



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)



Annual Report 2023

*For identification purpose only

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.

Contents

Section I	Important, Contents and Definitions	1
Section II	Company Profile and Key Financial Indicators	3
Section III	Management Discussion and Analysis	10
Section IV	Corporate Governance	35
Section V	Directors’ Report	65
Section VI	Environmental and Social Responsibility	73
Section VII	Material Matters	78
Section VIII	Changes in Shares and Shareholders	89
Section IX	Relevant Information on Preferred Shares	100
Section X	Relevant Information on Bonds	101
Section XI	Financial Report	102
Section XII	Documents Available for Inspection	276

Section I. Important, Contents and Definitions

Definitions

Term	Definition
“Company”, “parent company” and “Shandong Molong”	Shandong Molong Petroleum Machinery company Limited (山東墨龍石油機械股份有限公司)
“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 (壽光懋隆新材料技術開發有限公司)
“Shouguang Baolong”	Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司)
“Weihai Baolong”	Weihai Baolong Special Petroleum Materials Co., Ltd. (威海市寶隆石油專材有限公司)
“Molong Energy”	Shandong Molong Energy Technology Co., Ltd. (山東墨龍能源科技有限公司)
“Molong I&E”	Shandong Molong Import & Export Co., Ltd. (山東墨龍進出口有限公司)
“MPM Corporation”	MPM International Limited
“Molong Logistic”	Shouguang Molong Logistic Co., Ltd. (壽光墨龍物流有限公司)
“Molong Electro-mechanical”	Shouguang Molong Electro-mechanical Equipment Company Limited (壽光墨龍機電設備有限公司)
“Molong Commercial”	Shandong Molong Commercial Trading Company (山東墨龍商貿有限公司)
“Shouguang Jinxin”	Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司)
“Shouguang SAB”	State-owned Assets Supervision and Administration Bureau of Shouguang City (壽光市國有資產監督管理局)
“Molong Holdings”	Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)
“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

I. Company Profile

Stock Name Abbreviation	Shandong Molong	Stock Code	002490, 00568
Stock exchanges of listed shares	SZSE, SEHK		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Abbreviation of the Chinese Name	山東墨龍		
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		

II. Contact Persons and Contact Information

Secretary to the Board

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

III. Information Disclosure and Places for Inspection

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)
Names and websites of media on which the annual report of the Company is disclosed	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, and cninfo (http://www.cninfo.com.cn)
Places for inspection of the Company's annual report	Board of Directors Office of the Company

IV. Registry Changes

Unified Social Credit Code	91370000734705456P
Changes in principal operations since the Company's listing (if any)	<p>At the first extraordinary general meeting of 2021 of the Company held on 3 March 2021, the Resolution on the Change in Business Scope of the Company and Amendments to the Articles of Association was considered and approved. On 4 March 2021, the Company completed the procedures for changes of industry and commerce registration. The Company's business scope has been changed as: pump, sucker rod, oil pumping machine, oil tubing, oil machinery, textile machinery, steel rolling and processing, special equipment, gear and gearbox, oil drilling special equipment, valve and cock, metallurgy special equipment, mechanical parts processing manufacturing, sales; petroleum machinery and relevant product development; commodity information services (excluding intermediary); technology promotion services; energy-saving technology promotion services; technology imports and exports; goods imports and exports; inspection services; measurement services. (Project approved by law can only be carried out with the approval of the relevant department, and the validity period shall be subject to the license).</p>
Previous changes of controlling shareholders (if any)	<p>On 23 February 2021, Mr. Zhang En Rong, the original controlling shareholder and the actual controller of the Company, entered into the Share Transfer Agreement with Molong Holdings. 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. On 23 March 2021, the registration of transfer of A shares by Zhang En Rong to Molong Holdings by agreement was completed with China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. After the completion of the equity transfer, Molong Holdings directly holds 235,617,000 A shares of the Company, representing 29.53% of the total share capital of the Company, and has become the controlling shareholder of the Company. Shouguang SAB remains the actual controller of the Company.</p>

Section II. Company Profile and Key Financial Indicators

V. Other Relevant Information

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

Applicable Not applicable

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

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators

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

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%

	As at the end of 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 No

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

Yes No

Item	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.

VII. Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profits and net assets in the financial statements as disclosed under the International Accounting Standards ("IASs") and PRC Generally Accepted Accounting Principles ("PRC GAAP")

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. Differences in net profit and net assets in the financial statements as disclosed under the overseas accounting standards and PRC GAAP

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

VIII. Key financial indicators by quarter

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
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

Yes No

Section II. Company Profile and Key Financial Indicators

IX. Extraordinary gain or loss items and amounts

Applicable Not applicable

Unit: RMB

Item	2023 Amount	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)	Mainly comprised of the losses on disposal and retirement of certain assets of the Company.
Government grant recognised in current profit and loss (excluding those grants that are closely related to the Company's normal business operation, that met the requirements of national policy, and that enjoy in accordance with the established standard prescribed by the State and have a continuous impact on the Company's profit and loss)	380,410.90	973,231.66	2,335,726.68	Mainly comprised of the amortisation of deferred revenue associated with assets and the receipts of stability subsidies during the current period.
Write-back of provision for receivables subject to individual impairment test	—	6,941,179.49	—	—
Profit or loss arising from contingencies unrelated to the normal operation of the Company	—	(9,800,000.00)	(979,747.94)	—
Non-operating income and expenses other than the above items	431,867.54	5,668,870.20	3,615,735.91	Mainly comprised of the related accounts payable that no longer required to be paid during the current period.
Other profit and loss items in line with the definition of non-recurring gains and losses	(12,958,782.06)	(67,971,212.05)	—	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 losses receivable.
Less: Effect on income tax	—	1,041,176.92	63,812.14	—
Effect on minority interests (after tax)	(527,411.45)	(1,658,820.29)	133,704.23	—
Total	(11,009,135.80)	(63,967,769.09)	1,595,978.75	—

Section II. Company Profile and Key Financial Indicators

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

Applicable 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

Item	Amount (RMB)	Reason
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

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

I. Overview of the Company's industry during the Reporting Period

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

II. Principal businesses of the Company during the Reporting Period

During the Reporting Period, the Company was mainly engaged in design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas transportation equipment, petroleum and natural gas exploitation equipment and 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

III. Analysis of core competitiveness

1. Strength in furnace rehabilitation technology

The Company is deeply involved in the field of melting reduction technology, and is committed to the application and promotion of Hismelt technology in iron and steel smelting and the like fields. As an advantageous technology of the Company, Hismelt 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 Hismelt series patents and authorizations. After the identification of scientific and technological achievements organised by the Chinese Society for Metals, Shandong Molong Hismelt 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 Hismelt 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 popularization and application and broad market prospect. During the Reporting Period, the Company signed the Contract of Technology Implementation License with Hebei Xinggang Technology Co., Ltd. for cooperation on Hismelt technology implementation license. The application and promotion of Hismelt technology is expected to become a new profit growth point for the Company's future development.

2. Strength in technological research and development and innovation

The Company has strong R&D capabilities in the field of special equipment for energy equipment, and has undertaken more than 70 national and provincial-level related scientific research projects. We are a high-tech enterprise and leading enterprise in China's energy equipment base with Shandong Provincial Enterprise Technology Center, Shandong Petroleum Special Pipe Engineering Technology Research Center, and National Accreditation Laboratory (CNAS) and Weifang Petroleum Machinery Engineering Technology Research Center and other innovation platforms in place. During the reporting period, the Company was awarded as the only National Intellectual Property Demonstration Enterprise in Shouguang City. The Company currently owns 224 patents, including 23 invention patents, 179 utility model patents and 22 appearance patents. The Company has built a professional and stable scientific research team through independent training, introduction of talents, and cooperation with universities and research institutes. The Company is creating an enterprises-based and market-oriented technology innovation system with in-depth integration of production, education and research.

3. Strength in new products

During the reporting period, in order to meet market demand, the Company developed a series of new products and improved its technical know-how by further pushing forward its product R&D activities. The Company completed the development and design of new products for special buckling tubing and casing, the parameter setting for supporting cutters, the trial manufacture of products, the in-factory inspection and the on-off test; completed the design of three-time thickening of special threads; optimized line pipe materials; reduced the cost of line pipe blanks; completed the design and development of a series of long plunger anti-scaling travelling barrel pumps and small-size special pumps in Xinjiang market, and the design, development, production and shipment of special eccentric-valve pumps; completed the design, development, production and shipment of feedback on heavy crude pumps and special double-seal pumps in Jilin Oilfield; completed the development of anti-corrosion sucker rods, the development, process improvement and large shipments of medium-carbon alloy steel sucker rods; and completed the technological improvement of heat treatment process, thus improving the production efficiency and reducing the production cost. The efforts in research and development of new products and improvement of technical know-how will help the Company further increase its overall competitiveness in the industry.

Section III. Management Discussion and Analysis

4. Strength in product quality

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. Strength in marketing

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. Strength in brand name

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

IV. Analysis of principal businesses

1. Overview

See “II. Principal businesses of the Company during the Reporting Period” for details

2. Revenue and cost

(1) Composition of operating income

Unit: RMB

	2023		2022		Year-on-year increase/ decrease
	Amount	Percentage of operating revenue	Amount	Percentage of operating revenue	
Total operating revenue	1,317,495,782.20	100%	2,765,645,281.40	100%	-52.36%
By industry					
Special equipment manufacturing	1,317,495,782.20	100.00%	2,765,645,281.40	100.00%	-52.36%
By product					
Pipe products	1,141,475,324.31	86.64%	1,612,040,161.32	58.29%	-29.19%
Castings and forgings	28,540,437.13	2.17%	982,447,617.23	35.52%	-97.09%
Three kinds of pumping units	35,884,827.68	2.72%	34,259,710.39	1.24%	4.74%
Petroleum machinery parts	18,345,313.86	1.39%	22,586,988.18	0.82%	-18.78%
Others	93,249,879.22	7.08%	114,310,804.28	4.13%	-18.42%
By region					
Within China	990,219,379.24	75.16%	2,359,717,382.90	85.32%	-58.04%
Outside China	327,276,402.96	24.84%	405,927,898.50	14.68%	-19.38%
By sales mode					
Self-marketing	1,317,495,782.20	100.00%	2,765,645,281.40	100.00%	-52.36%

Section III. Management Discussion and Analysis

(2) Industries, products, regions or sales models that accounted for over 10% of the Company's operating revenue or operating profits

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Year-on-year increase/decrease in operating revenue	Year-on-year increase/decrease in operating cost	Year-on-year increase/decrease in gross profit margin
By industry						
Special equipment manufacturing	1,317,495,782.20	1,215,719,694.55	7.72%	-52.36%	-54.56%	+4.45 pts
By product						
Pipe products	1,141,475,324.31	1,069,596,143.80	6.30%	-29.19%	-29.21%	+0.03 pts
By region						
Within China	990,219,379.24	948,292,865.08	4.23%	-58.04%	-59.78%	+4.16 pts
Outside China	327,276,402.96	267,426,829.47	18.29%	-19.38%	-15.71%	-3.56 pts
By sales model						
Self-marketing	1,317,495,782.20	1,215,719,694.55	7.72%	-52.36%	-54.56%	+4.45 pts

After adjustments were made to the data statistical caliber of the Company's principal businesses in the reporting period, the data of the Company's principal businesses for the most recent 1 year as adjusted based on the caliber at the end of the reporting period

Applicable Not applicable

Section III. Management Discussion and Analysis

(3) Whether the Company's revenue from sales of physical goods is more than income from the provision of labour services

Yes No

Industry type	Item	Unit	2023	2022	Year-on-year increase/decrease
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 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) Performance of the material sales contracts and material purchase contracts entered by the Company as at the end of the Reporting Period

Applicable Not applicable

Section III. Management Discussion and Analysis

(5) Composition of operating cost

Product Classification

Unit: RMB

Product Classification	Item	2023		2022		Year-on-year increase/decrease
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
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.

Section III. Management Discussion and Analysis

(6) Whether consolidation scope changed during the Reporting Period

Yes No

(7) Information related to significant change or adjustment of the Company's business, product or service during the Reporting Period

Applicable Not applicable

(8) Information on major customers and major suppliers

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

No.	Name of customer	Sales amount (RMB)	Percentage of the annual total sales amount
1	Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司)	202,673,511.90	15.38%
2	PetroChina Company Limited (中國石油天然氣股份有限公司)	142,188,600.62	10.79%
3	Libya ADC (利比亞 ADC)	130,509,923.06	9.91%
4	CNOOC China Limited (中海石油(中國)有限公司)	60,444,747.14	4.59%
5	Tianjin Haiyi Steel Co., Ltd (天津海翼鋼鐵有限公司)	51,106,880.71	3.88%
Total	—	586,923,663.43	44.55%

Section III. Management Discussion and Analysis

Other particulars of the major customers

✓ Applicable 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

No.	Name of the Vendor	Purchases amount (RMB)	Percentage of the annual total purchases amount
1	Shouguang Fangzhou Material Co., Ltd. (壽光市方宙物資有限公司)	214,575,992.46	30.18%
2	Shaanxi Yanchang Petroleum Material Group Co., Ltd. (陝西延長石油物資集團有限責任公司)	163,911,455.91	23.06%
3	Urumqi Land Port International Trade Co., Ltd (烏魯木齊陸港國際貿易有限責任公司)	88,610,143.42	12.46%
4	Qingdao Jianfa Materials Co., Ltd (青島建發物資有限公司)	43,932,309.73	6.18%
5	Shouguang Baolilong Gas Group Co., Ltd (壽光市寶力隆燃氣集團有限公司)	36,417,112.66	5.12%
Total —		547,447,014.18	77.00%

Other descriptions of major suppliers

✓ Applicable 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.

Section III. Management Discussion and Analysis

3. Expenses

Unit: RMB

	2023	2022	Year-on-year increase/decrease	Description of significant change
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. Investments in research and development

✓ Applicable □ Not applicable

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
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.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
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.

Section III. Management Discussion and Analysis

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%
Distribution of research and development personnel by academic background			
Bachelor's degree	41	48	-14.58%
Master's degree	17	22	-22.73%
Others	135	159	-15.09%
Distribution of research and development personnel by age			
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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section III. Management Discussion and Analysis

5. Cash flows

Unit: RMB

Item	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	(405,114,648.39)	(41,268,071.90)	-881.67%
Net increase in cash and cash equivalents	(271,031,471.77)	(55,536,954.09)	-388.02%

Explanations on main effects of significant changes in related data over the same period of last year

Applicable Not applicable

- (1) Cash inflows from operating activities and cash outflows from operating activities decreased year-on-year, mainly due to the decrease in operating income during the period.
- (2) Net cash flows from operating activities increased year-on-year, mainly due to the sale of some stock products during the period, resulting in an increase in net cash flow from operating activities.
- (3) Cash inflows from investing activities increased year-on-year, mainly due to the increase in cash received from the disposal of fixed assets during the period.
- (4) Cash outflows from investing activities decreased year-on-year, mainly due to the decrease in cash paid to acquire fixed assets.
- (5) Net cash flows from investing activities increased year-on-year, mainly due to the increase in cash received from the disposal of some assets and the decrease in the payment for equipment during the period.
- (6) The net cash flow from financing activities decreased year-on-year, mainly due to increase in cash paid from financing in the current period.
- (7) Net increase in cash and cash equivalents decreased year on year, mainly attributable to the combined effects of net cash flows from operating activities, investing activities and financing activities.

Section III. Management Discussion and Analysis

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 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. Analysis of non-principal businesses

Applicable Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s) for the incurrence	Is it recurring
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

Section III. Management Discussion and Analysis

VI. Analysis of assets and liabilities

1. Significant changes in the composition of assets

Unit: RMB

	As at the end of 2023		At the beginning of 2023		Increase/ decrease in proportion	Description of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
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.

Section III. Management Discussion and Analysis

	As at the end of 2023		At the beginning of 2023		Increase/ decrease in proportion	Description of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
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

Applicable Not applicable

Section III. Management Discussion and Analysis

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or loss on fair value changes in the current period	Cumulative fair value changes included in equity	Provision for impairment for the current period	Purchases during the current period	Disposals during the current period	Other changes	Amount at the end of the period
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

Yes No

3. Restrictions on asset rights as at the end of the reporting period

Unit: RMB

Item	Balance of the book value	As at the end of 2023		
		Book value	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	—	—

Section III. Management Discussion and Analysis

VII. Analysis of investments

1. General

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
400,000,000.00	0.00	N/A

2. Significant equity investments acquired during the reporting period

Applicable Not applicable

Unit: RMB ten thousand

Name of investee	Principal businesses	Form of investment	Investment amount	Shareholding	Capital source	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Involvement in lawsuit	Date of disclosure	Disclosure index
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(巨潮资讯) (http://www.cninfo.com.cn)
Total	—	—	40,000	—	—	—	—	—	—	0	0	—	—	—

Section III. Management Discussion and Analysis

3. Significant non-equity investments in progress during the reporting period

Applicable Not applicable

4. Investments in financial assets

(1) Securities investment

Applicable Not applicable

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

(2) Derivatives investment

Applicable Not applicable

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

5. Use of raised funds

Applicable Not applicable

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

VIII. Disposals of material assets and equity interests

1. Disposals of material assets

Applicable Not applicable

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

2. Disposals of material equity interests

Applicable Not applicable

Section III. Management Discussion and Analysis

IX. Analysis of major controlled and invested companies

Applicable Not applicable

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

Unit: RMB

Name of company	Type of company	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
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

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. Structured entities controlled by the Company

Applicable Not applicable

Section III. Management Discussion and Analysis

XI. Prospects for future development of the Company

(I) Future development trend of the Company's industry:

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 be 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) Business plans of the Company for 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. Strengthen marketing and optimize sales strategies

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.

Section III. Management Discussion and Analysis

2. Strengthen the basic management to promote the quality and efficiency improvement

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. Promoting technological innovation and product innovation

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. Strengthen exchanges and cooperation to promote the application and popularization of Hls melt

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 Hls melt in terms of scientific and technological innovation, technology research and development and engineering services to meet the need of technology promotion.

5. Intensify financial efforts to ensure the safety of funds

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.

Section III. Management Discussion and Analysis

6. Attach importance to risk management and reduce operation risks

The Company will further perfect and complete the internal control management system, intensify internal audit, establish efficient monitoring and inspection mechanisms, regulate the specific business process and strengthen risk-resistance ability; 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. Optimise the corporate governance and facilitate the standardised operation

The Company will further complete the relevant rules and regulations according to actual needs and ensure their effective implementation; 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) Major risk factors affecting future development strategy and business goals of the Company:

(1) Market risk

The Company operates in the energy equipment manufacturing industry which is directly relevant to the development and prosperity of the energy industry. The fluctuations of crude oil price are affected by global economic growth rate, regional, political, financial, supply and demand and many other factors, and have strong cyclicity and volatility. At the time when oil prices are low, oil and gas companies will reduce capital expenditures accordingly, make less investment in to exploration and development and have lower demand for equipment and services in the oil and gas industry. The Company will adjust product structure and market setting in a timely manner according to market changes.

(2) Risk of raw material price fluctuation

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

(3) Policy risk

In recent years, the Chinese government has been stepping up the requirements on safety and environmental protection by more frequently issuing stricter safety and environmental protection policies and carrying out regular safety and environmental protection supervision. The higher emission standards is bound to increase the Company's costs related to environmental protection. The Company is dedicated to creating a safe, economical, efficient, advanced and environment-friendly industry chain of energy equipment manufacturing. It puts great efforts in safety and environmental education, strengthens the investigation and management of hidden safety hazards, adheres to a green, innovative and sustainable concept, vigorously pursues recyclable economy, maximises resource utilisation, and increases environmental protection investment to ensure the waste discharges of the Company is up to standards.

Section III. Management Discussion and Analysis

(4) Exchange rate risk

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) 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. 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.

XII. Researcher reception, communication, interview and other events during the reporting period

Applicable Not applicable

Date of reception	Venue of reception	Form of reception	Type of reception target	Reception target	Main topics of discussion and information provided	Reference for general information about the research
20 April 2023	EasyIR platform of Shenzhen Stock Exchange (http://irm.cninfo.com.cn) "Cloud Interview" column	Communicate online on the web platform	Others	Investors	Business performance of the Company for 2022	Details can be found in the Log Sheet of Shandong Molong Petroleum Machinery Company Limited regarding Investors' Relation Events published on the website of cninfo (No.: 2023-001)

XIII. Implementation of the "Improvement in Quality and Return" Action Plan

Did the Company disclose the "Improvement in Quality and Return" action plan?

Yes No

Section IV. Corporate Governance

I. General condition of corporate governance

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. Shareholders and general meetings

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. The Company and the controlling shareholder

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.

Section IV. Corporate Governance

3. Directors and Board of Directors

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. Supervisors and supervisory board

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. Information disclosure and transparency

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. Performance evaluation and incentive mechanism

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. Management of investors' relations

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. Stakeholders

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

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.

II. Assurance by the Company of independence from the controlling shareholder and actual controller in terms of assets, employees, finance, organisation and business of the Company

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. Independence of assets

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.

Section IV. Corporate Governance

2. Independence of employees

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. Independence of finance

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. Independence of organisation

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. Independence of business

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.

III. Peer competition

Applicable Not applicable

Section IV. Corporate Governance

IV. Annual general meeting and extraordinary general meeting held during the reporting period

1. General meetings during the current reporting period

Session of meeting	Type of meeting	Attendance		Date of Disclosure	Meeting resolutions
		of investors	Date of meeting		
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. Preferred shareholders who are recovered by voting power request convening extraordinary general meeting

Applicable Not applicable

Section IV. Corporate Governance

V. Directors, supervisors and senior management

1. General information

Name	Gender	Age	Position	Office status	Term start date	Term end date	Shares held at the beginning of the period (Shares)	Shares increased during the period (Shares)	Shares decreased during the period (Shares)	Other increases or decreases (Shares)	Shares held at the end of the period (Shares)	Reason for the share increase or decrease
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	26 November 2021	8 October 2023	0	0	0	0	0	Not applicable
Li Zhi Xin	Male	46	Deputy general manager	Incumbent	8 October 2023	25 November 2024	0	0	0	0	0	Not applicable
Zhang Quan Jun	Male	53	Deputy general manager	Incumbent	26 November 2021	25 November 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	32	Deputy general manager	Incumbent	26 November 2021	25 November 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	32	Secretary to the Board	Incumbent	15 May 2020	25 November 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	32	Financial controller (Acting)	Incumbent	9 January 2024	25 November 2024	0	0	0	0	0	Not applicable
Yang Yun Long	Male	47	Chairman	Departure	25 December 2020	24 February 2023	0	0	0	0	0	Not applicable
Yuan Rui	Male	36	Vice chairman	Departure	25 December 2020	24 February 2023	0	0	0	0	0	Not applicable
Liu Ji Lu	Male	56	Non-executive director	Departure	26 November 2021	7 April 2023	0	0	0	0	0	Not applicable
Wang Quan Hong	Male	57	Non-executive director	Departure	21 December 2018	7 July 2023	139,500	0	0	0	139,500	Not applicable
Li Zhi Xin	Male	46	General manager	Departure	26 November 2021	7 October 2023	0	0	0	0	0	Not applicable
Hao Yun Feng	Male	50	Deputy general manager Financial controller	Departure	26 November 2021	11 November 2023	0	0	0	0	0	Not applicable
Total	—	—	—	—	—	—	139,500	0	0	0	139,500	—

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

Yes No

Change of Directors, Supervisors and Senior Management

Applicable Not applicable

Name	Position held	Type	Date	Reason
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.

Section IV. Corporate Governance

2. Details of employment

Professional backgrounds, major work experience and duties within the Company of the current Directors, Supervisors and Senior Managers of the Company

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) Members of the Board

Executive Director:

Mr. Yuan Rui, 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.

Mr. Yao You Ling, 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 (萊鋼軋鋼廠), the factory manager of the Cold Rolling Steel Sheet Mill under Laigang Group (萊鋼集團冷軋薄板廠), 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 (日鋼控股集團有限公司), a member of the Party Committee, director and deputy general manager of Luyin Investment Group Co., Ltd. (魯銀投資集團股份有限公司), 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 manager of the Company.

Mr. Li Zhi Xin, male, Han ethnicity, born in June 1977, is a CPC party member. Joining the Company in 1994, he successively served as the factory manager of the production branch factory, the manager of the control center, the general manager assistant, a deputy general manager and the general manager of the Company. He is currently an executive director and deputy general manager of the Company.

Mr. Zhao Xiao Tong, male, Han ethnicity, born in August 1991, is a CPC party member and a holder of a bachelor's degree in economics. He worked with Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) successively as a manager at the securities investment department and the representative of securities affairs, and served as the representative of securities affairs of Shandong Molong. He is currently an executive director, a deputy general manager, the secretary to the Board and the chief financial officer (acting capacity) of the Company.

Section IV. Corporate Governance

Non-executive Directors:

Mr. Ding Yi, 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.* (壽光市金融投資集團有限公司). He is currently a director and the general manager of Shouguang Jinxin, the chairman and general manager of Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司), and a director of Shouguang Industrial Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司). He is currently a non-executive director of the Company.

Ms. Zhang Min, 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. (壽光市金財公有資產經營有限公司) and a director and supervisor of Shouguang Jinxin. She currently serves as the assistant to general manager of Shouguang Finance Investment Group Co., Ltd. (壽光市金融投資集團有限公司), an executive director of Shouguang Finance Investment Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司), a director of Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司), a director of Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司) and a supervisor of Shouguang Xijing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司). She is currently a non-executive director of the Company.

Independent Director:

Mr. Tang Qing Bin, 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, risk management and control, and corporate auditing. He was a teacher of Shandong University of Finance and Economics, the chief accountant of Qilu Futures Brokerage Co., Ltd. (齊魯期貨經紀公司), and the director of Dongfang Junhe Certified Public Accountants Co., Ltd. and a partner of Beijing Zhongzheng Tiantong Certified Public Accountants Co., Ltd.. He is currently an independent director of Lucion Venture Capital Group Co., Ltd. and an independent director of Energy International Investments Holdings Limited. He has served as an independent director of the Company since December 2018.

Mr. Song Zhi Wang, male, Han ethnicity, born in September 1963, is a senior economist with a master's degree in business administration. Once served as a teacher at the School of Finance of Qilu University of Technology, a financial supervisor at the financial management office of the People's Bank of China (Shandong Branch), and the deputy general manager of Ping An Property & Casualty Insurance Company of China, Ltd. (Shandong Branch). He is currently the chairman and general manager of Shandong Jiuan Insurance Broker Co., Ltd. (山東九安保險經紀股份有限公司), an executive director of Shandong Jiu'an Investment Management Co., Ltd. (山東九安投資管理有限公司), an executive director of Shandong Juan Siwei Risk Management Consulting Co., Ltd. (山東居安思危風險管理諮詢有限公司), an executive director and general manager of Shandong Qi'an Health Management Co., Ltd. (山東齊安健康管理有限公司), a director of Guoyu Dehui Equity Investment Management (Shandong) Co., Ltd. (國鈺德慧股權投資管理(山東)有限公司), a deputy-director member of Shandong Insurance Industry Reform and Development Expert Advisory Committee, a part-time professor of Shandong University, Shandong University of Finance and Economics and Qilu University of Technology, an arbitrator of Jinan Arbitration Commission, a vice president of Shandong Insurance Society, a president of Shandong Insurance Intermediary Association, a vice president of Shandong Rural Vitalization Research Association, a vice president of Jinan Logistics and Supply Chain Society and the chief supervisor of Shandong Province Elderly Development Foundation. He has served as an independent director of the Company since December 2018.

Section IV. Corporate Governance

Mr. Cai Zhong Jie, 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) Members of the supervisory board

Mr. Liu Shubao, 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.

Mr. Li Jing Wei, 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.

Mr. Liu Cheng An, 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) Senior Management

Mr. Zhang Quan Jun, 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 Not applicable

Name of employee	Name of shareholder entity	Positions held in shareholder entity	Term start date	Term end date	Entitlement to compensation and allowances from shareholder entity
Yuan Rui	Shouguang Molong Holdings Co., Ltd.	Director	1 October 2020	—	No
Employment with shareholder entities		Nil	—	—	—

Details of employment with other entities

Applicable Not applicable

Name of employee	Name of other entities	Positions held in other entities	Term start date	Term end date	Entitlement to compensation and allowances from other entities
Yuan Rui	Shouguang Industry Investment Holding Group Co., Ltd.	Chairman	19 December 2023	—	Yes
Yuan Rui	Shandong Longxing Plastic Film Technology Co., Ltd.	Chief supervisor	1 September 2018	—	No
Yuan Rui	Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Chairman	29 November 2023	—	No
Yuan Rui	Shandong Boyuan Pharmaceutical & Chemical Co., Ltd.	Director	1 March 2020	—	No
Yuan Rui	Kunpeng Asset Management Co., Ltd.	Supervisor	1 June 2020	—	No
Yuan Rui	Shandong Shouguang Rural Commercial Bank Co., Ltd.	Supervisor	24 September 2021	—	No
Ding Yi	Shouguang Financial Investment Group Co., Ltd.	Chairman and general manager	29 November 2023	—	Yes
Ding Yi	Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Director and general manager	29 November 2023	—	No
Ding Yi	Shouguang Industry Investment Holding Group Co., Ltd.	Director	19 December 2023	—	No

Section IV. Corporate Governance

Name of employee	Name of other entities	Positions held in other entities	Term start date	Term end date	Entitlement to compensation and allowances from other entities
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

Applicable Not applicable

Section IV. Corporate Governance

3. Remunerations of Directors, Supervisors and Senior Management

Decision process, basis of determination and actual payment of the remuneration of Directors, Supervisors and Senior Management

1. Decision process

A remuneration and evaluation committee has been established under the board of directors to formulate the remuneration policy. The remuneration and evaluation committee proposes to remuneration policies for directors, supervisors and senior management which, if consented by the board of directors, will be implemented after approval at the general meeting.

2. Basis of determination

The annual remunerations for directors, supervisors and senior management are determined with reference to the main scope, responsibilities and significance of the positions of directors, supervisors and senior management.

3. Actual payment

During the Reporting Period, the amount of remunerations actually paid to 17 directors, supervisors and senior management was RMB2.8283 million.

Compensations of Directors, Supervisors and Senior Management during the reporting period

Unit: RMB ten thousand

Name	Gender	Age	Position	Office status	Total pre-tax compensations received from the Company	Entitlement to compensation from related parties of the Company
Yuan Rui	Male	36	Chairman	Incumbent	0	Yes
Yao You Ling	Male	60	Executive director, general manager	Incumbent	36.89	No
Li Zhi Xin	Male	46	Executive director, deputy general manager	Incumbent	59.54	No
Ding Yi	Male	39	Non-executive director	Incumbent	0	Yes
Zhang Min	Female	42	Non-executive director	Incumbent	0	Yes
Tang Qing Bin	Male	60	Independent director	Incumbent	12	No
Song Zhi Wang	Male	60	Independent director	Incumbent	12	Yes
Cai Zhong Jie	Male	61	Independent director	Incumbent	12	No
Liu Shu Bao	Male	53	Chairman of the supervisory board	Incumbent	17.14	No
Liu Cheng An	Male	50	Supervisor	Incumbent	8	No
Li Jing Wei	Male	41	Supervisor	Incumbent	8	No
Zhang Quan Jun	Male	53	Deputy general manager	Incumbent	42.97	No
Zhao Xiao Tong	Male	32	Executive director, deputy general manager, secretary to the Board, financial controller (Acting)	Incumbent	39.38	No

Section IV. Corporate Governance

Name	Gender	Age	Position	Office status	Total pre-tax compensations received from the Company	Entitlement to compensation from related parties of the Company
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

Applicable Not applicable

VI. Discharge of duties by directors during the reporting period

1. Board meetings in the current reporting period

Session of meeting	Date of meeting	Date of disclosure	Meeting resolutions
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).

Section IV. Corporate Governance

Session of meeting	Date of meeting	Date of disclosure	Meeting resolutions
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).

Section IV. Corporate Governance

2. Attendance of directors at board meetings and general meetings

Attendance of directors at board meetings and general meetings							
Name of Director	Number of board meetings shall be attended during the current reporting period	Number of board meetings attended in person	Number of board meetings attended via telecommunications	Number of board meetings attended by representatives	Number of board meetings absent	Failure to attend two consecutive board meetings in person	Number of general meetings attended
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. Directors' disagreement on matters raised to the Company

Whether the directors raised any disagreement on matters to the Company

Yes No

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

4. Other descriptions of duty performance by directors

Whether director's suggestions for the Company were accepted

Yes 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

VII. Information of the special board committees during the reporting period

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters
							opposed (if any)
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

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Particulars of matters	
						Performance of other duties	opposed (if any)
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.	—	—

VIII. Works of the Supervisory board

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

Yes No

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

Section IV. Corporate Governance

IX. Employees of the Company

1. Number of employees, professional structure and education level

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

Professional structure

Type of professional structure	Number of individuals (persons)
Production personnel	1,595
Sales personnel	64
Technicians	29
Financial staff	27
Administrative staff	226
Total	1,941

Education level

Type of education level	Quantity (persons)
Doctorate	1
Master	27
Bachelor	153
Junior college	407
Junior college and below	1,353
Total	1,941

Section IV. Corporate Governance

2. Remuneration policy

- (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. Training programmes

- (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;

Section IV. Corporate Governance

- (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. Labor outsourcing

Applicable Not applicable

X. Profit distribution and conversion of capital reserve into share capital of the Company

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

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

Applicable Not applicable

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

Applicable Not applicable

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

XI. Implementation of the stock incentive plan, employee shareholding plan or other employee incentive measure of the Company

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

XII. Establishment and implementation of internal control system during the reporting period

1. Establishment and implementation of internal control system

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. Any material deficiency in internal control was detected during the reporting period

Yes No

XIII. Management and control over subsidiaries by the Company during the reporting period

Name of company	Consolidation plan	Progress of the consolidation	Issues experienced in		Progress of the solution	Follow-up solution plan
			the course of consolidation	Solution taken		
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Section IV. Corporate Governance

XIV. Assessment report on internal control or audit report on internal control

1. Assessment report on internal control

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%

Category	Standards for deficiency identification	
	Financial reporting	Non-financial reporting
Qualitative standard	<p>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.</p> <p>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.</p> <p>Common Defects is other control defect in addition to the above major flaws and important defects control.</p>	<p>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.</p> <p>Other circumstances according to the influence degree were identified as important defects or defects in general.</p>

Section IV. Corporate Governance

Category	Standards for deficiency identification	
	Financial reporting	Non-financial reporting
Quantitative standard	<p>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).</p> <p>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).</p> <p>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).</p>	<p>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.</p>
	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

2. Audit report on internal control

Applicable Not applicable

Extract of auditors' opinion in the audit report on internal control

In our opinion, Shandong Molong maintained effective internal control system for financial reporting in all material respects as at 31 December 2023 in accordance with the Basic Norms for Enterprises Internal Control and the requirements of other relevant laws and regulations.

Disclosure of audit report on internal control	Disclosed
Date of disclosure of the full texts of the audit report on internal control	29 March 2024
Reference of disclosure of the full texts of the audit report on internal control	Cninfo (http://www.cninfo.com.cn)
Type of opinion on the audit report on internal control	Standard unqualified opinion
Any significant deficiencies in non-financial reporting	No

Whether accounting firm issued non-standard auditors' report on internal control

Yes No

Whether the opinion of auditor on internal controls from the accounting firm is in line with the Board's self assessment report

Yes No

XV. Internal investigation and rectification in relation to the special action for the governance of listed companies

Not applicable

Section IV. Corporate Governance

XVI. Disclosures in accordance with the Listing Rules of the SEHK

1. Results

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. Financial highlights

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

Results

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 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)

Assets and liabilities

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 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. Changes in share capital

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. Reserves and distributable reserves

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. Property, plant and equipment

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

6. Capitalised interests

During 2023, the Group capitalised interests of RMB nil.

7. Service contracts or letters of appointment of directors and supervisors

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. Special committees

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. Related parties and connected transactions

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.

Section IV. Corporate Governance

10. Directors', supervisors' and chief executive's interests in securities under the securities and futures ordinance of Hong Kong

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. Annual compensations of directors, supervisors and senior management

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. Directors' and supervisors' rights to acquire shares or debentures

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. Share Option Scheme

The Company does not operate any share option scheme.

14. Substantial shareholders

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. Directors' and supervisors' interests in transactions, arrangements and contracts

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. Material contracts

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. Purchase, sale or redemption of securities

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

18. Pre-emptive rights

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. Corporate governance

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

20. Sufficiency of Public Float

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. Gearing ratio

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. Contingent liabilities

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. Material investments, acquisitions and disposals

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. Tax concessions and exemptions

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

25. Equity-linked agreements

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. Business review

Key financial and business performance indicators

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.

Risk management

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.

Sustainability initiatives

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.

Principal businesses

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.

Results analysis

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.

Dividends

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.

Key financial and business performance indicators

The key financial and business performance indicators together with details of relevant analyses on gearing ratio are shown in the sections headed "Management Discussion and Analysis" and "Financial Report" in this annual report.

Risk management

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 activities of the Company. The management has identified the major risks of the Company and regularly reviews its exposure to industry, policy, operational and currency risks.

Section V. Directors' Report

Sustainability initiatives

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.

Financial review

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.

Property, plant and equipment

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.

Long-term Equity Investments and Fixed Assets

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

Share Capital and Share Options

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.

Pre-emptive Rights

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

Repurchase, Sale or Redemption of Securities

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

Reserves and Distributable Reserves

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.

Major Customers and Suppliers

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.

Environmental, Social and Governance Report and Social responsibility

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.

Employees

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.

Donations

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

Director

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

Executive Directors:

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)

Non-executive Directors:

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)

Independent non-executive Directors:

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

Supervisors:

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.

Directors' and Supervisors' Service Contracts or Letters of Appointment

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

Remuneration of the Directors and Supervisors and Five Highest Paid Individuals

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.

Directors' and Supervisors' Interests in Contracts

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.

Directors' and Executive's Liability Insurance and Indemnity

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.

Management Contracts

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.

Directors', Supervisors' and Chief Executive's Interests in Securities under the Securities and Futures Ordinance ("SFO") of Hong Kong

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.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

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:

Long position in the share of the Company

Substantial shareholder	Nature of interest	Number of shares	Percentage of issued A/H shares	Percentage of total issued shares
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

Related Parties and Related Party Transactions

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.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

As of 31 December 2023, (i) Shouguang Baolong Petroleum Equipment Co., Ltd. ("**Shouguang Baolong**") is indebted to the Company in the amount of RMB461,709,466.37; and (ii) Weihai Baolong Special Petroleum Materials Co., Ltd. ("**Weihai Baolong**") 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 "**Indebtedness**"). The sale of all its shares in Shouguang Baolong and Weihai Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業(有限合夥)), was completed in March 2024 (the "**sale completion**"), 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 "**Shouguang Baolong Repayment Agreement**"), 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 "**Weihai Baolong Repayment Agreement**"), 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 ("**mortgaged assets**") to the Company as collateral (the "**mortgage**") for repaying the indebtedness under Shouguang Baolong Repayment Agreement.

Competition and Conflict of Interests

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

Corporate Governance

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

Sufficiency of Public Float

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.

Closure of Register of Members

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).

Auditors

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.

Events after the Reporting Period

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

On behalf of the Board
Shandong Molong Petroleum Machinery Company Limited
Chairman
Yuan Rui

Shandong, the PRC, 28 March 2024

Section VI. Environmental and Social Responsibility

I. Major environmental issues

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

Yes No

Policies and industrial standards related to environmental protection

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.

Environmental Protection Administrative Licensing

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

The Company or name of subsidiary	Categories of major pollutant and specific pollutant	Name of major pollutant and specific pollutant	Method of discharge	Number of discharge outlets	Distribution of discharge outlets	Emission Concentration/ Intensity	Implemented standards		Approved total	
							for pollutant discharge	Total volume of discharge	volume of discharge	Excessive discharge
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.2mg/m ³	10mg/m ³	7.4273kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.2mg/m ³	10mg/m ³	36.827kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.55mg/m ³	10mg/m ³	10.5484kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.35mg/m ³	10mg/m ³	34.6579kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	4mg/m ³	10mg/m ³	0.0801kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.9mg/m ³	10mg/m ³	162.9kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.35mg/m ³	10mg/m ³	45.146kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3mg/m ³	10mg/m ³	66.39kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.7mg/m ³	10mg/m ³	52311kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.45mg/m ³	10mg/m ³	8.7619kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.4mg/m ³	10mg/m ³	28.7626kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.7mg/m ³	10mg/m ³	12.187kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	3.2mg/m ³	10mg/m ³	0.0464kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	8.1mg/m ³	10mg/m ³	0.3988kg	—	Nil
Shouguang Maolong	—	Sulfur dioxide	Organised	1	Production complex	2.5mg/m ³	50mg/m ³	0.1841kg	—	Nil
Shouguang Maolong	—	Nitrogen oxides	Organised	1	Production complex	61.5mg/m ³	100mg/m ³	3.1908kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.15mg/m ³	10mg/m ³	16.3944kg	—	Nil
Shouguang Maolong	—	VOCs	Organised	1	Production complex	8.21mg/m ³	60mg/m ³	67.51kg	—	Nil
Shouguang Maolong	—	Particulate matter	Organised	1	Production complex	2.8mg/m ³	10mg/m ³	26.5748kg	—	Nil

Section VI. Environmental and Social Responsibility

Treatment of pollutants

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.

Environmental Self-monitoring Program

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.

Emergency plans for sudden environmental incidents

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.

Investment in environmental governance and protection and payment of environmental protection tax

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

Applicable Not applicable

Section VI. Environmental and Social Responsibility

Administrative penalties arising from environmental issues during the reporting period

The Company or name of subsidiary	Reasons for punishment	Violations	Result of punishment	Impact on production and operation of Listed Company	Corrective measures taken by the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Other discloseable environmental information

There was no other discloseable environmental information.

Other environmentally related information

There was no other environmentally related information.

II. Social Responsibility

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. Safeguarding shareholders' interest

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. Safeguarding employees' interest

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. Actively participating in social undertakings

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.

III. Results of the strengthening and expansion of poverty alleviation and details of rural revitalisation

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.

Section VII. Material Matters

I. Performance of commitment

1. Commitments fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period and their outstanding commitments as at the end of the reporting period

Applicable Not applicable

There were no commitments that were fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period, and there were no outstanding commitments as at the end of the reporting period.

2. Corporate assets or project has profit forecast, and still in the period of the profit forecast at reporting period. Explanation for profit forecast of corporate assets or project receives profit forecast its reasons

Applicable Not applicable

II. Occupation of non-operating funds of the listed company by controlling shareholders and other related parties

Applicable Not applicable

There was no occupation of non-operating funds of the listed company by controlling shareholders and other related parties during the reporting period.

III. Illegal external guarantees

Applicable Not applicable

There were no illegal external guarantees during the reporting period.

IV. Opinions of the board regarding the "modified auditor's report" for the most recent prior period

Applicable Not applicable

Section VII. Material Matters

V. Opinions of the board, the supervisory committee and independent directors (if any) regarding the “modified auditor’s report” issued by accounting firm for the reporting period

Applicable Not applicable

The Board of Directors and the Supervisory Committee of the Company believe that the unqualified audit report on the financial reports of the Company for 2023 with paragraphs regarding material uncertainties on the ability to continue as a going concern issued by the audit institution, objectively and truly reflects the Company’s actual financial conditions and reveals the Company’s possible risks to continue as a going concern. The Board of Directors and the Supervisory Committee of the Company expressed their understanding of the audit report and the investors are required to draw attention to investment risks. The aforementioned matters primarily serve as a reminder for users of the financial statements to pay attention to the Company’s sustainable operational ability. These matters do not contravene accounting standards, systems, or relevant information disclosure regulations, and do not make an impact on the Company’s financial conditions and operation results in 2023.

VI. Explanation for the change in accounting policy or accounting estimates or the correction to material accounting errors as compared to the financial report of last year

Applicable Not applicable

On 30 November 2022, the Ministry of Finance issued Interpretation No. 16 of Accounting Standards for Business Enterprises, which stipulated that the “accounting treatment that the initial recognition exemption shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction”, and it came into effect on 1 January 2023. Consequently, in compliance with the aforementioned requirements, the Company has made appropriate adjustments to its relevant accounting policies.

VII. Explanation for the change of the consolidated statements range as compared to the financial report of last year

Applicable Not applicable

There were no changes of the consolidated statements range during the reporting period.

Section VII. Material Matters

VIII. Appointment and dismissal of accounting firm

The accounting firm currently appointed

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

Yes No

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

Applicable 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.

IX. Delisting after disclosure of annual report

Applicable Not applicable

X. Matter related to bankruptcy and reorganisation

Applicable Not applicable

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

Section VII. Material Matters

XI. Significant lawsuits and arbitrations

Applicable Not applicable

Basic information on the litigation (arbitration)	Amount involved (RMB'0,000)	Recognized as provision for liability	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Enforcement of litigation (arbitration) judgment	Date of disclosure	Disclosure index
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).

XII. Punishments and rectifications

Applicable Not applicable

There was no punishment or rectification during the Reporting Period.

XIII. Integrity of the Company and its controlling shareholder and actual controller

Applicable Not applicable

XIV. Significant related party transactions

1. Related party transactions associated in the ordinary course of business

Applicable Not applicable

2. Related party transactions in connection with acquisition or disposal of assets or equity interests

Applicable Not applicable

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

Section VII. Material Matters

3. Related party transactions in connection with joint external investment

Applicable Not applicable

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

4. Amounts due from/to related parties

Applicable Not applicable

Any non-trade amounts due from/to related parties

Yes No

Debts due to related parties

Related party	Related relationship	Reason(s) for Occurrence	Balance at	Amount	Amount	Interest rate	Interest for	Balance at
			the beginning of the period (RMB ten thousand)	increased during the current period (RMB ten thousand)	repaid during the current period (RMB ten thousand)		the current period (RMB ten thousand)	the end of the period (RMB ten thousand)
Shouguang Jinxin	Controlling shareholder of the controlling shareholder	Accept financial assistance	0	48,080	32,700	0.00%	0	15,380
Impact of the related debts on the operating results and financial position of the Company	On 10 February 2023, after the consideration and approval at the third special meeting of the seventh session of the board of directors of the Company, the Company accepted the non-interest bearing borrowings of up to RMB500 million provided by Shouguang Jinxin, the related party, to the Company for a term of less than one year. During the reporting period, the maximum single-day balance of the borrowings was RMB153.8 million, which fell within the above limit.							

5. Amounts due from/to related financial companies

Applicable Not applicable

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

Section VII. Material Matters

6. Amounts due from/to financial companies controlled by the Company with related parties

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. Other significant related party transactions

Applicable Not applicable

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

XV. Material contracts and their performance

1. Entrustment, Contracting and leasing

(1) Entrustment

Applicable Not applicable

The Company had no entrustment during the reporting period.

(2) Contracting

Applicable Not applicable

The Company had no contracting during the reporting period.

Section VII. Material Matters

(3) Leasing

Applicable 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. (長江聯合金融租賃有限公司) 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 Yuanotong Finance Leasing Co., Ltd. (浙江中大元通融資租賃有限公司) 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. (壽光祥潤實業有限公司), 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. (威海康恒華金屬材料有限公司, 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

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.

Section VII. Material Matters

2. Significant guarantees

✓ Applicable □ Not applicable

Unit: RMB ten thousand

External guarantees of the Company and its subsidiaries (excluding guarantee in favour of subsidiaries)

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not
—	—	—	—	—	—	—	—	—	—	—

Guarantees of the Company in favour of subsidiaries

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not
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

Guarantees of subsidiaries in favour of subsidiaries

Name of guaranteed party	Date of disclosure of announcement in relation to the line of guarantee	Line of guarantee	Date of actual occurrence	Actual guarantee amount	Type of guarantee	Collaterals (if any)	Counter-guarantee (if any)	Guarantee period	Fully performed or not	Related party guarantee or not
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	—	—	—	—	—	—	—	—

Section VII. Material Matters

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
Total guarantees of the Company (being the sum of the above three guarantees)			
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. Entrust others to manage cash assets

(1) Commissioned financial management

Applicable Not applicable

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

(2) Entrusted loans

Applicable Not applicable

The Company had no entrusted loan during the Reporting Period.

Section VII. Material Matters

4. Other major contracts

Applicable Not applicable

Name of the company entered into the contract	Name of the other Party entered into the contract	The subject matter of the contract	Date of signature	Pricing principle	Transaction price (RMB'0,000)	Whether related party transactions	Related relationship	The execution condition as of the end of the reporting period	Date of disclosure	Disclosure Index
Shandong Molong	Hebei Xinggang Technology Co., Ltd. (河北邢鋼科技有限公司)	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.

XVI. Descriptions of other significant events

Applicable Not applicable

1. Completion of the change of legal person and renewal of business license

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 (《關於選舉第七屆董事會董事長的議案》) 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 (《關於選舉董事長及調整董事會專門委員會成員的公告》) (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 (濰坊市市場監督管理局).

Section VII. Material Matters

XVII. Significant events of subsidiaries of the Company

Applicable Not applicable

1. Completion of the change of industrial and commercial registration and the renewal of business license by a subsidiary

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 (《關於以債轉股方式對全資子公司增資的議案》) 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 (《關於以債轉股方式對全資子公司增資的公告》) (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 (壽光市行政審批服務局).

Section VIII. Changes in Shares and Shareholders

I. Changes in Shares

1. Changes in Shares

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. Shares subject to lock-up	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. Shares not subject to lock-up	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. Total number of shares	797,848,400	100.00%	—	—	—	—	—	797,848,400	100.00%

Reason(s) for change in shares

Applicable 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

Applicable Not applicable

Transfer for the change in shares

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in locked-up shares

Applicable Not applicable

Unit: share

Name of Shareholders	Number of restricted shares at the beginning of the period	Increase the number of restricted shares in the current period	Number of restricted shares released in the current period	Number of Restricted shares at the end of the period	Reasons for restricted sales	Date of lifting sales restriction
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

II. Issuance and Listing of Securities

1. Securities issuance (excluding preferred shares) during the Reporting Period

Applicable Not applicable

2. Description of changes in the total number of shares and shareholder structure of the Company, and changes in the structure of assets and liabilities of the Company

Applicable Not applicable

3. Existing internal employee stock

Applicable Not applicable

III. Shareholders and actual controller

1. Number of shareholders of the Company and their shareholding

				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

Shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing)

Name of Shareholders	Nature of Shareholders	Shareholding Percentage	Number of shares held at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of Held Shares with Restriction on Sale	Number of Held Shares with no Restriction on Sale	Pledge, marking or freezing Share Status	Qty.
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	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. (山東智夢控股有限公司)	Domestic non-state-owned legal person	8.23%	65,640,000	0	0	65,640,000	Not applicable	—
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Domestic non-state-owned legal person	3.99%	31,800,000	0	0	31,800,000	Not applicable	—
Shouguang Panjin Property Co., Ltd. (壽光市盤金置業有限公司)	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. (壽光市瑞森新型建材有限公司)	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 applicable	

Section VIII. Changes in Shares and Shareholders

Top 10 shareholders with no restriction on sale

Name of Shareholders	Number of Held Shares with no Restriction on Sale by the end of the Reporting Period	Categories of Shares	
		Categories of Shares	Qty.
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	235,617,000	RMB-denominated ordinary shares	235,617,000
Hong Kong Central Clearing Agent Limited	105,411,600	Overseas listed foreign shares	105,411,600
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	65,640,000	RMB-denominated ordinary shares	900,000
		Overseas listed foreign shares	64,740,000
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	31,800,000	Overseas listed foreign shares	31,800,000
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	30,800,000	Overseas listed foreign shares	30,800,000
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	23,374,800	Overseas listed foreign shares	23,374,800
Zhang Yunsan	18,108,000	RMB-denominated ordinary shares	18,108,000
Hong Kong Securities Clearing Company Limited	9,126,635	RMB-denominated ordinary shares	9,126,635
Fan Xisheng	8,152,400	RMB-denominated ordinary shares	8,152,400
Ma Like	6,574,940	RMB-denominated ordinary shares	6,574,940

Description of the relationship or concerted action between the top 10 shareholders of unrestricted tradable shares, and between the top 10 shareholders of unrestricted tradable shares and the top 10 shareholders

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.

Description of the participation of the top 10 ordinary shareholders in securities lending and refinancing business (if any) (Note 4)

Not applicable

Participation of top 10 shareholders in securities lending and refinancing business

Applicable Not applicable

Changes in Top Ten Shareholders as Compared with the Previous Period

Applicable Not applicable

Section VIII. Changes in Shares and Shareholders

Unit: share

Changes in Top 10 Shareholders as Compared with the End of the Previous Period

Name of shareholders (full name)	Addition/ withdrawal during the reporting period	Number of shares lent through refinancing and not returned as at the end of the period		Number of shares held and lent through refinancing and not returned in shareholders' ordinary account and credit account as at the end of the period	
		Total	Percentage of the total share capital	Total	Percentage of the total share capital
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

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.

Section VIII. Changes in Shares and Shareholders

2. Controlling shareholders of the Company

Nature of controlling shareholder: local state-owned holding

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative/ principal	Date of Incorporation	Organisation No.	Principle Business
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	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

Changes of controlling shareholders during the Reporting Period

Applicable Not applicable

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

Section VIII. Changes in Shares and Shareholders

3. The actual controller of the Company and its concerted action person

Nature of actual controller: local state-owned assets management institution

Type of actual controller: legal person

Name of actual controller	Legal representative/ principal	Date of Incorporation	Organisation No.	Primary Business
State-owned Assets Supervision and Administration Bureau of Shouguang City (壽光市國有資產監督管理局)	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.(晨巽(上海)實業有限公司), accounting for 21.24% of its total share capital.			

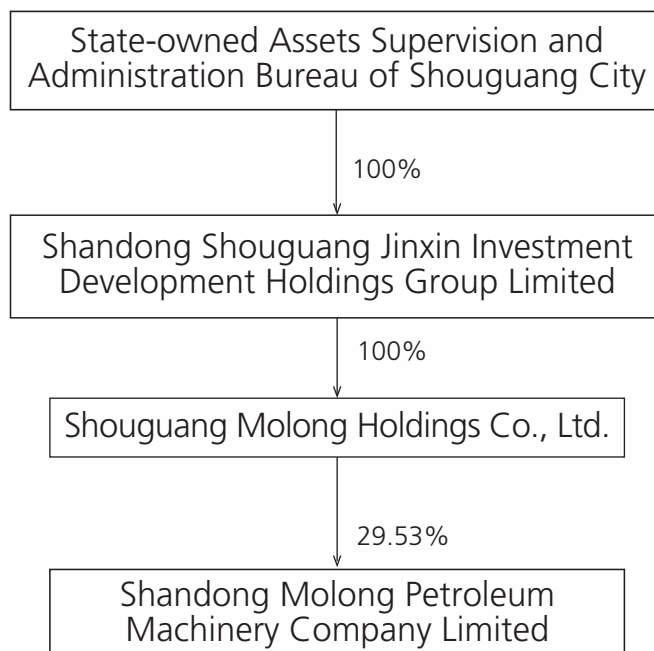
The actual controller changed during the Reporting Period

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

Applicable Not applicable

4. The cumulative number of pledged shares of the controlling shareholder or the largest shareholder of the Company and its concerted actions accounts for 80% of the number of shares held by the Company

Applicable Not applicable

Section VIII. Changes in Shares and Shareholders

5. Other corporate shareholders holding more than 10% of shares

✓ Applicable Not applicable

Name of corporate shareholder	Legal representative/ principal	Date of Incorporation	Registered capital	Primary operational or management activities
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	Xue Mingliang	23 March 2020	RMB300 million	Equity investment; enterprise management consulting; business information consultation; import and export of goods; technology import and export (without the approval of financial regulatory authority, the Company should not engage in deposit taking, financing guarantee, personal financial planning and other financial business). (Those activities that must be approved by law should not be conducted without the approval of competent authorities)
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Song Yongqi	25 January 2017	RMB11 million	Licensed activities: road cargo transportation (excluding dangerous goods) (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 items: import and export of goods; import and export of technology; import and export agency; domestic agency for transportation of goods; loading, unloading, and handling; general goods warehousing services (excluding hazardous chemicals and other items subject to approval); car parking services; motor vehicle repair and maintenance; sale of metal materials; sale of nonmetallic ore and products; wood acquisition; wood sale; domestic trade agency; sale of artificial boards; sale of household supplies; sale of paper products; sale of renewable resources; transportation equipment rental services; machinery and equipment leasing; storage battery leasing; sale of motor vehicle charging. (Except for the items subject to approval according to law, business activities shall be carried out pursuant to the business license independently according to law).
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	Song Longjiang	12 December 2017	RMB180 million	Real estate development and sale (those activities that must be approved by law should not be conducted without the approval of competent authorities)

Section VIII. Changes in Shares and Shareholders

Name of corporate shareholder	Legal representative/principal	Date of Incorporation	Registered capital	Primary operational or management activities
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	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. Restricted reduction of shares of controlling shareholders, actual controllers, reorganizers and other committed entities

Applicable Not applicable

IV. Specific implementation of share repurchase during the Reporting Period

Implementation progress of share repurchase

Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized bidding transaction

Applicable Not applicable

Section IX. Relevant Information on Preferred Shares

Applicable Not applicable

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

Section X. Relevant Information on Bonds

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

Main text of the auditor's report

To the shareholders of Shandong Molong Petroleum Machinery Company Limited:

I. Opinion

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.

II. Basis for Audit Opinion

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.

III. Material Uncertainties Related to Going Concern

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

IV. Key Audit Matters

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. Revenue recognition

Key Audit Matter	How the matter was addressed in the audit
<p>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.</p> <p>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.</p>	<p>We mainly performed the following audit procedures:</p> <ul style="list-style-type: none">– 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. Depreciation of inventories

Key Audit Matter

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.

How the matter was addressed in the audit

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. Impairment of fixed assets

Key Audit Matter

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 impairment 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 will greatly affect the recoverable amount of fixed amounts and have a significant effect of the amount. Therefore, we regard impairment of fixed assets as a key audit item.

How the matter was addressed in the audit

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 fixed assets;
- To obtain the basis of judgement by the management of Shandong Molong in ascertaining there is any indication of impairment of fixed assets and analyse its reasonableness; to conduct inventory taking of major fixed assets; check the condition of fixed assets and their use during the current year;
- To evaluate the objectivity, independence and competence of the external valuation expert engaged by the management;
- To review the valuation report issued by the external valuation expert engaged by the management based on his work, with the assistance of internal professionals; to communicate with the external valuation expert to discuss the reasonableness of the valuation method, material assumptions and key parameters adopted in asset impairment tests, analysis the reasonableness of the identification of asset groups the impaired assets belong by the management;
- To check and evaluate the accounting treatment of the impairment of fixed assets by the management of Shandong Molong and the appropriateness of the presentation and disclosure of the related information in the financial statements.

V. Other Information

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.

VI. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

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.

VII. Auditor's Responsibilities for the Audit of the Financial Statements

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.

Audit Report

- (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

Item	31 December 2023	1 January 2023
Current assets:		
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
Total current assets	923,407,920.06	1,648,063,045.76

Consolidated balance sheet

Unit: RMB

Item	31 December 2023	1 January 2023
Non-current assets:		
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
Total non-current assets	1,964,674,068.74	2,390,542,513.75
Total Assets	2,888,081,988.80	4,038,605,559.51

Consolidated balance sheet

Unit: RMB

Item	31 December 2023	1 January 2023
Current liabilities:		
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
Total current liabilities	2,423,121,047.87	2,972,995,413.88

Consolidated balance sheet

Unit: RMB

Item	31 December 2023	1 January 2023
Non-current liabilities:		
Insurance contract reserves	—	—
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	80,929,994.11	77,771,212.05
Deferred revenue	6,547,003.82	6,756,829.50
Deferred income tax liabilities	8,311,071.27	5,266,932.29
Other non-current liabilities	—	—
Total non-current liabilities	130,258,420.38	155,256,937.39
Total Liabilities	2,553,379,468.25	3,128,252,351.27
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	867,591,781.76	864,405,329.26
Less: Treasury shares	—	—
Other comprehensive income	(3,301,679.88)	(3,029,259.75)
Special reserve	—	—
Surplus reserve	187,753,923.88	187,753,923.88
General risk reserve	—	—
Undistributed profits	(1,425,879,061.33)	(859,017,550.51)
Total equity attributable to owners of the parent company	424,013,364.43	987,960,842.88
Minority interests	(89,310,843.88)	(77,607,634.64)
Total owners' equity	334,702,520.55	910,353,208.24
Total liabilities and owners' equity	2,888,081,988.80	4,038,605,559.51

Legal Representative:
Yuan Rui

Responsible Person in Charge of
Accounting: Zhao Xiaotong

Head of Accounting Organization:
Zhu Lin

Balance sheet of the parent company

Unit: RMB

Item	31 December 2023	1 January 2023
Current assets:		
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
Total current assets	1,979,074,689.62	2,841,950,993.44

Balance sheet of the parent company

Unit: RMB

Item	31 December 2023	1 January 2023
Non-current assets:		
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
Total non-current assets	1,077,216,282.04	1,952,535,925.17
Total Assets	3,056,290,971.66	4,794,486,918.61

Balance sheet of the parent company

Unit: RMB

Item	31 December 2023	1 January 2023
Current liabilities:		
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
Total current liabilities	2,208,671,333.95	2,569,398,556.78
Non-current liabilities:		
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	—	—
Total non-current liabilities	37,676,945.85	65,461,963.55
Total Liabilities	2,246,348,279.80	2,634,860,520.33

Balance sheet of the parent company

Unit: RMB

Item	31 December 2023	1 January 2023
Owners' equity:		
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
Total owners' equity	809,942,691.86	2,159,626,398.28
Total liabilities and owners' equity	3,056,290,971.66	4,794,486,918.61

Consolidated income statement

Unit: RMB

Item	2023	2022
I. Total Operating Income	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. Total operating cost	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. Operating Profit (loss indicated with "-")	(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

Consolidated income statement

Unit: RMB

Item	2023	2022
IV. Gross profit (total loss indicated with "-")	(550,080,953.35)	(446,042,242.63)
Less: Income tax expenses	28,453,497.81	2,893,204.74
V. Net profit (net loss indicated with "-")	(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)
VI. Net after-tax amount of other consolidated income	(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)
VII. Total comprehensive income	(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)
VIII. Earnings per share (EPS)		
(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

Item	2023	2022
I. Operating Income	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
Including: Interest expenses	101,941,069.25	89,024,160.00
Interest income	4,477,671.38	7,150,382.00
Add: Other gains	122,781.67	452,741.13
Return on investment (loss indicated with "-")	—	—
Including: Gains on investment in associates and joint ventures	—	—
Derecognition income of financial assets measured at amortized cost (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 "-")	(9,811,987.55)	(61,383,208.08)
Asset impairment loss (loss indicated with "-")	(1,198,038,068.30)	(9,724,413.42)
Return on asset disposition (loss indicated with "-")	1,941,021.83	1,123.89
II. Operating profit (loss indicated with "-")	(1,325,845,115.32)	(192,507,871.65)
Add: Non-operating income	934,785.59	1,108,095.90
Less: Non-operating expenses	425,684.15	466,222.57
III. Gross Profit (total loss indicated with "-")	(1,325,336,013.88)	(191,865,998.32)
Less: Income tax expenses	27,534,145.04	2,776,246.68
IV. Net profit (net loss indicated with "-")	(1,352,870,158.92)	(194,642,245.00)
1. Net profit of continuous operation (net loss indicated with "-")	(1,352,870,158.92)	(194,642,245.00)
2. Net profit of terminated operation (net loss indicated with "-")		

Income statement of parent company

Item	Unit: RMB	
	2023	2022
V. Net after-tax amount of other consolidated income	—	—
(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	—	—
VI. Total comprehensive income	(1,352,870,158.92)	(194,642,245.00)
VII. Earnings per share (EPS)	—	—
(i) Basic earnings per share	—	—
(ii) Diluted earnings per share	—	—

Consolidated cash flow statement

Unit: RMB

Item	2023	2022
I. Cash flow from operating activities:		
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
Subtotal of cash inflows from operating activities	1,110,574,709.99	2,534,043,352.91
Cash paid for purchasing goods and receiving services	679,636,442.58	2,060,832,157.45
Net increase in loans and advances to customers	—	—
Net increase in deposits with central bank and other financial institutions	—	—
Cash paid for compensation of original insurance contract	—	—
Net increase in lending funds	—	—
Cash paid for interests, fees and commissions	—	—
Cash paid for policy dividends	—	—
Cash paid to and on behalf of employees	161,789,726.50	267,695,345.91
Cash paid for taxes	61,273,993.24	101,119,907.49
Other cash paid relating to operating activities	72,881,970.11	115,905,724.47
Subtotal of cash outflows from operating activities	975,582,132.43	2,545,553,135.32
Net cash flows from operating activities	134,992,577.56	(11,509,782.41)

Consolidated cash flow statement

Unit: RMB

Item	2023	2022
II. Cash flow from investment activities:		
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	—	—
Subtotal of cash outflows from investing activities	5,684,175.36	8,467,557.77
Net cash flows generated from investing activities	(2,775,428.61)	(8,466,433.88)

Consolidated cash flow statement

Unit: RMB

Item	2023	2022
III. Cash flow from financing activities:		
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	—
Subtotal of cash inflows from financing activities	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
Subtotal of cash outflows from financing activities	3,866,065,632.29	3,558,033,048.62
Net cash flow generated from financing activities	(405,114,648.39)	(41,268,071.90)
IV. Effect of foreign exchange rate change on cash and cash equivalents	1,866,027.67	5,707,334.10
V. Net increases of cash and cash equivalents	(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
VI. Closing Balance of Cash and Cash Equivalents	87,640,771.80	358,672,243.57

Cash Flow Statement of the Parent Company

Unit: RMB

Item	2023	2022
I. Cash flow from operating activities:		
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
Subtotal of cash inflows from operating activities	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
Subtotal of cash outflows from operating activities	1,285,995,507.50	1,757,578,242.36
Net cash flows from operating activities	(216,188,391.74)	(65,489,800.26)
II. Cash flow from investment activities:		
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	—	—
Subtotal of cash inflows from 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	—	—
Subtotal of cash outflows from investing activities	972,720.45	2,151,320.81
Net cash flows generated from investing activities	1,144,290.88	(2,150,196.92)

Cash Flow Statement of the Parent Company

Unit: RMB

Item	2023	2022
III. Cash flow from financing activities:		
Cash received from capital contributions	—	—
Borrowings received	2,792,622,483.90	2,452,064,976.72
Other cash received relating to financing activities	—	—
Subtotal of cash inflows from 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	—
Subtotal of cash outflows from financing activities	2,845,745,916.85	2,414,968,800.28
Net cash flow generated from financing activities	(53,123,432.95)	37,096,176.44
IV. Effect of foreign exchange rate change on cash and cash equivalents	1,911,336.65	5,378,934.22
V. Net increases of cash and cash equivalents	(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
VI. Closing Balance of Cash and Cash Equivalents	84,573,471.51	350,829,668.67

Consolidated statement of changes in owner's equity

Amounts for the current period

Unit: RMB

Item	Equity attributable to owners of the parent company											Total owners' equity		
	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others		Sub-total	Minority interests
	Share capital	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of the previous year	797,848,400.00	—	—	—	864,405,329.26	(3,029,259.75)	—	187,753,923.88	—	(899,017,550.51)	—	987,960,842.88	(71,607,634.64)	910,353,208.24
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	864,405,329.26	(3,029,259.75)	—	187,753,923.88	—	(899,017,550.51)	—	987,960,842.88	(71,607,634.64)	910,353,208.24
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	3,186,452.50	(272,420.13)	—	—	—	(566,861,510.82)	—	(563,947,478.45)	(11,705,209.24)	(575,650,687.69)
(i) Total comprehensive income	—	—	—	—	—	(272,420.13)	—	—	—	(566,861,510.82)	—	(567,133,930.95)	(11,705,209.24)	(578,837,140.19)
(ii) Owners' contributed capital and reduced capital	—	—	—	—	3,186,452.50	—	—	—	—	—	—	3,186,452.50	—	3,186,452.50
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Profit distribution	—	—	—	—	3,186,452.50	—	—	—	—	—	—	3,186,452.50	—	3,186,452.50
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. 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 carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit plans	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in current period	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Utilized during the current period	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the current period	797,848,400.00	—	—	—	867,591,781.76	(3,301,679.88)	—	187,753,923.88	—	(1,425,879,061.33)	—	424,013,364.43	(89,310,843.88)	334,702,520.55

Consolidated statement of changes in owner's equity

Amounts for the previous period

Unit: RMB

Item	Equity attributable to owners of the parent company										Total owners' equity				
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profits	Others	Sub-total	Minority interests
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	—	(634,047,824.92)	—	1,413,238,861.87	(63,491,100.48)	1,359,747,761.39
Adjust. Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	863,356,311.20	—	(1,671,948.29)	—	187,753,923.88	—	(634,047,824.92)	—	1,413,238,861.87	(63,491,100.48)	1,359,747,761.39
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	1,049,018.06	—	(1,357,311.46)	—	—	—	(424,969,725.99)	—	(405,278,018.99)	(24,116,534.16)	(449,394,553.15)
(i) Total comprehensive income	—	—	—	—	—	—	(1,357,311.46)	—	—	—	(424,969,725.99)	—	(405,278,018.99)	(24,116,534.16)	(450,449,571.21)
(ii) Owners' contributed capital and reduced capital	—	—	—	—	1,049,018.06	—	—	—	—	—	—	—	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	—	1,049,018.06
(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iv) Internal transfer 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	—	—	—	—	—	—	—	20,412,158.71	—	—	—	—	20,412,158.71	—	20,412,158.71
2. Utilized during the current period	—	—	—	—	—	—	—	20,412,158.71	—	—	—	—	20,412,158.71	—	20,412,158.71
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
N. Balance at the end of the current period	797,848,400.00	—	—	—	864,405,329.26	—	(3,029,259.75)	—	187,753,923.88	—	(659,077,550.51)	—	987,960,842.88	(77,607,634.64)	910,353,208.24

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

Unit: RMB

Item	2023										Total owners' equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		Others
I. Balance at the end of the previous year	797,848,400.00	—	—	—	864,386,661.76	—	—	—	187,753,923.88	309,637,412.64	—	2,159,626,398.28
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	864,386,661.76	—	—	—	187,753,923.88	309,637,412.64	—	2,159,626,398.28
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	3,186,452.50	—	—	—	—	(1,352,870,158.92)	—	(1,349,883,706.42)
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	(1,352,870,158.92)	—	(1,352,870,158.92)
(ii) Owners' contributed capital and reduced capital	—	—	—	—	3,186,452.50	—	—	—	—	—	—	3,186,452.50
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	—	—	—	—	3,186,452.50	—	—	—	—	—	—	3,186,452.50
(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	8,217,698.23	—	—	—	8,217,698.23
2. Utilized during the current period	—	—	—	—	—	—	—	8,217,698.23	—	—	—	8,217,698.23
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the current period	797,848,400.00	—	—	—	867,573,114.26	—	—	—	187,753,923.88	(1,043,232,746.28)	—	809,942,691.86

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

Amount for the previous period

Unit: RMB

Item	2022						Total owners' equity	
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Less: Treasury shares	Other comprehensive income		
				Capital reserve	Special reserve	Surplus reserve	Undistributed profits	Others
I. Balance at the end of the previous year	797,848,400.00	—	—	863,337,643.70	—	187,753,923.88	504,279,657.64	—
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	863,337,643.70	—	187,753,923.88	504,279,657.64	—
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	1,049,018.06	—	—	(194,642,245.00)	—
(i) Total comprehensive income	—	—	—	—	—	—	(194,642,245.00)	—
(ii) Owners' contributed capital and reduced capital	—	—	—	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	—	—	—	—
(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. Commission of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—
2. Commission 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
2. Utilized during the current period	—	—	—	—	—	—	—	4,786,702.89
(vi) Others	—	—	—	—	—	—	—	—
IV. Balance at the end of the current period	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)

III. General Information of the Company

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 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

III. General Information of the Company (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.

IV. Basis of preparation of the financial statements

1. Basis of preparation

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. Going concern basis

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

IV. Basis of preparation of the financial statements (continued)

2. Going concern basis (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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

IV. Basis of preparation of the financial statements *(continued)*

2. Going concern basis *(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. Significant accounting policies and accounting estimates

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. Statement of compliance with the ASBEs

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. Accounting period

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

3. Business cycle

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. Reporting currency

The reporting currency of the Group is RMB.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

5. Determination Method and Selection Basis of Materiality Standards

Applicable Not applicable

Item	Materiality standards
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. Accounting treatments for business combinations involving entities under and not under common control

(1) Business combinations involving entities under common control

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) Business combinations involving entities not under common control

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

7. Judgment criteria of control and preparation methods of consolidated financial statements

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. Classifications of joint arrangement and accounting treatment of joint operation

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

9. Criteria for determination of cash and cash equivalents

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. Foreign currency operations and translation of foreign currency statements

(1) Foreign currency transactions

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) Translation of foreign currency financial statements

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

11. Financial instruments

(1) Recognition and derecognition of financial instruments

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) Classification and measurement methods of financial assets

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

11. Financial instruments *(continued)*

(2) Classification and measurement methods of financial assets *(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: ① It is managed within a business model whose objective is to collect contractual cash flows. ② 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: ① the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. ② 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

11. Financial instruments (continued)

(2) Classification and measurement methods of financial assets (continued)

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

The Group irrevocably elects to designate 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) Classification, recognition basis and measurement method of financial liabilities

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

11. Financial instruments *(continued)*

(3) Classification, recognition basis and measurement method of financial liabilities *(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: ① accounting mismatches can be eliminated or significantly reduced; ② 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; ③ 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; ④ hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent balance sheet date.

(4) Impairment of financial instruments

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: ① an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; ② time value of money; ③ 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

11. Financial instruments (continued)

(4) Impairment of financial instruments (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.

- ① 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.
- ② 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

11. Financial instruments (continued)

(5) Recognition basis and measurement method of financial assets transfer

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 derecognition 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: ① The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. ② 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: ① The Group manages the assets within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. ② 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

11. Financial instruments *(continued)*

(6) Classification and treatment of financial liabilities and equity instruments

The Group classifies financial liabilities and equity instruments on the following principles: ① 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. ② 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) Offset of financial assets and financial liabilities

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: ① the Group currently has a statutory right to set off the recognised amounts and such statutory right is currently enforceable; and ② the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

12. 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.

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:

Item	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
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. Accounts receivable

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:

Item	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
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. Financing receivables

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

15. Other receivables

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

Item	Basis for determining the portfolios	Measurement method of expected credit losses
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. Contract assets

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. Inventories

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

17. Inventories *(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. Assets held for sale

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: ① can immediately be disposed under the current conditions based on cases of disposals of such assets or disposal group in similar transactions; ② 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

19. Long-term equity investments

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

(1) The judgment of significant influence and common control

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) Accounting treatment method

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 investments accounted for using the cost method, they are measured at the initial investment cost. When making additional investments, the book value of the long-term equity investments will be added according to the fair value of the cost of additional investment and the related expenses incurred by related transactions. Cash dividends or profits announced to be paid by the investee shall be recognised as investment income for the current period using the amount it entitles.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

19. Long-term equity investments (continued)

(2) Accounting treatment method (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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

19. Long-term equity investments (continued)

(2) Accounting treatment method (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 losing 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. Investment Properties

Measurement model for investment properties

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:

No.	Type	Depreciation period (year)	Expected residual value rate (%)	Annual depreciation rate (%)
1	Houses and buildings	20	5	4.75

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

21. Fixed assets

(1) Criteria for recognition

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, rendering 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) Depreciation method

Type	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
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. Construction-in-progress

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:

Item	Standard for carrying forward to fixed assets
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

23. Borrowing costs

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. Intangible assets

(1) Useful life and the basis for determining useful life, estimation situation, method for amortisation or proceedings for review

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

24. Intangible assets *(continued)*

(1) Useful life and the basis for determining useful life, estimation situation, method for amortisation or proceedings for review *(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. Impairment of long-term assets

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) Impairment of non-current assets other than financial assets (other than goodwill)

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

25. Impairment of long-term assets *(continued)*

(1) Impairment of non-current assets other than financial assets (other than goodwill) *(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. Long-term deferred expenses

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. Contract liabilities

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. Employee compensations

(1) Accounting for short-term employee compensations

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 occurred 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

28. Employee compensations *(continued)*

(2) Accounting for post-employment benefits

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) Accounting for termination benefits

The Group has currently no termination benefits.

(4) Accounting for other long-term benefits

The Group has currently no other long-term benefits.

29. Estimated liabilities

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. Revenue

Disclosure of accounting policies used for revenue recognition and measurement by business type

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

30. Revenue *(continued)*

(1) Revenue from sale of goods

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. Contract costs

(1) Method for determining the amount of assets related to contract costs

The Group's assets relating to contract costs include costs to fulfill a contract and costs of obtaining a contract. 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

31. Contract costs (continued)

(2) Amortisation of assets related to contract costs

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) Impairment of assets related to contract costs

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: ① the remaining consideration expected to be received by the Group for the transfer of the goods related to the assets; ② the estimated costs to be incurred for the transfer of the related goods.

32. Government grants

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

33. Deferred income tax assets/deferred income tax liabilities

The Group's deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the difference between tax bases and book value of assets and liabilities, as well as the differences between the tax bases and the book value of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax law (temporary differences).

The Group recognizes deferred income tax liabilities for all taxable temporary differences except: (1) the temporary differences arise from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions that are not business combinations and that affect neither accounting profit nor taxable income (or deductible losses); (2) the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group recognises deferred income tax assets for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that future taxable income will be available to offset deductible temporary difference, deductible losses and tax credits, except: (1) the temporary differences arise from the initial recognition of assets or liabilities arising from transactions that are not business combinations and that affect neither accounting profit nor taxable income (or deductible losses); (2) the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which can not meet both of the following conditions: it is probable that the temporary differences will reverse in the foreseeable future; it is probable that future taxable income will be available to offset deductible temporary differences.

To the extent that it is probable that there is sufficient taxable income to offset the deductible losses, deferred tax assets shall be recognised for all unused deductible losses. The management uses massive judgments to estimate the time and amount of taxable income to be obtained in the future and then to determine the value of deferred tax assets in combination with tax planning strategies, therefore, there are uncertainties.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period when the asset is expected to be realised or the liability is expected to be settled.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

34. Leases

(1) Identification of leases

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) The Group as a lessee

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: ① the initial measurement amount of the lease liability; ② the lease payments made on or before the commencement date of the lease term, less any lease incentives received; ③ the initial direct costs incurred; and ④ 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

34. Leases (continued)

(2) The Group as a lessee (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: ① fixed payments and in-substance fixed payments less any lease incentives; ② variable lease payments that depend on an index or a rate; ③ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; ④ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and ⑤ 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: ① 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; ② 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: ① 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. ② 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

34. Leases (continued)

(2) The Group as a lessee (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) The Group as a lessor

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(continued)*

35. Other Significant Accounting Policies and Accounting Estimates

(1) Discontinued operations

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: ① the components represent an independent major business or a separate major region of operation; ② the components are part of an intended disposal plan related to an independent major business or a separate major region of operation; ③ 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) Measurement at fair value

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (continued)

36. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Unit: RMB

Contents and reasons for the changes in accounting policies	Names of the statement items materially affected	Amounts affected
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) Changes in significant accounting estimates

Applicable Not applicable

(3) Initial implementation of new accounting standards to adjust the related items in the financial statements at the beginning of the year from 2023 onward

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VI. Taxation

1. Main tax types and tax rates

Tax type	Calculation basis	Rate
Value-added tax	Value-added tax payable is the balance of output tax after deducting deductible import tax	13%, 9%, 5%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable profits	15%, 25%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Profits tax in Hong Kong	Taxable profits	16.5%

Disclosures regarding taxpaying entities subject to different enterprise income tax rates

Name of taxpaying entity	Income tax rate
The Company	15%
Molong Logistic	25%
MPM	16.5%
Shouguang Baolong	25%
Shouguang Maolong	25%
Molong Electro-mechanical	25%
Weihai Baolong	25%
Molong I&E	25%
Molong Commercial	20%

2. Tax incentives

- (1) Pursuant to the document of “Announcement on 2023 2nd Batch Filing of High-tech Enterprises Recognized by Shandong Province’s Certification Institution” issued by the Office of the National High-tech Enterprises Recognition and Management Leading Group, the Company has been recognised as a high-tech enterprise and obtained a certificate of high-tech enterprise No. GR202337006967. The certificate of high-tech enterprise was issued on 7 December 2023 and is valid for a term of three years.

According to the regulations of high-tech enterprise recognition and relevant national tax policies, the Company can enjoy preferential national tax policies for three consecutive years (from 2023 to 2025) from the re-recognition of high-tech enterprises, i.e. paying enterprise income tax at a rate of 15%.

- (2) In accordance with the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Businesses (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the taxable income of small, low-profit enterprises shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The announcement shall be effective until 31 December 2027. Molong Commercial, a subsidiary of the Group, meets the criteria and thus enjoys the preferential income tax rate of 20% as a small and low-profit enterprise.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items

1. Monetary funds

Item	Unit: RMB	
	Balance at the end of the period	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.
- (2) The Group's other monetary funds at the end of the period included bank acceptance margins of RMB80,290,000.00 (as at the beginning of the year: RMB239,976,846.00), USD-denominated margins of RMB0.00 (as at the beginning of the year: RMB696,671.72), and deposits in other financing institutions of RMB1,686,141.75 (as at the beginning of the year: RMB1,678,185.77).
- (3) As at the balance sheet date, the Company had security deposits for bank acceptance bills with maturity date over 3 months of RMB4,200,000.00 (as at the beginning of the year: RMB96,248,500.00).

2. Bills receivable

(1) Presentation of bills receivable by type

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Trade acceptance bills	78,793,836.02	173,280,558.57
Less: Provision for bad debts of bills receivable	(787,938.36)	(1,732,805.59)
Total	78,005,897.66	171,547,752.98

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

2. Bills receivable (continued)

(2) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	78,793,836.02	787,938.36	1.00%
Total	78,793,836.02	787,938.36	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

2. Bills receivable (continued)

(2) Classified disclosure by basis of bad debt provisions made (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:

Applicable Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	recovery or reversal	Write-off	Others	
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:

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

2. Bills receivable (continued)

(4) Bills receivable already endorsed or discounted by the Company at the end of the period and undue on the balance sheet date

Unit: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Trade acceptance bills	—	67,325,433.41
Total	—	67,325,433.41

(5) Bills receivable actually written off in the current period

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

(6) Others

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. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

3. Accounts receivable (continued)

(2) Classified disclosure by basis of bad debt provisions made

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

3. Accounts receivable (continued)

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

Basis for determining the group:

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

Applicable Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

3. Accounts receivable *(continued)*

(4) Accounts receivables actually written off during the current period

Unit: RMB

Item	Amount written-off
Accounts receivable actually written off	51,104,769.52

Including any significant accounts receivables written-off:

Unit: RMB

Name of entity	Nature of accounts receivables	Amount written-off	Reason	Write-off procedure	Whether arising from related party transaction
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	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

3. Accounts receivable (continued)

(5) Accounts receivable and Contract assets with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion to the total balance of accounts receivable and contract assets at the end of the period	Balance of Accounts receivable bad debts provision and contract asset impairment provision at the end of the period
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. Accounts receivable financing

(1) Accounts receivable financing by categories

Unit: RMB

Item	Balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

4. Accounts receivable financing (continued)

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

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) Financing receivables already endorsed or discounted by the Company at the end of the period and undue on the balance sheet date

Unit: RMB

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills	32,100,730.20	—
Total	32,100,730.20	—

(4) Financing receivables actually written off in the current period

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

(5) Increase/decrease in financing receivables and their changes in fair value during the period

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) Other descriptions

None

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	4,675,103.22	5,626,830.61
Total	4,675,103.22	5,626,830.61

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Employee working capital	645,754.03	699,000.00
Deposits/Security deposits	3,297,459.71	3,029,305.84
Accounts due from/to administrative institutions	1,369,800.00	1,369,800.00
Receivable export tax rebate	37,924.33	237,314.85
Accounts due from/to other entities	703,010.16	1,773,537.72
Less: Provision for bad debts of other receivables	(1,378,845.01)	(1,482,127.80)
Total	4,675,103.22	5,626,830.61

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables (continued)

(1) Other receivables (continued)

2) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	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 Not applicable

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables (continued)

(1) Other receivables (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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
People's Government of Gaocun Town, Wendeng District, Weihai City (威海市文登區高村鎮人民政府)	1,300,000.00	780,000.00	60.00%
Wendeng District Finance Bureau (威海市文登區財政局)	69,800.00	16,752.00	24.00%
Total	1,369,800.00	796,752.00	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables (continued)

(1) Other receivables (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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables (continued)

(1) Other receivables (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

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
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

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

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Written-off	Others	
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

5. Other receivables (continued)

(1) Other receivables (continued)

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

Unit: RMB

Name of entity	Nature	Balance at the end of the period	Age	Proportion to the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
Shaanxi Energy Chemical Exchange Co., Ltd (陝西能源化工交易所股份有限公司)	Security deposits	2,182,161.71	Within 1 year	36.05%	—
People's Government of Gaocun Town, Wendeng District, Weihai City (威海市文登區高村鎮人民政府)	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. (中國石化國際事業有限公司南京招標中心)	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

Name of borrower	Li Jiapeng	Liu Yingyuan	Wang Yanliang	Zhang Qingzhi	Other employees
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)	—	—	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

6. Prepayments

(1) Presentation of prepayments by age

Unit: RMB

Age	Balance at the end of the period		Balance at the beginning of the period	
	Amount	Percentage	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) Prepayments with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance at the end of the year	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

7. Inventories

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

No

(1) Classification of inventories

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment of inventories or contract performance costs	Book value	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) Provision for impairment of inventories or contract performance costs

Unit: RMB

Item	Balance at the beginning of the period	Amount of increase in the current period		Amounts of decrease in the current period		Balance at the end of the period
		Provision	Others	Reversal or written-off	Others	
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

7. Inventories (continued)

(2) Provision for impairment of inventories or contract performance costs (continued)

Provision for inventory impairment on a portfolio basis

Item	Basis for determining net realizable value	Reasons for reversal or written-off in the current year
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) Balance of inventories including the amount of capitalised borrowing expenses at the end of the period

Nil

(4) Amortization amount of contract performance cost in the current period

Nil

8. Other current assets

Item	Unit: RMB	
	Balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

9. Long-term equity investments

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Balance of provision for impairment at the beginning of the period	Changes in the current period								Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period	
			Added investment	Reduced investment	Investment gains and losses recognized under the equity method	Adjustments to other comprehensive income	Other equity changes	Cash dividend or profit declaring to be paid	Provision for impairment	Others			
1. Joint venture													
2. Associate													
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉玛依亞龍石油機械有限公司)	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

Applicable Not applicable

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

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

10. Investment Properties

(1) Investment properties measured at cost

✓ Applicable □ Not applicable

Unit: RMB

Item	Buildings	Land use rights	Construction-in-progress	Total
1. Original book value				
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. Accumulative depreciation and amortization				
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. Provision for impairment				
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. Book value				
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	—	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

10. Investment Properties *(continued)*

(1) Investment properties measured at cost *(continued)*

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

Applicable Not applicable

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

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. Fixed assets

Item	Balance at the end of the period	Unit: RMB
		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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

11. Fixed assets (continued)

(1) Details of fixed assets

Unit: RMB

Item	Buildings	Machinery	Electronics and others	Vehicles	Total
1. Original book value:					
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. Accumulative depreciation					
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. Provision for impairment					
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. Book value					
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

11. Fixed assets (continued)

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remark
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) Fixed assets leased out under operating lease

Unit: RMB

Item	Book value at the end of the period
Machinery	50,211,148.27
Electronics and others	215,226.25
Total	50,426,374.52

(4) Fixed assets with incomplete property ownership certificate

Unit: RMB

Item	Book value	Reason for incomplete property ownership certificate
Shouguang Maolong workshop, office building and staff canteen	198,484,920.87	Not processed yet
Total	198,484,920.87	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

11. Fixed assets (continued)

(5) Impairment test of fixed assets

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Item	Carrying amount	Recoverable amount	Impairment amount	Method for determining the fair value and disposal expenses	Key parameters	Basis for determining the key parameters
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.	① Comprehensive newness rate: it is determined by the combination of theoretical newness rate and surveyed newness rate; ② economic depreciation rate = [1-(annual average utilization of the production capacity in the industry/annual designed production capacity) x] × 100% (note: where x is the scale economies benefit index); ③ 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	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

11. Fixed assets (continued)

(5) Impairment test of fixed assets (continued)

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

Applicable Not applicable

Unit: RMB

Item	Carrying amount	Recoverable amount	Impairment amount	The years for the forecast period	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
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	—	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

12. Construction-in-progress

Unit: RMB

Item	Balance at the end of the period	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) Details of construction-in-progress

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	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) Provision for impairment of construction-in-progress in the current period

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) Impairment test of construction-in-progress

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

13. Right-of-use assets

(1) Details of right-of-use assets

Unit: RMB

Item	Buildings and related land use rights	Total
1. Original book value		
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. Accumulative depreciation		
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. Provision for impairment		
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. Book value		
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) Impairment test of right-of-use assets

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

14. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patent	Unpatented technology	Software	Total
1. Original book value					
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. Accumulative amortization					
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. Provision for impairment					
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. Book value					
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) Impairment test of intangible assets

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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

15. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	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) Deferred income tax liabilities unoffset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

15. Deferred income tax assets/deferred income tax liabilities (continued)

(3) Deferred tax assets or liabilities shown on a net offset basis

Unit: RMB

Item	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) Unconfirmed deferred income tax assets details

Unit: RMB

Item	Balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

15. Deferred income tax assets/deferred income tax liabilities (continued)

(5) The deductible loss of unconfirmed deferred income tax assets will expire in the following years

Unit: RMB

Year	Ending amount	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. Other non-current assets

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

17. Assets with ownership or right to use restrictions

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction	Book balance	Book value	Type(s) for the restriction	Situation(s) for the restriction
Monetary funds	80,290,000.00	80,290,000.00	Security deposit	Bill deposit	240,673,517.72	240,673,517.72	Security deposit	Bill deposit
Bills receivables	1,248,205.76	1,235,723.70	Pledge	Bill pledge/ Factoring financing	82,064,472.11	81,243,827.39	Pledge	Bill pledge/ Factoring financing
Inventories	9,267,029.80	9,267,029.80	Seizure	Seizure for litigation	51,450,000.00	51,450,000.00	Seizure	Seizure for litigation
Fixed assets	617,823,204.78	479,774,388.55	Charge/Seizure	Charge for financing/ Seizure for litigation	433,468,641.62	433,468,641.62	Charge	Charge for financing
Intangible assets	279,733,929.79	279,733,929.79	Charge/Seizure	Charge for financing/ Seizure for litigation	207,508,319.68	207,508,319.68	Charge	Charge for financing
Monetary funds	7,232,104.32	7,232,104.32	Frozen	Litigation freeze	4,737,079.00	4,737,079.00	Frozen	Litigation freeze
Accounts receivables	22,689,402.72	22,462,508.69	Pledge	Factoring financing	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	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

18. Short-term borrowings

(1) Category of short-term borrowings

Unit: RMB

Item	Balance at the end of the period	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) Details of overdue unpaid short-term borrowings

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. Bills payable

Unit: RMB

Type	Balance at the end of the period	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

20. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Balance at the end of the period	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) Significant accounts payable with more than 1-year aging or overdue

Unit: RMB

Item	Balance at the end of the period	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)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

20. Accounts payable (continued)

(2) Significant accounts payable with more than 1-year aging or overdue (continued)

Aging analysis of accounts payable on the basis of trade date (including accounts payable of affiliated party) is shown as follows:

	Unit: RMB	
Item	Year-end amount	Year-beginning amount
Within 2 months	128,345,241.31	111,870,951.63
2-3 months	5,202,502.71	19,643,615.92
3-4 months	9,714,315.68	16,649,553.90
4 months-1 year	65,543,149.61	258,176,963.71
1-2 years	139,263,306.85	86,956,033.94
2-3 years	55,147,105.45	30,406,379.94
Over 3 years	106,431,620.11	87,560,786.47
Total	509,647,241.72	611,264,285.51

21. Other payables

	Unit: RMB	
Item	Balance at the end of the period	Balance at the beginning of the period
Other payables	34,143,155.71	36,765,356.32
Total	34,143,155.71	36,765,356.32

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

21. Other payables (continued)

(1) Other payables

1) List other payables by nature of payment

Unit: RMB

Item	Balance at the end of the period	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. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

23. Employee pay payable

(1) List of employee pay payable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
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) List of short-term pay

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

23. Employee pay payable (continued)

(3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

24. Tax payable

Unit: RMB

Item	Balance at the end of the period	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. Non-current liabilities due within one year

Unit: RMB

Item	Balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

26. Other current liabilities

Item	Unit: RMB	
	Balance at the end of the period	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. Long-term borrowings

(1) Category of long-term borrowings

Item	Unit: RMB	
	Balance at the end of the period	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:

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

27. Long-term borrowings (continued)

(1) Category of long-term borrowings (continued)

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

Item	Unit: RMB	
	Year-end amount	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	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

28. Lease liabilities

(1) Lease liabilities

Unit: RMB

Item	Balance at the end of the period	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) Maturity date analysis of lease liabilities

Unit: RMB

Item	Balance at the end of the period	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	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

29. Long-term payables

Item	Balance at the end of the period	Unit: RMB
		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) List long-term payables by nature of payment

Item	Balance at the end of the period	Unit: RMB
		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).

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

29. Long-term payables (continued)

(1) List long-term payables by nature of payment (continued)

Maturity date analysis of long-term payables

Unit: RMB

Item	Balance at the end of the period	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. Estimated liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period	Reason(s) for Occurrence
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	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

31. Deferred revenue

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason(s) for Occurrence
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

Government grants projects	Balance at the beginning of the year	Additional subsidiary amounts for the current year	Amount of nonoperating income recorded in the current year	Amount recorded in other incomes in the current year	Amount of write-down of costs and expenses in the current year	Other changes	Balance at the end of the year	Relate to assets/incomes
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

32. Share capital

Unit: RMB

	Balance at the beginning of the period	Increase/decrease as a result of the change (+, -)					Balance at the end of the period
		Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	
The sum of shares	797,848,400.00	—	—	—	—	—	797,848,400.00

33. Capital reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

34. Other comprehensive incomes

Unit: RMB

Item	Current amount							Balance at the end of the period
	Balance at the beginning of the period	Current amount before income tax	Minus: Pre-booked other comprehensive incomes transferred to profit or loss	Minus: Pre-booked other comprehensive incomes transferred to retained income	Less: Income tax expenses	Equity attributable to owners of the parent company after tax	Equity attributable to minority shareholders after tax	
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. Special reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

36. Surplus reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Legal surplus reserve	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

37. Undistributed profits

Unit: RMB

Item	Amounts for the current period	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

38. Minority interests

Minority interests attributable to minority shareholders of subsidiaries

Unit: RMB

Name of subsidiary	Minority shareholding ratio (%)	Balance at the end of the year	Balance at the beginning of the year
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. Operating revenue and operating costs

Unit: RMB

Item	Current amount		Amount of the previous period	
	Revenue	Costs	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs (continued)

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

Yes No

Unit: RMB

Item	This year	Specific deduction	Last year	Specific deduction
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs (continued)

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract category	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs (continued)

Information related to performance obligation:

Item	Time of fulfilling performance obligation	Material payment terms	Nature of goods a company undertook to transfer	Whether as a principal	Payment expected to be returned to customers born by a company	The types of quality assurance provided by the company and relevant obligations
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

40. Tax and surcharges

Unit: RMB

Item	Current amount	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. Administrative costs

Unit: RMB

Item	Current amount	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

41. Administrative costs (continued)

Other descriptions:

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

Item	Unit: RMB	
	Amount incurred of current year	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. Selling expenses

Item	Unit: RMB	
	Current amount	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

43. R&D expenditures

Item	Current amount	Unit: RMB
		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. Financial costs

Item	Current amount	Unit: RMB
		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. Other incomes

Source of other incomes	Current amount	Unit: RMB
		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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

46. Investment incomes

Item	Current amount	Unit: RMB
		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. Loss on credit impairment

Item	Current amount	Unit: RMB
		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. Loss on assets impairment

Item	Current amount	Unit: RMB
		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)

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

49. Incomes from disposal of assets

Unit: RMB

Income source from disposal of assets	Current amount	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. Non-operating income

Unit: RMB

Item	Current amount	Amount of the previous period	Amount recorded in non-recurring profit and loss of current period
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. Non-operating expenses

Unit: RMB

Item	Current amount	Amount of the previous period	Amount recorded in non-recurring profit and loss of current period
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

52. Income tax expense

(1) Table of income tax expense

Unit: RMB

Item	Current amount	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
Total	28,453,497.81	2,893,204.74

(2) The adjustment process of accounting profits and income tax

Unit: RMB

Item	Current amount
Total profit	(550,080,953.35)
Income tax calculated at legal or applicable tax rate	(82,512,143.00)
Influence from application of different tax rate to subsidiaries	(33,403,493.22)
Influence from cost, expense and loss that cannot be deducted	23,729,009.97
Influence from using the deductible losses of unrecognized deferred income tax assets	(2,008.91)
Influence from deductible temporary difference or deductible losses of unrecognized deferred tax assets	103,178,524.78
Influence from research and development cost addition and deduction	(6,836,712.16)
Reversal of previously recognized deferred income tax assets	24,300,320.35
Income tax expenses	28,453,497.81

53. Other comprehensive incomes

See the relevant content of Note VII. 34 Other comprehensive income for details.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

54. Items in cash flow statement

(1) Cash concerning operating activities

Other cash receipts concerning operating activities

Item	Current amount	Unit: RMB	
		Amount of the previous period	
Government grants	170,585.22	763,405.98	
Interest income	7,223,135.69	8,379,526.72	
Reduction of margin	—	5,559,875.00	
Others	11,272,759.91	17,045,300.70	
Total	18,666,480.82	31,748,108.40	

Other cash paid relating to operating activities

Item	Current amount	Unit: RMB	
		Amount of the previous period	
New product development fee	12,759,182.32	15,534,445.71	
Material consumption	764,303.84	15,481,460.12	
Agency fees	6,855,737.51	5,632,966.78	
Travel charges	1,121,245.70	641,780.86	
Repair charges	3,820,234.11	21,213,040.20	
Utility bills	8,865,769.81	8,616,967.83	
Business entertainment	4,161,201.07	6,309,313.69	
Compensation for shareholder's action	—	3,667,304.14	
Handling fee charged by financial institutions	547,089.75	3,362,840.01	
Others	33,987,206.00	35,445,605.13	
Total	72,881,970.11	115,905,724.47	

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

54. Items in cash flow statement (continued)

(2) Cash relating to financing activities

Other cash received relating to financing activities

Unit: RMB

Item	Current amount	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

Item	Current amount	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

54. Items in cash flow statement (continued)

(2) Cash relating to financing activities (continued)

Changes in liabilities generated from financing activities

Applicable Not applicable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Cash changes	Non cash changes	Cash changes	Non cash changes	
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
Long-term borrowings due within one year	38,337,510.13	—	292,580.88	38,630,091.01	—	—
Long-term payables (inclusive of long-term payables due within one year)	114,453,820.67	—	7,644,421.16	55,920,334.38	—	66,177,907.45
Lease liabilities (inclusive of lease liabilities due within one year)	—	—	21,089,822.13	—	—	21,089,822.13
Other payable (expired lease liabilities)	7,874,614.22	—	10,469,368.62	—	7,874,614.22	10,469,368.62
Total	2,123,602,734.92	3,368,902,483.90	108,624,598.65	3,824,304,256.91	45,977,354.42	1,730,848,206.14

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

55. Additional information about cash flow statement

(1) Additional information about cash flow statement

Unit: RMB

Supplementary information	Amounts for the current period	Amounts for the previous period
1. Adjustment of net profits into cash flow from operating activities:		
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)

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Additional information about cash flow statement (continued)

(1) Additional information about cash flow statement (continued)

Supplementary information	Amounts for the current period	Amounts for the previous period
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of Debt into Capital	—	—
Convertible debenture due within 1 year	—	—
Fixed assets under finance lease	—	—
3. Variation on cash and cash equivalents:		
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) Composition of cash and cash equivalents

Item	Balance at the end of the period	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

Unit: RMB

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Additional information about cash flow statement (continued)

(3) Monetary funds is excluded from cash and cash equivalent

Unit: RMB

Item	Amounts for the current period	Amounts for the previous period	Reasons for exclusion from cash and cash equivalents
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	96,248,500.00	Holding period not exceeding 3 months that are not readily convertible known amounts of cash
Total	11,432,104.32	100,985,579.00	—

Other descriptions:

Note: The Company's margin for bank acceptance drafts with a maturity of more than 3 months at the end of the year is RMB4,200,000.00.

As of 31 December 2023, the balance of the Company's monetary funds was RMB99,072,876.12, and the cash balance at the end of the period as shown in the cash flow statement was RMB87,640,771.80, with the difference being RMB4,200,000.00 for the bank acceptance draft security with the maturity date exceeding three months. The funds of RMB7,232,104.32 frozen due to the lawsuit is not regarded as cash or cash equivalent because of the restriction on its use.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

56. Foreign currency monetary item

(1) Foreign currency monetary item

Unit: RMB

Item	Ending balance of foreign currency	Rate of translation	Computed ending balance of RMB
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) The description of overseas operating entities including the important overseas operating entity, shall disclose the main operating place, the recording currency and the basis of such selection, and the reasons for the change of the recording currency.

Applicable Not applicable

MPM Company, a controlled subsidiary of the Company (90% of its shares and voting rights), has its registered place and principal place of business in Hong Kong, and its bookkeeping base currency is USD.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

57. Leases

(1) The Company as lessee:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Circumstances involving sale and leaseback transactions

Unit: RMB

Item	Amount incurred of current year	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	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

57. Leases *(continued)*

(2) The Company as lessor:

Operating lease as lessor

Applicable Not applicable

Unit: RMB

Item	Rental income	Including: Income related to variable lease payments not included in lease payments
Machinery	360,000.00	—
Total	360,000.00	—

Financing leases as lessor

Applicable Not applicable

Annual undiscounted lease receipts for the next five years

Applicable Not applicable

Adjustment table for undiscounted lease receipts and net lease investments

(3) As a manufacturer or distributor, confirm the profit and loss of financing lease sales

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

VIII. Research and development expenditure

Item	Unit: RMB	
	Amount for the current period	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

IX. Changes in scope of consolidation

1. Others

There was no change in the scope of consolidation.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

X. Rights and interests in other entities

1. Rights and interests in the subsidiaries

(1) Composition of the enterprise group

Unit: RMB

Name of subsidiary	Registered capital	Principal place of operation	Place of registration	Business nature	Type of enterprise	Percentage of shareholding		Type of legal person	Method of acquisition
						Direct	Indirect		
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) Significant non-wholly owned subsidiary

Unit: RMB

Name of subsidiary	Minority shareholders' shareholding percentage	Profits and losses attributable to minority shareholders in the current period	Dividends distributed to minority shareholders in the current period	Balance of minority interests at the end of the period
Shouguang Baolong	30.00%	(11,663,625.25)	—	(89,027,429.03)
Total	—	(11,663,625.25)	—	(89,027,429.03)

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

X. Rights and interests in other entities (continued)

1. Rights and interests in the subsidiaries (continued)

(3) Main financial information of significant non-wholly owned subsidiary

Unit: RMB

Name of subsidiary	Balance at the end of the period						Balance at the beginning of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	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

Name of subsidiary	Amount for the current period				Amount for the last period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	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) Significant restriction on using assets of the enterprise group and paying off debts of the enterprise group

The Group has no significant restrictions on using assets of the enterprise group and paying off debts of the enterprise group.

(5) Financial support or other supports provided to structural entities included into the consolidated financial statement

The Group has no structural entities included into the consolidated financial statement.

(6) Other descriptions:

As at 31 December 2023, none of the Company's subsidiaries issued any share capital or debt securities.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

X. Rights and interests in other entities (continued)

2. Rights and interests in joint arrangements or associates

(1) Joint ventures or associates

Unit: RMB

Name of joint venture	Prime business place	Place of registration	Business nature	Percentage of Shareholding (%)		Accounting treatment method of joint ventures or associates
				Direct	Indirect	
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉玛依亞龍石油機械有限公司)	Karamay	Karamay	Manufacturing	0.00	30.00	Equity Law

(2) Summarised financial information of insignificant joint ventures or associates

Unit: RMB

	Balance at the end of the period/ Amount for the current period	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) Significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

X. Rights and interests in other entities (continued)

2. Rights and interests in joint arrangements or associates (continued)

(4) Excessive losses incurred by joint ventures or associates

None of the associates incurred any excessive losses.

(5) Contingent liabilities associated with investment in joint ventures or associates

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

3. Rights and interests in structured entities not consolidated in the consolidated financial statements

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

XI. Government grants

1. Government grants recognized based on amounts receivable at the end of report period

Applicable Not applicable

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

Applicable Not applicable

2. Liability projects involving government grants

Applicable Not applicable

Unit: RMB

Accounting items	Balance at the beginning of the period	Amount of new grants during the current period	Amount included in non-operating revenue during the current period	Amount transferred to other income during the current period	Other movements during the current period	Balance at the end of the period	Asset-related/
							income-related
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XI. Government grants (continued)

3. Government grant recognised in current profit and loss

適用 不適用

Accounting items	Unit: RMB	
	Amount for the current period	Amount for the last period
Other incomes	380,410.90	973,231.66

XII. Risks associated with financial instruments

1. Various risks arising from financial instruments

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) Objectives and policies of risk management

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

① 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(1) Objectives and policies of risk management (continued)

1) Market risks (continued)

① Exchange rate risk (continued)

Unit: RMB

Item	31 December 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments *(continued)*

1. Various risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

1) Market risks *(continued)*

② 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.

③ Price risk

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(1) Objectives and policies of risk management (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.

① 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(1) Objectives and policies of risk management (continued)

2) Credit risk (continued)

② 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;

③ 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

Out-of-balance sheet item	31 December 2023	31 December 2022
Other credit commitment	4,200,000.00	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(1) Objectives and policies of risk management (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

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
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
Financial liabilities					
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(2) Sensitivity analysis

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

Item	Movement in exchange rate	2023		2022	
		Impact on net profit	Impact on owner's equity	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

1. Various risks arising from financial instruments (continued)

(2) Sensitivity analysis (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

Item	Movement in interest rate	2023		2022	
		Impact on net profit	Impact on owner's equity	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. Hedging

(1) The Company carried out hedging business for risk management

Applicable Not applicable

The Company did not carry out hedging business for risk management in 2023.

(3) The Company carried out hedging business for risk management, which is expected to achieve the risk management target, but did not apply hedging accounting

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

3. Financial assets

(1) Classification by transfer type

✓ Applicable □ Not applicable

Unit: RMB

Transfer type	Nature of transferred financial assets	Amount of transferred financial assets		Derecognition	Judgment basis of derecognition
Bill endorsement/bill discount	Commercial acceptance bills in bills receivable that were not due	67,325,433.41	Not derecognized		Because the 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	22,689,402.72	Not derecognized		Substantially all of its risks and rewards, including the default risk associated with it, were retained.
Total	—	123,363,772.09	—	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (continued)

3. Financial assets (continued)

(2) Derecognition of financial assets due to transfer

Applicable Not applicable

Unit: RMB

Item	Ways of transferring financial assets	Amount of	
		derecognized financial assets	Gain or loss related to derecognition
Financing receivables	Endorsement/discount	32,100,730.20	—
Total	—	32,100,730.20	—

XIII. Disclosure of Fair Value

1. Others

On 31 December 2023, the Company's financing receivables was measured at fair value, which had a short maturity date and little difference between fair value and book value.

The Company's financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowing, accounts payable and long-term borrowings, etc. The difference between the book value and fair value of financial assets and liabilities not measured at fair value was immaterial.

XIV. Related parties and related party transactions

1. Parent company of the Company

The ultimate controlling party of the Company is Shouguang State-owned Assets Supervision and Administration Bureau.

Other descriptions:

The controlling shareholder of the Company is Molong Holdings (墨龍控股), holding 235,617,000 A shares of the Company, accounting for 29.53% of the total share capital of the Company. The actual controller of the Company is Shouguang State-owned Assets Supervision and Administration Bureau.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

2. Subsidiaries of the Company

Details of subsidiaries of the Company are set out in Note X-1-(1) Composition of the enterprise group.

3. Joint ventures and associates of the Company

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:

Name of joint ventures or associates	Relationship with the Company
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)	Associate of the Company

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Shouguang State-owned Assets Supervision and Administration Bureau (壽光市國有資產監督管理局)	The actual controller
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	The controlling shareholder of the Company
Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司)	The controlling shareholder of the controlling shareholder of the Company
Weifang Huayuan Heat Co., Ltd. (濰坊華源熱力有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Rongyuan Agricultural Technology Co., Ltd. (壽光市融源農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Medical Services Co., Ltd. (壽光市金投醫療服務有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jindun Motorist Training Co., Ltd. (壽光市金盾機動車駕駛員培訓有限責任公司)	A subsidiary of Shouguang Jinxin
Shouguang Hi-tech Zone Investment and Development Group Co., Ltd. (壽光高新區投資開發集團有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jinsheng Investment Co., Ltd. (壽光金盛投資有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Fenghui Agricultural Technology Co., Ltd. (壽光市豐匯農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Construction Engineering Quality Testing Co., Ltd. (壽光市建設工程質量檢測有限公司)	A subsidiary of Shouguang Jinxin
Shouguang High-tech Zone Infrastructure Development Co., Ltd. (壽光市高新區基礎設施開發有限公司)	A subsidiary of Shouguang Jinxin
Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Kefa Investment Co., Ltd. (壽光科發投資有限公司)	A subsidiary of Shouguang Jinxin
Shouguang fruit and vegetable variety right trading center Co., Ltd. (壽光果菜品種權交易中心有限公司)	A subsidiary of Shouguang Jinxin

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

4. Other related parties (continued)

Name of other related parties	Relationship between other related parties and the Company
Shouguang Heda Polar Ocean World Co., Ltd. (壽光合達極地海洋世界有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Xinhui Real Estate Co., Ltd. (壽光市鑫惠置業有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Shenghui Photovoltaic Technology Co., Ltd. (壽光高投晟輝光伏科技有限公司)	A subsidiary of Shouguang Jinxin
Shandong Qingtai Medical Equipment Co., Ltd. (山東青泰醫療器械有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Huibang Construction and Installation Engineering Co., Ltd. (壽光高投匯邦建築安裝工程有限公司)	A subsidiary of Shouguang Jinxin
Shandong Pusen Medical Equipment Co., Ltd. (山東普森醫療器械有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Ronggeng Agricultural Technology Co., Ltd. (壽光融耕農業科技有限公司)	A subsidiary of Shouguang Jinxin
Shandong Bolan Biotechnology Co., Ltd. (山東博嵐生物科技有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jinhan Supply Chain Management Co, Ltd. (壽光金瀚供應鏈管理有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Tianyi New Energy Co., Ltd. (壽光天一新能源有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd. (壽光高投泓鑫產業園運營管理有限公司)	A subsidiary of Shouguang Jinxin
Shandong Chengsen Biotechnology Co., Ltd. (山東承森生物科技有限公司)	A subsidiary of Shouguang Jinxin
Shandong Chiming Salt Chemistry Co., Ltd. (山東池銘鹽化有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Hengze Industrial Development Co., Ltd. (壽光恆澤產業發展有限公司)	A subsidiary of Shouguang Jinxin
Weifang Aolong Guarantee Co., Ltd. (濰坊奧龍擔保股份有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Jintou Heating Power Co., Ltd. (壽光市金投熱力有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Guoyu New Energy Co., Ltd. (壽光市國譽新能源科技有限公司)	A subsidiary of Shouguang Jinxin
Jinpeng (Shandong) Electronic Information Technology Co., Ltd. (金朋(山東)電子信息技術有限公司)	A subsidiary of Shouguang Jinxin
Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Companies where the Directors hold an office
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司)	Companies where the Directors hold an office
Shandong Jiuan Insurance Broker Co., Ltd. (山東九安保險經紀股份有限公司)	Companies where the Directors hold an office
Shandong Jiu'an Investment Management Co., Ltd. (山東九安投資管理有限公司)	Companies where the Directors hold an office
Shandong Qi'an Health Management Co., Ltd. (山東齊安健康管理有限公司)	Companies where the Directors hold an office
Shandong Ju'an Siwei Risk Management Consulting Co., Ltd. (山東居安思危風險管理諮詢有限公司)	Companies where the Directors hold an office
Guoyu Dehui Equity Investment Management (Shandong) Co., Ltd. (國鈺德慧股權投資管理(山東)有限公司)	Companies where the Directors hold an office
Shouguang Jintou Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司)	Companies where the Directors hold an office
Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司)	Companies where the Directors hold an office
Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	Companies where the Directors hold an office
Kunpeng Asset Management Co., Ltd. (昆朋資產管理股份有限公司)	Companies with associated natural persons
Shouguang ZRCB Country Bank Co., Ltd. (壽光張農商村鎮銀行股份有限公司)	Companies with associated natural persons

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

4. Other related parties (continued)

Name of other related parties	Relationship between other related parties and the Company
Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司)	Companies with associated natural persons
Weifang Mimosa Nursing Technology Co., Ltd (濰坊含羞草護理科技股份有限公司)	Companies with associated natural persons
Shouguang Haihengwei Real Estate Development Co., Ltd (壽光市海恆威房地產開發有限公司)	Companies with associated natural persons
Shouguang Jinkong Asset Management Co., Ltd. (壽光市金控資產管理有限公司)	Companies with associated natural persons
Shouguang jinzheng financing guarantee Co., Ltd. (壽光市金政融資擔保有限公司)	Companies with associated natural persons
Weifang Huiyi Property Management Co., Ltd. (濰坊卉宜物業管理有限公司)	Companies with associated natural persons
Shouguang Changxu Thermal Power Co., Ltd. (壽光昶旭熱力有限公司)	Companies with associated natural persons
Shouguang Chenxi Kangyang Medical Co., Ltd. (壽光市宸熙康養醫療有限公司)	Companies with associated natural persons
Shouguang Chengsai Agricultural Technology Co., Ltd. (壽光市誠賽農業科技有限公司)	Companies with associated natural persons
Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)	Companies with associated natural persons
Kunpeng (Shandong) Asset Management Co., Ltd. (昆朋(山東)資產管理有限公司)	Companies with associated natural persons
Qingdao Jinxin Huijin Finance Leasing Co., Ltd (青島金鑫匯金融租賃有限公司)	Companies with associated natural persons
Shouguang Jindu Engineering Management Co., Ltd. (壽光市金都工程管理有限公司)	Companies with associated natural persons
Shouguang Jintou Culture Industry Development Co., Ltd. (壽光市金投文化產業發展有限公司)	Companies with associated natural persons
Shouguang Cultural Tourism Investment and Development Group Co., Ltd. (壽光市文化旅遊投資發展集團有限公司)	Companies with associated natural persons
Shouguang High quality Development Co., Ltd. (壽光市高質量發展有限公司)	Companies with associated natural persons
Shouguang Xianglin Enterprise Management Co., Ltd. (壽光市祥霖企業管理有限公司)	Companies with associated natural persons
Shouguang Xunying New Energy Development Co., Ltd. (壽光市迅盈新能源開發有限公司)	Companies with associated natural persons
Shouguang Ruisi New Energy Development Co., Ltd. (壽光市瑞思新能源開發有限公司)	Companies with associated natural persons
Shouguang Linmao New Energy Development Co., Ltd. (壽光市霖茂新能源開發有限公司)	Companies with associated natural persons
Shouguang Changyi New Energy Development Co., Ltd. (壽光市昌億新能源開發有限公司)	Companies with associated natural persons
Shouguang Zhisen New Energy Development Co., Ltd. (壽光市智森新能源開發有限公司)	Companies with associated natural persons
Shouguang Haochen New Energy Development Co., Ltd. (壽光市灝辰新能源開發有限公司)	Companies with associated natural persons
Shouguang Xiangbo New Energy Development Co., Ltd. (壽光市祥博新能源開發有限公司)	Companies with associated natural persons

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

4. Other related parties (continued)

Name of other related parties	Relationship between other related parties and the Company
Shouguang Dingchen New Energy Development Co., Ltd. (壽光市鼎辰新能源開發有限公司)	Companies with associated natural persons
Shouguang Hongyu New Energy Development Co., Ltd. (壽光市鴻禹新能源開發有限公司)	Companies with associated natural persons
Shouguang Mingrui New Energy Development Co., Ltd. (壽光市銘瑞新能源開發有限公司)	Companies with associated natural persons
Shouguang Guangfa Electric Power Co., Ltd. (壽光市光發電力有限公司)	Companies with associated natural persons
Shouguang Yincheng New Energy Development Co., Ltd. (壽光市銀辰新能源開發有限公司)	Companies with associated natural persons
Shouguang Junhong New Energy Development Co., Ltd. (壽光市駿宏新能源開發有限公司)	Companies with associated natural persons
Shouguang Zhaohui New Energy Development Co., Ltd. (壽光市兆輝新能源開發有限公司)	Companies with associated natural persons
Shouguang Junhan New Energy Development Co., Ltd. (壽光市君瀚新能源開發有限公司)	Companies with associated natural persons
Beijing Aohe Industrial Co., Ltd. (北京奧荷實業有限公司)	Companies with associated natural persons
Shouguang Smart Real Estate Information Service Co., Ltd. (壽光市智慧房產信息服務有限公司)	Companies with associated natural persons
Shandong Cangsheng agricultural science and technology Co., Ltd. (山東倉聖農業科技有限公司)	Companies with associated natural persons
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	A legal person who holds more than 5% of the shares together with its parties in concert

5. Related party transactions

(1) Related party transactions regarding purchase and sale of goods and rendering and receipt of services

List of purchase of goods/receipt of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount for the previous period
Weifang Huiyi Property Management Co., Ltd.	Property and sanitation service fees	457,587.80	Not applicable	No	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(1) Related party transactions regarding purchase and sale of goods and rendering and receipt of services (continued)

List of sale of goods/rendering of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Amount for the last period
Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pumps and pipes	1,404,901.83	974,653.21

(2) Related leasing

The Company as the lessee:

Unit: RMB

Name of lessor	Types of leased assets	Rental expenses for short-term leases and leases of low-value assets that are streamlined (if applicable)		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 current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(3) Related guarantees

The Company as a guarantor

Unit: RMB

Guaranteed party	Guarantee amount	Commencement date of the guarantee	Expiry date of the guarantee	Has the guarantee been fulfilled
Shouguang Maolong	0.00	30 June 2020	30 June 2023	Yes

The Company as a guaranteed party

Unit: RMB

Guarantor	Guarantee amount	Commencement date of the guarantee	Expiry date of the guarantee	Has the guarantee been fulfilled
Shouguang Jinxin	60,000,000.00	26 August 2021	25 August 2024	No

Description of related guarantee:

On 15 May 2020, the third special meeting of the sixth session of the board of directors of the Company considered and passed the "Proposal for the provision of guarantee for Shouguang Maolong" (《關於為壽光懋隆提供擔保的議案》). It was agreed that Shouguang Maolong (a wholly-owned subsidiary) should commence the provision of comprehensive financial services with China Great Wall Asset Management Co., Ltd. Shandong Branch with a total amount of not exceeding RMB20,000 ten thousand for a period of no longer than 36 months, and that the Company, Shouguang Baolong and Weihai Baolong should provide certain of their real properties and land use rights, respectively, as security of guarantee in respect of the commencement of the above business by Shouguang Maolong. Such guarantee has been considered and approved at the annual general meeting 2019 of the Company. Details are available on the website of cninfo (<http://www.cninfo.com.cn>) in the announcement numbered 2020-030. The guarantee fulfilled on 30 June 2023.

On 26 August 2021, the twelfth meeting of the sixth session of the board of directors of the Company considered and passed the "Proposal for Development of Finance Lease Business" (《關於開展融資租賃業務的議案》). It was agreed that the Company should commence the sale-and-leaseback financing business with Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司) with a total amount of not exceeding RMB6,000 ten thousand for a period of no longer than 36 months, and that Shouguang Jinxin (a controlling shareholder of the Company's controlling shareholder) should undertake the joint liability guarantee for the Company for free. Details are available on the website of cninfo (<http://www.cninfo.com.cn>) in the announcement numbered 2021-052.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(4) Borrowings from/lending to related parties

Unit: RMB

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Borrowings				
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) Compensation of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Total remunerations	2,828,314.86	3,116,715.64

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(5) Compensation of key management personnel (continued)

- ① In 2023, the remuneration details of the directors, supervisors and senior management of the Company are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
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
Sub-total	—	1,202,606.88	134,074.82	21,463.10	1,358,144.80
Non-executive director					
Ding Yi	—	—	—	—	—
Zhang Min	—	—	—	—	—
Liu Ji Lu (Resigned)	16,800.00	—	—	—	16,800.00
Wang Quan Hong (Resigned)	—	—	—	—	—
Sub-total	16,800.00	—	—	—	16,800.00
Independent non-executive director					
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
Sub-total	360,000.00	—	—	—	360,000.00
Supervisor					
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
Sub-total	160,000.00	119,254.54	41,572.25	10,523.90	331,350.69
Other senior management					
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
Sub-total	—	616,638.78	128,507.46	16,873.13	762,019.37
Total	536,800.00	1,938,500.20	304,154.53	48,860.13	2,828,314.86

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(5) Compensation of key management personnel (continued)

- ② In 2022, the remuneration details of the directors, supervisors and senior management of the Company are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
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
Sub-total	—	963,270.43	65,426.03	23,935.00	1,052,631.46
Non-executive director					
Wang Quan Hong	—	—	—	—	—
Liu Ji Lu	80,000.00	—	—	—	80,000.00
Sub-total	80,000.00	—	—	—	80,000.00
Independent non-executive director					
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
Sub-total	360,000.00	—	—	—	360,000.00
Supervisor					
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
Sub-total	159,941.59	139,957.63	42,947.94	12,589.69	355,436.85
Other senior management					
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
Sub-total	—	1,069,950.71	178,565.47	20,131.15	1,268,647.33
Total	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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(5) Compensation of key management personnel (continued)

- ③ 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	
Item	This year's amount	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):

Annual remuneration range	Number of persons in this year	Number of persons in the previous year
RMB0 to 900,000 (equivalent to about HKD0 to 1 million)	5	5
Total	5	5

- ④ 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) Other related party transactions

No other related party transactions or continuing related party transactions have occurred in the Company.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

6. Amounts due from and due to related parties

(1) Receivables

Unit: RMB

Project Name	Related Party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivables	Karamay Yalong Petroleum Machinery Co., Ltd. (克拉玛依亞龍石油機械有限公司)	3,427,939.47	1,097,287.10	5,297,572.74	2,093,527.58

7. Commitment of related parties

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.

XV. Share-based payment

1. General situation of share-based payment

Applicable Not applicable

2. Share-based payment settled by equity

Applicable Not applicable

3. Share-based payment settled in cash

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XV. Share-based payment (continued)

4. Share-based payment expenses in the current period

Applicable Not applicable

5. Modification and termination of share-based payment

Nil

6. Others

There is no share-based payment in the Company this year.

XVI. Commitment and/or contingencies

1. Important commitments

Important commitments existing on the balance sheet date

The company has no important commitments on the balance sheet date.

2. Contingencies

(1) Material contingencies on the balance sheet date

The Company has no material contingencies on the balance sheet date.

(2) The Company has no disclosable material contingencies, and shall also give an explanation

The Company has no material contingency that needs to be disclosed.

3. Others

The Company has no other major contingencies.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XVII. Events subsequent to the balance sheet date

1. Profit Distribution

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. Sales return

As of the financial reporting date, there has been no major sales return of the Company.

3. Description of other events subsequent to the balance sheet date

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) (蕪湖智贏項目投資合夥企業(有限合夥)) 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)

XVIII. Other important matters

1. Segment information

(1) The basis for determining reporting segments and accounting policies

(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) Financial Information of Reporting Segments

Unit: RMB

Item	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	Castings and forgings	Others	Unassigned items	Inter-segment offset	Total
Operating revenue									
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)
Adjusted for									
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XVIII. Other important matters (continued)

2. Other important transactions and matters that have an impact on investors' decision-making

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
Income from foreign transactions	Amount incurred of current year	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. Others

The Company has no other important matters.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements

1. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	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) Disclosure by bad debt provisions

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

1. Accounts receivable (continued)

(2) Disclosure by bad debt provisions (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

Group	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Shouguang Maolong	263,416,731.43	—	—
MPM Corporation	20,651,108.00	—	—
Total	284,067,839.43	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

1. Accounts receivable (continued)

(2) Disclosure by bad debt provisions (continued)

Basis for determining the group:

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

Applicable Not applicable

(3) Provision, recovery or reversal of provision for bad debts during the current period

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
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) Accounts receivables actually written off during the current period

Unit: RMB

Item	Amount written off
Accounts receivables actually written off	51,104,769.52

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

1. Accounts receivable (continued)

(4) Accounts receivables actually written off during the current period (continued)

The significant situation of accounts receivable actually written off:

Unit: RMB

Name of debtor	The nature of accounts receivable	Amount written off	Reason	Approach	Whether is caused by related transaction
Peak Pipe and Supply, LLC	Goods	49,583,289.01	Deregistration	Approved by manager's office	No
Total	—	49,583,289.01	—	—	—

(5) Accounts receivable with top five balances and related contract assets at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contractual assets at the end of the period	Balance of accounts receivable and contractual assets at the end of the period	Proportion to the total balance of accounts receivable and contractual assets at the end of the period	Balance of provision for bad debts of accounts receivable and impairment allowance for contract assets at the end of the period
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables

	Unit: RMB	
Item	Balance at the end of the period	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) Other receivables

1) Classification of other receivables by nature

	Unit: RMB	
Nature	Book balance at the end of the period	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables (continued)

(1) Other receivables (continued)

2) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	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

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Ratio	Amount	rate	Book value	Amount	Ratio	Amount	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables (continued)

(1) Other receivables (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

Group	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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

Name	Book balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
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	—	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables (continued)

(1) Other receivables (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

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables (continued)

(1) Other receivables (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

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

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Charge-off or written-off	Others	
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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

2. Other receivables (continued)

(1) Other receivables (continued)

6) Balance of five largest other receivables at the end of the period grouped by debtor

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of bad debt provision at the end of the period
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%	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

3. Long-term equity investments

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for		Book balance	Provision for	
		impairment	Book value		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) Investment in subsidiaries

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Balance of impairment provision at the beginning of the period	Movements during the current period				Balance at the end of the period (Book value)	Balance of impairment provision at the end of the period
			Increase in investment	Decrease in investment	Provision for impairment	Others		
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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

4. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	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

Contract category	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

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Key notes to items in parent company's financial statements (continued)

4. Operating revenue and operating costs (continued)

Information on performance obligations:

Item	The implementation time of performance obligation	The significant payment terms	The nature of the goods promised to transfer	Whether is the main responsible person	The amounts assumed by the Company and is expected to be returned to the customer	Type of the quality assurance provided by the Company and related 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.

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XX. Supplementary information

1. Breakdown of extraordinary profits or losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
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)	—

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XX. Supplementary information (continued)

1. Breakdown of extraordinary profits or losses for the current period (continued)

Details of other profit or loss items that fall within the definition of non-recurring profit or loss:

Applicable 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, and non-recurring profit or loss items listed were defined as recurring profit or loss items

Item	Amount (RMB)	Reason
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

Applicable Not applicable

Notes to the Financial Statements

1 January 2023 to 31 December 2023

(Unless otherwise indicated, all figures are stated in RMB)

XX. Supplementary information (continued)

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
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. Differences in accounting data under domestic and overseas accounting standards

(1) Differences in net profit and net assets in the financial report as disclosed in accordance with IASs and PRC GAAP

Applicable Not applicable

(2) Differences in net profit and net assets in the financial report as disclosed under the overseas accounting standards and PRC GAAP

Applicable Not applicable

(3) Reason(s) for accounting difference between domestic and international accounting standards; if adjustment has been made to data audited by overseas audit firm, specify the name of the overseas audit firm

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.