山東墨龍石油機
Molong Petroleum M

(Stock Code: 568)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- For the six months ended 30 June 2024, revenue of the Group amounted to RMB604.6 million, representing a decrease of approximately 24.27% as compared to the corresponding period of last year.
- Net profit attributable to equity owners of the Company amounted to RMB170.1349 million, as compared to –RMB158.2424 million for the corresponding period of last year.
- Earnings per share was approximately RMB0.2132, as compared to –RMB0.1983 for the corresponding period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

The board of directors (the "**Board**") of Shandong Molong Petroleum Machinery Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**").

The information contained in this announcement below does not constitute the statutory financial statements of the Group for the six months ended 30 June 2024 but the financial information is extracted therefrom. The interim results for the six months ended 30 June 2024 have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People' s Republic of China (the "**PRC ASBEs**") and the relevant requirements. They have not been audited by any accounting firm but have been reviewed by the audit committee of the Board (the "**Audit Committee**").

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

UNAUDITED CONSOLIDATED INCOME STATEMENT

F t' , x t' , 30 2024

		For the six months ended 30 June	
	t ,	**2024 (Unaudited)**	2023 (Unaudited)
Total operating revenue	*3 4*	**604,627,930.88**	798,419,015.10
Total operating costs		**717,966,442.45**	959,074,308.28
Operating costs		**587,194,131.69**	745,514,513.99
Business tax and surcharges		**4,472,142.12**	8,876,640.21
Selling expenses		**6,823,207.62**	9,699,153.33
Administrative expenses		**66,070,521.83**	135,856,718.33
Research and development expenditures		**12,085,798.40**	15,508,358.85
Finance costs	*5*	**41,320,640.79**	43,618,923.57
Including: Interest expenses		**46,674,510.32**	47,431,215.06
Interest income		**568,696.72**	2,911,132.92
Add: Credit impairment losses	*6*	**(741,269.32)**	(2,115,579.66)
Asset impairment losses	*7*	**(8,955,173.29)**	(1,465,146.60)
Gains on changes in fair value			
Investment income		**282,091,477.58**	
Including: Gain on investment in associates and joint ventures			
Gains on disposal of assets	*8*	**163,084.71**	325,712.98
Other income	*9*	**6,555,082.59**	132,723.59
Operating profit		**165,774,690.70**	(163,777,582.87)
Add: Non-operating income	*10*	**3,592,336.79**	2,044,943.45
Less: Non-operating expenses		**410,913.24**	742,741.22
Total profit	*11*	**168,956,114.25**	(162,475,380.64)
Less: Income tax expenses	*12*	**(394,994.52)**	1,458,254.39
Net profit		**169,351,108.77**	(163,933,635.03)
Other comprehensive income		**(113,111.93)**	(669,582.15)
Total comprehensive income		**169,237,996.84**	(164,603,217.18)
Net profit attributable to			
Shareholders of the Company		**170,134,914.07**	(158,242,397.13)
Minority interests		**(783,805.30)**	(5,691,237.90)
Total comprehensive income attributable to			
Shareholders of the Company		**170,033,113.14**	(158,845,021.06)
Minority interests		**(795,116.30)**	(5,758,196.12)
Earnings per share	*13*		
(I) Basic earnings per share		**0.2132**	(0.1983)
(II) Diluted earnings per share		**N/A**	N/A
Dividends	*14*	**N/A**	N/A

		As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Current liabilities			
Short-term borrowings		**1,493,153,048.51**	1,633,111,107.94
Bills payable		**4,800,000.00**	
Accounts payable	*16*	**442,364,048.25**	509,647,241.72
Receipts in advance			
Contract liabilities		**65,615,031.66**	54,732,615.40
Salaries payable		**60,474,418.38**	75,699,078.02
Taxes payable		**14,598,546.65**	19,595,319.94
Other payables		**26,665,185.18**	34,143,155.71
Including: Interests payable			
Other current liabilities		**8,368,319.53**	43,395,150.74
Non-current liabilities due within one year		**43,197,762.65**	52,797,378.40
Total current liabilities		**2,159,236,360.81**	2,423,121,047.87
Net current assets		**(914,818,399.55)**	(1,499,713,127.81)
Total assets less current liabilities		**626,579,219.84**	464,960,940.93
Non-current liabilities			
Long-term borrowings		**1,076,666.56**	
Lease liabilities		**15,478,997.30**	14,615,767.79
Long-term payables		**6,722,083.41**	19,854,583.39
Estimated liabilities			80,929,994.11
Deferred revenue		**6,186,923.07**	6,547,003.82
Bonds payable			
Deferred income tax liabilities		**2,662,487.38**	8,311,071.27
Other non-current liabilities			
Total non-current liabilities		**32,127,157.72**	130,258,420.38
Total liabilities		**2,191,363,518.53**	2,553,379,468.25
Shareholders' equity			
Share capital		**797,848,400.00**	797,848,400.00
Capital reserve		**868,303,946.95**	867,591,781.76
Surplus reserve		**187,753,923.88**	187,753,923.88
General risk reserve			
Undistributed profits		**(1,255,744,147.26)**	(1,425,879,061.33)
Other comprehensive income		**(3,403,480.81)**	(3,301,679.88)
Total equity attributable to shareholders of the parent company		**594,758,642.76**	424,013,364.43
Minority interests		**(306,580.64)**	(89,310,843.88)
Total shareholders' equity		**594,452,062.12**	334,702,520.55

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

F t' , x- t' , 30 2024

	2024								
	Equity attributable to shareholders of the parent company								
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. 1 January 2024 (audited)	797,848,400.00	867,591,781.76	(3,301,679.88)		187,753,923.88		(1,425,879,061.33)	(89,310,843.88)	334,702,520.55
II. Changes during the period		712,165.19	(101,800.93)				170,134,914.07	89,004,263.24	259,749,541.57
(I) Total comprehensive income			(101,800.93)				170,134,914.07	(795,116.30)	169,237,996.84
(II) Shareholders' capital injection and reduction		712,165.19						89,799,379.54	90,511,544.73
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others		712,165.19						89,799,379.54	90,511,544.73
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Surplus reserve offsetting against losses									
4. Others									
(V) Special reserve									
1. Appropriations during the period				3,782,113.84					3,782,113.84
2. Utilisations during the period				3,782,113.84					3,782,113.84
(VI) Others									
III. 30 June 2024 (unaudited)	797,848,400.00	868,303,946.95	(3,403,480.81)		187,753,923.88		(1,255,744,147.26)	(306,580.64)	594,452,062.12

	2023								
	Equity attributable to shareholders of the parent company								
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. 1 January 2023 (audited)	797,848,400.00	864,405,329.26	(3,029,259.75)		187,753,923.88		(859,017,550.51)	(77,607,634.64)	910,353,208.24
II. Changes during the perioup6o.24									

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

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

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

During the six months ended 30 June 2024, the Group was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and castings and forgings, etc.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group 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 disclosure-related requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

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

3. TOTAL OPERATING REVENUE

Total operating revenue includes operating revenue and income from other businesses. Operating revenue only represents the net amounts received and receivable by the Group from external sales of goods and rendering of services less trade discounts during the six months ended 30 June 2024.

Analysis of the Group's operating revenue for the six months ended 30 June 2024 is as follows:

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Pipe products	**542,742,258.39**	716,389,280.84
Castings and forgings	**5,724,946.04**	14,860,414.01
Three kinds of pumping units	**14,317,014.33**	14,110,813.66
Petroleum machinery parts	**1,061,486.64**	14,807,795.88
Others	**40,782,225.48**	38,250,710.71
Total	**604,627,930.88**	798,419,015.10

4. SEGMENT INFORMATION

(1) Basis for determining reportable segments and accounting policies

1) *Basis for determining reportable segments*

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

2) *Accounting policies for the reportable segments*

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

Segment reporting information — For the six months ended 30 June 2024 (Unaudited)

	Pipe products	Castings and forgings	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue							
Revenue from external sales	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Revenue from inter-segment sales							
Total segment operating revenue	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Total operating revenue as reported	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Segment expenses	547,388,223.42	6,192,575.32	12,316,078.15	679,782.52	40,867,995.31	741,269.32	608,185,924.04
Segment operating profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	(741,269.32)	(3,557,993.16)
Adjusted for:							0.00
Administrative expenses						66,070,521.83	66,070,521.83
Research and development expenditures						12,085,798.40	12,085,798.40
Finance costs						41,320,640.79	41,320,640.79
Investment income						282,091,477.58	282,091,477.58
Gains on disposal of assets						163,084.71	163,084.71
Other income						6,555,082.59	6,555,082.59
Operating profit as reported	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	168,591,414.54	165,774,690.70
Non-operating income						3,592,336.79	3,592,336.79
Non-operating expenses						410,913.24	410,913.24
Total profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	171,772,838.09	168,956,114.25
Income tax						(394,994.52)	(394,994.52)
Net profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	172,167,832.61	169,351,108.77
Total segment assets	1,819,179,922.54	563,001,895.90	82,979,111.90	10,136,687.75	220,635,409.55	89,882,553.02	2,785,815,580.65
Total segment liabilities	521,903,085.69	839,967,950.66	20,530,666.26	7,019,165.12	19,278,157.97	782,664,492.83	2,191,363,518.53

Segment reporting information — For the six months ended 30 June 2023 (Unaudited)

	Pipe products	Castings and forgings	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue:							
Revenue from external sales	716,389,280.84	14,860,414.01	14,110,813.66	14,807,795.88	38,250,710.71		798,419,015.10
Revenue from inter-segment sales							
Total segment operating revenue	716,389,280.84	14,860,414.01	14,110,813.66	14,807,795.88	38,250,710.71		798,419,015.10
Total operating revenue as reported	716,389,280.84	14,860,414.01	14,110,813.66	14,807,795.88	38,250,710.71		798,419,015.10
Segment expenses	684,455,826.42	18,602,891.52	12,167,658.66	12,115,961.51	38,213,116.02	2,115,579.66	767,671,033.79
Segment operating profit	31,933,454.42	(3,742,477.51)	1,943,155.00	2,691,834.37	37,594.69	(2,115,579.66)	30,747,981.31
Adjusted for:							0.00
Administrative expenses						135,856,718.33	135,856,718.33
Research and development expenditures						15,508,358.85	15,508,358.85
Finance costs						43,618,923.57	43,618,923.57
Investment income							0.00
Gains on disposal of assets						325,712.98	325,712.98
Other income						132,723.59	132,723.59
Operating profit as reported	31,933,454.42	(3,742,477.51)	1,943,155.00	2,691,834.37	37,594.69	(196,641,143.84)	(163,777,582.87)
Non-operating income						2,044,943.45	2,044,943.45
Non-operating expenses						742,741.22	742,741.22
Total profit	31,933,454.42	(3,742,477.51)	1,943,155.00	2,691,834.37	37,594.69	(195,338,941.61)	(162,475,380.64)
Income tax						1,458,254.39	1,458,254.39
Net profit	31,933,454.42	(3,742,477.51)	1,943,155.00	2,691,834.37	37,594.69	(196,797,196.00)	(163,933,635.03)
Total segment assets	1,462,066,873.31	1,140,837,033.24	76,946,330.69	53,003,776.69	252,748,561.53	735,938,873.96	3,721,541,449.42
Total segment liabilities	905,506,498.11	781,891,172.21	20,836,098.45	26,731,470.04	34,644,238.89	1,205,387,704.28	2,974,997,181.98

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

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

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Revenue from external sales derived from the PRC	**372,373,974.21**	635,768,739.52
Revenue from external sales derived from other countries	**232,253,956.67**	162,650,275.58
Total	**604,627,930.88**	798,419,015.10

5. FINANCE COSTS

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Interest expenses	**46,674,510.32**	47,431,215.06
Less: Interest expenses capitalised		
Less: Interest income	**(568,696.72)**	(2,911,129.74)
Exchange differences	**(4,960,535.36)**	(2,133,951.94)
Others	**175,362.55**	1,232,790.19
Total	**41,320,640.79**	43,618,923.57

6. CREDIT IMPAIRMENT LOSSES

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Loss on bad debts	**(741,269.32)**	(2,115,579.66)
Including: Accounts receivable	**656,707.39**	(2,799,943.61)
Bills receivable	**652,545.51**	1,124,798.77
Other receivables	**(2,050,522.22)**	(440,434.82)
Others		
Total	**(741,269.32)**	(2,115,579.66)

7. ASSET IMPAIRMENT LOSSES

For the six months ended 30 June 2024 (Unaudited)

Item	**2024**	2023
Loss on impairment of inventories and loss on impairment of costs of contract performance	**(8,955,173.29)**	(1,465,146.60)
Total	**(8,955,173.29)**	(1,465,146.60)

8. GAINS ON DISPOSAL OF ASSETS

For the six months ended 30 June 2024 (Unaudited)

Source of gains on disposal of assets	**2024**	2023
Gains on disposal of fixed assets	**163,084.71**	325,712.98
Total	**163,084.71**	325,712.98

12. INCOME TAX EXPENSES

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Current income tax expenses	**62,936.72**	
— PRC	**62,936.72**	
Deferred income tax expenses	**(457,931.24)**	1,458,254.39
Total	**(394,994.52)**	1,458,254.39

The Company has been listed as a high and new technology enterprise and is subject to the PRC enterprise income tax at a PRC income tax rate of 15% (2023: 15%).

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

13. EARNINGS PER SHARE

For the six months ended 30 June 2024 (Unaudited)

	2024	2023
Calculated based on the net profit attributable to shareholders of the parent company:	**170,134,914.07**	(158,242,397.13)
Basic earnings per share	**0.2132**	(0.1983)
Diluted earnings per share	**N/A**	N/A
Calculated based on the net profit from continuing operations attributable to shareholders of the parent company:	**170,134,914.07**	(158,242,397.13)
Basic earnings per share	**0.2132**	(0.1983)
Diluted earnings per share	**N/A**	N/A

14. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

15. ACCOUNTS RECEIVABLE

For the six months ended 30 June 2024 (Unaudited)

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Accounts receivable	**296,519,625.59**	302,629,749.21
Less: Provision for bad debts of accounts receivable	**48,718,969.22**	49,365,077.21
Total	**247,800,656.37**	253,264,672.00

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

Aging analysis of accounts receivable for the six months ended 30 June 2024 based on the date of invoices is as follows:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Within 1 year	**247,594,848.44**	254,044,663.47
1–2 years	**4,948,775.81**	2,631,436.65
2–3 years	**829,474.07**	707,219.17
Over 3 years	**43,146,527.27**	45,246,429.92
Total	**296,519,625.59**	302,629,749.21

16. ACCOUNTS PAYABLE

Aging analysis of accounts payable for the six months ended 30 June 2024 based on the date of invoices is as follows:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Within 1 year	**267,310,728.49**	208,805,209.31
1–2 years	**59,440,349.40**	139,263,306.85
2–3 years	**53,463,811.47**	55,147,105.45
Over 3 years	**62,149,158.89**	106,431,620.11
Total	**442,364,048.25**	509,647,241.72

17. CAPITAL COMMITMENTS

As at 30 June 2024, the Group had the following commitments in respect of capital expenditures

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Contracted but not recognised in financial statements — Commitment in respect of acquisition and construction of long-term assets	**0**	0

18. CONTINGENT LIABILITIES

Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the six months ended 30 June 2024, the Group achieved an unaudited operating revenue of approximately RMB604.6279 million, representing a decrease of 24.27% compared to the corresponding period of last year. Unaudited operating profit was approximately RMB165.7747 million, compared to that of profit of –RMB163.7776 million in the corresponding period of last year. Unaudited total profit was approximately RMB168.9561 million, compared to that of profit of –RMB162.4754 million in the corresponding period of last year. Unaudited net profit attributable to shareholders of the listed company was approximately RMB170.1349 million, compared to that of profit of –RMB158.2424 million in the corresponding period of last year.

Business Review

During the Reporting Period, the Company was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and castings and forgings, etc. These products were mainly used in the manufacture of equipment in connection with industries such as oil and gas drilling, machinery processing, urban pipe network and wind turbine castings. During the reporting period, the Company's main products are pipe products, accounting for nearly 90% of the Company's operation revenue, and particularly, the proportion of export businesses sales has increased significantly. The Company has adopted a "sales-based production" business model for production under which the production system of the Company manufactures, inspects and delivers products according to the orders placed by customers specifying the required specifications and quantity and based on the market sales initiatives of the sales department. The Company has adopted a centralised procurement model under which the procurement department is responsible for the purchase of all raw materials, moulds and equipment, including the signing of procurement contracts, procurement status tracking, facilitating quality improvement of raw materials, etc. The procurement department strictly controls the selection of suppliers based on a comprehensive overall evaluation index system. It fosters quality partners and develops long-term and stable strategic partnership. The Company has a relatively mature sales network and has established a professional team dedicated to sales and import and export operations with members responsible for domestic and international market research and study, development, product sales and after-sales services, respectively.

During the Reporting Period, the Company completed the disposal of 70% and 98.0769% equity interest in Shouguang Baolong and Weihai Baolong respectively, resulting in an investment gain included in extraordinary profit or loss, and such impact on the net profit attributable to shareholders of the listed company amounted to approximately RMB281 million. During the Reporting Period, the Company strengthened basic management and attached importance to cost control, thus achieving significant results in cost reduction and efficiency enhancement and substantial decrease in various expenses. The combination of the abovementioned factors has contributed to the turning of losses to profits in the Company's operating results.

Significant Events Subsequent to the Reporting Period

The Group had no significant events subsequent to the Reporting Period.

Prospects

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

In recent years, international crude oil prices continue to remain at a relatively high level, providing support for investment in global oil and gas exploration and development and facilitating the industry of equipment for oil service to maintain a higher degree of prosperity. According to data released by the National Bureau of Statistics, in the first half of 2024, China continued to increase its efforts in oil and gas exploration and development. Oil exploration focuses on areas such as deep, unconventional, marine and new fields, and natural gas exploration has made a number of breakthroughs in the land-based key gas areas and marine areas. The output of crude oil and natural gas recorded year-on-year increase, and our ability to ensure oil and gas supply continued to improve.

However, our national energy security still has prominent issues, and its dependen.4(itp34(our-614.7(p

leapfrog development. As the oil and gas development in China develops in depth and breadth, investment in oil and gas exploration and development driven by the national energy security strategy is expected to continue to increase, which will help drive the continued growth in the demand for oil services business.

Significant Investments Held

During the six months ended 30 June 2024, the Group did not hold any significant investments.

Material Acquisitions and Disposals

During the six months ended 30 June 2024, the Group did not have material acquisitions and disposals in respect of subsidiaries, associates and joint ventures.

Future Plans for Significant Investments or Purchase of Capital Assets

As of 30 June 2024, the Group did not have future plans for significant investments or purchase capital assets.

Foreign Exchange Exposure

During the six months ended 30 June 2024, the Group's revenue was denominated in RMB and United States dollars and its expenses were denominated in Hong Kong dollars, RMB and United States dollars. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any prolonged or significant change in RMB against United States dollars and RMB against Hong Kong dollars may have impact on the Group's results and financial position.

Corporate Governance

The Company is committed to reaching high standards of corporate governance. The principles of corporate governance adopted by the Company emphasized a quality board, sound internal control, and transparency and accountability to stakeholders. During the six months ended 30 June 2024, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Audit Committee

The Audit Committee of the Company (with members consisting of three independent non-executive directors) held three meetings during the six months ended 30 June 2024 to discuss matters such as the accounting standards and practices adopted by the Group, internal control and financial reporting, and has reviewed the unaudited interim results for the six months ended 30 June 2024. Based on the discussions in the meetings, the Audit Committee was satisfied that the financial statements were

prepared in accordance with applicable accounting standards and fairly present the Group's financial position and the results for the six months ended 30 June 2024. The interim results for the six months ended 30 June 2024 have not been reviewed and audited by the auditors of the Company.

Director' s Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code for the six months ended 30 June 2024.

Repurchase, Sale or Redemption of Listed Securities of the Group

Neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2024.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Stock Exchange and the Company. The interim report for the six months ended 30 June 2024 will be dispatched to the shareholders of the Company as and when appropriat u n e d 4 u n e u (p o s 1 i l l 9 3 5 (o d e) T J /F 6 1 T f l 7 0 . 7 (E 1 D