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

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

**(Stock Code: 568)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**HIGHLIGHTS**

- For the six months ended 30 June 2021, revenue of the Group amounted to RMB1,898.1276 million, representing an increase of approximately 40.98% as compared to the corresponding period of last year.
- Net profit attributable to equity owners of the Company amounted to -RMB68.2508 million, as compared to -RMB109,3255 million for the corresponding period of last year.
- Earnings per share was approximately -RMB0.0855, as compared to -RMB0.137 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 2021.

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 2021.

The information contained in this announcement does not constitute the statutory financial statements of the Group for the six months ended 30 June 2021 but the financial information is extracted therefrom. The interim results for the six months ended 30 June 2021 have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the “**PRC ASBEs**”) and the relevant requirements. They have not been audited by any accounting firm but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Total operating revenue</b>	3 and 4	1,898,127,577.08	1,346,377,691.82
<b>Total operating costs</b>		1,938,925,728.63	1,452,590,013.40
Operating costs		1,726,169,152.48	1,266,769,839.94
Business tax and surcharges		6,681,418.77	10,232,230.64
Selling expenses		5,871,146.55	4,809,238.16
Administrative expenses		114,235,240.60	86,163,288.05
Research and development expenditures		26,040,311.32	11,480,131.03
Finance costs	5	59,928,458.91	73,135,285.58
Including: Interest expenses		57,876,192.60	74,244,592.48
Interest income		2,892,675.32	2,700,511.98
Add: Credit impairment losses	7	1,642,377.15	(8,118,063.86)
Asset impairment losses	8	(4,830,609.84)	(6,431,967.73)
Gains on changes in fair value			
Investment income			
Including: Gain on investment in associates and joint ventures			
Gains on disposal of assets	9	9,832.15	(20,157.66)
Other income		1,266,838.69	601,950.96
<b>Operating profit</b>		(42,709,713.40)	(120,180,559.87)
Add: Non-operating income	10	1,211,776.85	1,086,698.16
Less: Non-operating expenses		3,240,554.91	3,444,396.64
<b>Total profit</b>	11	(44,738,491.46)	(122,538,258.35)
Less: Income tax expenses	12	3,033,465.40	1,300,015.86
<b>Net profit</b>		(47,771,956.86)	(123,838,274.21)
<b>Other comprehensive income</b>		165,833.59	(264,115.53)
<b>Total comprehensive income</b>		(47,606,123.27)	(124,102,389.74)
<b>Net profit attributable to</b>			
Shareholders of the Company		(68,250,795.42)	(109,325,493.01)
Minority interests		20,478,838.56	(14,512,781.20)
<b>Total comprehensive income attributable to</b>			
Shareholders of the Company		(68,101,545.17)	(109,563,196.99)
Minority interests		20,495,421.90	(14,539,192.75)
<b>Earnings per share</b>	13		
(I) Basic earnings per share		(0.0855)	(0.137)
(II) Diluted earnings per share		N/A	N/A
<b>Dividends</b>	14	N/A	N/A

## UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
<b>Current assets</b>			
Monetary funds		543,539,364.60	759,979,803.03
Bills receivable		94,022,651.06	164,945,170.51
Accounts receivable	15	302,058,266.65	287,920,595.28
Loans and advances			951,005.30
Financing receivables		11,910,940.80	33,575,777.00
Prepayments		70,336,556.61	24,755,942.84
Other receivables		24,281,068.49	156,486,818.72
Including: Interests receivable			
Dividends receivable			
Inventories		1,029,140,296.18	787,377,614.78
Assets classified as held for sale			
Other current assets		7,173,075.76	21,904,932.90
<b>Total current assets</b>		<b>2,082,462,220.15</b>	<b>2,237,897,660.36</b>
<b>Non-current assets</b>			
Available-for-sale financial assets			
Long-term equity investments		2,314,697.29	2,314,697.29
Fixed assets		2,390,672,383.78	2,493,577,016.35
Construction-in-progress		5,301,780.20	7,620,542.62
Right-of-use assets		3,061,273.77	4,591,910.73
Intangible assets		389,134,145.10	393,688,845.70
Goodwill			
Deferred income tax assets		32,721,720.29	35,217,034.73
Research and development expenditures		6,964,564.86	
Long-term deferred expenses			
Gain or loss on properties to be dealt			
Other non-current assets		992,709.37	728,107.60
<b>Total non-current assets</b>		<b>2,831,163,274.66</b>	<b>2,937,738,155.02</b>
<b>Total assets</b>		<b>4,913,625,494.81</b>	<b>5,175,635,815.38</b>
<b>Current liabilities</b>			
Short-term borrowings		1,868,626,940.77	2,054,225,378.29
Bills payable		126,536,838.20	121,472,511.10
Accounts payable	16	690,177,991.84	648,352,428.48
Receipts in advance			
Contract liabilities		108,239,241.39	83,749,468.02
Salaries payable		64,298,116.40	54,493,884.87
Taxes payable		12,756,441.35	27,192,105.60
Other payables		57,234,279.85	43,853,326.94
Including: Interests payable			
Other current liabilities		13,994,068.22	50,195,434.08
Non-current liabilities due within one year		120,955,854.47	139,784,923.46
<b>Total current liabilities</b>		<b>3,062,819,772.49</b>	<b>3,223,319,460.84</b>
<b>Net current assets</b>		<b>(980,357,552.34)</b>	<b>(985,421,800.48)</b>

<b>Total assets less current liabilities</b>		1,850,805,722.32	1,952,316,354.54
<b>Non-current liabilities</b>			
Long-term borrowings		74,878,648.55	114,063,150.53
Lease liabilities			4,968,359.84
Long-term payables			4,585,000.00
Estimated liabilities		9,325,722.88	14,392,824.64
Deferred revenue		7,176,480.8	7,176,480.86
Bonds payable			
Deferred income tax liabilities		5,461,103.50	5,560,648.87
Other non-current liabilities			
<b>Total non-current liabilities</b>		96,841,955.79	150,746,464.74
<b>Total liabilities</b>		3,159,661,728.28	3,374,065,925.58
<b>Shareholders' equity</b>			
Share capital		797,848,400.00	797,848,400.00
Capital reserve		863,169,158.42	863,169,158.42
Surplus reserve		187,753,923.88	187,753,923.88
General risk reserve		11,236.91	11,236.91
Undistributed profits		( 134,280,852.22 )	(66,030,056.80)
Other comprehensive income		( 1,866,327.57 )	(2,015,577.82)
<b>Total equity attributable to shareholders of the parent company</b>		1,712,635,539.42	1,780,737,084.59
Minority interests		41,328,227.11	20,832,805.21
<b>Total shareholders' equity</b>		1,753,963,766.53	1,801,569,889.80



<b>III. 30 June 2021 (unaudited)</b>	797,848,400.00	863,169,158.42	(1,866,327.57)		187,753,923.88	11,236.91	(134,280,852.22)	41,328,227.11	1,753,963,766.53
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Item	2020								
	Equity attributable to shareholders of the parent company							Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits		
I. 1 January 2020 (audited)	797,848,400.00	863,169,158.42	(3,055,060.57)		187,753,923.88	11,236.91	(98,208,687.79)	41,440,537.75	1,788,959,508.60
II. Changes during the period			(237,703.98)				(109,325,493.01)	(14,539,192.74)	(124,102,389.73)
(I) Total comprehensive income			(237,703.98)				(109,325,493.01)	(14,539,192.74)	(124,102,389.73)
(II) Shareholders' capital injection and reduction									
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others									
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Surplus reserve offsetting against losses									
4. Others									
(V) Special reserve									
1. Appropriations during the period				16,103,187.39					16,103,187.39
2. Utilisations during the period				16,103,187.39					16,103,187.39
(VI) Others									
III. 30 June 2020 (unaudited)	797,848,400.00	863,169,158.42	(3,292,764.55)	0.00	187,753,923.88	11,236.91	(207,534,180.80)	26,901,345.01	1,664,857,118.87

## 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 Small and Medium Enterprises Board of Shenzhen Stock Exchange ("SZSE"). The registered office address of the Company is at No. 999 Wensheng Street, Shouguang City, Shandong Province, PRC, and the principal place of business of the Company in Hong Kong is at Suite A, 11th Floor, Ho Lee Commercial Building, 38-44 D'Aguilar Street 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 2021, 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 major key components, and castings and forgings products, etc.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared using the going concern basis of accounting based on the transactions and events actually occurred and in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant requirements (collectively, "ASBEs"), and China Securities Regulatory Commission's Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2014 Revision), the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements under the Companies Ordinance of Hong Kong, on the basis of the accounting policies and accounting estimates as stated in "Significant Accounting Policies and Accounting Estimates".

There were no changes in the accounting policies adopted for the preparation of the financial statement 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 2021.

Analysis of the Group's operating revenue for the six months ended 30 June 2021 is as follows:

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
Pipe products	1,053,440,211.21	1,075,867,038.06
Tube blanks	706,827,222.90	92,664,669.60
High-end castings and forgings	74,500,029.58	122,510,014.88
Three kinds of pumping units	12,529,223.05	17,235,153.36
Petroleum machinery parts	3,907,356.56	5,554,410.20
Others	46,923,533.78	32,546,405.72
Total	1,898,127,577.08	1,346,377,691.82

### 4. SEGMENT INFORMATION

#### (1) Basis for determining reportable segments and accounting policies

##### 1) Basis for determining reportable segments

Based on its internal organisational structure, management requirements and internal reporting system, the Group's operating businesses are divided into six reportable segments. Management of the Group regularly evaluates the operating results of these reportable segments for the purposes of making decisions on resource allocation to and performance evaluation of these segments. The main products provided by the Group's reportable segments include pipe products, tube blanks, high-end 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 2021 (Unaudited)





Gains on disposal of assets							(20,157.66)	(20,157.66)
Other income							601,950.96	601,950.96
Operating profit as reported	43,888,503.36	(9,014,496.46)	9,571,498.86	2,142,452.69	(98,169.74)	3,526,562.78	(170,196,911.36)	(120,180,559.87)
Non-operating income							1,086,698.16	1,086,698.16
Non-operating expenses							3,444,396.64	3,444,396.64
Total profit	43,888,503.36	(9,014,496.46)	9,571,498.86	2,142,452.69	(98,169.74)	3,526,562.78	(172,554,609.84)	(122,538,258.35)
Income tax							1,300,015.86	1,300,015.86
Net profit	43,888,503.36	(9,014,496.46)	9,571,498.86	2,142,452.69	(98,169.74)	3,526,562.78	(173,854,625.70)	(123,838,274.21)
Total segment assets	4,206,758,927.08	145,228,167.18	156,488,874.03	92,777,934.79	25,533,113.23	205,845,625.90	616,145,826.67	5,448,778,468.881)
Total segment liabilities	2,049,501,691.06	62,813,313.34	111,266,875.38	18,972,472.54	13,913,228.07	23,916,960.24	1,503,536,809.38	3,783,921,350.02

## (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 2021 (Unaudited)

	2021	2020
Revenue from external sales derived from the PRC	1,804,034,637.51	1,107,541,201.08
Revenue from external sales derived from other countries	94,092,939.57	238,836,490.74
Total	1,898,127,577.08	1,346,377,691.82

## 5. FINANCE COSTS

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
<b>Interest expenses</b>	<b>57,876,192.60</b>	74,244,592.48
Less: Interest expenses capitalised	-	-
Less: Interest income	(2,892,675.32)	(2,700,511.98)
Exchange differences	(808,887.43)	(1,501,780.09)
Others	5,753,829.06	3,092,985.17
Total	59,928,458.91	73,135,285.58

## 6. Other income

For the six months ended 30 June 2021 (Unaudited)

Source of other income	2021	2020
Stability subsidies	-	569,548.00
Work-based training subsidies	998,000.00	-
Others	268,838.69	32,402.96
Total	1,266,838.69	601,950.96

## 7. CREDIT IMPAIRMENT LOSSES

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
Loss on bad debts	(349,196.55)	(8,325,816.04)
Including: Accounts receivable	(1,429,323.04)	(9,186,990.41)
Bills receivable	716,389.08	1,284,969.50

Other receivables	363,737.41	(423,795.13)
Others	1,991,573.70	207,752.18
Total	1,642,377.15	(8,118,063.86)

## 8. ASSET IMPAIRMENT LOSSES

For the six months ended 30 June 2021 (Unaudited)

Item	2021	2020
Loss on impairment of inventories and loss on impairment of costs of contract performance	(4,830,609.84)	(6,431,967.73)
Total	(4,830,609.84)	(6,431,967.73)

## 9. Gains on disposal of assets

For the six months ended 30 June 2021 (Unaudited)

Source of gains on disposal of assets	2021	2020
Gains on disposal of fixed assets	9,832.15	(20,157.66)
Total	9,832.15	(20,157.66)

## 10. NON-OPERATING INCOME

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
Total gains on disposal of non-current assets	-	-
Including: Gains on disposal of fixed assets	-	-
Gains on disposal of intangible assets	-	-
Government grants	-	-
Penalty income	-	-
Others	1,211,776.85	1,086,698.16
Total	1,211,776.85	1,086,698.16

## 11. TOTAL PROFIT

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
Total profit has been arrived at after charging/(crediting)		
Staff costs (including directors' remuneration)	121,443,485.84	102,737,821.70
Amortisation of intangible assets	9,272,644.96	9,531,201.27
Auditor's remuneration (included in administrative expenses)	1,367,924.49	1,273,584.87
Cost of inventories recognised as expense	1,690,763,057.70	1,223,518,980.53
Depreciation of fixed assets	112,243,636.18	116,640,645.30
Cost of Research and development (included in administrative expenses)	22,036,363.29	7,704,388.16
Losses (gains) on disposal of non-current assets	371,900.19	89,482.39

## 12. INCOME TAX EXPENSES

For the six months ended 30 June 2021 (Unaudited)

	2021	2020
Current income tax expenses	637,696.33	-
— PRC	-	-
Deferred income tax expenses	2,395,769.07	1,300,015.86
Total	3,033,465.40	1,300,015.86

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% (2020: 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 2021 (Unaudited)

	2021	2020
Calculated based on the net profit attributable to shareholders of the parent company:	<b>(68,250,795.42)</b>	(109,325,493.01)
Basic earnings per share	<b>(0.0855)</b>	(0.137)
Diluted earnings per share	N/A	N/A
Calculated based on the net profit from continuing operations attributable to shareholders of the parent company:	<b>(68,250,795.42)</b>	(109,325,493.01)
Basic earnings per share	<b>(0.0855)</b>	(0.137)
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 2021 (2020: Nil).

### 15. ACCOUNTS RECEIVABLE

For the six months ended 30 June 2021 (Unaudited)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Accounts receivable	426,906,475.26	411,339,480.85
Less: Provision for bad debts of accounts receivable	124,848,208.61	123,418,885.57
Total	302,058,266.65	287,920,595.28

Prior to accepting new customers, the Group applies internal credit assessment policies to assess the credit quality of the potential customers and sets credit limits. Apart from new customers who are normally required to pay in advance, the Company formulates different credit policies on a customer-by-customer basis. The credit period is generally three months, but can be extended up to six months for major customers.

Aging analysis of accounts receivable for the six months ended 30 June 2021 based on the date of invoices is as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within 1 year	285,433,116.29	270,075,676.86
1-2 years	8,639,411.31	8,761,658.21
2-3 years	3,117,077.21	168,705.00
Over 3 years	129,716,870.45	132,333,440.78
Total	426,906,475.26	411,339,480.85

### 16. ACCOUNTS PAYABLE

Aging analysis of accounts payable for the six months ended 30 June 2021 based on the date of invoices is as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within 1 year	<b>546,658,543.43</b>	464,534,823.44
1-2 years	<b>50,602,948.38</b>	90,009,423.77
2-3 years	<b>39,213,147.53</b>	31,048,337.92

Over 3 years	<b>53,703,352.50</b>	62,759,843.35
Total	<b>690,177,991.84</b>	648,352,428.48

## 17. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had the following commitments in respect of capital expenditures

	<b>As at 30 June 2021 (Unaudited)</b>	<b>As at 31 December 2020 (Audited)</b>
Contracted but not recognised in financial statements — Commitment in respect of acquisition and construction of long-term assets	<b>0</b>	0

## 18. CONTINGENT LIABILITIES

As at the date of these financial statements, the claim cases against the Company by investors regarding false statements about securities have been accepted by the Jinan Intermediate People's Court (濟南市中級人民法院), and the aggregate sum involved was RMB123,681,563.45. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB112,710,124.78, with a final settlement amount of RMB64,919,444.92. For those closed cases, the Company is performing its obligations according to the judgments. For those cases that have been heard but pending for judgment and those cases that have not been heard, provision for estimated liabilities of RMB9,325,722.88 were made at a rate of 85% with reference to the previously closed cases. The Company has made cumulative total provisions for estimated liabilities of RMB74,245,167.80 in respect of this issue so far.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Results

During the six months ended 30 June 2021, the Group achieved an unaudited operating revenue of RMB1,898.1276 million, representing an increase of 40.98% compared to the corresponding period of last year. Unaudited operating profit was -RMB42.71 million, compared to that of [-RMB120.18] million in the corresponding period of last year. Unaudited total profit was -RMB44.7385 million, compared to that of -RMB122.5383 million in the corresponding period of last year. Unaudited net profit attributable to shareholders of the listed company was -RMB68.2508 million, compared to that of -RMB109.3255 million in the corresponding period of last year.

### Business Review

During the reporting period, 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 major key components, and castings and forgings products, etc. The Company's products were mainly used in industries in connection with the drilling, machinery processing, urban pipe network of petroleum, natural gas, coalbed methane, shale gas and other energy sources. During the reporting period, pipe products and tube blanks contributed over 90% of the Group's sales, and were the main source of the revenue and profit of the Group. During the reporting period, the Group made timely adjustments to its product mix by increasing the production and sales volume of tube blanks based on market trends. As a result, the Group realised a year-on-year increase in operating revenue and further boosted its profitability.

The Group's main products are pipe products, tube blanks and high-end castings and forgings. The Group has adopted a "sales-based production" business model for production under which the production system of the Group manufactures, inspects and delivers products according to the order placed by customers specifying the required specifications and quantity. 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 Group 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.

The Group operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which is apparently vulnerable to changes in economic development cycle, market consumption and demand, cycle of crude oil prices and cycle of raw material prices. Since 2021, in line with macroeconomic recovery, global demand for oil and gas has been on the rise and therefore, recovery momentum sustained in the oil and gas industry. However, as industry recovery lagged behind changes in oil and gas prices, downstream energy equipment manufacturers still faced short-term pressure over supply imbalances. Moreover, bulk commodity prices led to high volatility in raw material prices, which brought the Group great challenges in costs.

In recent years, with the continued implementation of the "Seven-Year Action Plan" in China, the Group saw a growth trend in the domestic oil and gas exploration and development market. In the medium to long run, the national energy security strategy will provide strong support to the

development of the oilfield services industry. Against the backdrop of China's continued high external dependence on crude oil and natural gas, the goal of "stabilising oil market and increasing demand for natural gas" will remain unchanged, giving room for further development of oil exploration and development. The white paper titled Energy in China's New Era indicated that, China has intensified efforts for the exploration and exploitation of oil and gas resources, to increase their reserve and production volumes, and has been enhancing its supply capacity for safer and higher-quality energy. Furthermore, with the full opening up of the China's oil and gas exploration and development market, private and foreign-invested companies and different sectors in the community will have the opportunities of tapping into the domestic oil and gas exploration and development market, to bring new blood for China's oil and gas exploration and development and drive new demand for the energy equipment industry.

As at the end of the reporting period, the Group had total assets of RMB4,913.6255 million, representing a decrease of 5.06% year-on-year. Net assets attributable to shareholders of the listed company were RMB1,712.6355 million, representing a decrease of 3.82% year-on-year. During the reporting period, the Company realised an operating revenue of RMB1,898.1276 million, representing a growth of 40.98% compared with the corresponding period of last year. Net loss attributable to shareholders of the listed company amounted to RMB68.2508 million, compared to the loss of RMB109.3255 million in the corresponding period of last year.

### **Significant Events Subsequent to the Reporting Period**

Reference is made to the announcement of the Company dated 14 July 2021. As disclosed therein, the Company received a notice from a subsidiary, Shouguang Baolong Petroleum Equipment Co., Ltd.\* (壽光寶隆石油器材有限公司) ("**Shouguang Baolong**") in relation to its suspension of production for inspection and maintenance. Taking into account the business of Shouguang Baolong in recent years, in order to further optimise production process, enhance product competitiveness and improve overall efficiency, Shouguang Baolong has suspended production for inspection and maintenance in accordance with its production arrangement, and has carried out modification and upgrade of its existing production lines. The duration of the suspension of production has not been determined. It is expected that the suspension of production for inspection and maintenance as well as the modification and upgrade of Shouguang Baolong will lead to an increase in the related costs and expenses of the Company, which will have an adverse impact on the operating results of the Company in the second half of 2021. However, in the long run, the completion of the suspension of production for inspection and maintenance as well as the modification of Shouguang Baolong will facilitate and enhancement of stability of the equipment of the production lines, further enhance product competitiveness and improve overall efficiency

Save as disclosed above, the Group had no significant events subsequent to the reporting period.

### **Prospects**

The Group operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which is apparently subject to changes in economic development cycle, market consumption and demand, cycle of crude oil prices and cycle of raw material prices.

During the reporting period, in line with macroeconomic recovery, global demand for oil and gas was on the rise and therefore, recovery momentum sustained in the oil and gas industry. However, as industry recovery lagged behind changes in oil and gas prices, downstream energy equipment manufacturers still face short-term pressure over supply imbalances. Moreover, bulk commodity prices led to high volatility in raw material prices, which brought the Group great challenges in costs.

Furthermore, with the full opening up of the China's oil and gas exploration and development market, private and foreign-invested companies and different sectors in the community will have

the opportunities of tapping into the domestic oil and gas exploration and development market, to bring new blood for China's oil and gas exploration and development and drive new demand for the energy equipment industry. With the acceleration of oil and gas production and the continuous growth of oil and gas capital expenditures, the overall demand in the energy equipment manufacturing industry will continue to expand, and the industry's prosperity is expected to further improve.

Looking forward to the second half of 2021, the Group will adhere to the general principle of making steady process and establish a strong foothold for the next stage of development. With the focus of promotion high-quality development, the Group will use a customer-centered and market-oriented approach and concentrate its efforts on the development and sales of high-grade, precision and advanced new products, the Group will fully capitalise on its industry strengths to further improve its standard of technological research and development and service delivery. It will continue to optimise the quality of its business management and operation in order to form an economical, efficient, advanced and eco-friendly industry chain of energy equipment manufacturing. The Group will also uphold a green, innovative and sustainable development, with an aim of becoming an internationally renowned energy equipment manufacturer and service provider, striving to achieve steady, sustainable and healthy corporate development.

### **Significant Investments Held**

During the six months ended 30 June 2021, the Company did not hold any significant investments.

### **Material Acquisitions and Disposals**

During the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

### **Future Plans for Material Investments or Capital Assets**

During the six months ended 30 June 2021, the Group did not have any future plans for significant investments or capital assets.

### **Charges on Assets**

(1) Pursuant to a finance lease contract entered into between the Company and Cosco Shipping Leasing Co., Ltd. ("**Cosco Shipping**"), the Company commenced the finance lease business using certain equipment by way of sale and leaseback arrangement. As at 30 June 2021, the equipment had an original value of RMB187.0596 million and a net book value of RMB117.6153 million. The financing amount under the contract was RMB150 million. The contract will expire on 15 April 2022.

(2) On 30 June 2020, the Company and Shouguang Maolong (a subsidiary of the Company) entered into a financing agreement and the relevant mortgage contract with Great Wall Asset Management, pursuant to which, the Company provided mortgage guarantees to secure the financing of the Company and Shouguang Maolong (a subsidiary of the Company) with its own land use rights and the relevant ground buildings with licence numbered Shou Guoyong (2011) No. 0164, Shou Guoyong (2009) No. 0204, Shou Guoyong (2010) No. 0083, Shou Guoyong (2010) No. 0082, Shou Guoyong (2009) No. 0203, Lu (2019) Shouguang City Fixed Asset Right No. 0015760, Lu (2019) Shouguang City Fixed Asset Right No. 0015758, Lu (2019) Shouguang City Fixed Asset Right No. 0015752, Lu (2019) Shouguang City Fixed Asset Right No. 0015747, Lu (2019) Shouguang City Fixed Asset Right No. 0015757, Wen Guoyong (2006) No. 160005 and Wen Guoyong (2010) No. 160001. The financing amount of the Company under the contract was RMB192.4085 million. As at 30 June 2021, the above charged land use rights had a book value of RMB156.2066 million and the real property buildings had a book value of RMB103.3052 million. The contract will expire on 30 June 2023.



### **Foreign Exchange Exposure**

During the six months ended 30 June 2021, the Group earned revenue in RMB and United States dollars and settles its expenses incurred in Hong Kong dollars, RMB and United States dollars. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any prolonged or significant change in RMB against United States dollars and RMB against Hong Kong dollars may have impact on the Group's results and financial position.

### **Corporate Governance**

The Company is committed to reaching high standards of corporate governance. The principles of corporate governance adopted by the Company emphasise the Board with high quality, sound internal control, and transparency and accountability to relevant parties of the business. During the six months ended 30 June 2021, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

### **Audit Committee**

The Audit Committee of the Company (with members consisting of three independent non-executive directors) held two meetings during the six months ended 30 June 2021 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 2021. 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 2021. The interim results for the six months ended 30 June 2021 have not been reviewed and audited by the auditors of the Company.

### **Director's Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code for the six months ended 30 June 2021.

### **Purchase, sale or redemption of listed securities of the Group**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2021.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 will be despatched to the shareholders of the Company as and when appropriate and will be available on the Company's website at <http://www.molongroup.com> and the websites of the Stock Exchange and SZSE in due course.

By order of the Board

**Shandong Molong Petroleum Machinery Company**

**Limited\***

**Chan Wing Nang, Billy**

*Company Secretary*

Shandong, the PRC

26 August 2021

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

\* *For identification purpose only*