Details of changes in the property, plant and equipment of the Group for 2023 are set out in the section of financial report.

6. C

During 2023, the Group capitalised interests of RMB nil.

7. ,

Each of the Directors (including the independent non-executive Directors) and Supervisors has entered into a service contract or letter of appointment with the Company. None of the Directors or Supervisors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment compensation (other than statutory compensation).

8.

Details of the Strategy Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee established under the Board are set out in the "Corporate Governance" section of this report.

9.

In 2023, the Company had no connected transaction that must be disclosed under the Listing Rules (as defined in the Listing Rules) and none of the related party transactions disclosed in the "Financial Report" section in this report constituted disclosable connected transactions under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

10. D

As at 31 December 2023, to the best knowledge of the Directors, Supervisors and chief executive, none of the Directors, the Supervisors or chief executive had any interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix C3 of the Listing Rules, to be notified to the Group and to the Stock Exchange.

11. A

For details of compensations of the current directors, supervisors and senior management paid by the Company in 2023, please refer to the sub-section headed "Directors, supervisors and senior management" in this report.

12. D

None of the Directors or Supervisors of the Company or any of their respective associates (as defined under the Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in 2023.

13.

The Company does not operate any share option scheme.

14.

Details are set out in the sub-section headed "Profiles of shareholders and the actual controller" under the section headed "Changes in shares and shareholders" in this annual report.

15. D

No directors or supervisors or any entity related to any of the directors of the Company has directly or indirectly interested in any transaction, arrangement or contract to which the Company or any of its subsidiaries is a party that has not been or has been in force in 2023 or at the end of 2023, and has a material relationship with the business of the Group.

Section IV. Corporate Governance

16.

No contract of significance has been entered into between the Company (or any of its subsidiaries) and the controlling shareholders of the Company (or any of their subsidiaries), and no contract of significance for the provision of services to the Company (or any of its subsidiaries) by any of the controlling shareholders of the Company (or any of their subsidiaries) has been entered.

17.

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during 2023.

18.

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

19. C

The principal Codes on Corporate Governance adopted by the Company are set out in the section headed "Corporate Governance" in this report.

20. F

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

21. G

The Group's gearing ratio was approximately 88.41% (2022: approximately 77.46%) which is calculated based on the Group's total liabilities of RMB2,553,379 thousand (2022: approximately RMB3,128,252 thousand) and total assets of approximately RMB2,888,082 thousand (2022: approximately RMB4,038,606 thousand).

22. C

As at 31 December 2023, the Group did not have any contingent liabilities except those disclosed in the "Commitments and Contingencies" in this report.

Section IV. Corporate Governance

23.

For the year ended 31 December 2023, save as disclosed in this report, the Group did not carry out any major acquisitions or disposal of subsidiaries and associates or major investments, nor did it plan to make major investments or purchase capital assets in the future.

24.

The Company is not aware of any tax concessions provided to shareholders due to their holding of the Company's listed securities.

25. E -

The Company has not entered into any equity-linked agreements at the end of the year ended 31 December 2023 or at any time during the year.

26. B

K

Key financial and business performance indicators comprise profitability growth, return on equity and gearing ratio. Details of the analysis are set out in the section headed "Management Discussion and Analysis" in this annual report.

It is a development strategy of the Group to establish a risk management system covering all the business segments that monitors, assesses and manages various risks in the Group's activities. The management has identified the major risks of the Group and regularly reviews its exposure to industry, policy, operational and currency risks.

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

We have compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Section V. Directors' Report

The board of the Directors (the "Board") hereby presents their report and the audited financial statements of the Group for the Year.

The Company was principally engaged in the design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included oil drilling machinery equipment, petroleum and natural gas transportation equipment, oil & gas exploitation equipment, castings, etc. The products were mainly used in the manufacture of equipment for oil & gas energy drilling, machinery processing, urban pipeline network and wind power castings. Details of the principal activities of the Company during the Reporting Period are set out in the sections headed "Management Discussion and Analysis" in this report. During the Reporting Period, there were no significant changes in the composition of the Company's principal businesses.

Analysis of the Group's principal activities for the year ended 31 December 2023 is set out in the sections headed "Management Discussion and Analysis" and "Financial Report" in this annual report.

The Board of the Company did not recommend any payment of dividends for the year 2023. In 2023, the board of directors is not aware of any arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

Section V. Directors' Report

[illegible]

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

We have compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

[illegible]

During the Reporting Period, the Company achieved operating income of about RMB1.317 billion, with decrease of 52.36% year-on-year; net profit attributable to shareholders of the listed company is about RMB -567 million; basic earnings per share was RMB -0.71 per share. A financial review of the Company for the year ended 31 December 2023 is set out in the "Financial Report" section of this Annual Report.

[illegible]

Details of changes in the property, plant and equipment of the Group for 2023 are set out in the section headed "Financial Report" in this report.

[illegible]

Details of long-term equity investments and fixed assets of the Company are set out in the section headed "Financial Report" in this report.

[illegible]

The movements in the Company's authorised and issued shares during the Year are set out in the sections headed "Changes in Shares and Shareholders" and "Financial Report" in this report.

During the Year, the Company did not operate any share option scheme.

[illegible]

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

Section V. Directors' Report

[illegible]

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during 2023.

[illegible]

Details of changes in the reserves and distributable reserves of the Company for 2023 are set out in sub-section headed "Undistributed profit" under the "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.

[illegible]

During the year under review, sales to the Group's five largest customers accounted for approximately 44.55% of the Group's total sales for the Year. Of which, sales to the largest customer accounted for approximately 15.38% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 77.00% of the Group's total purchases for the Year. Of which, purchases from the largest supplier accounted for approximately 30.18% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors nor any of their close associates, or any existing shareholders (who own more than 5% of the Company's issued share capital), had any interest in the Group's five largest customers or suppliers.

[illegible]

The environmental protection policies adopted by the Group and the fulfillment of social responsibilities are set out in the section headed "Environmental and Social Responsibility" in this annual report. For the environmental, social and governance reports required by the Listing Rules, the Company has separately published the environmental, social and governance report.

[illegible]

Details of employees and remuneration policy of the Group (including the basis on which directors' remuneration are determined) are set out in the section head "Employees of the Company" in this annual report.

[illegible]

The Company pays great attention to the creation of social value and places its focus on fulfilling social responsibility by actively participating in social services. We have spared no effort to join social services and charity activities with a view to rewarding the society within our capacity. The Company set up a difficult assistance fund to care for and support employees with difficulties and create a harmonious working atmosphere. In 2023, the Group released approximately RMB54 thousand from the relief fund towards helping the family of staff in financial difficulties.

Section V. Directors' Report

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The existing Directors during the Year and up to the date of this annual report were:

E , D :

Mr. Yang Yunlong (resigned on 24 February 2023)
Mr. Yuan Rui
Mr. Yao You Ling
Mr. Li Zhi Xin
Mr. Zhao Xiao Tong (appointed on 19 May 2023)

- , D :

Mr. Ding Yi (appointed on 26 September 2023)
Ms. Zhang Min (appointed on 19 May 2023)
Mr. Wang Quan Hong (resigned on 7 July 2023)
Mr. Liu Ji Lu (resigned on 7 April 2023)

I - , D :

Mr. Tang Qing Bin
Mr. Song Zhi Wang
Mr. Cai Zhong Jie

:

Mr. Liu Shu Bao
Mr. Liu Cheng An
Mr. Li Jing Wei

The biographical details of the Directors are set out in the section headed "Directors, supervisors and senior management" in this annual report.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received an annual independence confirmation from each of the independent non-executive directors and considered that all independent non-executive directors are independent.

[illegible]

Each of the Directors (including the independent non-executive Directors) and Supervisors has entered into a service contract or letter of appointment with the Company. None of the Directors or Supervisors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment compensation (other than statutory compensation).

Section V. Directors' Report

[illegible]

For the information on the remuneration of the Directors, Supervisors and five highest paid individuals of the Company in 2023, please refer to sub-section headed "Remuneration of Key Management Personnel" under the section headed "Financial Report" in this report.

[illegible]

There are no contracts which are significant to the Group's business and in which any of the Directors or Supervisors have or had material interest, whether directly or indirectly, subsisted during 2023 or at the end of 2023.

[illegible]

The Company has arranged appropriate liability insurance to indemnify its Directors and executives in respect of legal actions against them. Throughout 2023, no claim had been made against the Directors and the officers of the Company. Save as disclosed in this report, there are no permitted indemnity provisions for the year ended 31 December 2023.

[illegible]

No contract was entered into or existed for the management and administration of all or any substantial part of the Company's business during the year ended 31 December 2023.

[illegible]

As at 31 December 2023, to the best knowledge of the Directors, Supervisors and chief executive, none of the Directors, the Supervisors or chief executive had any interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix C3 of the Listing Rules, to be notified to the Company and to the Stock Exchange.

[illegible]

None of the Directors or Supervisors of the Company or any of their respective associates (as defined under the Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in 2023.

Section V. Directors' Report

[illegible]

As at 31 December 2023, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as indicated in the register of interests and/or short positions required to be maintained pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or the register required to be kept under Section 336 of SFO, the substantial shareholders and other persons had the following interests and/or short positions in the Shares or underlying Shares of the Company as follows:

L C

			A/H	
Shouguang Molong Holdings Co., Ltd.	Beneficial interest	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Interest in controlled corporation[2]	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Zhimeng Holdings Co., Ltd.	Beneficial interest	64,740,000 H shares	25.28% (H shares)	8.11%
	Beneficial interest	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	85,974,800 H shares	33.57% (H shares)	10.78%
Shouguang Panjin Property Co., Ltd.	Beneficial interest	30,800,000 H shares	12.03% (H shares)	3.86%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	119,914,800 H shares	46.82% (H shares)	15.03%
Shouguang Hongsen Logistics Co., Ltd.	Beneficial interest	31,800,000 H shares	12.42% (H shares)	3.99%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	118,914,800 H shares	46.43% (H shares)	14.90%
Shouguang Ruisen New Building Materials Co., Ltd.	Beneficial interest	23,374,800 H shares	9.13% (H shares)	2.93%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	127,340,000 H shares	48.16% (H shares)	15.96%

Notes:

(1) Shandong Zhimeng Holdings Co., Ltd., Shouguang Panjin Property Co., Ltd., Shouguang Hongsen Logistics Co., Ltd. and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party agreement pursuant to which, they are parties acting in concert for the purpose of the shares of the Company. As such, they were deemed to be collectively interested in the total shares held by them by virtue of the SFO.

(2) Shouguang Molong Holdings Co., Ltd. is a wholly-owned subsidiary of Shandong Shouguang Jinxin Investment Development Holdings Group Limited. Therefore, Shandong Shouguang Jinxin Investment Development Holdings Group Limited are deemed to be interested in the 235,617,000 A shares in which Shouguang Molong Holdings Co., Ltd. is interested.

(3) The approximate percentage is based on the 541,722,000 A shares, 256,126,400 H shares and 797,848,400 shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, no persons (other than being a Director, Supervisor or chief executive of the Company) had any interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the SEHK pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and which were required to be recorded in the register to be kept pursuant to section 336 of the SFO.

Section V. Directors' Report

[illegible]

In 2023, the Company had no connected transaction that must be disclosed under the Listing Rules (as defined in the Listing Rules) and none of the related party transactions disclosed in the "Financial Report" section in this report constituted disclosable connected transactions under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

[illegible]13.21 [illegible]

As of 31 December 2023, (i) Shouguang Baolong Petroleum Equipment Co., Ltd. ("[illegible]") is indebted to the Company in the amount of RMB461,709,466.37; and (ii) Weihai Baolong Special Petroleum Materials Co., Ltd. ("[illegible]") is indebted to the Company in the amount of RMB14,345,726.40; both recorded as accounts receivable of the Company (collectively referred to as the "[illegible]"). The sale of all its shares in Shouguang Baolong and Weihai Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (> ³ } J ° f ³ ¥ « † 8€ Þ " ¥ « •), was completed in March 2024 (the "[illegible]"), and Weihai Baolong and Shouguang Baolong are not subsidiaries of the Company.

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

According to the Shouguang Baolong Repayment Agreement, the Indebtedness shall be repayable by Shouguang Baolong in the manner set out below:(1) 40% of the Indebtedness, i.e. RMB184,683,78.55, shall be repayable within the first year from the date of sale completion; (2) 30% of the Indebtedness, i.e. RMB138,512,83.91, shall be repayable within the second year from the date of sale completion; and (3) 30% of the Indebtedness, i.e. RMB138,512,83.91, shall be repayable within the third year from the date of sale completion.

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

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

[illegible]

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses (as defined in the Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Company during the Year.

Section V. Directors' Report

[illegible]

Details of corporate governance of the Company are set out in the section headed "Corporate Governance" in this report.

[illegible]

The Company maintained a sufficient public float for the whole year ended 31 December 2023. To the best knowledge of the Directors, the Company has fulfilled the public float requirements under Rule 8.08 of the Listing Rules.

[illegible]

The register of members of the Company will be closed from 17 May 2024 (Friday) to 22 May 2024 (Wednesday), (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers must be lodged with the Company's H share registrar, Tricor Investor Services Limited, on Floor 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 16 May 2024 (Thursday).

[illegible]

The Company has appointed ShineWing Certified Public Accountants LLP as the auditor of the Company. ShineWing Certified Public Accountants LLP will retire and a resolution for its re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company. There has been no change in the Company's auditors in the past three years.

[illegible]

Save for the above-mentioned events subsequent to the balance sheet date, the Company had no other significant events.

Section VI. Environmental and Social Responsibility

I

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

Yes ½ No

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

E A L

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

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

Shouguang Baolong's Pollutant Discharge Permit numbered: 913707836613984230001R, with the first application date of 23 July 2020 and the current validity period till 22 July 2028;

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

Weihai Baolong's Pollutant Discharge Permit numbered: 91371081756387292D001P, with the first application date of 20 April 2020 and the current validity period till 19 April 2028.

Section VI. Environmental and Social Responsibility

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

C , J I

J , , , E A

C , D , C / , , , E

, , , , , , , I , , , ,

Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.2mg/m³	10mg/m³	7.4273kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.2mg/m³	10mg/m³	36.827kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.55mg/m³	10mg/m³	10.5484kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.35mg/m³	10mg/m³	34.6579kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	4mg/m³	10mg/m³	0.0801kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.9mg/m³	10mg/m³	162.9kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.35mg/m³	10mg/m³	45.146kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3mg/m³	10mg/m³	66.39kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.7mg/m³	10mg/m³	52311kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.45mg/m³	10mg/m³	8.7619kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.4mg/m³	10mg/m³	28.7626kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.7mg/m³	10mg/m³	12.187kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	3.2mg/m³	10mg/m³	0.0464kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	8.1mg/m³	10mg/m³	0.3988kg	{	Nil
Shouguang Maolong	{	Sulfur dioxide	Organised	1	Production complex	2.5mg/m³	50mg/m³	0.1841kg	{	Nil
Shouguang Maolong	{	Nitrogen oxides	Organised	1	Production complex	61.5mg/m³	100mg/m³	3.1908kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.15mg/m³	10mg/m³	16.3944kg	{	Nil
Shouguang Maolong	{	VOCs	Organised	1	Production complex	8.21mg/m³	60mg/m³	67.51kg	{	Nil
Shouguang Maolong	{	Particulate matter	Organised	1	Production complex	2.8mg/m³	10mg/m³	26.5748kg	{	Nil

Section VI. Environmental and Social Responsibility

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

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

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

E

During the Reporting Period, the Company and its subsidiaries actively cooperated with the local environmental testing department to carry out regular supervisory testing, and the four sets of online waste gas monitoring equipment operated normally. Third-party testing units were entrusted to regularly monitor all emission data of the Company, and the monitoring results were regularly publicized on the national pollutant discharge permit management information platform to meet the industry standards and the requirements of local environmental protection departments. The Company makes statistics on relevant environmental protection data every month, supervises the stable operation of wastewater and waste gas treatment facilities, and effectively guarantees the discharge management of wastewater and waste gas within the Company.

E

Each of the Company and its subsidiaries has prepared its emergency plans for sudden environmental incidents, which have been filed to environment authorities after reviewed by experts. The Company and its subsidiaries also organised trainings and drills on a regular basis to rectify the problems in the area of emergency management, so as to strengthen the control of environmental risks.

I

During the Reporting Period, investment in environmental governance and protection of the Company and all subsidiaries totaled RMB4.1243 million; the Company and all subsidiaries paid a total of RMB53.1 thousand in environmental protection tax.

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

½ Applicable Not applicable

Section VI. Environmental and Social Responsibility

Administrative penalties arising from environmental issues during the reporting period

Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

There was no other discloseable environmental information.

There was no other environmentally related information.

I

During the reporting period, the Company attached great importance to the performance of social responsibility, and has taken a proactive stance in fulfilling social responsibility which was epitomized in the following aspects:

1.

The Company had established a relatively well-established governance structure and a comprehensive internal control system. Such measures guaranteed the soundness and the level of control of the decision making mechanism of the Company on material issues. At general meetings, the Company adopted both on-the-spot plus online voting to enhance the participation of shareholders. The assembly, convention and voting procedures of the meeting complied with the requirements of the laws, regulations and the Articles of Association. The Company established various forms of communication platforms and channels with the investors through different measures and conducted timely, true, accurate and comprehensive regular information disclosure in strict compliance with the relevant laws, regulations, the Articles of Association and the requirements of the relevant system of the Company in order to ensure that all shareholders of the Company were given fair, just, open and adequate opportunities to acquire the information of the Company, which is aim at protecting various legal rights of all shareholders as stipulated by the laws, regulations and articles in a fair manner.

Section VI. Environmental and Social Responsibility

2.

The Company highly emphasised the nurture of talents. We strived to improve the quality of our staff and realised mutual growth of our staff and the enterprise by offering our staff with career planning and organising various corporate training. The Company offered various social insurance to our staff and established relief fund to care and support staff in difficult times and created a harmonious working environment. In 2023, the Company released RMB54 thousand from the relief fund towards helping the family of staff in financial difficulties.

3. A

The Company pays great attention to the creation of social value and places its focus on fulfilling social responsibility by actively participating in social services. We have spared no effort to join social services and charity activities with a view to rewarding the society within our capacity. The Company actively contacted the blood station in the center of Weifang, issued an initiative and organized voluntary blood donation public welfare activities, actively participated in social welfare undertakings, which demonstrated the social responsibility and undertaking of the Company.

I

The Company did not carry out any targeted poverty alleviation work during the reporting period and there was not follow-up plan for targeted poverty alleviation.

I

1. C , C ' , , , , C , , , ,

V

Name of the domestic accounting firm	ShineWing Certified Public Accountants LLP
Compensation of the domestic accounting firm (Unit: RMB'0,000)	145
Continued term of service of the domestic accounting firm	11
Name of certified public accountant of the domestic accounting firm	Wang Gongyong, Zhang Chao
Continued term of service of certified public accountants of the domestic accounting firm	2,4
Name of the foreign accounting firm (if any)	Not applicable
Compensation of the foreign accounting firm (Unit: RMB'0,000) (if any)	Not applicable
Continued term of service of the foreign accounting firm (if any)	Not applicable
Name of certified public accountant of the foreign accounting firm (if any)	Not applicable
Continued term of service of certified public accountant of the foreign accounting firm (if any)	Not applicable

Whether change appointed accounting firm at current period

½ Yes No

Engagement of accounting firm, financial consultant or sponsor for audit of internal controls

Applicable ½ Not applicable

During the Reporting Period, the Company engaged Shinewing Certified Public Accountants (Special General Partnership) as the internal control audit institution, and paid a total internal control audit fee of RMB400,000.

X

½ Applicable Not applicable

X

½ Applicable Not applicable

There was no matter related to bankruptcy and reorganisation during the reporting period.

Section VII. Material Matters

X [illegible]

Applicable ½ Not applicable

B	A	(B'0,000)		( )	( )	E	( )	D	D
Other litigation and arbitration matters that do not meet the standards of material litigation.		14,794.86	No	The stage of filing, review or execution	No significant impact on the Company	Some of the cases were completed, some were in the process of execution or not yet executed, and some were under trial or not entered the trial.		22 August 2023	For details, please refer to the Announcement on Accumulated Litigation and Arbitration Matters (2023-034) disclosed on the website of cninfo (http://www.cninfo.com.cn).

X [illegible]

½ Applicable Not applicable

There was no punishment or rectification during the Reporting Period.

[illegible]

½ Applicable Not applicable

X [illegible]

1.

½ Applicable Not applicable

2.

½ Applicable Not applicable

There were no related party transactions in connection with acquisition or disposal of assets or equity interest during the reporting period.

3. J

½ Applicable Not applicable

There was no related party transaction in connection with joint external investment during the reporting period.

4. A , , /

Applicable ½ Not applicable

Any non-trade amounts due from/to related parties

Yes ½ No

Debts due to related parties

| | | | A , | A , B , , | I | B , , ,

Section VII. Material Matters

6. A , / C

½ Applicable Not applicable

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

7. ,

½ Applicable Not applicable

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

1. E , C ,

(1) E ,

½ Applicable Not applicable

The Company had no entrustment during the reporting period.

(2) C ,

½ Applicable Not applicable

The Company had no contracting during the reporting period.

(3) L ,

Applicable ½ Not applicable

Descriptions of the leasing

(1) On 26 August 2021, after consideration at the twelfth meeting of the sixth session of the board of directors of the Company, in order to further expand financing channels, the Company has development the sale-and-leaseback financing business jointly with Yangtze United Financial Leasing Co., Ltd. (— ê L ¥ – D a # Þ " ® !) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB60 million and the term is within 36 months. During the lease period, the Company shall continue to use such certain production equipment by way of sale and leaseback until the lease period as agreed in the lease ends. Details can be found in the Announcement on the Development of Finance Lease Business disclosed by the Company (Announcement No.: 2021-052).

(2) On 17 August 2022, after consideration at the second extraordinary meeting of the seventh session of the board of directors of the Company, in order to further expand financing channels, the Company has development the sale-and-leaseback financing business jointly with Zhejiang Zhongda Yuantong Finance Leasing Co., Ltd. (ê • } © · D a # Þ " ® !) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB85 million and the term is within 36 months. During the lease period, the Company shall continue to use such certain production equipment by way of sale and leaseback until the lease period as agreed in the lease ends. Details can be found in the Announcement on the Development of Finance Lease Business disclosed by the Company (Announcement No.: 2022-021).

(3) During the report period, the Company entered into a lease contract with Shouguang Xiangrun Industry Co., Ltd. (ª ˆ B — ¼ 8 Þ " ® !), pursuant to which the Company leased an office building for business office use for a term of three years commencing from 1 January 2023 to 31 December 2025, with free rent for the first year, RMB675,100 for the second year and RMB1,181,400 for the third year.

(4) In order to further reduce production costs, on 31 October 2023, Weihai Baolong, a subsidiary of the Company and Weihai Kanghenghua Metal Materials Co., Ltd. (þ p6ì 6 – n ¿ Ø Þ " ® !, hereinafter referred to as "Weihai Kanghenghua") entered into the Weihai Baolong Asset Leasing Agreement, pursuant to which, Weihai Baolong leases the relevant equipment of the casting and forging production line and the 140 rolled tube production line to Weihai Kanghenghua for a term of 2 years. According to the agreement, Weihai Baolong shall collect the rental based on the calculation of fixed and non-fixed funds.

Leases with profit or loss contribution accounting for over 10% of the total profit of the Company during the reporting period

½ Applicable Not applicable

There were no leases with profit or loss contribution accounting for over 10% of the total profit of the Company during the reporting period.

2.

Applicable ½ Not applicable

Unit: RMB ten thousand

E C ( )

D D A C - F L C G ( ) ( )

{ { { { { { { { { {

G C

D D A C - F L C G ( ) ( )

Molong Commercial	1 April 2023	10,000	{	{	{	{	{	{	{
Molong I&E	1 April 2023	10,000	{	{	{	{	{	{	{
Shouguang Maolong	16 May 2020	14,510.78	30 June 2020	0	Security	Certain properties and land use rights	3 years	Yes	No
Total line of guarantees granted to subsidiaries during the reporting period (B1)		20,000	{	Total actual amount of guarantees in favour of subsidiaries during the reporting period (B2)					0
Total line of guarantees granted to subsidiaries as at the end of the reporting period (B3)		20,000	{	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (B4)					0

G

D D A C - F L C G ( ) ( )

Shouguang Maolong	16 May 2020	4,048.95	30 June 2020	0	Security	Certain properties and land use rights	{	3 years	Yes	No
Shouguang Maolong	16 May 2020	1,440.27	30 June 2020	0	Security	Certain properties and land use rights	{	3 years	Yes	No
Shouguang Maolong	17 June 2023	5,000	{	{	{	{	{	{	{

Total line of guarantees granted to subsidiaries during the reporting period (C1)	5,000	Total actual amount of guarantees in favour of subsidiaries during the reporting period (C2)	0
Total line of guarantees granted to subsidiaries as at the end of the reporting period (C3)	5,000	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (C4)	0
, , C (, , , ,)			
Total line of guarantees granted during the reporting period (A1+B1+C1)	25,000	Total actual amount of guarantees during the reporting period (A2+B2+C2)	0
Total line of guarantees granted as at the end of the reporting period (A3+B3+C3)	25,000	Total actual amount of guarantees as at the end of the reporting period (A4+B4+C4)	0
Proportion of total actual guarantees (i.e. A4+B4+C4) to net assets of the Company			0.00%
Including:			
Balance of guarantees given for shareholders, actual controllers and their related parties (D)			0
Balance of debt guarantees direct or indirectly given for guarantee parties with gearing ratio of over 70% (E)			0
Amount of total guarantees in excess of 50% of net assets (F)			0
Total of the above three guarantee amounts (D+E+F)			0
For unexpired guarantee contracts, descriptions about the guarantee liabilities occurred or possible joint and several liabilities of repayment with evidence during the reporting period (if any)			Nil
External guarantees in breach of procedural requirements (if any)			Nil

Details of synthetic guarantees

Nil

3. E , ,

(1) C ,

½ Applicable Not applicable

The Company had no commissioned financial management during the Reporting Period.

(2) E ,

½ Applicable Not applicable

The Company had no entrusted loan during the Reporting Period.

4.

Applicable ½ Not applicable

Shandong Molong	Hebei Xinggang Technology Co., Ltd. (& {Å¦Þ"®!)	License for implementation of HIsmelt melting reduction technology	6 February 2023	N/A	1,850	No	N/A	RMB15 million was received.	8 February 2023	For details, please refer to the Announcement on Signing the Technology Implementation License Contract (2023-002) disclosed on the website of cninfo (http://www.cninfo.com.cn)

There are no other major contracts during the Reporting Period.

X

Applicable ½ Not applicable

1. C

The Company held the fourth extraordinary meeting of the seventh session of the board of directors on 24 February 2023, at which the Resolution on the Election of the Chairman of the Seventh Session of the Board of Directors (• ë õ o X K V £ è + 6 è + — Y D é ‘) was considered and approved, agreeing to the election of Mr. Yuan Rui as the chairman of the Company's seventh session of the board of directors, with a term of office commencing from the date on which the appointment was considered and approved by the board of directors until the date on which the term of office of the seventh session of the board of directors expires. See the information disclosure website of cninfo (http://www.cninfo.com.cn) for detailed information of Announcement on Election of Chairman and Adjustment of Members of Special Committees of the Board of Directors (• ë õ o X è + — ¿ Æ è + 6 Y ˜ ‰ p 6 Ó p Y ® S ‘) (Announcement No.: 2023-007). According to the provisions of the Articles of Association, the chairman of the board of directors is the legal representative of the Company, and on 10 April 2023, the Company completed the relevant procedures for the change of industrial and commercial registration and was reissued a business licence by the Weifang Municipal Administration for Market Regulation (e 9 9 9 – M # …).

X

Applicable ½ Not applicable

1. C

The Company held the sixth meeting of the seventh session of the board of directors on 28 April 2023, at which the Resolution on the Capital Increase to a Wholly-Owned Subsidiary through Debt-to-Equity Swap (• ë õ ø À 7 p Ù Ì Á Œ • ® ! # Y D é ‘) was considered and approved, agreeing the capital increase of RMB400 million by the Company to its wholly-owned subsidiary through debt-to-equity swap. See the information disclosure website of cninfo (http://www.cninfo.com.cn) for detailed information of Announcement on the Capital Increase to a Wholly-Owned Subsidiary through Debt-to-Equity Swap (• ë õ ø À 7 p Ù Ì Á Œ • ® ! # Y ® S ‘) (Announcement No.: 2023-025). On 22 May 2023, the subsidiary completed the relevant procedures for the change of industrial and commercial registration and was reissued a business licence by the Shouguang Administrative Examination and Approval Service Bureau (ª ˆ 9 A 2 - …).

Section VIII. Changes in Shares and Shareholders

I

1. C

Unit: share

	Prior to the change		Increase/decrease (+/–) as a result of the change					After the change	
	Qty.	Percentage	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	Qty.	Percentage
I.	104,625	0.01%	{	{	{	34,875	34,875	139,500	0.02%
1. State-owned shares	{	{	{	{	{	{	{	{	{
2. State-owned legal person shares	{	{	{	{	{	{	{	{	{
3. Other domestic shares	104,625	0.01%	{	{	{	34,875	34,875	139,500	0.02%
Including: Domestic legal person shares	{	{	{	{	{	{	{	{	{
Domestic natural person shares	104,625	0.01%	{	{	{	34,875	34,875	139,500	0.02%
4. Foreign shares	{	{	{	{	{	{	{	{	{
Including: Overseas legal person shares	{	{	{	{	{	{	{	{	{
Overseas natural person shares	{	{	{	{	{	{	{	{	{
II.	797,743,775	99.99%	{	{	{	(34,875)	(34,875)	797,708,900	99.98%
1. RMB ordinary shares	541,617,375	67.88%	{	{	{	(34,875)	(34,875)	541,582,500	67.88%
2. Domestically-listed foreign shares	{	{	{	{	{	{	{	{	{
3. Foreign shares listed overseas	256,126,400	32.10%	{	{	{	{	{	256,126,400	32.10%
4. Others	{	{	{	{	{	{	{	{	{
III.	797,848,400	100.00%	{	{	{	{	{	797,848,400	100.00%

Reason(s) for change in shares

Applicable ½ Not applicable

According to the Rules for Management of Shares of the Company Held by its Directors, Supervisors and officers of Listed Company and Their Changes, during the Reporting Period, some RMB-denominated ordinary shares (A) not subject to lock-up held by retired directors were changed into shares subject to lock-up, with the number of shares being 34,875.

Section VIII. Changes in Shares and Shareholders

Approval for the change in shares

½ Applicable Not applicable

Transfer for the change in shares

½ Applicable Not applicable

Effects of the change in shares on financial indicators such as basic earnings per share, diluted earnings per share and net assets attributable to ordinary shareholders of the Company per Share for the most recent year and period

½ Applicable Not applicable

Other contents that the Company deems necessary or required to be disclosed by the securities regulatory authority

½ Applicable Not applicable

2. C , ;

Applicable ½ Not applicable

Unit: share

Wang Quan Hong	104,625	34,875	0	139,500	Executive officers lock-in stock	2025-5-25
Total	104,625	34,875	0	139,500	{	{

Section VIII. Changes in Shares and Shareholders

I

1.

½ Applicable Not applicable

2. D C C

½ Applicable Not applicable

3. E

½ Applicable Not applicable

I

1. C

Unit: share

Total number of ordinary shareholders by the end of the Reporting Period	36,837 (including 36,795 A-share holders and 42 H-share holders)	Total number of ordinary shareholders at the end of last month before the disclosure date of the annual report	36,261	Total number of preferred shareholders whose voting powers have been restored by the end of the Reporting Period (if any)	0	Total number of preferred shareholders whose voting rights resumed at the end of last month before the disclosure date of the annual report	0

Section VIII. Changes in Shares and Shareholders

5% 10 ( )

H H

Shouguang Molong Holdings Co., Ltd. (ª^^²›þÞ"®!)	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledged	47,800,000
Hong Kong Central Clearing Agent Limited	Overseas Legal Person	13.21%	105,411,600	196,270	0	105,411,600	Not applicable	
Shandong Zhimeng Holdings Co., Ltd. († }¬›þÞ"®!)	Domestic non-state-owned legal person	8.23%	65,640,000	0	0	65,640,000	Not applicable	{
Shouguang Hongsen Logistics Co., Ltd. (ª^9¿ŒJtÞ"®!)	Domestic non-state-owned legal person	3.99%	31,800,000	0	0	31,800,000	Not applicable	{
Shouguang Panjin Property Co., Ltd. (ª^9Â–Ä8Þ"®!)	Domestic non-state-owned legal person	3.86%	30,800,000	0	0	30,800,000	Not applicable	{
Shouguang Ruisen New Building Materials Co., Ltd. (ª^9•Œ-è ¿Þ"®!)	Domestic non-state-owned legal person	2.93%	23,374,800	0	0	23,374,800	Not applicable	{
Zhang Yunsan	Natural Person in China	2.27%	18,108,000	(5,000,000)	0	18,108,000	Not applicable	{
Hong Kong Securities Clearing Company Limited	Overseas Legal Person	1.14%	9,126,635	6,977,987	0	9,126,635	Not applicable	{
Fan Xisheng	Natural Person in China	1.02%	8,152,400	2,614,200	0	8,152,400	Not applicable	{
Ma Like	Natural Person in China	0.82%	6,574,940	(99,130)	0	6,574,940	Not applicable	{

Strategic investors or general legal persons become the top 10 shareholders due to placing new shares (if any	Not applicable
Description of the above-mentioned shareholders' association or concerted action	Among the above shareholders, Shandong Zhimeng Holding Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., Shouguang Panjin Real Estate Co., Ltd. and Shouguang Ruisen New Building Materials Co., Ltd. reached a concerted action relationship by signing a concerted action agreement, without controlling each other. In addition to the above circumstances, the Company does not know whether there is any relationship or concerted action between other shareholders.
Explanation of the above shareholders' involvement in entrusted/entrusted voting rights and waiver of voting rights	Not applicable
Special description of the existence of repurchase accounts among the top 10 shareholders (if any)	Not applicableif any)

Section VIII. Changes in Shares and Shareholders

10

H

C

C

Shouguang Molong Holdings Co., Ltd.

(ª^^²›pÞ"®!)

Section VIII. Changes in Shares and Shareholders

Unit: share

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A /
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(,)

Hong Kong Securities Clearing Company Limited	Addition	0	0.00%	9,126,635	1.14%
Hu Hanqiao	Withdrawal	0	0.00%	0	0.00%

Whether the top 10 ordinary shareholders and the top 10 ordinary shareholders of the Company with unlimited selling conditions conducted agreed repurchase transactions during the Reporting Period

½ Yes No

The top 10 ordinary shareholders of the Company and the top 10 ordinary shareholders with unlimited selling conditions did not conduct agreed repurchase transactions during the Reporting Period.

2. C , C

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, : ,

L ,
, / D
I . B ,

Shouguang Molong Holdings Co., Ltd. (ª ^ ^ ² › p Þ " ® !)	Zhang Chenglong	29 October 2020	91370783MA3U9BR6XE	General activities: engage in investment activities with self-owned funds; corporate headquarters management; property management; housing lease; land remediation services; convention and exhibition services; enterprise management; financial consultation (except for business activities that must be approved by operation of law, the Company shall launch activities on his own by law based on his business license)

Shares of other domestic and overseas Listed Company controlled and participated by controlling shareholders during the Reporting Period — None

C , , , , ,

½ Applicable Not applicable

The controlling shareholder of the Company has not changed during the Reporting Period.

3. **C**

L

D

I **B**

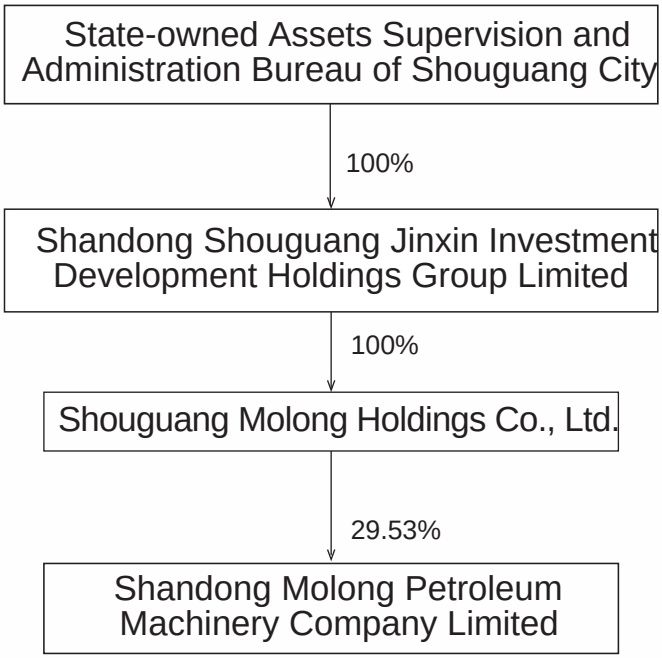
State-owned Assets Supervision and Administration Bureau of Shouguang City (ª ˆ 9 7 Þ * 9 – M # …)	Not applicable	1 August 1991	Not applicable	Responsible for the management of state-owned assets and capital operation of enterprises and institutions in the city.
Equity of other domestic and overseas Listed Company controlled by the actual controller during the Reporting Period	During the Reporting Period, Shouguang SAB held 100% equity of Shouguang Jinxin. Shouguang Jinxin holds 45.22% equity of Chenming Holding Co., Ltd., which directly and indirectly holds 821,454,482 shares of Shandong Chenming Paper Group Co., Ltd. (stock code: 000488, 200488, 01812), accounting for 27.78%% of its total share capital; Shouguang Jinxin holds 7,650,000 shares of Shandong Global Software Co., Ltd. (stock code: 871907), accounting for 41.89% of its total share capital. Shouguang Jinxin holds 110,559,279 shares in total of Zhejiang Kingland Pipeline & Technologies Co., Ltd. (stock code: 002443) directly and indirectly through Chenxun (Shanghai) Industrial Co., Ltd.(Ë 6€ j •¼ 8 Þ " ® !), accounting for 21.24% of its total share capital.			

½ Applicable Not applicable

The actual controller of the Company has not changed during the Reporting Period.

Section VIII. Changes in Shares and Shareholders

Block diagram of ownership and control relationship between the Company and actual controller



The actual controller controls the Company through trust or other asset management methods

½ Applicable Not applicable

4.

C **C** **80%**

½ Applicable Not applicable

Section VIII. Changes in Shares and Shareholders

5. **10%**

Shouguang Ruisen New Building Materials Co., Ltd. (ª ˆ 9 • Œ - è ¿ Þ " ® !)	Xue Yumin	8 February 2017	RMB50 million	Permitted activities: all engineering construction activities; construction professional operation; interior decoration of residence. (those activities that must be approved by law should not be conducted without the approval of competent authorities and the specific business activities shall be subject to the approval or permit of competent authorities) General activities: cement products manufacturing; manufacture of concrete structural components; building block manufacturing; metal structure manufacturing; timber sales; Sales of metal materials; sale of building materials; sale of cement products; sale of concrete structural components; sale of building blocks; sale of metal structures; earthwork construction. (except for business activities that must be approved by operation of law, the Company shall launch activities on his own by law based on his business license)

Note: Shandong Zhimeng Holding Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., Shouguang Panjin Real Estate Co., Ltd. and Shouguang Ruisen New Building Materials Co., Ltd. reached a concerted action relationship by signing a concerted action agreement, which holds a total of 151,614,800 shares of the Company, accounting for 19.003% of the total share capital of the Company.

6.

½ Applicable Not applicable

V

Implementation progress of share repurchase

½ Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized bidding transaction

½ Applicable Not applicable

Section IX. Relevant Information on Preferred Shares

½ Applicable Not applicable

There are no preferred shares in the Company during the Reporting Period.

Section X. Relevant Information on Bonds

½ Applicable Not applicable

Section XI. Financial Report
Audit Report

Type of audit opinion	Standard unqualified opinion on paragraphs with significant uncertainty regarding ongoing operations
Date of signing of the auditor's report	28 March 2024
Name of auditors	Shinewing Certified Public Accountants LLP
Auditor's report file number	XYZH/2024JNAA3B0050
Names of the CPAs	Wang Gongyong, Zhang Chao

[illegible]

To the shareholders of Shandong Molong Petroleum Machinery Company Limited:

I [illegible]

We have audited the financial statements of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as "Shandong Molong"), which comprise the consolidated and parent company's balance sheet as at 31 December 2023, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement and the consolidated and parent company's statement of changes in shareholders' equity for 2023, as well as notes to the financial statements.

In our opinion, the accompanying financial statements comply with the requirements of the Accounting Standards for Business Enterprises in all material respects, and fairly present the consolidated and parent company's financial position of Shandong Molong as at 31 December 2023, as well as the consolidated and parent company's results of operations and cash flows for 2023.

I [illegible]

We have performed the audit in accordance with the Chinese CPA Standards on Auditing. The "Responsibility of CPA to Audit the Financial Statements" in the auditor's report further explains our responsibilities under these Standards. According to the Code of Ethics for Certified Public Accountants of China, we are independent from Shandong Molong and have fulfilled other responsibilities in terms of professional ethics. We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

I [illegible]

We remind users of the financial statements that Shandong Molong's net profit attributable to owners of the parent company in 2023 was RMB-567 million. As of 31 December 2023, the equity attributable to shareholders of the parent company was RMB424 million, the asset-liability ratio was 88.41%, and the interest-bearing liabilities that are repayable within one year amounted to approximately RMB1.679 billion. Part of the liabilities are overdue, and some creditors have initiated legal proceedings, resulting in certain bank accounts being frozen and certain assets being seized. In response to these circumstances, the Company has taken improvement measures as described in this section IV.2 to the financial report. These conditions indicate the existence of material uncertainties that may cast significant doubt on Shandong Molong's ability to continue as a going concern, which does not affect the audit opinion issued.

Audit Report

V

The key audit matters are the most important in auditing the financial statements of the current period according to our professional judgment. These matters should be subject to an audit of the overall financial statements and form an audit opinion as the background, and we do not express an independent opinion on them.

1.

K A

As mentioned in this section V.30 and VII.39 to the consolidated financial statements of Shandong Molong, as at 31 December 2023, Shandong Molong had an operating revenue of RMB1,317.4958 million for 2023. The revenue recognition was relatively significant to the net profit.

There are inherent risks in revenue recognition, and there is a risk of material misstatement whether the revenue is complete and accurately recorded in the appropriate accounting period. Therefore, we identify Shandong Molong's revenue recognition as a key audit matter.

H

We mainly performed the following audit procedures:

- To understand, test and evaluate the management's effectiveness in the design and operation of key internal controls related to revenue recognition;
- To extract samples from revenue transactions recorded for the year, conducting a substantive test, checking invoices, sales contracts, delivery orders and customers' receipts, verifying the authenticity of revenue recognised, and assessing whether the related revenue recognition is in conformity with the accounting policy for revenue recognition of Shandong Molong;
- To implement an assurance process by selecting the transaction amounts and balance with major customers based on the nature and characteristics of those customers;
- To extract from balance statements of sales with a significant amount for verification to ascertain the authenticity of sales proceeds;
- To select major customers, check their industrial and commercial registration and other information, and evaluate the reasonableness of the transactions;
- To perform analytical procedures for revenue and costs, and compare product revenue, costs and gross profit for this year with those of last year for analysis;
- To execute cut-off test audit procedures, select samples, check delivery orders and other supporting documents for income transactions recorded before and after the balance sheet date, and assess whether income is recorded in the appropriate accounting period;
- To check and evaluate the appropriateness of the accounting of revenue recognition by management of Shandong Molong and the presentation and disclosures in the financial statements.

2. D

K Ą

As mentioned in this section V.17 and VII.7 to the consolidated financial statements of Shandong Molong, as at 31 December 2023, Shandong Molong had a book balance of inventories of RMB479.7593 million and a balance of provision for impairment of inventories of RMB24.8770 million.

Shandong Molong regularly estimates the net realizable value of inventory, and confirms the inventory depreciation reserve for the difference between inventory cost and net realizable value. Because the impairment test process is complicated, the management of Shandong Molong needs to make more judgments and assumptions in the forecast. Therefore, we make provision for impairment of inventory a key audit matter.

H ,

We mainly performed the following audit procedures:

- To understand, test and evaluate the effectiveness of the design and operation of key internal controls related to inventory impairment;
- To perform inventory monitoring procedures for inventory, check inventory quantity and condition, etc.;
- To obtain the list of end-of-year inventory of Shandong Molong, and conduct an analytical review of inventory with a longer history;
- To check the previous year's impairment of inventory and the changes of the impairment in the current year;
- To inquire about the changes in raw material and finished product prices during the year and understand the trend of raw material and finished product prices in 2023. Check whether the Management considers these factors to have an impact on the impairment of Shandong Molong's inventory;

  and we reviewed the management's model, method and related parameters for the estimation of the net realizable value of inventory, including obtaining the post-period unit price of sale to test the rationality of future selling prices, and evaluating the rationality of the estimated costs, selling expenses and related taxes upon completion.
- To obtain Shandong Molong's information such as details on provision for inventory impairment, we reviewed the management's method and related parameters for the estimation of net realizable value of inventory, including obtaining the post-period unit price of sale to test the rationality of future selling prices, and evaluating the rationality of the estimated costs, selling expenses and related taxes upon;
- To check and evaluate the appropriateness of the accounting of provision for impairment of inventories by the management of Shandong Molong and the presentation of and disclosures in the financial statements.

Audit Report

3. I

K A H

As mentioned in Notes V.21 and VII.11 to the consolidated financial statements of Shandong Molong, as at 31 December 2023, Shandong Molong had a book value of fixed assets of RMB1,577.5941 million, and a balance of provision for impairment of fixed assets amounted to RMB374.5058 million.

While conducting asset impairement test, the management is required to make significant estimates and assumptions in assessing the recoverable amount of fixed assets, any changes of these estimates and assumptions of 1.25 wsDecemen 5ie 63 ng the ( )]TJ0.05ates

Audit Report

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The management of Shandong Molong (hereinafter referred to as the Management) is responsible for other information. Other information shall include data covered in 2023's annual report of Shandong Molong, but not include the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit on the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, we should report the fact if identified any significant error in other information. In this regard, we have no need to report any matter.

V

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Shandong Molong's ability to continue as a going concern, disclosing issues related to going concern (if applicable) and applying the going-concern assumption of accounting unless the Management plans to liquidate the Company, terminate operations, or choose other realistic choices.

Those governance is responsible for overseeing Shandong Molong's financial reporting process.

V

Our objective is to obtain reasonable assurance that the overall financial statements have no significant error caused by fraud or mistake, and issue an audit report containing auditors' opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. The misstatement may be caused by fraud or error. If it is reasonably expected that misstatement, individually or totally, can affect the economic decision made by the user of financial statements according to the financial statements, then such misstatement is generally considered significant.

In the process of performing our audit in accordance with the audit criteria, we exercised our professional judgment and maintain our occupational suspicion. In addition, we also perform the following duties:

(1) Identify and evaluate the risk of significant error in the financial statements caused by fraud or mistake, design and take the audit procedures against such risk, and obtain sufficient and appropriate audit evidence as the basis for giving our audit opinion. Since the fraud may involve collusion, forgery, intentional omission, false statement or overriding internal control, the risk of failure to identify any major misstatement due to fraud is higher than that of failure to identify any major misstatement caused by mistake.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies selected and reasonableness of accounting estimates made by the Management.

(4) Conclude the appropriateness of the Management's use of going-concern assumption. In addition, according to the obtained audit evidence, there may be conclusion on significant uncertainty in the matters or circumstances that may lead to significant doubt on going-concern capacity of Shandong Molong. If we conclude that there is material uncertainty, the audit criteria require us to remind the users of paying attention to the relevant disclosure in the financial statements in the audit report; if the disclosure is insufficient, we shall issue a non-qualified opinion. Our conclusions are based on the information available as at the date of audit report. However, the future events or circumstances may lead to failure of going concern of Shandong Molong.

(5) Evaluate the overall presentation, structure and content of the financial statements, and also evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence for the financial information of entities or business activities in Shandong Molong so as to give audit opinions on the consolidated financial statements. We are responsible for guiding, supervising and executing Group audit and bearing the sole responsibility for the audit opinion.

We communicate with the governance on the planned audit scope, time arrangement, significant audit findings and other issues, including any significant internal control deficiencies that we identified during the audit.

We also provide the governance with a statement that we have complied with those relevant ethical requirements regarding independence, and communicate with the governance about all relationships and other matters that may reasonably be considered to affect our independence and relevant precautions, if applicable.

From any matters communicated with the Governance, we determined which are the most important for the audit of the financial statements for the current period and therefore constitute the key audit matter. We described them in the audit report, unless laws and regulations prohibit their public disclosure, or in any rare cases, if it is reasonably expected that the negative consequences of a particular matter in the audit report exceed their benefit in terms of public interest, we decided not to communicate them in the audit report.

Shinewing Certified Public Accountants LLP

PRC certified public accountants:(Project Partner)

PRC certified public accountants:

Beijing, China

28 March 2024

Consolidated balance sheet

Unit: RMB

I	31 D 2023	1 January 2023
Ç :		
Monetary funds	**99,072,876.12**	459,657,822.57
Settlement deposits	{	{
Lending funds	{	{
Financial assets held for trading	{	{
Derivative financial assets	{	{
Bills receivables	**78,005,897.66**	171,547,752.98
Accounts receivables	**253,264,672.00**	294,399,562.75
Financing receivables	**2,485,020.78**	5,371,855.71
Advances	**30,163,124.55**	35,450,700.83
Insurance receivables	{	{
Reinsurance receivables	{	{
Reinsurance contract reserves receivable	{	{
Other receivables	**4,675,103.22**	5,626,830.61
Including: Interests receivable	{	{
Dividends receivable	{	{
Purchases of sell-back financial assets	{	{
Inventories	**454,882,307.24**	670,217,844.40
Contract assets	{	{
Assets held for sale	{	{
Non-current assets due within one year	{	{
Other current assets	**858,918.49**	5,790,675.91
,	**923,407,920.06**	1,648,063,045.76

Consolidated balance sheet

Unit: RMB

I	31 D 2023	1 January 2023
-, :		
Granted loans and advances	{	{
Debt investments	{	{
Other debt investments	{	{
Long-term receivables	{	{
Long-term equity investments	**1,754,772.59**	1,857,463.06
Investments in other equity instruments	{	{
Other non-current financial assets	{	{
Investment properties	**16,874,595.83**	{
Fixed assets	**1,577,594,066.22**	2,003,871,030.19
Construction-in-progress	**2,192,776.49**	298,971.19
Productive biological assets	{	{
Oil and gas assets	{	{
Right-of-use assets	**21,377,297.83**	{
Intangible assets	**341,873,447.91**	357,278,042.57
Development expenditures	{	{
Goodwill	{	{
Long-term deferred expenses	{	{
Deferred income tax assets	**1,628,607.92**	26,108,899.14
Other non-current assets	**1,378,503.95**	1,128,107.60
-,	**1,964,674,068.74**	2,390,542,513.75
A	**2,888,081,988.80**	4,038,605,559.51

Consolidated balance sheet

Unit: RMB

I	31 D 2023	1 January 2023
Ç :		
Short-term borrowings	**1,633,111,107.94**	1,962,936,789.90
Borrowings from the central bank	{	{
Borrowing funds	{	{
Financial liabilities held for trading	{	{
Derivative financial liabilities	{	{
Bills payable	{	64,855,401.04
Accounts payable	**509,647,241.72**	611,264,285.51
Receipts in advance	{	{
Contract liabilities	**54,732,615.40**	107,582,152.10
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	**75,699,078.02**	42,790,646.48
Taxes payable	**19,595,319.94**	11,279,406.47
Other payables	**34,143,155.71**	36,765,356.32
Including: Interests payable	{	{
Dividends payable	{	{
Brokerage and commission payables	{	{
Reinsurance payables	{	{
Liabilities held for sale	{	{
Non-current liabilities due within one year	**52,797,378.40**	87,329,367.25
Other current assets	**43,395,150.74**	48,192,008.81
,	**2,423,121,047.87**	2,972,995,413.88

Consolidated balance sheet

Unit: RMB

I	31 D	2023	1 January 2023
-, :			
Insurance contract reserves		{	{
Long-term borrowings		{	{
Bonds payable		{	{

Balance sheet of the parent company

Unit: RMB

I	31 D 2023	1 January 2023
Ç :		
Monetary funds	**92,576,179.79**	437,728,168.67
Financial assets held for trading	{	{
Derivative financial assets	{	{
Bills receivables	**78,005,897.66**	171,547,752.98
Accounts receivables	**536,261,914.96**	560,320,816.34
Financing receivables	**2,390,316.78**	3,888,898.40
Advances	**432,701,447.58**	406,342,471.90
Other receivables	**466,585,433.39**	734,091,673.64
Including: Interests receivable	{	{
Dividends receivable	{	{
Inventories	**369,770,368.17**	525,035,413.03
Contract assets	{	{
Assets held for sale	{	{
Non-current assets due within one year	{	{
Other current assets	**783,131.29**	2,995,798.48
,	**1,979,074,689.62**	2,841,950,993.44

Balance sheet of the parent company

Unit: RMB

I	31 D	2023	1 January 2023
-, :			
Debt investments		{	{
Other debt investments		{	{
Long-term receivables		{	{
Long-term equity investments		**440,318,523.97**	1,154,019,921.73
Investments in other equity instruments		{	{
Other non-current financial assets		{	{
Investment properties		{	{
Fixed assets		**547,745,033.77**	701,355,376.51
Construction-in-progress		**1,893,805.30**	{
Productive biological assets		{	{
Oil and gas assets		{	{
Right-of-use assets		**21,377,297.83**	
Intangible assets		**65,863,281.17**	72,482,198.98
Development expenditures		{	{
Goodwill		{	{
Long-term deferred expenses		{	{
Deferred income tax assets		{	24,300,320.35
Other non-current assets		**18,340.00**	378,107.60
-,		**1,077,216,282.04**	1,952,535,925.17

Balance sheet of the parent company

Unit: RMB

I	31 D 2023	1 January 2023
Ç :		
Short-term borrowings	**1,456,944,003.59**	1,396,236,789.90
Financial liabilities held for trading	{	{
Derivative financial liabilities	{	{
Bills payable	**184,510,100.00**	645,113,301.29
Accounts payable	**301,554,393.59**	265,933,229.03
Receipts in advance	{	{
Contract liabilities	**52,528,337.04**	100,598,968.48
Salaries payable	**57,615,585.05**	28,977,905.19
Taxes payable	**16,096,774.68**	7,878,113.91
Other payables	**43,341,849.76**	27,785,537.73
Including: Interests payable	{	{
Dividends payable	{	{
Liabilities held for sale	{	{
Non-current liabilities due within one year	**52,797,378.40**	48,991,857.12
Other current assets	**43,282,911.84**	47,882,854.13
¸	**2,208,671,333.95**	2,569,398,556.78
-¸ :		
Long-term borrowings	{	{
Bonds payable	{	{
Including: Preferred shares	{	{
Perpetual bonds	{	{
Lease liabilities	**14,615,767.79**	{
Long-term payables	**19,854,583.39**	65,461,963.55
Long-term salaries payable	{	{
Estimated liabilities	{	{
Deferred revenue	{	{
Deferred income tax liabilities	**3,206,594.67**	{
Other non-current liabilities	{	{
-¸	**37,676,945.85**	65,461,963.55
L	**2,246,348,279.80**	2,634,860,520.33

Balance sheet of the parent company

Unit: RMB

I	31 D 2023	1 January 2023
:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	{	{
Including: Preferred shares	{	{
Perpetual bonds	{	{
Capital reserve	**867,573,114.26**	864,386,661.76
Less: Treasury shares	{	{
Other comprehensive income	{	{
Special reserve	{	{
Surplus reserve	**187,753,923.88**	187,753,923.88
Undistributed profits	**(1,043,232,746.28)**	309,637,412.64
	809,942,691.86	2,159,626,398.28
	3,056,290,971.66	4,794,486,918.61

Consolidated income statement

Unit: RMB

I		2023	2022
I.	I	**1,317,495,782.20**	2,765,645,281.40
	Including: Operating revenue	**1,317,495,782.20**	2,765,645,281.40
	Interest income	{	{
	Insurance premium earned	{	{
	Brokerage and commission income	{	{
II.		**1,627,990,434.22**	3,129,597,158.90
	Including: Operating costs	**1,215,719,694.55**	2,675,212,319.74
	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	**15,858,832.98**	14,382,252.20
	Selling expenses	**18,657,986.37**	17,580,244.46
	Administrative expenses	**228,139,393.15**	274,947,866.01
	Research and development expenditures	**35,480,208.21**	41,651,730.15
	Finance expenses	**114,134,318.96**	105,822,746.34
	Including: Interest expenses	**118,712,577.92**	117,884,825.33
	Interest income	**4,550,168.10**	8,379,526.72
	Add: Other gains	**380,410.90**	973,231.66
	Return on investment (loss indicated with "-")	**(102,690.47)**	(287,370.63)
	Including: Gains on investment in associates and joint ventures	**(102,690.47)**	(287,370.63)
	Gain on derecognition of financial assets measured at amortised cost	{	{
	Profit on exchange (loss indicated with "-")	{	{
	Profit on net exposure hedging (loss indicated with "-")	{	{
	Gain on change of fair value (loss indicated with "-")	{	{
	Credit impairment loss (loss indicated with "-")	**(9,717,389.11)**	(61,267,202.09)
	Asset impairment loss (loss indicated with "-")	**(231,188,456.56)**	(16,980,412.51)
	Return on asset disposition (loss indicated with "-")	**1,941,021.83**	1,123.89
III.	(-)	**(549,181,755.43)**	(441,512,507.18)
	Add: Non-operating income	**3,644,165.08**	6,672,878.46
	Less: Non-operating expenses	**4,543,363.00**	11,202,613.91

Unit: RMB

I		2023	2022
I .	G (▮-`)	**(550,080,953.35)**	(446,042,242.63)
	Less: Income tax expenses	**28,453,497.81**	2,893,204.74
.	(▮-`)	**(578,534,451.16)**	(448,935,447.37)
	(i) Classified by continued operation	{	{
	1. Net profit of continuous operation (net loss indicated with "-")	**(578,534,451.16)**	(448,935,447.37)
	2. Net profit of terminated operation (net loss indicated with "-")	{	{
	(ii) By attributable ownership	{	{
	1. Net profit attributable to the shareholders of the parent company	**(566,861,510.82)**	(424,969,725.59)
	2. Loss or profit attributable to minority interests	**(11,672,940.34)**	(23,965,721.78)
I.	- ,	**(302,689.03)**	(1,508,123.84)
	Other comprehensive income attributable to owners of the parent company, net of tax	**(272,420.13)**	(1,357,311.46)
	(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	**(272,420.13)**	(1,357,311.46)
	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	**(272,420.13)**	(1,357,311.46)
	7. Others	{	{
	Other comprehensive income attributable to minority shareholders, net of tax	**(30,268.90)**	(150,812.38)
II.		**(578,837,140.19)**	(450,443,571.21)
	Total comprehensive income attributable to owners of the parent company	**(567,133,930.95)**	(426,327,037.05)
	Total comprehensive income attributable to minority interests	**(11,703,209.24)**	(24,116,534.16)
III.	E , (E _)		
	(i) Basic earnings per share	**(0.71)**	(0.53)
	(ii) Diluted earnings per share	**(0.71)**	(0.53)

Legal Representative: Yuan Rui	Responsible Person in Charge of Accounting: Zhao Xiaotong	Head of Accounting Organization: Zhu Lin

Income statement of parent company

Unit: RMB

I		2023	2022
I.	I	**1,271,743,573.20**	1,804,176,882.02
	Less: Operating cost	**1,172,625,253.98**	1,696,682,871.98
	Tax and surcharges	**9,880,061.26**	7,293,650.11
	Selling expenses	**17,763,434.29**	15,878,838.29
	Administrative expenses	**58,896,874.86**	87,350,991.58
	Research and development expenditures	**35,480,208.21**	41,651,730.15
	Finance expenses	**97,156,603.57**	77,172,915.08

Income statement of parent company

Unit: RMB

I			2023	2022
.		- ,	{	{
	(i)	Other comprehensive income that may not be reclassified to profit or loss	{	{
		1. Changes on remeasurement of defined benefit plans	{	{
		2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	{	{
		3. Fair value changes in investments in other equity instruments	{	{
		4. Fair value changes in credit risk of the Company	{	{
		5. Others	{	{
	(ii)	Other comprehensive income that will be reclassified to profit or loss	{	{
		1. Other comprehensive income that may be transferred to profit or loss under equity accounting	{	{
		2. Fair value changes in other debt investments	{	{
		3. Reclassification of financial assets to other comprehensive income	{	{
		4. Credit-impaired provision for other debt investments	{	{
		5. Cash flow hedge reserve	{	{
		6. Exchange differences on translation of foreign financial statements	{	{
		7. Others	{	{
I.			**(1,352,870,158.92)**	(194,642,245.00)
II.	**E**	, **(E_)**	{	{
	(i)	Basic earnings per share	{	{
	(ii)	Diluted earnings per share	{	{

Consolidated cash flow statement

Unit: RMB

I		**2023**	2022
I.	**C , :**		
	Cash received from sales of goods and rendering of services	**1,090,950,404.01**	2,435,005,536.69
	Net increase in customer bank deposits and due to banks and other financial institutions	{	{
	Net increase in borrowings from the central bank	{	{
	Net increase in borrowings from other financial institutions	{	{
	Cash received from receiving insurance premium of original insurance contract	{	{
	Net cash received from reinsurance business	{	{
	Net increase in deposits from policyholders and investments	{	{
	Cash received of interests, fees and commissions	{	{
	Net increase in inter-bank borrowings	{	{
	Net increase in repurchase business capital	{	{
	Net cash proceeds from securities brokerage	{	{
	Receipts of tax refunds	**957,825.16**	67,289,707.82
	Other cash received relating to operating activities	**18,666,480.82**	31,748,108.40

Consolidated cash flow statement

Unit: RMB

I		2023	2022
II.	C :		
	Cash received from disposal of investments	{	{
	Cash received from gains on investments	{	{
	Net cash from disposal of fixed assets, intangible assets and other long-term assets	**2,908,746.75**	1,123.89
	Net cash received from disposal of subsidiaries and other business units	{	{
	Other cash received relating to investing activities	{	{
	Subtotal of cash inflows from investing activities	**2,908,746.75**	1,123.89
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**5,684,175.36**	8,467,557.77
	Cash paid for acquisition of investments	{	{
	Net increase in pledged loans	{	{
	Net cash paid for acquisition of subsidiaries and other business units	{	{
	Other cash paid relating to investing activities	{	{
	, , ,	**5,684,175.36**	8,467,557.77
	, ,	**(2,775,428.61)**	(8,466,433.88)

Consolidated cash flow statement

Unit: RMB

I		2023	2022
III.	C , :		
	Cash received from capital contributions	{	{
	Including: Cash received from minority shareholder investment by subsidiary	{	{
	Borrowings received	**3,368,902,483.90**	3,516,764,976.72
	Other cash received relating to financing activities	**92,048,500.00**	{
	, ,	**3,460,950,983.90**	3,516,764,976.72
	Cash repayments of debts	**3,748,793,162.27**	3,395,070,911.66
	Cash paid for dividend and profit distribution or interest payment	**109,397,855.80**	120,913,636.96
	Including: Dividend and profit paid to minority shareholders by subsidiary	{	{
	Other cash paid relating to financing activities	**7,874,614.22**	42,048,500.00
	, , ,	**3,866,065,632.29**	3,558,033,048.62
	, ,	**(405,114,648.39)**	(41,268,071.90)
I .	E , , , ,	**1,866,027.67**	5,707,334.10
.	,	**(271,031,471.77)**	(55,536,954.09)
	Add: Balance of cash and cash equivalents at the beginning of the period	**358,672,243.57**	414,209,197.66
I.	C , B C C E ,	**87,640,771.80**	358,672,243.57

Cash Flow Statement of the Parent Company

Unit: RMB

I		2023	2022
I.	C , :		
	Cash received from sales of goods and rendering of services	**946,030,035.09**	1,576,765,426.15
	Receipts of tax refunds	{	36,137,988.72
	Other cash received relating to operating activities	**123,777,080.67**	79,185,027.23
	, ,	**1,069,807,115.76**	1,692,088,442.10
	Cash paid for purchasing goods and receiving services	**1,059,131,048.06**	1,332,541,282.78
	Cash paid to and on behalf of employees	**122,706,516.26**	183,594,808.42
	Cash paid for taxes	**50,652,681.76**	78,740,822.69
	Other cash paid relating to operating activities	**53,505,261.42**	162,701,328.47
	, , ,	**1,285,995,507.50**	1,757,578,242.36
	,	**(216,188,391.74)**	(65,489,800.26)
II.	C :		
	Cash received from disposal of investments	{	{
	Cash received from gains on investments	{	{
	Net cash from disposal of fixed assets, intangible assets and other long-term assets	**2,117,011.33**	1,123.89
	Net cash received from disposal of subsidiaries and other business units	{	{
	Other cash received relating to investing activities	{	{
	, ,	**2,117,011.33**	1,123.89
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**972,720.45**	2,151,320.81
	Cash paid for acquisition of investments	{	{
	Net cash paid for acquisition of subsidiaries and other business units	{	{
	Other cash paid relating to investing activities	{	{
	, , ,	**972,720.45**	2,151,320.81
	, ,	**1,144,290.88**	(2,150,196.92)

Cash Flow Statement of the Parent Company

Unit: RMB

I		2023	2022
III.	C , :		
	Cash received from capital contributions	{	{
	Borrowings received	**2,792,622,483.90**	2,452,064,976.72
	Other cash received relating to financing activities	{	{
	, ,	**2,792,622,483.90**	2,452,064,976.72
	Cash repayments of debts	**2,743,463,071.26**	2,321,470,911.66
	Cash paid for dividend and profit distribution or interest payment	**94,408,231.37**	93,497,888.62
	Other cash paid relating to financing activities	**7,874,614.22**	{
	, ,	**2,845,745,916.85**	2,414,968,800.28
	, ,	**(53,123,432.95)**	37,096,176.44
I .	E , , , ,	**1,911,336.65**	5,378,934.22
.	,	**(266,256,197.16)**	(25,164,886.52)
	Add: Balance of cash and cash equivalents at the beginning of the period	**350,829,668.67**	375,994,555.19
I.	C , B C C E ,	**84,573,471.51**	350,829,668.67

Consolidated statement of changes in owner's equity

Unit: RMB

| A , , | 2023 | | |

A , ,

Unit: RMB

		2022														
		Equity attributable to owners of the parent company														
			Other equity instruments													
Item		Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I.	Balance at the end of the previous year	797,848,400.00	{	{	{	863,356,311.20	{	(1,671,948.29)	{	187,753,923.88	{	(434,047,824.92)	{			

Statement of Changes in Owner's Equities of the Parent Company

Unit: RMB

A、

A , ,

Unit: RMB

Item	2022											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
I. B ,	797,848,400.00	{	{	{	863,337,643.70	{	{	{	187,753,923.88	504,279,657.64	{	2,353,219,625.22
Add: Changes in accounting policies	{	{	{	{	{	{	{	{	{	{	{	{
Correction of prior period errors	{	{	{	{	{	{	{	{	{	{	{	{
Others	{	{	{	{	{	{	{	{	{	{	{	{
II. B , , ,	797,848,400.00	{	{	{	863,337,643.70	{	{	{	187,753,923.88	504,279,657.64	{	2,353,219,625.22
III. I / , , ( )	{	{	{	{	1,049,018.06	{	{	{	{	(194,642,245.00)	{	(193,593,226.94)
(i) Total comprehensive income	{	{	{	{	{	{	{	{	{	(194,642,245.00)	{	(194,642,245.00)
(ii) Owners' contributed capital and reduced capital	{	{	{	{	1,049,018.06	{	{	{	{	{	{	1,049,018.06
1. Ordinary shares contributed by owners	{	{	{	{	{	{	{	{	{	{	{	{
2. Capital contributed by other equity instruments holders	{	{	{	{	{	{	{	{	{	{	{	{
3. Amounts of share-based payments recognised in owners' equity	{	{	{	{	{	{	{	{	{	{	{	{
4. Others	{	{	{	{	1,049,018.06	{	{	{	{	{	{	1,049,018.06
(iii) Profit distribution	{	{	{	{	{	{	{	{	{	{	{	{
1. Appropriations to surplus reserve	{	{	{	{	{	{	{	{	{	{	{	{
2. Distribution to the owners (or shareholders)	{	{	{	{	{	{	{	{	{	{	{	{
3. Others	{	{	{	{	{	{	{	{	{	{	{	{
(iv) Internal carryover of owner's equity	{	{	{	{	{	{	{	{	{	{	{	{
1. Conversion of capital reserve into capital (or share capital)	{	{	{	{	{	{	{	{	{	{	{	{
2. Conversion of surplus reserve into capital (or share capital)	{	{	{	{	{	{	{	{	{	{	{	{
3. Surplus reserve making up of losses	{	{	{	{	{	{	{	{	{	{	{	{
4. Changes in defined benefit plans carried forward to retained earnings	{	{	{	{	{	{	{	{	{	{	{	{
5. Other comprehensive income carried forward to retained earnings	{	{	{	{	{	{	{	{	{	{	{	{
6. Others	{	{	{	{	{	{	{	{	{	{	{	{
(v) Special reserve	{	{	{	{	{	{	{	{	{	{	{	{
1. Withdrawal in current period	{	{	{	{	{	{	{	4,786,702.89	{	{	{	4,786,702.89
2. Utilized during the current period	{	{	{	{	{	{	{	4,786,702.89	{	{	{	4,786,702.89
(vi) Others	{	{	{	{	{	{	{	{	{	{	{	{
I . B ,	797,848,400.00	{	{	{	864,386,661.76	{	{	{	187,753,923.88	309,637,412.64	{	2,159,626,398.28

Notes to the Financial Statements

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

I [illegible]

Shandong Molong Petroleum Machinery Company Limited (hereunder the "Company", together with its subsidiaries, the "Group") is a joint stock limited company registered in the People's Republic of China, the predecessor company is Shandong Molong Holdings Company, which was established jointly by Zhang En Rong, Lin Fu Long, Zhang Yun San, Xie Xin Cang, Liu Yun Long, Cui Huan You, Liang Yong Qiang, Shengli Oil Field Kaiyuan Oil Exploitation Company Limited and Gansu Industrial University Alloy Materials Factory on 27 December 2001 with the approval from Office for Restructuring the Economic System of Shandong Province with the letter LTGHZ [2001] No. 53.

Upon the approval by China Securities Regulatory Commission with CSRCIC Zi [2003] No. 50 on 15 April 2004, the Company issued 134,998,000 additional overseas listed foreign shares (H Shares) at the issuing price of HKD0.70 per share with a nominal value of RMB0.10 each, which were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

Upon the approval by China Securities Regulatory Commission with CSRCIC Zi [2005] No. 13 on 12 May 2005, the Company issued 108,000,000 additional overseas listed overseas shares (H Shares) at the issuing price of HKD0.92 per share with a nominal value of RMB0.10 each.

Upon the approval by CSRCIC Zi [2007] No. 2 issued and signed by China Securities Regulatory Commission on 26 January 2007 and the approval issued by the Stock Exchange of Hong Kong on 6 February 2007, the listing status of the Company's overseas listed overseas shares (H shares) on the Growth Enterprise Market of the Stock Exchange of Hong Kong has been canceled on 7 February 2007, and changed to list on the Main Board of the Stock Exchange of Hong Kong.

Upon the approval by China Securities Regulatory Commission with CSRC Permit [2010] No. 1285 on 11 October 2010, the Company offered 70,000,000 RMB ordinary shares (A Shares) with nominal value of RMB1 each at an offering price of RMB18 per share, and listed for trading on the Shenzhen Stock Exchange since 21 October 2010. The Company's registered capital has changed to RMB398,924,200.00, and the total number of shares has changed to 398,924,200 shares.

According to the resolution of the 2011 Annual General Meeting held on 25 May 25 2012, the Company was converted from the capital reserve to the share capital based on the total 398,924,200 shares as at 31 December 2011, at the ratio of 1 share for each share, with a total of 398,924,200 shares converted on 19 July 2012. Upon the conversion, the Company's registered capital has changed to RMB797,848,400.00, and the total number of shares has changed to 797,848,400 shares.

Mr. Zhang En Rong, the former controlling shareholder and actual controller of the Company, and Shouguang Molong Holdings Co., Ltd. (hereinafter referred to as "Molong Holdings") signed the Share Transfer Agreement on 23 February 2021. Mr. Zhang En Rong transferred 235,617,000 A shares of the Company (representing 29.53% of the total share capital of the Company) held by him to Molong Holdings by way of transfer agreement.

As at 31 December 2023, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

The registered address of the Company is No.99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province, and the office address is F8-10, Building 19, Enterprise Headquarters Group, Shengcheng Street, Shouguang City, Shandong Province.

I [illegible] *(continued)*

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

The controlling shareholder of the Company is Molong Holdings and the actual controller is the State-owned Assets Supervision and Administration Commission of Shouguang City.

These financial statements were approved by the board of directors of the Company on 28 March 2024. According to the Articles of Association of the Company, these financial statements shall be submitted to the general meeting for consideration.

V [illegible]

1. B

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

2. G ,

In order to address the going concern issue, the Company intends to implement the following measures:

1) Obtain support from the local government. To support the stable operation of Shandong Molong, the Shouguang Municipal Government will carry out the following actions: study and implement decisions, arrangements and an enterprise transformation and development plan; coordinate the measure implementation to stabilize Molong's operation and accelerate the high-quality development of energy equipment in Shouguang; study and formulate financial support policies for Shandong Molong, consult with financial institutions, and actively introduce strategic investment; and define product positioning, further expand the market share of medium and high value-added products, and formulate technical transformation plans. Shouguang Municipal Government will make efforts to help the Company operate steadily by taking various measures.

V [illegible] *(continued)*

2. G *(continued)*

2) Secure financial support from Shouguang Jinxin, a related party shareholder of the Company. On 20 February 2024, after the consideration and approval at the ninth extraordinary meeting of the seventh session of the Board of Directors of the Company, Shouguang Jinxin intends to provide financial assistance of up to RMB300 million (including RMB300 million) to the Company for a term of less than one year (including one year), with an interest rate not higher than the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide financial assistance in installments according to the actual situation, and the interest shall be calculated based on the actual borrowing days, and the Company can repay in advance. Any form of security, including guarantee, mortgage and pledge is not required for this financial assistance. As of the date of this financial report, Shouguang Jinxin has provided financial support of RMB219.85 million to the Company, and Shouguang Jinxin may provide timely assistance to meet the Company's capital needs within its support quota. Meanwhile, Shouguang Jinxin will proactively support the Group in expanding its financing options and business scope, so as to help the Group to grow and strengthen its market position.

3) At a meeting of Shandong Molong's Financial Institutions Debt Committee, an agreement was reached that each financial institution shall actively seek support from the government and higher level financial institutions, shall not withdraw, terminate and pressurise loans, and shall collaborate to mitigate the enterprise's risks provided that the enterprise does not owe the interest. As of the date of the financial report, all matured bank borrowings were repaid on time. The Group will maintain active communication with its lending banks and will effectively secure loan renewals upon maturity.

4) The stripping of inefficient assets started to yield positive results. In January 2024, the Company sold its equity interests in its subsidiaries, Shouguang Baolong and Weihai Baolong, to strip inefficient assets and reduce the pressure on future operations. This transaction resulted in a capital inflow from the transfer of equity interests of RMB141,606,709.94.

5) The Group actively seeks new financing channels. While maintaining the existing financing channels and quota, the Group is currently engaging with all relevant financial institutions and supply chain enterprises. Through finance leasing, logistics and trade integration, and other means, the Group seeks to establish cooperation models with strong financial institutions and supply chain enterprises to expand alternative financing channels, so as to support future continuing operations. At present, supply chain financing has already obtained initial results.

6) The Company has implemented management adjustments and carefully examined the reasons for its losses. It has put forward and vigorously carried out the working policy of "management reinforcement, cost reduction, efficiency improvement, and rapid turnaround". The Company has also implemented the working initiatives of "reducing machine cost and all staff making a contribution to creating value". These efforts have achieved some success in reducing operating losses.

7) The Group is actively pursuing new investment and business opportunities to achieve profitability and secure sufficient working capital, such as the promotion, authorization and cooperation in Hlsmelt melting reduction iron-making technology.

V *(continued)*

2. G *(continued)*

With these measures in place, the Company's management believes that it is reasonable to prepare the 2023 financial statements on a going-concern basis. The Board of Directors of the Company has carried out a thorough assessment of the Company's ability to continue as a going concern, including reviewing the working capital forecast for the next 12 months prepared by the management. Based on the assessment, the Board of Directors has concluded that the Company will be able to secure sufficient financing sources in the next 12 months to meet its working capital requirements and liabilities. As a result, the Board agrees with the management's decision to prepare these financial statements on a going-concern basis.

V

The specific accounting policies and accounting estimation prepared by the Group based on actual production and operation characteristics include the business cycle, recognition and measurement of financial assets, measurement of inventory dispatched, classification and depreciation method of fixed assets, amortisation of intangible assets, criteria for capitalisation of research and development expenditures, recognition and measurement of revenue and others.

1. A BE

The Company has prepared the financial statements in accordance with the ASBEs, which gives a true and complete view of the financial position as at 31 December 2023, operating results and cash flows for year 2023 and other information of the Company and of the Group.

2. A

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

3. B

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

4.

The reporting currency of the Group is RMB.

V *(continued)*

5. D B

Applicable ½ Not applicable

I

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

6. A

(1) B

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

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

(2) B

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

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

V *(continued)*

7. J ,

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

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

The impact of internal transactions between the Company and its subsidiaries and among the subsidiaries on the consolidated financial statements is eliminated on consolidation. The shares of owner's equity in subsidiaries not attributable to the parent company and the net loss or profit for the current period, other comprehensive income and total comprehensive income attributable to minority interests shall be presented in the consolidated financial statements under the items of "minority interests, profit or loss of minority interests, other comprehensive income attributable to minority interests and total comprehensive income attributable to minority interests", respectively.

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

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

8. C J , , , J

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

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

V *(continued)*

9. C

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

10. F

(1) F

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

(2)

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

V *(continued)*

11. F

(1)

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

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

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

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

(2) C

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

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

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

V *(continued)*

11. F *(continued)*

(2) C *(continued)*

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

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

The subsequent measurement of financial assets depends on their classification:

1) Financial assets at amortized cost

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

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

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

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

V *(continued)*

11. F *(continued)*

(2) C *(continued)*

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

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

4) Financial assets at fair value through profit or loss

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

(3) C

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

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

1) Financial liabilities at amortized cost

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

2) Financial liabilities at fair value through profit or loss

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

V *(continued)*

11. F *(continued)*

(3) C *(continued)*

2) Financial liabilities at fair value through profit or loss (continued)

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

(4) I

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

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

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

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

V *(continued)*

11. F *(continued)*

(4) I *(continued)*

1) Impairment test methods for accounts receivable and contract assets

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

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

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

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

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

V *(continued)*

11. F *(continued)*

(5)

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

If the entire transfer of the financial assets satisfies the criteria of derecognition, the difference between the book value of the financial asset transferred at the date of derecognisation and the sum of the consideration received for the transfer and any cumulative gain or loss of fair value that has been recognised directly in other comprehensive income for the part derecognised (the transferred financial assets shall meet the following criteria simultaneously: ú The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. û The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding.) is included in profit or loss for the current period.

If a part of the financial assets satisfies the criteria of derecognition, the entire book value of the financial asset transferred is allocated between the part to be derecognised and the part not to be derecognised in proportion to their respective relative fair values, and the difference between the sum of the consideration received for the transfer and any cumulative gain or loss of fair value for the part derecognised that has been recognised directly in other comprehensive income for the part derecognised (the transferred financial assets shall meet the following criteria simultaneously: ú The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. û The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is solely payments of principal and interest on the principal amount outstanding.) and the book value of the entire financial asset above-mentioned for allocation is included in profit or loss for the current period.

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

V *(continued)*

11. F *(continued)*

(6) C

The Group classifies financial liabilities and equity instruments on the following principles: ú Where the Group is unable to unconditionally avoid delivering cash or other financial assets to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. û If a financial instrument is required or can be settled with the Group's own equity instrument, it is necessary to consider the Group's own equity instrument used to settle the instrument, whether it is used as a substitute for cash or other financial assets, or for the holder of the instrument to enjoy the remaining interest in the assets of the issuer net of all liabilities. In the former case, the instrument is the financial liability of the issuer; in the latter case, the instrument is the equity instrument of the issuer. In some cases, a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments available or to be delivered multiplied by their fair value at the time of settlement. the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Group's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

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

(7)

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

V *(continued)*

12. B

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

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

I	1	1-2	2-3	3-5	5
Default loss rate	1.00%	50.00%	75.00%	85.00%	100.00%

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

13. A

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

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

I	1	1-2	2-3	3-5	5
Default loss rate	1.00%	50.00%	75.00%	85.00%	100.00%

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

14. F

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

V *(continued)*

15.

Based on the information on other receivables, such as aging, the nature of payment, credit risk exposures, historical payment collection, etc., the Group divides them into portfolios according to the similarity and correlation of credit risk characteristics, and measures the amount of expected credit losses.

Portfolio categories and determination basis of bad debt provision made according to credit risk characteristic portfolio

I	B	
Portfolio 1	Portfolio of expected credit losses based on aging characteristics	The expected credit losses are measured with reference to the historical credit loss experience, the current situation and the estimates of the future economy. Loss rate: 15% for less than 1 year, 55% for 1-2 years, 60% for 2-3 years, and 100% for more than 3 years.
Portfolio 2	Portfolio of amounts due from administrative entities	Impairment losses are provided in consideration of fund occupancy costs and the credit status of administrative entities.
Portfolio 3	Portfolios of various deposits, cash pledges and employee working capital to be received and other receivables in the ordinary course of business	Do not provide for bad debts.

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

16. C

A contract asset represents the Group's right to receive consideration in exchange for goods that the Group has transferred to a customer, and the right is conditioned on factors other than the passage of time. If the Group sells two clearly distinguishable goods to customers, it is entitled to receive payment for one of the goods that has been delivered, but the payment is also dependent on the delivery of the other goods, the Group regards the right to receive payment as a contract asset.

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

17. I

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

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

V *(continued)*

17. I *(continued)*

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

For merchandise inventory directly available for sale such as goods in stock, unfinished products, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling expenses and relevant taxes; for material inventory available for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling expenses, and related taxes.

18. A

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

The Group classifies non-current assets or disposal groups that meet both of the following conditions as held for sale: ú can immediately be disposed under the current conditions based on cases of disposals of such assets or disposal group in similar transactions; û the disposal is highly probable that a decision has been made on a plan for the disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year. Relevant approval is required for disposals requiring approval from the relevant authorities or regulators as required by the relevant regulations. If the book value of the non-current assets or disposal groups (excluding assets generated from financial assets, deferred income tax assets, investment properties measured at fair value, and employee pay) is higher than the net amount of the fair value less the disposal cost, the book value is written down to the net amount of the fair value less the disposal cost. The amount of write down is recognised as an impairment loss of the assets and charged to profit or loss for the current period. At the same time, provision is made for impairment of assets held for sale.

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

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

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

V *(continued)*

19. L , -

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

(1) I , , ,

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

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

(2) A , ,

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

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

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

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

The Company adopts the cost method to account for investment in subsidiaries. For long-term equity

V *(continued)*

19. L - *(continued)*

(2) A *(continued)*

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

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

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

For the long-term equity investments calculated by the equity method, in case the long-term equity investments accounted for under the equity method are fully disposed of, the other comprehensive income related to the accounting of the original equity method shall be treated on the same basis as the direct disposal of related assets or liabilities by the investee when terminating the accounting of the equity method. The owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the equity method is terminated.

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

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

V *(continued)*

19. L - *(continued)*

(2) A *(continued)*

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, shall be accounted for under equity method. Difference between the book value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, if "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments (CK [2017] No. 7)" is applicable to accounting treatment, and difference between book value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the book value of remaining shareholding on the date loss of control shall be included in the current profit or loss.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the Group shall separately carry out accounting treatment for each transaction. For the "package transaction", the accounting for each transaction shall be treated as disposing subsidiary with control lost. However, the difference between the consideration for each transaction before lossing control and the book value of the corresponding long-term investment of the equity disposed, shall be recognised as other comprehensive income, and transferred to the profit or loss for the current period upon loss of control.

20. I

Cost method

Method for depreciation or amortisation

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

The Group depreciates investment properties using straight line method. The expected useful life, net residual value rate and annual depreciation (amortisation) rate are as follows:

.		D ( )	E (%)	A (%)
1	Houses and buildings	20	5	4.75

V *(continued)*

21. F

(1) C

Fixed assets of the Group refer to tangible assets with significant value and useful life for more than one year, and held for the purpose of producing goods, rending services, leasing or operation and management.

Fixed assets are recognised when it is highly probable that the related economic benefits will flow to the Group and their costs can be measured reliably. Fixed assets of the Group include houses and buildings, machinery equipment, electronic equipment, transportation equipment and other equipment, etc.

(2) D

	D	D	(%)	A (%)
Houses and buildings	Straight-line	20	5	4.75
Machinery equipment	Straight-line	5-20	5	19.00-4.75
Electronic equipment	Straight-line	3-5	5	31.67-19.00
Transportation equipment	Straight-line	5	5	19.00
Other equipment	Straight-line	5	5	19.00

The Company reviews the expected useful life, expected net residual value and depreciation method of fixed assets at the end of each year. If any changes occur, they will be dealt with as changes on accounting estimates.

22. C - -

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

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

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

I	
Houses and buildings	The completion acceptance is qualified and it is ready for intended use
Machinery equipment	Installation and debugging are completed, the design requirements are satisfied and trial production is completed
Other equipment	Installation and debugging are completed, the design requirements are satisfied and trial production is completed

V *(continued)*

23. B

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

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

24. I

(1)

For intangible assets with definite useful lives, they shall be adopted straight-line method for amortisation at the month of acquisition. Land use rights and maritime use rights are evenly amortised over their lease terms since the date of acquisition. The patent technology, non-patent technology and other intangible assets are evenly amortised on the basis of the shortest of their estimated useful life, the number of beneficial years as stipulated by contract and by law. The amortisation amount is accounted into the cost of related assets and current profits and losses according to the beneficiaries of the assets. The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of each year. Any changes will be dealt with as changes on accounting estimates.

Those without foreseeable period to bring economic benefits to the Group due to various reasons are recognised as intangible assets with indefinite useful life. The Group will review the useful lives on those intangible assets with indefinite useful lives at each of the accounting period.

(continued)

24. *(continued)*

(1) *(continued)*

(2) Classification scope of research and development expenditure and related accounting treatment method

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

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

25.

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

(1)

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

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

V *(continued)*

25. I , - *(continued)*

(1) I - , (,) *(continued)*

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

Once the above asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

26. L , -

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

27. C

Contract liabilities represent the obligation of the Group to transfer goods to customers for the consideration which has been received or receivable from customers. Where customers have already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration before the Group transfers the goods to customers, at the earlier of the date of actual payment from the customer and the due date of payment, contract liabilities were recognized in accordance with the amount received or receivable.

28. E

(1) A , , -

The Group's employee compensations include short-term compensation, post-employment benefits, termination benefits and other long-term benefits.

Short-term compensations mainly include staff salaries, bonuses, allowances and subsidies, employee welfare expenditures, social security contributions (e.g. compensation insurance, work injury insurance and birth insurance), housing funds, union running costs and employee education costs, short-term paid leaves, short-term profit sharing schemes, non-monetary welfare and other short-term compensations. The short-term compensations actually occured are recognised as liabilities in the accounting period when the employees render services, and are charged to the profit or loss for the current period or the costs of related assets based on the beneficiaries of the services.

V *(continued)*

28. E *(continued)*

(2) A -

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

(3) A

The Group has currently no termination benefits.

(4) A -

The Group has currently no other long-term benefits.

29. E

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

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

30.

D

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

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

V *(continued)*

30. *(continued)*

(1)

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

1) Revenue recognition conditions for domestic sale of products: revenue is recognised when the goods are sent to the customer in accordance with the delivery way agreed in the sales contract, the customer signs after receiving the goods, and the Company obtains the customer's receipt. For oil casing sold on consignment, the revenue is recognised after the customer receives the goods and settles with the Company.

2) Revenue recognition conditions for export sale of products: The main pricing model for exports is FOB, and the Company recognises the revenue when the goods are loaded onto the ship and are declared for exportation, and the bill of lading is obtained.

31. C

(1)

The Group's assets relating to contract costs include costs to fulfill a contract and costs of obtaining a contact. According to its liquidity, the contract performance costs are presented in inventories and other non-current assets respectively, and the contract acquisition costs are presented in other current assets and other non-current assets respectively.

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

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

V *(continued)*

31. C *(continued)*

(2) A

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

(3) I

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

32. G

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

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

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

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

Interest subsidies for policy-related preferential loans obtained by the Group are classified as interest subsidy funds paid to lending banks or interest subsidy funds directly paid to the Group, which are accounted for based on the following principles: (1) For interest subsidy funds paid to lending banks, the lending banks provide loans to the Group at policy related preferential rates, and the Group recognises the borrowing amount actually received as the book value of the borrowing, and calculates the relevant borrowing expenses based on the principal and the policy-related preferential rate of the borrowing. (2) For interest subsidy funds paid directly to the Group, the Group will offset the corresponding interest subsidy against the relevant borrowing expenses.

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V *(continued)*

34. L

(1) I

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

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

(2) G ,

1) Lease recognition

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

Right-of-use assets refer to the right of the Group as a lessee to use the leased assets during the lease term, which are initially measured according to the costs. Such costs include: ú the initial measurement amount of the lease liability; û the lease payments made on or before the commencement date of the lease term, less any lease incentives received; ü the initial direct costs incurred; and ý the costs expected to be incurred for dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms of the lease, except those incurred for the production of inventories. When the lease liability is remeasured according to relevant provisions in the lease standards, the Group adjusts the book value of the right-of-use asset accordingly.

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

V *(continued)*

34. L *(continued)*

(2) G *(continued)*

1) Lease recognition (continued)

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease term. Lease payments include: ú fixed payments and in-substance fixed payments less any lease incentives; û variable lease payments that depend on an index or a rate; ü the exercise price of a purchase option if the Group is reasonably certain to exercise that option; ý payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and þ payments expected to be made based on the residual value of the guarantees provided by the Group.

In calculating the present value of a lease payment, the Group uses the average borrowing rate of the main lease as the discount rate. The Group calculates the interest expenses of the lease liability in each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss, except for those that should be capitalised.

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

2) Modifications of leases

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

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

If the modification of lease is not accounted for as a separate lease, on the effective date of the modification of lease, the Group allocates the consideration of the modified contract in accordance with the accounting standard in respect of leases and re-determines the lease term after modification; and discount the lease payments after modification at the discount rate after modification for remeasurement of lease liability. The Group accounts for the consequences of the above adjustment under the following circumstances: ú If the modification of lease results in a narrower scope of lease or a shorter lease term, the lessor reduces the book value of the right-of-use asset to reflect the gain or loss on partly or wholly termination of the lease in the profit or loss for the current period. û For other modifications of lease that result in remeasurement of lease liability, the lessee made corresponding adjustment to the book value of the right-of-use asset.

V *(continued)*

34. L *(continued)*

(2) G *(continued)*

3) Short-term leases and leases of low-value assets

For short-term leases with lease term of less than 12 months and leases of a single lease asset which is of relatively low value when it is new, the Group has elected not to recognise right-of-use asset and lease liability. The Group charges the lease payments of short-term leases and the low-value asset leases to the cost of the underlying assets or profit or loss for the current period in each period of the lease term based on the straight-line basis or other systematic and reasonable methods.

(3) G

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

1) Finance lease

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

The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease receipts at the commencement date of the lease term (discounted by the interest rate implicit in the lease). The Group calculates and recognises interest income in each period during the lease term based on fixed periodic interest rate. The Group's variable lease payments not included in measurement on net investment in leases are recorded in profit or loss for the current period when incurred.

2) Operating leases

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

The initial direct expenses incurred by the Group in relation to the operating leases are capitalised as cost of the leased asset, and equally charged to the profit or loss for the current period over the lease term in accordance with the same basis of recognition as rental income. The variable lease payments received by the Group that have not included in lease receipts relating the operating leases are credited to the profit or loss for the current period when they occur.

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

V *(continued)*

35. A A E

(1) D

Discontinued operations refer to components of the Group which satisfy any of the following conditions and can be individually distinguished, and such components have been disposed of or classified as available for-sale: ú the components represent an independent major business or a separate major region of operation; û the components are part of an intended disposal plan related to an independent major business or a separate major region of operation; ü the components are subsidiaries acquired specifically for resale.

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

(2)

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

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

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

V *(continued)*

36. C

(1) C

Applicable ½ Not applicable

Unit: RMB

			A
C			
The Interpretation to Accounting Standards for Business Enterprises (No. 16) enacted by the Ministry of Finance on 30 November 2022 has provided the content of "accounting of deferred income tax related to assets and liabilities arising from individual transactions not applicable to initial recognition exemption" which have been implemented from 1 January 2023. Therefore, the Company made corresponding changes to relevant accounting policies according to the above requirements.		No	0.00

(2) C

½ Applicable Not applicable

(3) I J 2023

½ Applicable Not applicable

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V

Notes to the Financial Statements

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V

1.

Unit: RMB

I	B	Balance at the beginning of the period
Cash on hand	**26,588.28**	40,394.74
Cash at banks	**17,070,146.09**	217,265,724.34
Other monetary funds	**81,976,141.75**	242,351,703.49
Total	**99,072,876.12**	459,657,822.57
Including: total deposits overseas	**2,483,538.77**	2,450,457.39

Other descriptions:

(1) The Group's deposits overseas represented the monetary funds of MPM, a Hong Kong-based subsidiary.

M[redacted]n *(continued)*

2. B *(continued)*

(2) C

Unit: RMB

	B					Balance at the beginning of the period				
	B					Book balance		Provision for bad debts		
	A ,	,	A ,		B ,	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Bills receivable provided for bad debts on a collective basis	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66	173,280,558.57	100.00%	1,732,805.59	1.00%	171,547,752.98
Including:										
Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66	173,280,558.57	100.00%	1,732,805.59	1.00%	171,547,752.98
Total	78,793,836.02	{	787,938.36	{	78,005,897.66	173,280,558.57	{	1,732,805.59	{	171,547,752.98

Provision for bad debts on a collected basis: Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	B		
	B		
Within 1 year	78,793,836.02	787,938.36	1.00%
Total	78,793,836.02	787,938.36	{

M[redacted]n *(continued)*

2. B *(continued)*

(2) C *(continued)*

Basis for determining the group:

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

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

½ Applicable Not applicable

(3)

Provision for bad debts for the current period:

Unit: RMB

	B					B
Provision for bad debts of bills receivable	1,732,805.59	(944,867.23)	{	{	{	787,938.36
Total	1,732,805.59	(944,867.23)	{	{	{	787,938.36

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

½ Applicable Not applicable

M[redacted]n *(continued)*

2. B *(continued)*

(4) B C

Unit: RMB

I	A Amount not derecognized at the end of the period
Trade acceptance bills	{ 67,325,433.41
Total	{ 67,325,433.41

(5) B

There were no bills receivable actually written off in the year.

(6)

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

Notes receivable pledged as at the end of the year, please refer to "Note VII.17" for details.

3. A

(1) D

Unit: RMB

A	B	Book balance at the beginning of the period
Within 1 year (inclusive)	**254,044,663.47**	294,779,413.05
1~2 years	**2,631,436.65**	4,537,041.54
2~3 years	**707,219.17**	823.90
Over 3 years	**45,246,429.92**	97,745,373.92
3~4 years	{	1,826,075.57
4~5 years	**1,786,213.66**	168,705.00
Over 5 years	**43,460,216.26**	95,750,593.35
Total	**302,629,749.21**	397,062,652.41

M[redacted]n *(continued)*

3. A *(continued)*

(2) C

Unit: RMB

	B					Balance at the beginning of the period				
	B					Book balance		Provision for bad debts		
	A		A		B	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Accounts receivable provided for bad debts on a collective basis	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00	397,062,652.41	100.00%	102,663,089.66	25.86%	294,399,562.75
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00	397,062,652.41	100.00%	102,663,089.66	25.86%	294,399,562.75
Total	302,629,749.21	{	49,365,077.21	{	253,264,672.00	397,062,652.41	{	102,663,089.66	{	294,399,562.75

Provision for bad debts on a collective basis: Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	B		
	B		
Within 1 year	254,044,663.47	2,540,446.63	1.00%
1~2 years	2,631,436.65	1,315,718.33	50.00%
2~3 years	707,219.17	530,414.38	75.00%
3~4 years	{	{	{
4~5 years	1,786,213.66	1,518,281.61	85.00%
Over 5 years	43,460,216.26	43,460,216.26	100.00%
Total	302,629,749.21	49,365,077.21	{

M[redacted]n *(continued)*

3. A *(continued)*

(2) C *(continued)*

Basis for determining the group:

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

½ Applicable Not applicable

(3)

Provision for bad debts for the current period:

Unit: RMB

	B				B
Provision for bad debts of accounts receivable	102,663,089.66	(2,193,242.93)	{	51,104,769.52	{ 49,365,077.21
Total	102,663,089.66	(2,193,242.93)	{	51,104,769.52	{ 49,365,077.21

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

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

M[redacted]n *(continued)*

3. A *(continued)*

(4) A

Unit: RMB

I	A -
Accounts receivable actually written off	51,104,769.52

Including any significant accounts receivables written-off:

Unit: RMB

		A -			
Peak Pipe and Supply, LLC	Loans	49,583,289.01	Deregistration of the company	Examined and approved by the manager's office	No
Total	{	49,583,289.01	{	{	{

M[redacted]n *(continued)*

3. A *(continued)*

(5) A C

Unit: RMB

Entity 1	85,399,516.51	{	85,399,516.51	28.22%	1,586,379.77
Entity 2	73,990,013.13	{	73,990,013.13	24.45%	739,900.13
Entity 3	32,805,024.36	{	32,805,024.36	10.84%	328,050.24
Entity 4	31,545,089.74	{	31,545,089.74	10.42%	315,450.90
Entity 5	26,383,385.46	{	26,383,385.46	8.72%	263,833.85
Total	250,123,029.20	0.00	250,123,029.20	82.65%	3,233,614.89

4. A

(1) A

Unit: RMB

I		Balance at the beginning of the period
Bank acceptance bills	**2,485,020.78**	5,371,855.71
Total	**2,485,020.78**	5,371,855.71

M[redacted]n *(continued)*

4. A *(continued)*

(2)

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

(3) F C

Unit: RMB

I	A	Amount not derecognised at the end of the period
Bank acceptance bills	**32,100,730.20**	{
Total	**32,100,730.20**	{

(4) F

There were no financing receivables actually written off in the year.

(5) I /

The book value is taken as the fair value because the remaining terms of the Group's bank acceptance bills are short, and the book balances are close to the fair value.

(6)

None

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M[redacted]n *(continued)*

5. *(continued)*

(1) *(continued)*

2) Disclosure by age

Unit: RMB

A	B	Book balance at the beginning of the period
Within 1 year (inclusive)	**3,952,334.38**	5,064,740.84
1–2 years	**169,863.70**	122,467.42
2–3 years	**10,000.00**	987.63
Over 3 years	**1,921,750.15**	1,920,762.52
3–4 years	**987.63**	69,800.00
4-5 years	**69,800.00**	{
Over 5 years	**1,850,962.52**	1,850,962.52
Total	**6,053,948.23**	7,108,958.41

3) Classified disclosure by basis of bad debt provisions made

Applicable ½ Not applicable

Unit: RMB

	B					Balance at the beginning of the period				
	B					Book balance		Provision for bad debts		
	A ,	,	A ,		B ,	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Provision for bad debts on a collective basis	**6,053,948.23**	**100.00%**	**1,378,845.01**	**22.78%**	**4,675,103.22**	7,108,958.41	100.00%	1,482,127.80	20.85%	5,626,830.61
Including:										
Other receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**703,010.16**	**11.61%**	**582,093.01**	**82.80%**	**120,917.15**	1,773,537.72	24.95%	767,563.80	43.28%	1,005,973.92
Administrative institutions group	**1,369,800.00**	**22.63%**	**796,752.00**	**58.17%**	**573,048.00**	1,369,800.00	19.27%	714,564.00	52.17%	655,236.00
Other groups	**3,981,138.07**	**65.76%**	{	{	**3,981,138.07**	3,965,620.69	55.78%	{	{	3,965,620.69
Total	**6,053,948.23**	{	**1,378,845.01**	{	**4,675,103.22**	7,108,958.41	{	1,482,127.80	{	5,626,830.61

M[redacted]n *(continued)*

5. *(continued)*

(1) *(continued)*

3) Classified disclosure by basis of bad debt provisions made (continued)

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

Unit: RMB

	B		
	B		
Within 1 year	132,350.34	19,852.54	15.00%
1–2 years	18,709.67	10,290.32	55.00%
Over 3 years	551,950.15	551,950.15	100.00%
Total	703,010.16	582,093.01	{

Provision for bad debts by combination: Provision for bad debts of Administrative institutions group

Unit: RMB

	B		
	B		
People's Government of Gaocun Town, Wendeng District, Weihai City€þ 9Öî ÷ ÀD[OA´•	1,300,000.00	780,000.00	60.00%
Wendeng District Finance Bureau €þ 9Öî ÌA…•	69,800.00	16,752.00	24.00%
Total	1,369,800.00	796,752.00	{

M[redacted]n *(continued)*

5. *(continued)*

(1) *(continued)*

3) Classified disclosure by basis of bad debt provisions made (continued)

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

Unit: RMB

	B		
	B		
Employee working capital	645,754.03	{	{
Deposits/Security deposits	3,297,459.71	{	{
Receivable export tax rebate	37,924.33	{	{
Total	3,981,138.07	{	{

Basis for determining the portfolio:

Other portfolios mainly are deposits, security deposits, employee working capital and receivable export tax rebate. Their terms are short and their credit risks are very low, therefore, no provision for bad debts was made.

M[redacted]n *(continued)*

5. *(continued)*

(1) *(continued)*

3) Classified disclosure by basis of bad debt provisions made (continued)

Provision for bad debts was made using the general approach of expected credit losses:

Unit: RMB

	1 E 12	2 L (,)	3 L (,)	
Balance on 1 January 2023	170,949.17	1,311,178.63		1,482,127.80
Balance on 1 January 2023 in the current period	{	{	{	{
{ Transfers to Phase 2	{	{	{	{
{ Transfers to Phase 3	{	(551,950.15)	551,950.15	{
Provision for the current period	(151,096.63)	47,813.84	{	(103,282.79)
Balance on 31 December 2023	19,852.54	807,042.32	551,950.15	1,378,845.01

Classification basis and provision rate of bad debt provision for each stage

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

½ Applicable Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

	B , ,	, , ,				B
Provision for bad debts of other receivables	1,482,127.80	(103,282.79)	{	{	{	1,378,845.01
Total	1,482,127.80	(103,282.79)	{	{	{	1,378,845.01

5) Other receivables actually written off in the current period

The Company had no other receivables actually written off in the year.

M[redacted]n *(continued)*

5. *(continued)*

(1) *(continued)*

6) Other receivables with top five balances at the end of the period grouped by debtor

Unit: RMB

Shaanxi Energy Chemical Exchange Co., Ltd (ï •U · ˆ t ø Ô p ... Þ " ® !)	Security deposits	2,182,161.71	Within 1 year	36.05%	{
People's Government of Gaocun Town, Wendeng District, Weihai City (þ 9 Ö î ÷ À D [O A ´)	Accounts due from/ to administrative institutions	1,300,000.00	Over 5 years	21.47%	780,000.00
Nanjing Tendering Center of Sinopec International Co., Ltd. (• 7 i · 7 ç + 8 Þ " ® ! Ì / Ý z • Ð)	Security deposits	887,798.00	Within 1 year	14.66%	{
Linyi Xiangcheng Recycle Co., Ltd.	Current account	540,278.91	Over 5 years	8.92%	540,278.91
Liu Yingyuan	Working capital	180,000.00	Within 1 year	2.97%	{
Total	{	5,090,238.62	{	84.07%	1,320,278.91

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

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

8) Borrowings receivable from employees

Unit: RMB

Use of borrowing	Business turnover	Business turnover	Business turnover	Business turnover	Business turnover
Amount of borrowing					
{ Current year (RMB)	120,000.00	180,000.00	100,000.00	100,000.00	145,754.03
{ Previous year (RMB)	120,000.00	80,000.00	100,000.00	100,000.00	299,000.00
Amount of provision for bad debts (RMB)	{	{	{	{	{

M[redacted]n *(continued)*

6.

(1)

Unit: RMB

A	B		Balance at the beginning of the period	
	A		Amount	Percentage
Within 1 year	**29,803,929.48**	**98.81%**	34,768,204.32	98.07%
1–2 years	**297,772.18**	**0.99%**	5,599.62	0.02%
2–3 years			607,826.62	1.71%
Over 3 years	**61,422.89**	**0.20%**	69,070.27	0.20%
Total	**30,163,124.55**	{	35,450,700.83	{

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

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

(2)

Unit: RMB

	B	Age	Proportion to the total balance of prepayments at the end of the year (%)
Entity 1	**10,773,925.59**	Within 1 year	35.72
Entity 2	**9,689,217.69**	Within 1 year	32.12
Entity 3	**4,212,609.60**	Within 1 year	13.97
Entity 4	**2,526,079.32**	Within 1 year	8.37
Entity 5	**858,483.00**	Within 1 year	2.85
Total	**28,060,315.20**	{	93.03

M[redacted]n *(continued)*

7. I

Whether the Company needs to comply with the disclosure requirements of the real estate industry or not

No

(1) C

Unit: RMB

	B		B ,	Balance at the beginning of the period		
I	B			Book balance	Provision for impairment of inventories or contract performance costs	Book value
Raw material	**226,429,757.49**	**10,046,033.31**	**216,383,724.18**	233,469,363.70	10,573,928.43	222,895,435.27
Work-in-progress	**75,157,522.88**	**3,812,570.20**	**71,344,952.68**	161,281,609.27	3,717,644.81	157,563,964.46
Goods-in-stock	**177,842,859.11**	**11,018,403.03**	**166,824,456.08**	294,813,356.36	13,816,538.11	280,996,818.25
Entrusted processed materials	**329,174.30**	{	**329,174.30**	8,860,690.86	99,064.44	8,761,626.42
Total	**479,759,313.78**	**24,877,006.54**	**454,882,307.24**	698,425,020.19	28,207,175.79	670,217,844.40

(2)

Unit: RMB

		A , ,	A , ,	
I	B , ,		-	B
Raw material	10,573,928.43	5,705,059.67 {	6,232,954.79 {	10,046,033.31
Work-in-progress	3,717,644.81	3,451,995.89 {	3,357,070.50 {	3,812,570.20
Goods-in-stock	13,816,538.11	6,346,693.66 {	9,144,828.74 {	11,018,403.03
Entrusted processed materials	99,064.44	{ {	99,064.44 {	{
Total	28,207,175.79	15,503,749.22 {	18,833,918.47 {	24,877,006.54

RMB1,937,135.49 was recorded as the reversal amount of provision for inventory impairment of the Group during the period due to price changes, and RMB16,896,782.98 was recorded as the written-off amount due to receipt or sales.

(continued)

7. *(continued)*

(2) *(continued)*

Provision for inventory impairment on a portfolio basis

I	B	
Raw material	Sales price of a product determined by the production of the materials and semi-finished products less further processing costs and related sales expenses and taxes	Production usage and price changes
Work-in-progress		Production usage and price changes
Entrusted processed materials		Production usage and price changes
Finished product	Sales price less sales expenses and taxes	Sales and price changes

As of 31 December 2023, the right to use the Company's inventories is restricted due to freezing. See "VII.17" in this note.

(3) B

Nil

(4) A

Nil

8.

Unit: RMB

I	B	Balance at the beginning of the period
Input tax to be deducted	**75,787.20**	2,031,673.75
Prepayment of other taxes	**460,300.40**	763,203.68
Interests receivable for acceptance margins	**322,830.89**	2,995,798.48
Total	**858,918.49**	5,790,675.91

M[redacted]n *(continued)*

9. L , -

Unit: RMB

I	(B ,)										(B ,)	
1. Joint venture												
2. Associate												
Karamay Yalong Petroleum Machinery Co., Ltd. (4 Ö . 1 - ² i 0 Ú Û Þ " ® !)	1,857,463.06	{	{	{	(102,690.47)	{	{	{	{	{	1,754,772.59	{
Sub-total	1,857,463.06	{	{	{	(102,690.47)	{	{	{	{	{	1,754,772.59	{
Total	1,857,463.06	{	{	{	(102,690.47)	{	{	{	{	{	1,754,772.59	{

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

½ Applicable Not applicable

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

½ Applicable Not applicable

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

Nil

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

Nil

M[redacted]n *(continued)*

10. I

(1) I

Applicable ½ Not applicable

Unit: RMB

I	B ,	L , ,	C , -	
1. , ,				
1. Balance at the beginning of the period				
2. Increased amount in this period	52,818,280.50	{	{	52,818,280.50
(1) Outsourcing	{	{	{	{
(2) Transfer to inventories\fixed assets\ construction-in-progress	52,818,280.50	{	{	52,818,280.50
(3) Increase from business combination	{	{	{	{
3. Decreased amount in this period	{	{	{	{
(1) Disposal	{	{	{	{
(2) Other transfer-out	{	{	{	{
4. Balance at the end of the period	52,818,280.50	{	{	52,818,280.50
2. A , ,				
1. Balance at the beginning of the period	{	{	{	{
2. Increased amount in this period	30,957,206.39	{	{	30,957,206.39
(1) Provision or amortization	414,073.98	{	{	414,073.98
(2) Transfer to fixed assets/construction-in-progress	30,543,132.41	{	{	30,543,132.41
3. Decreased amount in this period	{	{	{	{
(1) Disposal	{	{	{	{
(2) Other transfer-out	{	{	{	{
4. Balance at the end of the period	30,957,206.39	{	{	30,957,206.39
3.				
1. Balance at the beginning of the period	{	{	{	{
2. Increased amount in this period	4,986,478.28	{	{	4,986,478.28
(1) Provision	{	{	{	{
(2) Transfer to fixed assets/ construction-in-progress	4,986,478.28	{	{	4,986,478.28
3. Decreased amount in this period	{	{	{	{
(1) Disposal	{	{	{	{
(2) Other transfer-out	{	{	{	{
4. Balance at the end of the period	4,986,478.28	{	{	4,986,478.28
4. B ,				
1. Book value at the end of the period	16,874,595.83	{	{	16,874,595.83
2. Book value at the beginning of the period	{	{	{	{

M[redacted]n *(continued)*

10. I *(continued)*

(1) I *(continued)*

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

½ Applicable Not applicable

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

½ Applicable Not applicable

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

Nil

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

Nil

11. F

Unit: RMB

I	B	Balance at the beginning of the period
Fixed assets	**1,577,594,066.22**	2,003,871,030.19
Disposal of fixed assets		
Total	**1,577,594,066.22**	2,003,871,030.19

M[redacted]n *(continued)*

11. F *(continued)*

(1) D

Unit: RMB

I	B		E		
1. , , :					
1. Balance at the beginning of the period	955,098,433.28	3,289,376,152.99	115,619,226.02	15,097,423.29	4,375,191,235.58
2. Increased amount in this period	{	5,101,388.05	225,658.57	290,000.00	5,617,046.62
(1) Purchase	{	970,663.72	213,061.97	290,000.00	1,473,725.69
(2) Transfer to construction-in-progress	{	4,130,724.33	12,596.60	{	4,143,320.93
(3) Increase from business combination	{	{	{	{	{
(4) Reversal of investment Properties	{	{	{	{	{
3. Decreased amount in this period	53,269,580.50	19,109,601.69	400,135.44	2,345,002.00	75,124,319.63
(1) Disposal or retirement	451,300.00	19,109,601.69	400,135.44	2,345,002.00	22,306,039.13
(2) Transfer to investment properties	52,818,280.50	{	{	{	52,818,280.50
4. Balance at the end of the period	901,828,852.78	3,275,367,939.35	115,444,749.15	13,042,421.29	4,305,683,962.57
2. A , ,					
1. Balance at the beginning of the period	368,447,316.91	1,732,830,192.45	97,329,331.33	10,842,900.31	2,209,449,741.00
2. Increased amount in this period	44,116,647.38	145,239,230.26	2,955,617.81	1,752,891.24	194,064,386.69
(1) Provision	44,116,647.38	145,239,230.26	2,955,617.81	1,752,891.24	194,064,386.69
(2) Reversal of investment Properties	{	{	{	{	{
3. Decreased amount in this period	30,749,546.25	16,980,994.57	374,006.96	1,825,512.50	49,930,060.28
(1) Disposal or retirement	206,413.84	16,980,994.57	374,006.96	1,825,512.50	19,386,927.87
(2) Transfer to investment properties	30,543,132.41	{	{	{	30,543,132.41
4. Balance at the end of the period	381,814,418.04	1,861,088,428.14	99,910,942.18	10,770,279.05	2,353,584,067.41
3.					
1. Balance at the beginning of the period	5,891,798.82	155,977,815.57	850.00	{	161,870,464.39
2. Increased amount in this period	12,311,122.69	204,386,789.59	917,653.34	6,277.21	217,621,842.83
(1) Provision	12,311,122.69	204,386,789.59	917,653.34	6,277.21	217,621,842.83
(2) Reversal of investment Properties	{	{	{	{	{
3. Decreased amount in this period	4,986,478.28	{	{	{	4,986,478.28
(1) Disposal or retirement	{	{	{	{	{
(2) Transfer to investment properties	4,986,478.28	{	{	{	4,986,478.28
4. Balance at the end of the period	13,216,443.23	360,364,605.16	918,503.34	6,277.21	374,505,828.94
4. B ,					
1. Book value at the end of the period	506,797,991.51	1,053,914,906.05	14,615,303.63	2,265,865.03	1,577,594,066.22
2. Book value at the beginning of the period	580,759,317.55	1,400,568,144.97	18,289,044.69	4,254,522.98	2,003,871,030.19

M[redacted]n *(continued)*

11. F *(continued)*

(2)

Unit: RMB

I	A , ,	I	B ,	
Buildings	576,987,214.66	231,566,694.43	13,216,443.23	332,204,077.00 {
Machinery	1,711,790,894.09	788,636,618.82	266,910,907.15	656,243,368.12 {
Vehicles	2,657,659.69	2,000,164.15	{	657,495.54 {
Electronics and others	53,116,835.55	47,112,773.38	598,795.47	5,405,266.70 {
Total	2,344,552,603.99	1,069,316,250.78	280,726,145.85	994,510,207.36 {

(3) F

Unit: RMB

I	B ,
Machinery	**50,211,148.27**
Electronics and others	**215,226.25**
Total	**50,426,374.52**

(4) F

Unit: RMB

I	B ,	
Shouguang Maolong workshop, office building and staff canteen	**198,484,920.87**	Not processed yet
Total	**198,484,920.87**	{

M[redacted]n *(continued)*

11. F *(continued)*

(5) I

Applicable ½ Not applicable

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

Applicable ½ Not applicable

Unit: RMB

I	C		I		K	B
Melting reduction equipment	205,336,578.44	158,225,070.98	47,111,507.46	Fair value is determined with the cost method, and disposal costs are costs associated with asset disposal	Comprehensive newness rate, economic depreciation rate, disposal expenses, etc.	ú Comprehensive newness rate: it is determined by the combination of theoretical newness rate and surveyed newness rate; û economic depreciation rate = [1-(annual average utilization of the production capacity in the industry/annual designed production capacity) x] Ò 100% (note: where x is the scale economies benefit index); ü disposal expenses: legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale.
Shouguang Maolong production line	599,168,748.36	455,314,912.99	143,853,835.37			
Total	804,505,326.80	613,539,983.97	190,965,342.83	{	{	{

M[redacted]n *(continued)*

11. F *(continued)*

(5) I *(continued)*

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

Applicable ½ Not applicable

Unit: RMB

I	C , ,	I , ,	K			B , K	
180 tubing production line	356,476,900.00	329,820,400.00	26,656,500.00	7	Revenue growth rate, discount rate, etc.	N/A	N/A
Total	356,476,900.00	329,820,400.00	26,656,500.00	{	{	{	{

M[redacted]n *(continued)*

12. C , - - ,

Unit: RMB

I	B	Balance at the beginning of the period
Construction-in-progress	**2,192,776.49**	298,971.19
Total	**2,192,776.49**	298,971.19

(1) D , - - ,

Unit: RMB

	B			Balance at the beginning of the period		
I	B		B ,	Book balance	Provision for impairment	Book value
Sporadic projects	**2,192,776.49**	{	**2,192,776.49**	298,971.19	{	298,971.19
Total	**2,192,776.49**	{	**2,192,776.49**	298,971.19	{	298,971.19

(2) , - - , ,

No impairment of the Group's construction-in-progress occurred at the end of the year, therefore no provision for impairment of construction-in-progress has been made.

(3) I , - - ,

As for the Group's construction-in-progress at the end of the year, there is no restriction on ownership or use right due to mortgage, guarantee or other reasons.

M[redacted]n *(continued)*

13. , - ;

(1) D , - ;

Unit: RMB

I	B , ,	Total
1.		
1. Balance at the beginning of the period	{	{
2. Increased amount in this period	**28,682,853.49**	28,682,853.49
(1) Lease from	**28,682,853.49**	28,682,853.49
3. Decreased amount in this period	{	{
4. Balance at the end of the period	**28,682,853.49**	28,682,853.49
2. **A** , ,		
1. Balance at the beginning of the period	{	{
2. Increased amount in this period	**7,305,555.66**	7,305,555.66
(1) Provision	**7,305,555.66**	7,305,555.66
3. Decreased amount in this period	{	{
(1) Disposal	{	{
4. Balance at the end of the period	**7,305,555.66**	7,305,555.66
3.		
1. Balance at the beginning of the period	{	{
2. Increased amount in this period	{	{
(1) Provision	{	{
3. Decreased amount in this period	{	{
(1) Disposal	{	{
4. Balance at the end of the period	{	{
4. **B** ,		
1. Book value at the end of the period	**21,377,297.83**	21,377,297.83
2. Book value at the beginning of the period	{	{

(2) I , - ;

½ Applicable Not applicable

Other explanations:

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

M[redacted]n *(continued)*

14. I

(1) D

Unit: RMB

I	L				
1.					
1. Balance at the beginning of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
2. Increased amount in this period	{	{	{	{	{
(1) Purchase	{	{	{	{	{
(2) Internal research and development	{	{	{	{	{
(3) Increase from business combination	{	{	{	{	{
3. Decreased amount in this period	{	{	{	{	{
(1) Disposal	{	{	{	{	{
4. Balance at the end of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
2. A					
1. Balance at the beginning of the period	98,019,131.76	2,883,342.02	368,359,423.16	770,036.72	470,031,933.66
2. Increased amount in this period	10,500,039.69	2,906.17	4,901,648.80	{	15,404,594.66
(1) Provision	10,500,039.69	2,906.17	4,901,648.80	{	15,404,594.66
3. Decreased amount in this period	{	{	{	{	{
(1) Disposal	{	{	{	{	{
4. Balance at the end of the period	108,519,171.45	2,886,248.19	373,261,071.96	770,036.72	485,436,528.32
3.					
1. Balance at the beginning of the period	{	{	33,968,375.45	{	33,968,375.45
2. Increased amount in this period	{	{	{	{	{
(1) Provision	{	{	{	{	{
3. Decreased amount in this period	{	{	{	{	{
(1) Disposal	{	{	{	{	{
4. Balance at the end of the period	{	{	33,968,375.45	{	33,968,375.45
4. B					
1. Book value at the end of the period	337,664,588.03	{	4,208,859.88	{	341,873,447.91
2. Book value at the beginning of the period	348,164,627.72	2,906.17	9,110,508.68	{	357,278,042.57

At the end of the period, the intangible assets arising from the Company's internal research and development accounted for 1.23% of the balance of intangible assets.

(2) I

The intangible assets of the Group are mainly land use right, maritime use right, and the acquisition cost of related assets is relatively low, and there was no indication of impairment.

M[redacted]n *(continued)*

15. D /

(1) D

Unit: RMB

I	B	D	Balance at the beginning of the period: Deductible temporary difference	Balance at the beginning of the period: Deferred income tax assets
Unrealised profits from internal transactions	**6,514,431.68**	**1,628,607.92**	7,234,315.16	1,808,578.78
Including: Bills receivable	{	{	1,732,805.59	259,920.84
Accounts receivable	{	{	102,449,762.97	15,367,464.45
Other receivables	{	{	224,523.44	33,678.52
Inventory falling price reserves	{	{	16,525,354.34	2,478,803.15
Intangible assets amortization variance	{	{	41,069,689.35	6,160,453.40
Total	**6,514,431.68**	**1,628,607.92**	169,236,450.85	26,108,899.14

(2) D

Unit: RMB

I	B	D	Balance at the beginning of the period: Taxable temporary differences	Balance at the beginning of the period: Deferred income tax liabilities
Long-term equity investments	**15,237.52**	**3,809.38**	15,237.52	3,809.38
Intangible assets	**20,402,668.88**	**5,100,667.22**	21,052,491.64	5,263,122.91
Right-of-use assets	**21,377,297.83**	**3,206,594.67**	{	{
Total	**41,795,204.23**	**8,311,071.27**	21,067,729.16	5,266,932.29

M[redacted]n *(continued)*

15. D / *(continued)*

(3) D

Unit: RMB

I	Deferred income tax assets and liabilities offset at the end of the period	Ending balance of deferred income tax assets or liabilities after offset	Deferred income tax assets and liabilities offset at the begin of the period	Initial balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	{	1,628,607.92	{	26,108,899.14
Deferred income tax liabilities	{	8,311,071.27	{	5,266,932.29

(4)

Unit: RMB

I	B	Balance at the beginning of the period
Deductible temporary difference	**536,831,168.45**	252,794,428.94
Deductible loss	**1,875,347,422.34**	1,528,225,292.56
Total	**2,412,178,590.79**	1,781,019,721.50

M[redacted]n *(continued)*

15. D / *(continued)*

(5)

Unit: RMB

	E	Initial amount	Remark
2023	{	52,476,863.76	{
2024	**218,933,559.95**	218,933,559.95	{
2025	**159,461,841.56**	159,477,912.85	{
2026	**305,316,162.29**	305,316,162.29	{
2027	**278,354,830.16**	243,894,908.95	{
2028	**147,225,737.94**	{	{
2029	**73,995,869.67**	73,995,869.67	{
2031	**273,110,646.67**	273,110,646.67	{
2032	**198,456,087.55**	201,019,368.42	{
2033	**220,492,686.55**	{	{
Total	**1,875,347,422.34**	1,528,225,292.56	{

16.

Unit: RMB

	B		B	Balance at the beginning of the period		
I	B		B	Book balance	Provision for impairment	Book value
Prepayments for business facilities	**773,829.95**	{	**773,829.95**	750,000.00	{	750,000.00
Advances on construction	**604,674.00**	{	**604,674.00**	378,107.60	{	378,107.60
Total	**1,378,503.95**	{	**1,378,503.95**	1,128,107.60	{	1,128,107.60

M[redacted]n *(continued)*

17. A

Unit: RMB

	A				At the beginning of the period			
I	B	B	( )	( )	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	80,290,000.00	80,290,000.00		B	240,673,517.72	240,673,517.72	Security deposit	Bill deposit
Bills receivables	1,248,205.76	1,235,723.70		B / F	82,064,472.11	81,243,827.39	Pledge	Bill pledge/ Factoring financing
Inventories	9,267,029.80	9,267,029.80			51,450,000.00	51,450,000.00	Seizure	Seizure for litigation
Fixed assets	617,823,204.78	479,774,388.55	C /	C /	433,468,641.62	433,468,641.62	Charge	Charge for financing
Intangible assets	279,733,929.79	279,733,929.79	C /	C /	207,508,319.68	207,508,319.68	Charge	Charge for financing
Monetary funds	7,232,104.32	7,232,104.32	F	L	4,737,079.00	4,737,079.00	Frozen	Litigation freeze
Accounts receivables	22,689,402.72	22,462,508.69		F	75,609,917.72	74,853,818.54	Pledge	Factoring financing
Total	1,018,283,877.17	879,995,684.85	{	{	1,095,511,947.85	1,093,935,203.95	{	{

M[redacted]n *(continued)*

18. -

(1) C , -

Unit: RMB

I	B	Balance at the beginning of the period
Pledged borrowings	**14,472,528.47**	136,876,184.90
Charge for borrowings	**265,923,472.50**	285,454,575.00
Guaranteed borrowings	**994,002,126.02**	973,906,030.00
Credit borrowings	**153,800,000.00**	{
Bills discounted and loan on letter of credit	**204,912,980.95**	566,700,000.00
Total	**1,633,111,107.94**	1,962,936,789.90

Explanation of category of short-term borrowings:

Interest rate details: The Company's weighted average annual interest rate of 2023 short-term loan was 4.90% (4.80% in 2022).

(2) D , , -

The total amount of an overdue unpaid short-term borrowings (a borrowing from non-bank financial institutions) as at the end of the reporting period was RMB7,099,698.33. There were no important overdue unpaid short-term borrowings.

Other explanations:

That loan was repaid in January 2024

19. B

Unit: RMB

	B	Balance at the beginning of the period
Bank acceptance bills	{	64,855,401.04
Total	{	64,855,401.04

There is no overdue unpaid bills payable at the end of this period.

M[redacted]n *(continued)*

20. A

(1) L

Unit: RMB

I	B	Balance at the beginning of the period
Payments due to suppliers	**509,647,241.72**	611,264,285.51
Total	**509,647,241.72**	611,264,285.51

(2) 1-

Unit: RMB

I	B	Reasons for unrepayment or non carry-over
Entity 1	**12,202,594.08**	Open
Entity 2	**10,601,193.55**	Open
Entity 3	**10,243,810.48**	Open
Entity 4	**5,333,245.98**	Open
Total	**38,380,844.09**	{

Other descriptions:

Accounts payable listed on the aging basis

Notes to the Financial Statements

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

M[redacted]n *(continued)*

21. [redacted] *(continued)*

(1) [redacted]

1) List other payables by nature of payment

Unit: RMB

I	B	Balance at the beginning of the period
Withdrawing power costs	**11,505,601.48**	17,118,272.96
Deposit in security	**11,711,486.48**	10,462,118.48
Charter money	**10,469,368.62**	7,874,614.22
Others	**456,699.13**	1,310,350.66
Total	**34,143,155.71**	36,765,356.32

Other explanations:

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

22. C

Unit: RMB

I	B	Balance at the beginning of the period
Advances on sales	**54,732,615.40**	107,582,152.10
Total	**54,732,615.40**	107,582,152.10

Significant contract liabilities with more than 1-year aging

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

M[redacted]n *(continued)*

23. E

(1) L

Unit: RMB

I	B , ,	I ,	D ,	B
I. Short-term pay	42,790,646.48	164,024,093.15	139,938,118.00	66,876,621.63
II. Post-employment benefits-defined contribution plans	{	29,596,015.32	20,773,558.93	8,822,456.39
Total	42,790,646.48	193,620,108.47	160,711,676.93	75,699,078.02

(2) L -

Unit: RMB

I	B , ,	I ,	D ,	B
1. Salaries, bonuses, allowances and subsidies	21,441,817.09	135,593,273.54	115,859,501.55	41,175,589.08
2. Employee services and benefits	{	4,425,098.59	4,425,098.59	{
3. Social insurance charges	{	16,541,258.14	16,009,627.60	531,630.54
Including: medical insurance premiums	{	14,501,883.71	14,501,883.71	{
Industrial injury insurance	{	2,039,374.43	1,507,743.89	531,630.54
4. Housing provident funds	{	3,323,337.39	2,281,290.19	1,042,047.20
5. Labor union expenditures and employee education funds	21,348,829.39	4,141,125.49	1,362,600.07	24,127,354.81
Total	42,790,646.48	164,024,093.15	139,938,118.00	66,876,621.63

M[redacted]n *(continued)*

23. E *(continued)*

(3) L ,

Unit: RMB

I	B , ,	I ,	D ,	B
1. Basic endowment insurance	{	28,353,920.77	19,902,134.55	8,451,786.22
2. Unemployment insurance expense	{	1,242,094.55	871,424.38	370,670.17
Total	{	29,596,015.32	20,773,558.93	8,822,456.39

Other descriptions:

The Group has paid social insurance set up by the government body. The Group has deposited expenses according to local government's regulations as planned. In addition to above deposits, the Group will pay no costs anymore. It has no right to dispose the above expenses after payment. Corresponding expenditures are recognized in profit or loss or in cost of the related assets when incurred.

The Group's year-end employee pay payable contains RMB41,175,589.08 (the withdrawal unpaid salaries, bonuses and subsidies) which is estimated to be paid in the first half of 2024. The social insurance premiums of RMB531,630.54 and housing provident fund of RMB1,042,047.20 in the Group's year-end employee pay payable have been completely paid.

There is no forfeiture of contribution (that belong to employees who leave the plan before contribution on behalf of the employer) under defined contribution plan for the two financial years ended 31 December 2022 and 2023 that is used or is available for deducting the current contribution level.

M[redacted]n *(continued)*

24.

Unit: RMB

I	B	Balance at the beginning of the period
Value-added tax	**9,431,770.17**	1,595,898.99
Enterprise income tax	**7,020,041.50**	6,217,753.70
Individual income tax	**30,150.22**	1,041,814.46
Urban maintenance and construction tax	**715,137.64**	89,107.82
House property tax	**934,499.40**	935,600.32
Land use tax	**639,164.00**	869,314.20
Education surcharge	**510,812.61**	63,648.45
Stamp tax	**277,057.98**	434,100.56
Others	**36,686.42**	32,167.97
Total	**19,595,319.94**	11,279,406.47

25. -

Unit: RMB

I	B	Balance at the beginning of the period
Long-term borrowings due within one year	{	38,337,510.13
Long-term payables due within one year	**46,323,324.06**	48,991,857.12
Lease liabilities due within one year	**6,474,054.34**	{
Total	**52,797,378.40**	87,329,367.25

M[redacted]n *(continued)*

26.

Unit: RMB

I	B	Balance at the beginning of the period
Endorsed trade acceptance not due	**36,712,452.46**	35,073,434.98
Stay-recognition tax	**6,682,698.28**	13,118,573.83
Total	**43,395,150.74**	48,192,008.81

27. L , -

(1) C , , -

Unit: RMB

I	B	Balance at the beginning of the period
Charge for borrowings	{	38,337,510.13
Minus: amount due within one year	{	(38,337,510.13)

Explanation of category of long-term borrowings:

Details of interest rate: The Group has settled all long-term borrowings in 2023.

Other explanations, including interest rate range:

M[redacted]n *(continued)*

27. L , - , *(continued)*

(1) C , , - , *(continued)*

Maturity date of long-term borrowings is analyzed as follows:

Unit: RMB

I	- ,	Year-beginning amount
Charge for borrowings	{	38,337,510.13
Secured borrowings	{	{
Total	{	38,337,510.13
Book value of above borrowings shall be repaid during the following period:		
Within one year	{	38,337,510.13
More than one year since balance sheet date, but less than two years	{	{
Minus: amounts due within one year listed under current liabilities	{	38,337,510.13
Amounts under non-current liabilities	{	{

M[redacted]n *(continued)*

28. L

(1) L

Unit: RMB

I	B	Balance at the beginning of the period
Lease payment	**24,542,896.86**	{
Minus: Unconfirmed financing expenses	**(3,453,074.73)**	{
Minus: amount due within one year	**(6,474,054.34)**	{
Total	**14,615,767.79**	{

(2)

Unit: RMB

I	B	Balance at the beginning of the period
Lease liabilities	**21,089,822.13**	{
Book value of above Lease liabilities shall be repaid during the following period:		
Within one year	**6,474,054.34**	{
More than one year since balance sheet date, but less than two years	**7,014,880.94**	{
More than two year since balance sheet date, but less than five years	**7,600,886.85**	{
More than five year since balance sheet date	{	{
Minus: lease liabilities amounts due within one year listed under current liabilities	**6,474,054.34**	{
Lease liabilities amounts under non-current liabilities	**14,615,767.79**	{

M[redacted]n *(continued)*

29. L , -

Unit: RMB

I	B	Balance at the beginning of the period
Long-term payables	**19,854,583.39**	65,461,963.55
Total	**19,854,583.39**	65,461,963.55

(1) L , -

Unit: RMB

I	B	Balance at the beginning of the period
Sale-leaseback financing	**19,854,583.39**	65,461,963.55
Total	**19,854,583.39**	65,461,963.55

Other descriptions:

Details of interest rate: the actual interest rate of the company's long-term payables in 2023 is 8.11% (8.05% in 2022).

M[redacted]n *(continued)*

29. L , - *(continued)*

(1) L , - , *(continued)*

Maturity date analysis of long-term payables

Unit: RMB

I	B	Balance at the beginning of the period
Sale-leaseback financing	**66,177,907.45**	114,453,820.67
Total	**66,177,907.45**	114,453,820.67
Book value of above borrowings shall be repaid during the following period:		
Within one year	**46,323,324.06**	48,991,857.12
More than one year since balance sheet date, but less than two years	**19,854,583.39**	45,607,380.20
More than two year since balance sheet date, but less than five years	{	19,854,583.35
Minus: amounts due within one year listed under current liabilities	**46,323,324.06**	48,991,857.12
Amounts under non-current liabilities	**19,854,583.39**	65,461,963.55

30. E

Unit: RMB

I	B	B , ,	( )
Pending action	{	9,800,000.00	{
Others	80,929,994.11	67,971,212.05	Estimated loss on claims of subsidiaries with excess losses
Total	80,929,994.11	77,771,212.05	{

M[redacted]n *(continued)*

31. D

Unit: RMB

I	B	I	D	B	( )
Government grants	6,756,829.50	{	209,825.68	6,547,003.82	Government grants related to assets
Total	6,756,829.50	{	209,825.68	6,547,003.82	{

Government grants projects

G J	B			A	A	B	
Infrastructure subsidies	6,433,240.86	{	{	173,871.38	{	{ 6,259,369.48	Relate to assets
Air defense basement construction subsidy funds	323,588.64	{	{	35,954.30	{	{ 287,634.34	Relate to assets
Total	6,756,829.50	{	{	209,825.68	{	{ 6,547,003.82	{

Note 1: According to the Notice of Investing Infrastructure Subsidies in Shouguang Molong Logistics Co., Ltd. (SZF[2016] No. 3) printed and issued by Shangkou Town People's Government, the group received RMB6,954,855.00 as infrastructure subsidies on 24 February 2016 and confirmed this amount as assets-related government subsidies. It is recorded in the current profit and loss of CNY173,871.38 according to depreciation calculation of related assets this year.

Note 2: According to the Ask for Instructions about Returning Preferential Policy Enjoyed by Phase II Project of Weihai Baolong Special Petroleum Materials Co., Ltd. (GZQZ[2018] No. 42), the company's subsidiary Weihai Baolong received RMB719,085.90 as Air defense basement construction subsidy funds on 25 February 2019 and confirmed this amount as assets-related government subsidies. It is recorded in the current profit and loss of RMB35,954.30 according to depreciation calculation of related assets this year.

M[redacted]n *(continued)*

32. _

Unit: RMB

	I / , , (+, -)					B
	B , , I , B , ,					
The sum of shares	797,848,400.00	{	{	{	{	797,848,400.00

33. C

Unit: RMB

I	B , , I D ,			B
Capital premium (stock premium)	849,481,990.92	{	{	849,481,990.92
Other capital reserves	14,923,338.34	3,186,452.50	{	18,109,790.84
Total	864,405,329.26	3,186,452.50	{	867,591,781.76

Other explanations, including current increase/decrease as a result of the change and reasons for changes:

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

(continued)

34.

Unit: RMB

II. Other comprehensive incomes that will be reclassified to profit or loss	(3,029,259.75)	(302,689.03)	{	{	{	(272,420.13)	(30,268.90)	(3,301,679.88)
Exchange differences on translation of foreign financial statements	(3,029,259.75)	(302,689.03)	{	{	{	(272,420.13)	(30,268.90)	(3,301,679.88)
Total of other comprehensive incomes	(3,029,259.75)	(302,689.03)	{	{	{	(272,420.13)	(30,268.90)	(3,301,679.88)

35.

Unit: RMB

Safety production costs	{	11,068,845.03	11,068,845.03	{
Total	{	11,068,845.03	11,068,845.03	{

Other explanations, including current increase/decrease as a result of the change and reasons for changes:

The group provides and uses the safety production costs according to the Management Method of Providing and Using the Enterprise Safety Production Costs (FQ [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Work Safety.

(continued)

36.

Unit: RMB

I	B	I	D	B
Legal surplus reserve	187,753,923.88	{	{	187,753,923.88
Total	187,753,923.88	{	{	187,753,923.88

37.

Unit: RMB

I	A	Amounts for the previous period
Undistributed profits at the end of the previous period before adjustment	**(859,017,550.51)**	(434,047,824.92)
Initial undistributed profits after adjustment	**(859,017,550.51)**	(434,047,824.92)
Plus: current net profit attributable to the shareholders of the parent company	**(566,861,510.82)**	(424,969,725.59)
Ending undistributed profits	**(1,425,879,061.33)**	(859,017,550.51)

Details of undistributed profits at the beginning of adjustment period:

1) Due to retroactive adjustment stipulated by the Accounting Standards for Business Enterprises and other latest regulations, RMB0.00 as initial undistributed profit is affected.

2) Due to changes in accounting policy, RMB0.00 as initial undistributed profit is affected.

3) Due to correction of material accounting errors, RMB0.00 as initial undistributed profit is affected.

4) Due to changes in scope of consolidation arising from uniform control, RMB0.00 as initial undistributed profit is affected.

5) Due to other adjustments in total, RMB0.00 as initial undistributed profit is affected.

(continued)

38.

Minority interests attributable to minority shareholders of subsidies

Unit: RMB

	(%)	B	B
Shouguang Baolong	30.00	(89,027,429.03)	(77,363,803.78)
MPM Corporation	10.00	(283,414.85)	(243,830.86)
Total	{	(89,310,843.88)	(77,607,634.64)

39.

Unit: RMB

I	Ç	C	Amount of the previous period Revenue	Costs
Primary business	**1,234,688,804.78**	**1,153,393,393.40**	2,673,300,386.43	2,585,801,222.02
Other businesses	**82,806,977.42**	**62,326,301.15**	92,344,894.97	89,411,097.72
Total	**1,317,495,782.20**	**1,215,719,694.55**	2,765,645,281.40	2,675,212,319.74

(continued)

39. *(continued)*

Whether net profits by deducting nonrecurring gains and loss after audit is low and whether it is negative

Yes ½ No

Unit: RMB

I			L	
Amount of operating revenue	**1,317,495,782.20**	Mainly comprised of revenue from sales of products.	2,765,645,281.40	Mainly comprised of revenue from sales of products.
Total amount of deducted items from operating revenue	**124,331,753.27**	Mainly comprised of revenue from sales of wastes.	97,894,560.60	Mainly comprised of revenue from sales of wastes.
Proportion of total deduction amount from operating revenue in operating revenue	**9.44%**	{	3.54%	{
I. Business revenue unrelated to primary business				
1. Other business revenues except for normal operation Such as, lease of fixed assets, intangible assets and packaging materials, material sales, non-monetary assets exchange based on materials, operating revenues of entrusted management business, as well as incomes in addition to normal operation of public company but recorded in primary business incomes.	**82,806,977.42**	Wastes selling incomes unrelated to primary business	90,366,847.38	Wastes selling incomes unrelated to primary business
2. Incomes of new trade business in this and last accounting year	**41,524,775.85**	Trade incomes	7,527,713.22	Trade incomes
Business incomes in total unrelated to primary business	**124,331,753.27**	Wastes selling incomes	97,894,560.60	Wastes selling incomes
II. Incomes independent of business				
Incomes in total independent of business	**0.00**	Nil	0.00	Nil
Amount after business income deduction	**1,193,164,028.93**	Mainly product sales revenue.	2,667,750,720.80	Mainly product sales revenue.

M[redacted]n *(continued)*

39. [redacted] *(continued)*

Breakdown information of operating revenue and operating costs:

Unit: RMB

C	Segment		Total	
	operating revenue	operating costs	Operating revenue	operating costs
Business type				
Including:				
Pipe products	1,141,475,324.31	1,069,596,143.80	1,141,475,324.31	1,069,596,143.80
Three kinds of pumping units	35,884,827.68	29,952,945.63	35,884,827.68	29,952,945.63
Petroleum machinery parts	18,345,313.86	13,044,986.23	18,345,313.86	13,044,986.23
Castings and forgings	28,540,437.13	28,945,853.91	28,540,437.13	28,945,853.91
Others	93,249,879.22	74,179,764.98	93,249,879.22	74,179,764.98
Classify based on operating area	{	{	{	{
Including:				
At home	990,219,379.24	948,292,865.08	990,219,379.24	948,292,865.08
At abroad	327,276,402.96	267,426,829.47	327,276,402.96	267,426,829.47
Classified by the time of transfer of goods	{	{	{	{
Including:				
Transfer at some point	1,317,495,782.20	1,215,719,694.55	1,317,495,782.20	1,215,719,694.55
Classified by contract terms	{	{	{	{
Including:				
Short-term contracts	1,317,495,782.20	1,215,719,694.55	1,317,495,782.20	1,215,719,694.55
Classified by sales channels	{	{	{	{
Including:				
Direct sales	1,317,495,782.20	1,215,719,694.55	1,317,495,782.20	1,215,719,694.55
Total	1,317,495,782.20	1,215,719,694.55	1,317,495,782.20	1,215,719,694.55

(continued)

39. *(continued)*

Information related to performance obligation:

Export sales	Goods loading and departure from port	As for exports, cash collection is preferred. For most oil casing customers, prepayment will be made and the balance payment shall be settled before delivery or seeing the copy of bill of lading. Credit period of petroleum machinery parts generally lasts for two months.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3-6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Other descriptions

Information related to trade price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of report period are RMB0.573 billion. The amount is estimated to be confirmed as incomes in 2024.

Information related to variable consideration in the contract

Nil

M[redacted]n *(continued)*

40.

Unit: RMB

I	Ç ,	Amount of the previous period
Urban maintenance and construction tax	**3,811,744.37**	2,343,174.18
Education surcharge	**3,472,229.45**	1,004,179.00
House property tax	**3,737,997.60**	3,739,098.52
Land use tax	**3,477,256.80**	3,477,256.80
Other taxes	**1,359,604.76**	3,818,543.70
Total	**15,858,832.98**	14,382,252.20

41. A

Unit: RMB

I	Ç ,	Amount of the previous period
Amortization of intangible assets	**10,502,945.86**	10,536,507.09
Depreciation costs	**125,145,070.41**	91,890,682.31
Employee compensations	**60,457,016.73**	102,337,026.66
Article of consumption	**1,204,735.06**	15,012,882.86
Business entertainment	**2,208,481.55**	3,621,373.17
Expenses of board of directors	**2,602,965.58**	2,526,344.17
Utility bills	**6,877,142.32**	8,616,967.83
Agency fees	**4,720,546.37**	3,865,163.77
Repair charges	**2,009,647.61**	20,516,160.22
Traffic expenses	**409,966.42**	359,693.05
Office allowance	**557,742.40**	1,226,585.30
Premiums for property insurance	**1,106,385.38**	1,230,759.09
Environment-related costs	**432,217.07**	833,773.87
Others	**9,904,530.39**	12,373,946.62
Total	**228,139,393.15**	274,947,866.01

M[redacted]n *(continued)*

41. A *(continued)*

Other descriptions:

Auditors' fees (without added value tax) in agency fee in the group's administrative costs are shown as follows:

Unit: RMB

I	A , , ,	Amount incurred of last year
Auditors' fees	**1,367,924.49**	1,367,924.49
{ Auditing service fees	**1,367,924.49**	1,367,924.49
{ Others	{	{
Total	**1,367,924.49**	1,367,924.49

42. _ ,

Unit: RMB

I	Ç ,	Amount of the previous period
Employee compensations	**11,109,835.06**	8,432,097.79
Agency fees	**2,135,191.14**	1,767,803.01
Depreciation costs	**205,911.47**	232,936.93
Travel charges	**837,892.87**	484,943.83
Business entertainment	**1,952,719.52**	2,687,940.52
Transport expenses	**95,918.75**	194,964.52
Office allowance	**351,815.65**	291,625.15
Others	**1,968,701.91**	3,487,932.71
Total	**18,657,986.37**	17,580,244.46

M[redacted]n *(continued)*

43. &D

Unit: RMB

I	Ç	Amount of the previous period
New product R&D of current year	**30,578,559.41**	33,412,376.93
Amortization of non-patented technology of current year	**4,901,648.80**	8,239,353.22
Total	**35,480,208.21**	41,651,730.15

44. F

Unit: RMB

I	Ç	Amount of the previous period
Interest expenses	**118,712,577.92**	117,884,825.33
Minus: interest income	**(4,550,168.10)**	(8,379,526.72)
Plus: exchange loss	**(575,180.61)**	(7,676,880.94)
Other expenses	**547,089.75**	3,994,328.67
Total	**114,134,318.96**	105,822,746.34

45.

Unit: RMB

	Ç	Amount of the previous period
Job stabilization and social insurance subsidies	**37,861.63**	714,277.31
Air defense basement construction subsidy funds	**35,954.30**	35,954.30
Others	**306,594.97**	223,000.05
Total	**380,410.90**	973,231.66

M[redacted]n *(continued)*

46. I

Unit: RMB

I	Ç ¸	Amount of the previous period
Income from long-term equity investments calculated by equity method	**(102,690.47)**	(287,370.63)
Total	**(102,690.47)**	(287,370.63)

47. L

Unit: RMB

I	Ç ¸	Amount of the previous period
Bad debt losses on notes receivable	**944,867.23**	640,985.10
Bad debt losses on accounts receivable	**2,193,242.93**	4,646,594.01
Bad debt losses on other receivables	**103,282.79**	1,416,430.85
Estimated loss on claims of subsidiaries with excess losses	**(12,958,782.06)**	(67,971,212.05)
Total	**(9,717,389.11)**	(61,267,202.09)

48. L

Unit: RMB

I	Ç ¸	Amount of the previous period
I. Loss on inventory valuation and loss on contract performance costs impairment	**(13,566,613.73)**	(16,980,412.51)
IV. Loss on fixed assets impairment	**(217,621,842.83)**	{
Total	**(231,188,456.56)**	(16,980,412.51)

M[redacted]n *(continued)*

49. I

Unit: RMB

I ,	Ç ,	Amount of the previous period
Incomes from disposal of non-current assets	**1,941,021.83**	1,123.89
Therein: incomes from disposal of non-current assets classified as held-for-sale		
Therein: incomes from disposal of fixed assets	{	{
Incomes from disposal of intangible assets	{	{
Incomes from disposal of non-current assets unclassified as held-for-sale	**1,941,021.83**	1,123.89
Therein: incomes from disposal of fixed assets	**1,941,021.83**	1,123.89
Incomes from disposal of intangible assets	{	{
Total	**1,941,021.83**	1,123.89

50. -

Unit: RMB

I	Ç ,	A ,	A , - , ,	A , , ,
Profits from non-current assets damage and scrap	20,007.88	34,923.34		20,007.88
Others	3,624,157.20	6,637,955.12		3,624,157.20
Total	3,644,165.08	6,672,878.46		3,644,165.08

51. -

Unit: RMB

I	Ç ,	A ,	A , - , ,	A , , ,
External donation	230,000.00	7,000.00		230,000.00
Loss on non-current assets damage and scrap	1,351,073.34	433,528.99		1,351,073.34
Estimated liabilities	{	9,800,000.00		{
Others	2,962,289.66	962,084.92		2,962,289.66
Total	4,543,363.00	11,202,613.91		4,543,363.00

M[redacted]n *(continued)*

52. I

(1)

Unit: RMB

I	Ç ,	Amount of the previous period
Income tax expense of current period	**929,067.61**	32,252.92
Deferred income tax expense	**27,524,430.20**	2,860,951.82

M[redacted]n *(continued)*

M[redacted]n *(continued)*

54. I *(continued)*

(2) C , ,

Other cash received relating to financing activities

Unit: RMB

I	Ç ,	Amount of the previous period
Decrease in margin for discounted bills	**92,048,500.00**	{
Total	**92,048,500.00**	{

Other cash paid relating to financing activities

Unit: RMB

I	Ç ,	Amount of the previous period
Repayment of principal and interest on lease liabilities	**7,874,614.22**	{
Increase in margin for discounted bills	{	42,048,500.00
Total	**7,874,614.22**	42,048,500.00

M[redacted]n *(continued)*

54. I *(continued)*

(2) C , , *(continued)*

Changes in liabilities generated from financing activities

Applicable ½ Not applicable

Unit: RMB

I	B , ,	I , C ,	D , C ,	B
Short-term borrowings	1,962,936,789.90	3,368,902,483.90	69,128,405.86	3,729,753,831.52	38,102,740.20	1,633,111,107.94
Longl 10 297 1,962,936[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] yearng act RMB)Tj/T12nce7n0 chan0 to 0 7B8.5 831.527 in64368,902

M[redacted]n *(continued)*

55. A

(1) A

Unit: RMB

	A	Amounts for the previous period
1. A		
Net Profit	**(578,534,451.16)**	(448,935,447.37)
Add: assets depreciation provision	**240,905,845.67**	78,247,614.60
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	**194,478,460.67**	199,175,368.21
Depreciation of right-of-use assets	**7,305,555.66**	1,530,636.81
Amortization of intangible assets	**15,404,594.66**	18,775,860.31
Amortization of long-term deferred expenses	{	{
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" means gains)	**(1,941,021.83)**	(1,123.89)
Losses from discard of fixed assets ("-" means gains)	**1,331,065.46**	398,605.65
Losses from fair value changes ("-" means gains)	{	{
Financial expense ("-" means gains)	**116,888,206.73**	112,386,429.74
Investment losses ("-" means gains)	**102,690.47**	287,370.63
Decrease of deferred income tax assets ("-" means gains)	**24,480,291.22**	2,956,217.55
Increase of deferred income tax liabilities ("-" means losses)	**3,044,138.98**	(95,265.73)
Decrease of inventories ("-" means gains)	**201,768,923.43**	28,084,530.20
Decrease of operating receivables ("-" means gains)	**129,184,387.77**	33,865,176.61
Increase of operating payable ("-" means losses)	**(219,426,110.17)**	(38,185,755.73)
Others	{	{
Net cash flows from operating activities	**134,992,577.56**	(11,509,782.41)

M[redacted]n *(continued)*

55. A *(continued)*

(1) A *(continued)*

	A	Amounts for the previous period
2.		
Conversion of Debt into Capital	{	{
Convertible debenture due within 1 year	{	{
Fixed assets under finance lease	{	{
3. :		
Closing balance of cash	**87,640,771.80**	358,672,243.57
Less: Cash beginning balance	**358,672,243.57**	414,209,197.66
Plus: Ending balance of cash equivalents	{	{
Less: Beginning balance of cash equivalents	{	{
Net increase in cash and cash equivalents	**(271,031,471.77)**	(55,536,954.09)

(2) C

Unit: RMB

I	B	Balance at the beginning of the period
I. Cash	**87,640,771.80**	358,672,243.57
Including: Cash on hand	**26,588.28**	40,394.74
Deposit in bank available for payment at any time	**10,361,260.80**	212,528,645.34
Other currency funds available for payment at any time	**77,252,922.72**	146,103,203.49
III. Closing balance of cash and cash equivalent	**87,640,771.80**	358,672,243.57

M[redacted]n *(continued)*

55. A *(continued)*

(3)

Unit: RMB

I	A	Amounts for the previous period	
Frozen monetary funds	**7,232,104.32**	4,737,079.00	Due to Frozen for litigation that are not readily convertible known amounts of cash
Margin for bank acceptance drafts with a maturity of more than 3 months	**4,200,000.00**		

M[redacted]n *(continued)*

56. F , ,

(1) F , ,

Unit: RMB

I	E , , , ,	C , , B
Monetary funds	{	5,731,537.04
Including: USD	809,228.82	7.0827	5,731,524.96
EUR	0.38	7.8592	2.99
HKD	10.03	0.9062	9.09
Accounts receivables	{	102,501,746.09
Including: USD	14,472,128.72	7.0827	102,501,746.09
EUR	{	{
HKD	{	{
Accounts payable	{	10,829,237.38
Including: USD	1,528,970.22	7.0827	10,829,237.38

(2)

, , , , ,

M[redacted]n *(continued)*

57. L

(1) C :

Applicable ½ Not applicable

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

½ Applicable Not applicable

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

½ Applicable Not applicable

Circumstances involving sale and leaseback transactions

Unit: RMB

I	A , , ,	Amount incurred of last year
Interest expenses on lease liabilities	**2,291,119.36**	306,897.36
Short-term leases expenses included into profit or loss for the period adopting simplified approach	**585,217.90**	4,383,091.76
Lease expenses for low-value assets included into profit or loss for the period adopting simplified approach (excluding short-term leases)	{	{
Variable lease payments not included in the measurement of lease liabilities	{	{
Including: Part of the sale and leaseback transaction	{	{
Revenue from subleasing right-of-use assets	{	{
Total cash outflows related to leasing	**7,874,614.22**	{

M[redacted]n *(continued)*

57. L *(continued)*

(2) C :

Operating lease as lessor

Applicable ½ Not applicable

Unit: RMB

Machinery	**360,000.00**	{
Total	**360,000.00**	{

Financing leases as lessor

½ Applicable Not applicable

Annual undiscounted lease receipts for the next five years

½ Applicable Not applicable

Adjustment table for undiscounted lease receipts and net lease investments

(3) A

½ Applicable Not applicable

Unit: RMB

I	A	Amount for the last period
Employee compensations	**17,819,377.09**	17,877,931.22
Materials	**8,394,255.28**	14,065,333.73
Depreciation and amortisation	**4,901,648.80**	8,239,353.22
Others	**4,364,927.04**	1,469,111.98
Total	**35,480,208.21**	41,651,730.15
Including: Research and development costs recognised as an expense	**35,480,208.21**	41,651,730.15

1.

There was no change in the scope of consolidation.

X

1.

(1) C

Unit: RMB

MPM Corporation	USD100 ten thousand	Hong Kong, China	Hong Kong, China	Trade industry	Limited company	90.00%	0.00%	Profit-making legal person	Business combinations not under common control
Shouguang Maolong	RMB111,238 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	100.00%	0.00%	Profit-making legal person	Business combinations not under common control
Molong Electro-mechanical	USD100 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	0.00%	100.00%	Profit-making legal person	Business combinations not under common control
Shouguang Baolong	RMB15,000 ten thousand	Shouguang, China	Shouguang, China	Manufacturing	Limited company	70.00%	0.00%	Profit-making legal person	Establishment through investment
Weihai Baolong	RMB2,600 ten thousand	Weihai, China	Weihai, China	Manufacturing	Limited company	61.54%	38.46%	Profit-making legal person	Business combinations not under common control
Molong Logistic	RMB300 ten thousand	Shouguang, China	Shouguang, China	Service industry	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment
Molong I&E	RMB1,000 ten thousand	Shouguang, China	Shouguang, China	Imports and exports	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment
Molong Commercial	RMB1,000 ten thousand	Shouguang, China	Shouguang, China	Trade industry	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment

(2)

Unit: RMB

Shouguang Baolong	30.00%	(11,663,625.25)	{ (89,027,429.03)
Total	{	(11,663,625.25)	{ (89,027,429.03)

X *(continued)*

1. *(continued)*

(3) -

Unit: RMB

	B					Balance at the beginning of the period					
	Ç ·,	Ç ·,		L		Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Shouguang Baolong	21,855,061.26	256,812,781.41	278,667,842.67	575,426,428.89	575,426,428.89	36,252,807.87	287,139,488.91	323,392,296.78	566,372,249.15	9,800,000.00	576,172,249.15

Unit: RMB

	A , ,			C ,	Amount for the last period			
					Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shouguang Baolong	27,801,093.46	(43,978,633.85)	(43,978,633.85)	(1,034,325.94)	473,692,199.72	(95,157,997.10)	(95,157,997.10)	(1,473,916.90)

(4) , , ,

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

X *(continued)*

2.

(1)

Unit: RMB

Karamay Yalong Petroleum Machinery Co., Ltd. (4 Ö . 1 - ² i 0 Ú Û Þ " ® !)	Karamay	Karamay	Manufacturing	0.00	30.00	Equity Law

(2)

Unit: RMB

		Balance at the beginning of the period/ Amount for the last period
Joint ventures:		
Total book value for investment	**1,754,772.59**	1,857,463.06
Total amount of the following items based on percentage of shareholdings		
{ Net profit	**(102,690.47)**	(287,370.63)
Associates:		
Total amount of the following items based on percentage of shareholdings		
{ Total comprehensive income	**(102,690.47)**	(287,370.63)

(3)

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

X *(continued)*

2. *(continued)*

(4) None of the associates incurred any excessive losses.

(5) The Company had no contingent liabilities associated with investment in associates.

3.

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

X

1. G

½ Applicable Not applicable

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

½ Applicable Not applicable

2. L J

Applicable ½ Not applicable

Unit: RMB

Deferred revenue	6,756,829.50	{	{	209,825.68	{	6,547,003.82	Asset-related
Total	6,756,829.50	{	{	209,825.68	{	6,547,003.82	Asset-related

(continued)

3. G

G \ ½ ” G \

Unit: RMB

	A	Amount for the last period
Other incomes	**380,410.90**	973,231.66

1.

The Group is exposed to various financial instrument risks in its daily activities, including market risk (for example, exchange rate risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are described below. Management of the Group manages and monitors these risk exposures to ensure such risks are contained within a prescribed scope.

(1)

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

1) Market risks

ú Exchange rate risk

Exchange rate risk means risk of loss due to exchange fluctuation. The exchange rate risk of the Group is mainly related to USD, HKD and EUR. Except for the parent company and MPM Corporation, a subsidiary of the Group, which purchases and sells in USD, EUR and HKD, other major business activities of the Group are denominated and settled in RMB. As at 31 December 2023, the assets and liabilities of the Group are RMB balances, except for the USD balance and sporadic EUR and HKD balances mentioned in the following table. The exchange rate risks arising from the assets and liabilities of these USD balances may have an impact on the Group's operating results.

(continued)

1. *(continued)*

(1) *(continued)*

1) Market risks (continued)

ú Exchange rate risk (continued)

Unit: RMB

I	31 D	2023	31 December 2022
Monetary funds { USD		**5,731,524.96**	151,706,785.93
Monetary funds { EUR		**2.99**	16,321,897.63
Monetary funds { HKD		**9.09**	8.96
Accounts receivable { USD		**102,501,746.09**	79,476,262.12
Accounts receivable { EUR		{	998,067.10
Accounts payable { USD		**10,829,237.38**	18,283,104.23
Contract liabilities { USD		**21,973,504.18**	24,954,961.61
Contract liabilities { EUR		**1,131,724.80**	1,915,108.20

The Group paid close attention to the impact of exchange rate fluctuation on the Group.

The Group attached great importance to the research on exchange rate risk management policies and strategies, maintains close cooperation with financial institutions operating foreign exchange business, and reduces exchange rate risk by arranging favorable settlement clauses in contracts. And with the increasing share of the international market, if there are uncontrollable risks such as RMB appreciation, the Group will adjust its sales policy to reduce the risks.

(continued)

1. *(continued)*

(1) *(continued)*

1) Market risks (continued)

û Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market interest rate. The Group's interest rate risk arises from interest-bearing liabilities, such as borrowings from financial institutions. The financial liabilities of floating interest rate make the Group exposed to the risk of cash flow interest rate, and the financial liabilities of fixed interest rate make the Group exposed to the risk of fair value interest rate. The Group will determine the relative proportion between the fixed interest rate and floating interest rate contracts based on the prevailing market environment. As at 31 December 2023, the Group's interest-bearing liabilities were mainly floating-rate loan contracts denominated in RMB amounting to RMB433,140,000.00 (31 December 2022: RMB196,600,000.00) and fixed-rate loan contracts denominated in RMB and USD amounting to RMB1,265,203,402.10 (31 December 2022: RMB1,918,722,351.80).

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates was mainly associated with fixed-rate bank loans. For fixed-rate borrowing, the Group's goal is to keep its floating interest rate.

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

By establishing a good relationship between banks and enterprises, the Company rationally designed the credit line, credit variety and credit period to ensure sufficient credit line of banks and meet various short-term financing needs of the Company.

ü Price risk

The Group sells steel products at market prices. so it is affected by these price fluctuations.

(continued)

1. *(continued)*

(1) *(continued)*

2) Credit risk

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

To reduce credit risk, the Group approves the customer's credit limit and implements other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Group reviews the recycle of each single account receivable on each balance sheet date, so as to ensure sufficient provisions for bad debts for the funds cannot be reclaimed. Therefore, the management of the Group considers that the Group's credit risk has reduced greatly.

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

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

The total amount of the top five accounts receivable of the Group was RMB250,123,029.20, accounting for 82.65% of the Group's total accounts receivable.

ú Criteria for judging significant increase in credit risk

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

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

(continued)

1. *(continued)*

(1) *(continued)*

2) *Credit risk (continued)*

û Definition of assets subject to credit impairment

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

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

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

ü Credit risk exposure

On 31 December 2023, the maximum credit risk exposure of the Group's financial loss mainly comes from other guarantees undertaken by the Group.

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

Unit: RMB

	31 D	2023	31 December 2022
Other credit commitment		**4,200,000.00**	{

(continued)

1. *(continued)*

(1) *(continued)*

3) *Liquidity risk*

Liquidity risk is the Group's impossibility to perform its financial obligations after the maturity date. The Group has managed the liquidity risk in a way by ensuring sufficient financial liquidity to perform due debts, without causing unacceptable losses or damage to enterprise reputation. The Group regularly analyzes the debt structure and maturity to ensure sufficient funds. The management of the Group monitors the use of bank loans and ensures compliance with loan agreements; and conducts financing consultation with financial institutions to maintain a certain credit line and reduce liquidity risk.

The Group takes loans from financial institutions as its main source of funds. On 31 December 2023, the unused credit line of financial institutions of the Group was RMB422,090,000.00 (31 December 2022: RMB438,000,000.00), of which the unused short-term loan line of the Group was RMB352,090,000.00 (31 December 2022: RMB402,000,000.00) The financial assets and financial liabilities held by the Group are analyzed according to the maturity period of undiscounted remaining contractual obligations as follows:

Amount as at 31 December 2023:

Unit: RMB

I	1	1 2	2 5	5	
F					
Monetary funds	99,072,876.12	{	{	{	99,072,876.12
Bills receivable	78,005,897.66	{	{	{	78,005,897.66
Accounts receivable	253,264,672.00	{	{	{	253,264,672.00
Financing receivables	2,485,020.78	{	{	{	2,485,020.78
Other receivables	4,675,103.22	{	{	{	4,675,103.22
F					
Short-term borrowing	1,633,111,107.94	{	{	{	1,633,111,107.94
Bills payable					
Accounts payable	509,647,241.72	{	{	{	509,647,241.72
Other payables	34,143,155.71	{	{	{	34,143,155.71
Non-current liabilities due within one year	52,797,378.40	{	{	{	52,797,378.40
Other current liabilities	43,395,150.74	{	{	{	43,395,150.74
Lease liabilities	{	7,014,880.94	7,600,886.85	{	14,615,767.79
Long-term payables	19,854,583.39	{	{	{	19,854,583.39

(continued)

1. *(continued)*

(2)

The Group applies sensitivity to analyse the potential impact of possible and reasonable changes in risk variables on current profits and losses or shareholders' equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have a significant effect on the final impact amount of the change of a certain risk variable, the following contents are made on the assumption that the change of each variable is independent.

1) Sensitivity analysis of foreign exchange risk

The assumption for analysing sensitivity to foreign exchange risk: all net investment hedges and cash flow hedges of foreign operations are highly effective.

On the basis of the above assumption and other variables remain unchanged, the after-tax impact of possible reasonable changes in exchange rate on current profits and losses and equity is as follows:

Unit: RMB

		2023		2022	
				Impact on net profit	Impact on owner's equity
All foreign currencies	Appreciation by 5% against RMB	**6,798,150.03**	**6,798,150.03**	6,895,808.83	6,895,808.83
All foreign currencies	Depreciation by 5% against RMB	**(6,798,150.03)**	**(6,798,150.03)**	(6,895,808.83)	(6,895,808.83)

2) Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumptions:

Changes in market interest rates affect the interest income or expenses of variable interest rate financial instruments;

For fixed-rate financial instruments measured at fair value, the change of market interest rate only affects their interest income or expenses;

The changes in fair value of derivative financial instrument and other financial assets and liabilities were calculated by the discounted cash flow method with the market interest rate on the balance sheet date.

(continued)

1. *(continued)*

(2) *(continued)*

2) *Sensitivity analysis of interest rate risk (continued)*

On the basis of the above assumptions, under the condition that other variables remain unchanged, the after-tax impact of possible reasonable changes in interest rate rate on current profits and losses and equity is as follows:

Unit: RMB

		2023		2022	
				Impact on net profit	Impact on owner's equity
Floating rate borrowing	increased by 1%	**(2,307,663.58)**	**(2,307,663.58)**	(1,066,537.50)	(1,066,537.50)
Floating rate borrowing	decreased by 1%	**2,307,663.58**	**2,307,663.58**	1,066,537.50	1,066,537.50

2. H

(1) C

½ Applicable Not applicable

The Company did not carry out hedging business for risk management in 2023.

(3) C

½ Applicable Not applicable

(continued)

3. F

(1) C

Applicable ½ Not applicable

Unit: RMB

		A ,	D ,	J , ,
Bill endorsement/bill discount	Commercial acceptance bills in bills receivable that were not due	67,325,433.41	Not derecognized	Because he commercial acceptance bills in bills receivable were accepted by enterprises with low credit ratings, commercial acceptance bills endorsed/ discounted would not affect the right of recourse, and the credit risk and deferred payment risk related to the bills were not yet transferred, they are not derecognized.
Bill endorsement/bill discount	Bank acceptance bills in financing receivables that were not due	32,100,730.20	Derecognition	Bank acceptance bills in financing receivables were accepted by banks with higher credit ratings, the credit risk and deferred payment risk were very low, and the interest rate risk related to bills was transferred to the banks.
Factoring	Bills receivable	1,248,205.76	Not derecognized	Substantially all of its risks and rewards, including the default risk associated with it, were retained.
Factoring	Accounts receivable	22,689,40-1. 0 Td(22,689,40-10Td(credit r.)luding the defaul Tdr.)ludin2ercial acceptance bills		

(continued)

3. F *(continued)*

(2) D

Applicable ½

(continued)

2. C

Details of subsidiaries of the Company are set out in Note X-1-(1) Composition of the enterprise group.

3. J C

Details of joint ventures and associates of the Company are set out in Note X-2 Rights and interests in joint arrangements or associates.

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

J	C
Karamay Yalong Petroleum Machinery Co., Ltd. (4 Ö . 1 - ² i 0 Ú Û Þ " ® !)	Associate of the Company

4.

	C
Shouguang State-owned Assets Supervision and Administration Bureau (ª ˆ 9 7 Þ * 9 – M # ...)	The actual controller
Shouguang Molong Holdings Co., Ltd. (ª ˆ ˆ ² › p Þ " ® !)	The controlling shareholder of the Company
Shandong Shouguang Jinxin Investment Development Holdings Group Limited († ª ˆ –4¥ ³ ï • › p « Þ " ® !)	The controlling shareholder of the controlling shareholder of the Company
Weifang Huayuan Heat Co., Ltd. (e 6 U b Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Xinjing Tourism Development Co., Ltd. (ª ˆ 94¥ { Ú 7 ï • Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Rongyuan Agricultural Technology Co., Ltd. (ª ˆ 9 D U 5 8 Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Medical Services Co., Ltd. (ª ˆ 9 – ³ < Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Jindun Motorist Training Co., Ltd. (ª ˆ 9 – · Ú w u p C Å Þ " ª , ® !)	A subsidiary of Shouguang Jinxin
Shouguang Hi-tech Zone Investment and Development Group Co., Ltd. (ª ˆ ÷ - ³ š ï « Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Jinsheng Investment Co., Ltd. (ª ˆ – 8 ³ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Fenghui Agricultural Technology Co., Ltd. (ª ˆ 9 . Ò 5 8 Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Construction Engineering Quality Testing Co., Ltd. (ª ˆ 9 £ ˆ û / Ž è » Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang High-tech Zone Infrastructure Development Co., Ltd. (ª ˆ 9 ÷ - ? þ £ D š ï Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Longxing Plastic Film Technology Co., Ltd. († ² 3 ç ë Å ¦ p ... Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Kefa Investment Co., Ltd. (ª ˆ Å ï ³ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang fruit and vegetable variety right trading center Co., Ltd. (ª ˆ D Ü G Æ t ø • Ð Þ " ® !)	A subsidiary of Shouguang Jinxin

(continued)

4. *(continued)*

	C
Shouguang Heda Polar Ocean World Co., Ltd. (ª ˆ ¥ : = ® q ð ¢ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Xinhui Real Estate Co., Ltd. (ª ˆ 94¥ I Ä 8 Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Shenghui Photovoltaic Technology Co., Ltd. (ª ˆ ÷ ³ Å > ˆ • Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Qingtai Medical Equipment Co., Ltd. († ¡ < œ Û Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Huibang Construction and Installation Engineering Co., Ltd. (ª ˆ ÷ ³ Ò Ä ˆ û Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Pusen Medical Equipment Co., Ltd. († w Œ < œ Û Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Ronggeng Agricultural Technology Co., Ltd. (ª ˆ D • 5 8 Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Bolan Biotechnology Co., Ltd. († ù 3 [J Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Jinhan Supply Chain Management Co, Ltd. (ª ˆ – • 6 Ð á M # Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Tianyi New Energy Co., Ltd. (ª ˆ Â S - • U Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd. (ª ˆ ÷ ³ -4¥ * 8 ä 6 M # Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Chengsen Biotechnology Co., Ltd. († Õ Œ [J Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Shandong Chiming Salt Chemistry Co., Ltd. († ë × > · Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Hengze Industrial Development Co., Ltd. (ª ˆ) ã * 8 ï • Þ " ® !)	A subsidiary of Shouguang Jinxin
Weifang Aolong Guarantee Co., Ltd. (e ó ² Ä - p … Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Heating Power Co., Ltd. (ª ˆ 9 – ³ b Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Guoyu New Energy Co., Ltd. (ª ˆ 9 7 ‘ - • U Å ¦ Þ " ® !)	A subsidiary of Shouguang Jinxin
Jinpeng (Shandong) Electronic Information Technology Co., Ltd. (– € † e • ¦ ¹ ¦ " Þ " ® !)	A subsidiary of Shouguang Jinxin
Shouguang Industry Investment Holding Group Co., Ltd. (ª ˆ 9 * 8 ³ › p « Þ " ® !)	Companies where the Directors hold an office
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. († ù ù < ¹ · ª p … Þ " ® !)	Companies where the Directors hold an office
Shandong Jiuan Insurance Broker Co., Ltd. († X Ä - ˆ ¾ Ï p … Þ " ® !)	Companies where the Directors hold an office
Shandong Jiu'an Investment Management Co., Ltd. († X Ä ³ M # Þ " ® !)	Companies where the Directors hold an office
Shandong Qi'an Health Management Co., Ltd. († Ä p M # Þ " ® !)	Companies where the Directors hold an office
Shandong Ju'an Siwei Risk Management Consulting Co., Ltd. († ¢ Ä š , ˆ M # T Þ " ® !)	Companies where the Directors hold an office
Guoyu Dehui Equity Investment Management (Shandong) Co., Ltd. (7%Ô C F p Æ ³ M #€ † Þ " ® !)	Companies where the Directors hold an office
Shouguang Jintou Equity Investment Fund Management Co., Ltd. (ª ˆ 9 – ³ p Æ ³ ? – M # Þ " ® !)	Companies where the Directors hold an office
Shouguang Financial Investment Group Co., Ltd. (ª ˆ 9 – D ³ « Þ " ® !)	Companies where the Directors hold an office
Shandong Global Software Co., Ltd. († " ´ • p … Þ " ® !)	Companies where the Directors hold an office
Kunpeng Asset Management Co., Ltd. (ú * M # p … Þ " ® !)	Companies with associated natural persons
Shouguang ZRCB Country Bank Co., Ltd. (ª ˆ u 5 À D Õ p … Þ " ® !)	Companies with associated natural persons

(continued)

4. *(continued)*

	C
Shouguang Jintou Asset Management Co., Ltd. (ª ^ 9 – ³ * M # Þ " ® !)	Companies with associated natural persons
Weifang Mimosa Nursing Technology Co., Ltd (e ^ b £ • # Å ¦ p … Þ " ® !)	Companies with associated natural persons
Shouguang Haihengwei Real Estate Development Co., Ltd (ª ^ 9) þ Ò ® * š ï Þ " ® !)	Companies with associated natural persons
Shouguang Jinkong Asset Management Co., Ltd. (ª ^ 9 – › * M # Þ " ® !)	Companies with associated natural persons
Shouguang jinzheng financing guarantee Co., Ltd. (ª ^ 9 – A D Ä - Þ " ® !)	Companies with associated natural persons
Weifang Huiyi Property Management Co., Ltd. (e • J 8 M # Þ " ® !)	Companies with associated natural persons
Shouguang Changxu Thermal Power Co., Ltd. (ª ^ Û b Þ " ® !)	Companies with associated natural persons
Shouguang Chenxi Kangyang Medical Co., Ltd. (ª ^ 9 š " p n < Þ " ® !)	Companies with associated natural persons
Shouguang Chengsai Agricultural Technology Co., Ltd. (ª ^ 9 „ 5 8 Å ¦ Þ " ® !)	Companies with associated natural persons
Shouguang Xiangrun Industry Co., Ltd. (ª ^ B — ¼ 8 Þ " ® !)	Companies with associated natural persons
Kunpeng (Shandong) Asset Management Co., Ltd. (ú € † • * M # Þ " ® !)	Companies with associated natural persons
Qingdao Jinxin Huijin Finance Leasing Co., Ltd (¡ ¥ –4¥ Ò – D a # Þ " ® !)	Companies with associated natural persons
Shouguang Jindu Engineering Management Co., Ltd. (ª ^ 9 – Ç ^ û M # Þ " ® !)	Companies with associated natural persons
Shouguang Jintou Culture Industry Development Co., Ltd. (ª ^ 9 – ³ Ö · * 8 ï • Þ " ® !)	Companies with associated natural persons
Shouguang Cultural Tourism Investment and Development Group Co., Ltd. (ª ^ 9 Ö · Ú 7 ³ ï • « Þ " ® !)	Companies with associated natural persons
Shouguang High quality Development Co., Ltd. (ª ^ 9 ÷ / Ž ï • Þ " ® !)	Companies with associated natural persons
Shouguang Xianglin Enterprise Management Co., Ltd. (ª ^ 9 B Œ † 8 M # Þ " ® !)	Companies with associated natural persons
Shouguang Xunying New Energy Development Co., Ltd. (ª ^ 9 ® - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Ruisi New Energy Development Co., Ltd. (ª ^ 9 • - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Linmao New Energy Development Co., Ltd. (ª ^ 9 Œ ñ - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Changyi New Energy Development Co., Ltd. (ª ^ 9 ù - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Zhisen New Energy Development Co., Ltd. (ª ^ 9 } Œ - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Haochen New Energy Development Co., Ltd. (ª ^ 94Š - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Xiangbo New Energy Development Co., Ltd. (ª ^ 9 B ù - • U š ï Þ " ® !)	Companies with associated natural persons

(continued)

4. *(continued)*

Shouguang Dingchen New Energy Development Co., Ltd. (ª ˆ 9 { - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Hongyu New Energy Development Co., Ltd. (ª ˆ 9 ¿ Ã - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Mingrui New Energy Development Co., Ltd. (ª ˆ 9 × • - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Guangfa Electric Power Co., Ltd. (ª ˆ 9 ˆ ï e b Þ " ® !)	Companies with associated natural persons
Shouguang Yinchen New Energy Development Co., Ltd. (ª ˆ 9 Õ - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Junhong New Energy Development Co., Ltd. (ª ˆ 9 º ƒ - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Zhaohui New Energy Development Co., Ltd. (ª ˆ 9 Š > - • U š ï Þ " ® !)	Companies with associated natural persons
Shouguang Junhan New Energy Development Co., Ltd. (ª ˆ 9 Q • - • U š ï Þ " ® !)	Companies with associated natural persons
Beijing Aohe Industrial Co., Ltd. (/ ó‴ ¼ 8 Þ " ® !)	Companies with associated natural persons
Shouguang Smart Real Estate Information Service Co., Ltd. (ª ˆ 9 } F Ò * ¦ ¹ Þ " ® !)	Companies with associated natural persons
Shandong Cangsheng agricultural science and technology Co., Ltd. († Q Ë 5 8 Å ¦ Þ " ® !)	Companies with associated natural persons
Shandong Zhimeng Holdings Co., Ltd. († } ¬ › p Þ " ® !)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Panjin Property Co., Ltd. (ª ˆ 9 Â – Ä 8 Þ " ® !)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Hongsen Logistics Co., Ltd. (ª ˆ 9 ¿ Œ J t Þ " ® !)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Ruisen New Building Materials Co., Ltd. (ª ˆ 9 • Œ - è ¿ Þ " ® !)	A legal person who holds more than 5% of the shares together with its parties in concert

5.

(1)

List of purchase of goods/receipt of services

Unit: RMB

Weifang Huiyi Property Management Co., Ltd.	Property and sanitation service fees	457,587.80	Not applicable	No	0.00

(continued)

5. *(continued)*

(1) *(continued)*

List of sale of goods/rendering of services

Unit: RMB

Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pumps and pipes	1,404,901.83	974,653.21

(2)

The Company as the lessee:

Unit: RMB

		( )		Variable lease payments that are not included in the measurement of the lease liability (if applicable)		Rental paid		Interest expenses on lease liability assumed		Increased right-to-use assets	
		Amount incurred in the previous period		Amount incurred in the previous period		Amount incurred in the previous period		Amount incurred in the previous period		Amount incurred in the previous period	
Shouguang Xiangrun Industry Co., Ltd. (³ˆB—¼8Þ"®!)	Buildings	{	{	{	{	{	{	85,077.62	{	1,078,738.32	{

Explanations on leasing between related parties

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

(continued)

5. *(continued)*

(3) , ,
The Company as a guarantor

Unit: RMB

G	G	,	C , ,	E , ,	H , , ,
Shouguang Maolong		0.00	30 June 2020	30 June 2023	Yes

(continued)

5. *(continued)*

(4) B / ,

Unit: RMB

B	A	C	E	D
Shouguang Jinxin	30,000,000.00	14 February 2023	15 February 2023	{
Shouguang Jinxin	20,000,000.00	23 March 2023	9 February 2024	{
Shouguang Jinxin	30,000,000.00	24 March 2023	3 April 2023	{
Shouguang Jinxin	20,000,000.00	27 March 2023	9 February 2024	{
Shouguang Jinxin	30,000,000.00	31 March 2023	9 February 2024	{
Shouguang Jinxin	30,000,000.00	29 May 2023	9 June 2023	{
Shouguang Jinxin	27,000,000.00	8 June 2023	8 June 2023	{
Shouguang Jinxin	40,000,000.00	25 June 2023	25 June 2023	{
Shouguang Jinxin	10,000,000.00	29 June 2023	27 July 2023	{
Shouguang Jinxin	40,000,000.00	4 July 2023	5 July 2023	{
Shouguang Jinxin	30,000,000.00	11 July 2023	12 July 2023	{
Shouguang Jinxin	30,000,000.00	5 July 2023	5 July 2023	{
Shouguang Jinxin	15,000,000.00	5 July 2023	12 July 2023	{
Shouguang Jinxin	30,000,000.00	5 July 2023	9 February 2024	{
Shouguang Jinxin	5,000,000.00	2 August 2023	19 December 2023	{
Shouguang Jinxin	40,000,000.00	9 August 2023	10 August 2023	{
Shouguang Jinxin	8,000,000.00	22 August 2023	9 February 2024	{
Shouguang Jinxin	5,000,000.00	29 August 2023	9 February 2024	{
Shouguang Jinxin	5,000,000.00	18 September 2023	9 February 2024	{
Shouguang Jinxin	5,000,000.00	13 October 2023	9 February 2024	{
Shouguang Jinxin	8,000,000.00	22 November 2023	9 February 2024	{
Shouguang Jinxin	5,000,000.00	14 December 2023	9 February 2024	{
Shouguang Jinxin	7,800,000.00	28 December 2023	9 February 2024	{
Shouguang Jinxin	10,000,000.00	31 December 2023	9 February 2024	{

(5) C ,

Unit: RMB

I	A	Amount for the previous period
Total remunerations	**2,828,314.86**	3,116,715.64

(continued)

5. *(continued)*

(5) *(continued)*

In 2023, the remuneration details of the directors, supervisors and senior management of the Company are as follows:

Unit: RMB

	F ( )	C			
E					
Yang Yun Long (Resigned)	{	{	{	{	{
Yuan Rui	{	{	{	{	{
Yao You Ling	{	363,707.07	{	5,222.85	368,929.92
Li Zhi Xin	{	517,011.98	67,037.41	11,329.24	595,378.63
Zhao Xiao Tong	{	321,887.83	67,037.41	4,911.01	393,836.25
-	{	1,202,606.88	134,074.82	21,463.10	1,358,144.80
-					
Ding Yi	{	{	{	{	{
Zhang Min	{	{	{	{	{
Liu Ji Lu (Resigned)	16,800.00	{	{	{	16,800.00
Wang Quan Hong (Resigned)	{	{	{	{	{
-	16,800.00	{	{	{	16,800.00
I					
-					
Tang Qing Bin	120,000.00	{	{	{	120,000.00
Song Zhi Wang	120,000.00	{	{	{	120,000.00
Cai Zhong Jie	120,000.00	{	{	{	120,000.00
-	360,000.00	{	{	{	360,000.00
Liu Shu Bao	{	119,254.54	41,572.25	10,523.90	171,350.69
Liu Cheng An	80,000.00	{	{	{	80,000.00
Li Jing Wei	80,000.00	{	{	{	80,000.00
-	160,000.00	119,254.54	41,572.25	10,523.90	331,350.69
Zhang Quan Jun	{	348,853.05	67,037.41	13,827.37	429,717.83
Hao Yun Feng (Resigned)	{	267,785.73	61,470.05	3,045.76	332,301.54
-	{	616,638.78	128,507.46	16,873.13	762,019.37
	536,800.00	1,938,500.20	304,154.53	48,860.13	2,828,314.86

(continued)

5. *(continued)*

(5) C *(continued)*

û In 2022, the remuneration details of the directors, supervisors and senior management of the Company are as follows:

Unit: RMB

	F ( )	C			
E					
Yang Yun Long	{	{	{	{	{
Yuan Ru	{	{	{	{	{
Li Zhi Xin	{	627,496.67	65,426.03	21,184.77	714,107.47
Yao You Ling	{	335,773.76	0	2,750.23	338,523.99
-	{	963,270.43	65,426.03	23,935.00	1,052,631.46
-					
Wang Quan Hong	{	{	{	{	{
Liu Ji Lu	80,000.00	{	{	{	80,000.00
-	80,000.00	{	{	{	80,000.00
I					
-					
Tang Qing Bin	120,000.00	{	{	{	120,000.00
Song Zhi Wang	120,000.00	{	{	{	120,000.00
Cai Zhong Jie	120,000.00	{	{	{	120,000.00
-	360,000.00	{	{	{	360,000.00
Liu Shu Bao	{	139,957.63	42,947.94	12,589.69	195,495.26
Lin Jun (Resigned)	57,460.35	{	{	{	57,460.35
Li Jing Wei	22,481.24	{	{	{	22,481.24
Liu Cheng An	80,000.00	{	{	{	80,000.00
-	159,941.59	139,957.63	42,947.94	12,589.69	355,436.85
Hao Yun Feng	{	338,536.36	50,171.50	2,156.37	390,864.23
Zhang Quan Jun	{	391,804.67	62,967.95	13,593.24	468,365.86
Zhao Xiao Tong	{	339,609.68	65,426.03	4,381.54	409,417.25
-	{	1,069,950.71	178,565.47	20,131.15	1,268,647.33
	599,941.59	2,173,178.77	286,939.44	56,655.84	3,116,715.64

Note: Subsidies and benefits mainly include seniority allowance and meal allowance provided by the Company for employees.

(continued)

5. *(continued)*

(5) *(continued)*

ü This year, the five highest paid persons of the Company include two directors (last year: one) and three other personnel (last year: four), and the salary range of the three other personnel is RMB0 – 900,000.

The salaries of the highest paid persons are as follows:

Unit: RMB

		The previous year's amount
Fees (or allowance)		0
Salary	**1,833,709.64**	2,182,931.66
Contribution to pension plan	**670,374.11**	324,672.06
Subsidies and benefits	**50,973.38**	59,805.56
Total	**2,555,057.13**	2,567,409.28

The number of the highest paid persons by pay group is as follows (by number):

		Number of persons in the previous year
RMB0 to 900,000 (equivalent to about HKD0 to 1 million)	**5**	5
Total	**5**	5

ý For the financial year ended 31 December 2023, no other bonuses have been paid or should be received by the five highest paid persons as appropriate or calculated on the basis of the performance of the Company, the Company or any of its member companies, and the Company has not paid any salary to any directors, supervisors and the top five highest paid persons to attract them to join the Company, or paid salaries as incentives after they joined the Company, or paid compensation after they lost their posts. During the year, none of the Directors waived or agreed to waive any remuneration.

(6)

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

(continued)

6. A

(1)

Unit: RMB

		B		Balance at the beginning of the period	
J		B		Book balance	Provision for bad debts
Accounts receivables	Karamay Yalong Petroleum Machinery Co., Ltd. (4 Ö . 1 - ² i 0 Ú Û Þ " ® !)	**3,427,939.47**	**1,097,287.10**	5,297,572.74	2,093,527.58

7. C

The Company continues to receive financial support from Shouguang Jinxin, the controlling shareholder of the controlling shareholder. On 10 February 2024, after the consideration and approval at the ninth extraordinary meeting of the seventh session of the Board of Directors of the Company, Shouguang Jinxin provided financial assistance of up to RMB300 million (including RMB300 million) to the Company for a term of less than one year (including one year), with an interest rate not higher than the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide financial assistance in installments according to the actual situation, and the interest shall be calculated based on the actual borrowing days, and the Company can repay in advance. Any form of security, including guarantee, mortgage and pledge, is not required for this financial assistance. As of the date of this financial report, Shouguang Jinxin has provided financial support of RMB219.85 million to the Company.

1. G -

½ Applicable Not applicable

2. -

½ Applicable Not applicable

3. -

½ Applicable Not applicable

(continued)

4. -

½ Applicable Not applicable

5. -

Nil

6.

There is no share-based payment in the Company this year.

1.

Important commitments existing on the balance sheet date

The company has no important commitments on the balance sheet date.

2. C

(1)

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

(2) C

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

3.

The Company has no other major contingencies.

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

X

1. D

Amount of dividends to be distributed for every ten shares (RMB)	0
Number of bonus shares to be distributed for every ten shares (shares)	0
Number of shares to be transferred into share capital for every ten shares (shares)	0
Amount of dividends declared for every ten shares upon consideration and approval (RMB)	0
Number of bonus shares declared for every ten shares upon consideration and approval (shares)	0
Number of shares declared to be transferred into share capital for every ten shares upon consideration and approval (shares)	0
Profit distribution plan	According to the annual profit distribution scheme approved at the ninth meeting of the seventh session of the Board of Directors of the Company held on 28 March 2024, the Company intended not to pay a final dividend for the year ended 31 December 2023. The above profit distribution plan is yet to be considered and approved by the general meeting.

2.

As of the financial reporting date, there has been no major sales return of the Company.

3. D

The Proposal on the Disposal of Equity Interests in Subsidiaries was considered and approved at the seventh extraordinary meeting of the seventh session of the Board of Directors of the Company held on 9 January 2024, and the first extraordinary general meeting of the Company for 2024 held on 25 January 2024. It was agreed that the Company transferred 70% equity interests in its subsidiary Shouguang Baolong, which was directly held by the Company, and a total of 98.0769% equity interests in Weihai Baolong, which was directly held and indirectly held by the Company through its wholly-owned subsidiary Maolong New Materials, to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (> ³ } J ° f ³ ¥ « † 8€ Þ " ¥ « • at a consideration of RMB141,606,709.94. Upon completion of this transaction, Shouguang Baolong and Weihai Baolong cease to be included in the scope of the Company's consolidated statements. As of the disclosure date of this report, the Company has received all amounts of equity transfer, Shouguang Baolong and Weihai Baolong have successively completed industrial and commercial registration change procedures and obtained business licenses issued by the Market Supervision and Administration.

Notes to the Financial Statements

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

X

1.

(1)

(1) The basis for determining the reporting segment

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into six reporting segments, which are determined for the basis of internal organizational structure, management requirements and internal reporting system. The management of the Company regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance. The main products provided by each reporting segment of the Company include oil casing, three kinds of pumping units, petroleum machinery parts, tube blanks, castings and forgings, and others.

(2) Accounting Policies for Reporting Segments

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards used by each segment in reporting to management on a basis consistent with the accounting and measurement basis used in the preparation of the financial statements.

(2) F I

Unit: RMB

I							Inter-segment offset	Total
Revenue from external sales	1,141,475,324.31	35,884,827.68	18,345,313.86	{	28,540,437.13	93,249,879.22	{	{ 1,317,495,782.20
Revenue from inter-segment transactions	{	{	{	{	{	{	{	{ {
Total segment operating revenue	1,141,475,324.31	35,884,827.68	18,345,313.86	{	28,540,437.13	93,249,879.22	{	{ 1,317,495,782.20
Total operating revenue as reported	1,141,475,324.31	35,884,827.68	18,345,313.86	{	28,540,437.13	93,249,879.22	{	{ 1,317,495,782.20
Segment expenses	1,331,009,981.95	30,903,148.05	13,530,755.92	0	29,332,135.06	76,648,949.48	9,717,389.11	{ 1,491,142,359.57
Segment operating profit	(189,534,657.64)	4,981,679.63	4,814,557.94	{	(791,697.93)	16,600,929.74	(9,717,389.11)	{ (173,646,577.37)
A								0.00
Administrative expenses	{	{	{	{	{	{	228,139,393.15	{ 228,139,393.15
Research and development expenses	{	{	{	{	{	{	35,480,208.21	{ 35,480,208.21
Finance costs	{	{	{	{	{	{	114,134,318.96	{ 114,134,318.96
Investment income	{	{	{	{	{	{	(102,690.47)	{ (102,690.47)
Gains on disposal of assets	{	{	{	{	{	{	1,941,021.83	{ 1,941,021.83
Other gains	{	{	{	{	{	{	380,410.90	{ 380,410.90
Operating profit as reported	(189,534,657.64)	4,981,679.63	4,814,557.94	{	(791,697.93)	16,600,929.74	(385,252,567.17)	{ (549,181,755.43)
Non-operating income	{	{	{	{	{	{	3,644,165.08	{ 3,644,165.08
Non-operating expenses	{	{	{	{	{	{	4,543,363.00	{ 4,543,363.00
Total profit	(189,534,657.64)	4,981,679.63	4,814,557.94	{	(791,697.93)	16,600,929.74	(386,151,765.09)	{ (550,080,953.35)
Income tax	{	{	{	{	{	{	28,453,497.81	{ 28,453,497.81
Net profit	(189,534,657.64)	4,981,679.63	4,814,557.94	{	(791,697.93)	16,600,929.74	(414,605,262.90)	{ (578,534,451.16)
Total segment assets	1,161,936,652.14	92,182,074.27	37,737,719.22	314,258,092.93	943,760,235.52	293,617,109.90	44,590,104.82	{ 2,888,081,988.80
Total segment liabilities	543,830,934.13	22,146,782.21	16,552,809.86	127,670,278.68	782,134,723.86	21,816,764.67	1,039,227,174.84	{ 2,553,379,468.25

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

(continued)

2.

In 2023 and 2022, all the Company's foreign transaction income came from China and overseas respectively. Since all assets are located in China, the foreign transaction income divided into income sources is disclosed as follows:

Unit: RMB

		Amount incurred of last year
PRC (excluding Hong Kong)	**990,219,379.24**	2,359,717,382.90
Hong Kong	{	{
Other overseas regions	**327,276,402.96**	405,927,898.50
Total	**1,317,495,782.20**	2,765,645,281.40

3.

The Company has no other important matters.

X. [illegible]

1. A ,

(1) D , ,

Unit: RMB

A,	B	Book balance at the beginning of the period
Within 1 year (inclusive)	**516,397,871.19**	540,554,051.35
1–2 years	**2,596,020.65**	4,164,391.54
Over 3 years	**66,604,757.09**	118,052,136.42
3–4 years	**707,219.17**	1,826,075.57
4–5 years	**1,786,213.66**	20,475,467.50
Over 5 years	**64,111,324.26**	95,750,593.35
Total	**585,598,648.93**	662,770,579.31

(2) D ,

Unit: RMB

	B					Balance at the beginning of the period				
	B					Book balance		Provision for bad debts		
	A , ,		A ,		B ,	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Accounts receivable provided for bad debts on a collective basis	**585,598,648.93**	**100.00%**	**49,336,733.97**	**8.43%**	**536,261,914.96**	662,770,579.31	100.00%	102,449,762.97	15.46%	560,320,816.34
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**301,530,809.50**	**51.49%**	**49,336,733.97**	**16.36%**	**252,194,075.53**	394,050,802.27	59.46%	102,449,762.97	26.00%	291,601,039.30
Accounts receivable for which provision for bad debts is made according to the expected credit loss combination of related parties within the scope of consolidation	**284,067,839.43**	**48.51%**	{	{	**284,067,839.43**	268,719,777.04	40.54%	{	{	268,719,777.04
Total	**585,598,648.93**	{	**49,336,733.97**	{	**536,261,914.96**	662,770,579.31	{	102,449,762.97	{	560,320,816.34

X. *(continued)*

1. A *(continued)*

(2) D *(continued)*

Provision for bad debts on a collective basis: Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	B		
G	B		
Within 1 year	252,981,139.76	2,529,811.40	1.00%
1–2 years	2,596,020.65	1,298,010.33	50.00%
2–3 years	707,219.17	530,414.38	75.00%
4–5 years	1,786,213.66	1,518,281.60	85.00%
Over 5 years	43,460,216.26	43,460,216.26	100.00%
Total	301,530,809.50	49,336,733.97	{

Basis for determining the group:

Provision for bad debts on a collective basis: Accounts receivable for which provision for bad debts is made according to the expected credit loss combination of related parties within the scope of consolidation

Unit: RMB

	B		
	B		
Shouguang Maolong	263,416,731.43	{	{
MPM Corporation	20,651,108.00	{	{
Total	284,067,839.43	{	{

X. *(continued)*

1. A *(continued)*

(2) D *(continued)*

Basis for determining the group:

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

½ Applicable Not applicable

(3)

Provision for bad debts for the current period:

Unit: RMB

	B			B
Provision for bad debts of accounts receivable	102,449,762.97	(2,008,259.48)	{ 51,104,769.52	{ 49,336,733.97
Total	102,449,762.97	(2,008,259.48)	{ 51,104,769.52	{ 49,336,733.97

(4) A

Unit: RMB

I	A
Accounts receivables actually written off	51,104,769.52

X. *(continued)*

1. A *(continued)*

(4) A *(continued)*

The significant situation of accounts receivable actually written off:

Unit: RMB

Peak Pipe and Supply, LLC	Goods	49,583,289.01	Deregistration	Approved by manager's office	No
Total	{	49,583,289.01	{	{	{

(5) A

Unit: RMB

Entity 1	263,416,731.43	0.00	263,416,731.43	44.98%	0.00
Entity 2	85,399,516.51	0.00	85,399,516.51	14.58%	1,586,379.77
Entity 3	73,990,013.13	0.00	73,990,013.13	12.64%	739,900.13
Entity 4	32,805,024.36	0.00	32,805,024.36	5.60%	328,050.24
Entity 5	31,545,089.74	0.00	31,545,089.74	5.39%	315,450.90
Total	487,156,375.17	0.00	487,156,375.17	83.19%	2,969,781.04

X. *(continued)*

2.

Unit: RMB

I	B	Balance at the beginning of the period
Other receivables	**466,585,433.39**	734,091,673.64
Total	**466,585,433.39**	734,091,673.64

(1)

1) Classification of other receivables by nature

Unit: RMB

	B	Book balance at the beginning of the period
Employee working capital	**644,000.00**	684,000.00
Deposits/Security deposits	**3,297,459.71**	3,029,305.84
Accounts due from/to other entities	**138,767.29**	1,214,849.14
Related parties within the scope of consolidation	**462,536,062.03**	729,388,042.10
Less: Provision for bad debts of other receivables	**(30,855.64)**	(224,523.44)
Total	**466,585,433.39**	734,091,673.64

X. *(continued)*

2. *(continued)*

(1) *(continued)*

2) Disclosure by age

Unit: RMB

A	B	Book balance at the beginning of the period
Within 1 year (inclusive)	**466,444,917.79**	640,549,124.50
1–2 years	**149,700.00**	3,076,464.82
2–3 years	**10,000.00**	1,370,310.76
Over 3 years	**11,671.24**	89,320,297.00
3–4 years	**987.63**	1,323,341.28
4–5 years	{	866,257.76
Over 5 years	**10,683.61**	87,130,697.96
Total	**466,616,289.03**	734,316,197.08

3) Disclosure by bad debt provisions

Unit: RMB

	B					Balance at the beginning of the period				
	B					Book balance		Provision for bad debts		
	A ,		A ,		B ,	Amount	Ratio	Amount	Provision rate	Book value
Including:										
Provision for bad debts on a collected basis	**466,616,289.03**	**100.00%**	**30,855.64**	**0.01%**	**466,585,433.39**	734,316,197.08	100.00%	224,523.44	0.03%	734,091,673.64
Including:										
Other accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**138,767.29**	**0.03%**	**30,855.64**	**22.24%**	**107,911.65**	1,214,849.14	0.17%	224,523.44	18.48%	990,325.70
Other groups	**466,477,521.74**	**99.97%**	{	{	**466,477,521.74**	733,101,347.94	99.83%	{	{	733,101,347.94
Total	**466,616,289.03**	**100.00%**	**30,855.64**	**0.01%**	**466,585,433.39**	734,316,197.08	100.00%	224,523.44	0.03%	734,091,673.64

X. *(continued)*

2. *(continued)*

(1) *(continued)*

3) Disclosure by bad debt provisions (continued)

Provision for bad debts on a collected basis: Other accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics

Unit: RMB

	B		
G	B		
Within 1 year	126,796.05	19,019.40	15.00%
1–2 years	300.00	165.00	55.00%
Over 3 years	11,671.24	11,671.24	100.00%
Total	138,767.29	30,855.64	{

Basis for determining the group:

Provision for bad debts on a collected basis: Other groups

Unit: RMB

	B		
	B		
Employee working capital	644,000.00	{	{
Deposits/Security deposits	3,297,459.71	{	{
Related parties within the scope of consolidation	462,536,062.03	{	{
Total	466,477,521.74	{	{

X. *(continued)*

2. *(continued)*

(1) *(continued)*

3) *Disclosure by bad debt provisions (continued)*

Basis for determining the group:

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

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

Unit: RMB

	1 L E 12	2 L ((,)	3 ,)	
Balance on 1 January 2023	168,187.72	56,335.72		224,523.44
Balance on 1 January 2023	{	{	{	{
in the current period				
{ Transfer to Phase 2	{	{	{	{
{ Transfer to Phase 3	{	(11,671.24)	11,671.24	{
Provision for the current period	(149,168.32)	(44,499.48)	{	(193,667.80)
Balance on 31 December 2023	19,019.40	165.00	11,671.24	30,855.64

X. *(continued)*

2. *(continued)*

(1) *(continued)*

3) Disclosure by bad debt provisions (continued)

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

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

½ Applicable Not applicable

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

Provisions for bad debts for the current period:

Unit: RMB

	B					B
	, ,			C , - -		
Provision for bad debts of other receivables	224,523.44	(193,667.80)	{	{	{	30,855.64
Total	224,523.44	(193,667.80)	{	{	{	30,855.64

5) Other receivables actually written off during the current period

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

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

X. *(continued)*

2. *(continued)*

(1) *(continued)*

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

Unit: RMB

Shouguang Maolong	Amounts due from/to entities	366,805,075.00	Within 1 year	78.61%	{
Molong Logistic	Amounts due from/to entities	95,730,987.03	Within 1 year	20.52%	{
Shanxi Energy Chemical Industry Exchange Co., Ltd.	Security deposits	2,250,132.60	Within 1 year	0.48%	{
Nanjing Tendering Center of Sinopec International Co., Ltd.	Security deposits	887,798.00	Within 1 year	0.19%	{
Liu Ying Yuan	Working capital	180,000.00	Within 1 year	0.04%	{
Total	{	465,853,992.63	{	99.84%	{

X. [illegible] *(continued)*

3. L , -

Unit: RMB

	B			Balance at the beginning of the period		
I	B		B ,	Book balance	Provision for impairment	Book value
Investment in subsidiaries	**1,762,019,921.73**	**1,321,701,397.76**	**440,318,523.97**	1,362,019,921.73	208,000,000.00	1,154,019,921.73
Total	**1,762,019,921.73**	**1,321,701,397.76**	**440,318,523.97**	1,362,019,921.73	208,000,000.00	1,154,019,921.73

(1) I

Unit: RMB

	B	B	, , ,			B	B
I	B , , (B ,)	, ,	I	D	,	B (B ,)	
Shouguang Maolong	1,006,743,691.73	{	400,000,000.00	{	1,113,701,397.76	{ 293,042,293.97	1,113,701,397.76
Weihai Baolong	117,000,000.00	103,000,000.00	{	{	{	{ 117,000,000.00	103,000,000.00
MPM Corporation	7,276,230.00	{	{	{	{	{ 7,276,230.00	{
Shouguang Baolong	0.00	105,000,000.00	{	{	{	{ 0.00	105,000,000.00
Molong Logistic	3,000,000.00	{	{	{	{	{ 3,000,000.00	{
Molong I&E	10,000,000.00	{	{	{	{	{ 10,000,000.00	{
Molong Commercial	10,000,000.00	{	{	{	{	{ 10,000,000.00	{
Total	1,154,019,921.73	208,000,000.00	400,000,000.00	{	1,113,701,397.76	{ 440,318,523.97	1,321,701,397.76

X. *(continued)*

4.

Unit: RMB

I	A , , C	Amount for the previous period	
		Revenue	Costs
Principal operations	**1,173,090,394.88** **1,092,469,037.61**	1,657,995,439.25	1,555,089,776.39
Other operations	**98,653,178.32** **80,156,216.37**	146,181,442.77	141,593,095.59
Total	**1,271,743,573.20** **1,172,625,253.98**	1,804,176,882.02	1,696,682,871.98

Breakdown of operating revenue and operating costs:

Unit: RMB

C ,	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
The type of operations				
Including:				
Pipe products	1,119,580,896.01	1,049,639,544.88	1,119,580,896.01	1,049,639,544.88
Three kinds of pumping units	33,288,092.88	27,873,181.94	33,288,092.88	27,873,181.94
Petroleum machinery parts	18,345,313.86	13,044,986.23	18,345,313.86	13,044,986.23
Others	100,529,270.45	82,067,540.93	100,529,270.46	82,067,540.93
Classify based on operating area				
Including:				
At home	970,773,397.04	927,381,413.72	970,773,397.04	927,381,413.72
At abroad	300,970,176.16	245,243,840.26	300,970,176.16	245,243,840.26
Classify based on the timing of goods transferred				
Including:				
Goods transferred at a point in time	1,271,743,573.20	1,172,625,253.98	1,271,743,573.20	1,172,625,253.98
Classified by contract term				
Including:				
Short-term contract	1,271,743,573.20	1,172,625,253.98	1,271,743,573.20	1,172,625,253.98
Classified by sale channels				
Including:				
Direct sales	1,271,743,573.20	1,172,625,253.98	1,271,743,573.20	1,172,625,253.98
Total	1,271,743,573.20	1,172,625,253.98	1,271,743,573.20	1,172,625,253.98

X. *(continued)*

4. *(continued)*

Information on performance obligations:

Sales at abroad	Goods are loaded and departure	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.	Goods	Yes	No	Product warranties
Sales at home	After the customer receives the goods and signs for the receipt, the Company shall obtain the customer's receipt voucher, and the oil casing sold on the commission basis, and the customer will settle with the Company after receipt of the goods.	The 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.	Goods	Yes	No	Product warranties

Other descriptions

Information related to trade price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of report period are RMB0.573 billion. The amount is estimated to be confirmed as incomes in 2024.

1 January 2023 to 31 December 2023
(Unless otherwise indicated, all figures are stated in RMB)

1. B

Applicable ½ Not applicable

Unit: RMB

I	A	E
Non-current assets disposal profit and loss	**609,956.37**	Mainly comprised of the losses on disposal and retirement of certain assets of the Company.
Government grants recognised in current profit and loss (excluding those grants that are closely related to the Company's normal business operation, that conform to national policies, are entitled to according to specified standards and have a lasting impact on the Company's profit or loss)	**380,410.90**	Mainly comprised of the amortisation of deferred revenue associated with assets and the receipts of stability subsidies and so on.
Non-operating income and expenses other than the above items	**431,867.54**	Mainly comprised of accounts payable which were not required to be repaid during the period.
Other profit and loss items in line with the definition of non-recurring profit or loss	**(12,958,782.06)**	This is mainly due to the fact that the parent company accrued credit impairment losses for the creditor's rights of subsidiaries with excess losses receivable.
Impact amount of minority shareholders' equity (after tax)	**(527,411.45)**	{
Total	**(11,009,135.80)**	{

(continued)

1. B *(continued)*

Details of other profit or loss items that fall within the definition of non-recurring profit or loss:

Applicable ½ Not applicable

Items not listed in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their

(continued)

2.

	E		
	B	D	
	(B/)	(B/)	
Net profit attributable to ordinary shareholders of the Company	-80.46%	(0.71)	(0.71)
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-78.90%	(0.70)	(0.70)

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

3. D

(1) D

IA C GAA

½ Applicable Not applicable

(2) D

C GAA

½ Applicable Not applicable

(3) ( )

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½ Applicable Not applicable

Section XII. Documents Available for Inspection

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

(2) The original of 2023's Audit Report affixed with the official stamp of the accounting firm and the signature/seal of CPA.

(3) All of the originals of documents and master copies of announcements of the Company publicly disclosed on the websites as designated by CSRC during the reporting period.

(4) Place for inspecting the above documents: Office of the board of directors of the Company.