SECTION I IMPORTANT, CONTENTS AND DEFINITIONS

The board of directors, the supervisory committee 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 this interim report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of its contents.

Liu Yun Long, the legal representative of the Company, Liu Min, the person in charge of accounting department and Zhang Xue Mei, the head of the accounting department, declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

All Directors attended the Board meeting for considering this report.

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 "Discussion and Analysis of Operations" in Section IV 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	Summary of the Company Business	6
Section IV	Discussion and Analysis of Operations	9
Section V	Material Matters	27
Section VI	Changes in Shares and Shareholders	36
Section VII	Preferred Shares	39
Section VIII	Convertible Corporate Bonds	40
Section IX	Directors, Supervisors and Senior Management	41
Section X	Corporate Bonds	42
Section XI	Financial Report	43
Section XII	List of Documents Available for Inspection	162

Definitions

Term	Definition
"Company", "parent company" and "Shandong Molong"	山東墨龍石油機械股份有限公司 (Shandong Molong Petroleum Machinery Company Limited)
"Group"	collectively, the Company and its subsidiaries
"SZSE"	The Shenzhen Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"CSRC"	China Securities Regulatory Commission
"Shouguang Baolong"	壽光寶隆石油器材有限公司 (Shouguang Baolong Petroleum Equipment Co., Ltd.)
"Weihai Baolong"	威海市寶隆石油專材有限公司 (Weihai Baolong Special Petroleum Materials Co., Ltd.)
"Shouguang Maolong"	壽光懋隆新材料技術開發有限公司 (Shouguang Maolong New Materials Technology Development Co., Ltd.)
"Molong Energy"	山東墨龍能源科技有限公司 (Shandong Molong Energy Technology Co., Ltd.)
"Molong I&E"	山東墨龍進出口有限公司 (Shandong Molong Import & Export Co., Ltd.)
"MPM"	MPM International Limited
"Molong Logistic"	壽光墨龍物流有限公司 (Shouguang Molong Logistic Co., Ltd.)
"Maolong Recycle"	壽光市懋隆廢舊金屬回收有限公司 (Shouguang Maolong Old Metals Recycle Co., Ltd.)
"Wendeng Baolong"	文登市寶隆再生資源有限公司 (Wendeng Baolong Recyclable Resource Co., Ltd.)
"Baolong Consultancy"	壽光市寶隆管理諮詢有限公司 (Shouguang Baolong Management and Consultancy Co., Ltd.)
"reporting period"	1 January 2020 to 30 June 2020
"RMB", "RMB ten thousand"	Renminbi, ten thousand Renminbi

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company profile

Stock short name	Shandong Molong	Stock code	002490
Stock exchange of listed securities	SZSE		
Stock short name	Shandong Molong	Stock code	00568
Stock exchange of listed securities	SEHK		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Chinese short name of the Company (if any)	山東墨龍		
English name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
English short name of the Company (if any)	Shandong Molong		
Legal representative of the Company	Liu Yun Long		

II. Contact persons and contact information

	Secretary to the board of directors
Name	Zhao Xiao Tong
Contact Address	No. 999 Wen Sheng Street, Shouguang City, Shandong Province
Telephone	0536–5100890
Facsimile	0536–5100888
Email Address	dsh@molonggroup.com

III. Others

1. Contact method of the Company

Any changes in the registered address, office address and zip code, website, e-mail address of the Company during the reporting period

☐ Applicable ✓ Not applicable

There were no changes in the registered address, office address and zip code, website and e-mail address of the Company during the reporting period. For details, please see the Annual Report 2019.

2. Information disclosure and places of keeping records

Any changes in information disclosure and place of keeping records during the reporting period

☐ Applicable ✓ Not applicable

There were no changes in the designated newspapers for information disclosure, the website designated by CSRC for the publication of interim reports and the place of keeping interim reports of the Company during the reporting period. For details, please see the Annual Report 2019.

IV. Key accounting data and financial indicators

Whether the Company is necessary to make retrospective adjustments or restatements for the accounting data in previous years.

☐ Yes ✓ No

	The reporting period	Same period last year	**Year-on-year increase/ decrease**
Operating revenue (RMB)	**1,346,377,691.82**	2,377,445,034.26	–43.37%
Net profit attributable to shareholders of the listed company (RMB)	**(109,325,493.01)**	18,012,923.36	–706.93%
Net profit after extraordinary gains or losses attributable to shareholders of the listed company (RMB)	**(107,680,448.54)**	14,993,661.58	–818.17%
Net cash flows generated from operating activities (RMB)	**62,467,301.30**	273,711,631.80	–77.18%
Basic earnings per Share (RMB/share)	**(0.137)**	0.0226	–706.19%
Diluted earnings per Share (RMB/share)	**(0.137)**	0.0226	–706.19%
Weighted average rate of return on net assets (%)	**–6.46%**	0.92%	–7.38%

	As at the end of the reporting period	As at the end of last year	**Year-on-year increase/ decrease**
Total assets (RMB)	**5,448,778,468.88**	5,735,752,344.59	–5.00%
Net assets attributable to shareholders of the listed company (RMB)	**1,637,955,773.86**	1,747,518,970.85	–6.27%

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

1. *Differences in net profit and net assets in the financial statements as disclosed under the International Accounting Standards ("IASs") and under 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 under 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.

VI. Extraordinary gain or loss items and amounts

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Note
Gains or losses arising from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	(89,482.39)	Mainly comprised of the loss on disposal of fixed assets in the current period.
Government grants included in the profit or loss for the current period (excluding those grants that are closely related to the Company's business and that were granted in accordance with the standard amount or volume prescribed by the State)	569,548.00	Mainly comprised of the stability subsidies received in the current period.
Gains or losses arising from contingencies unrelated to the normal operation of the Company	(3,216,057.10)	Mainly comprised of the provision for loss on compensations for claims related to investors' litigations in the current period.
Non-operating income and expenses other than the above items	927,683.35	Mainly comprised of the damages received pursuant to an agreement in the current period.
Other gains or losses that meet the definition of extraordinary gains or losses	32,402.96	Mainly comprised of the refunds of handling fees for withholding and payment of individual income tax received in the current period.
Less: Effect on income tax	(184,389.92)	—
Effect on minority interests (after tax)	53,529.21	—
Total	(1,645,044.47)	—

Reasons should be given if the Company has classified any extraordinary profit or loss items (as defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as recurring gain and loss items.

☐ Applicable ✓ Not applicable

The Company did not classify any extraordinary profit and loss items (as defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as recurring gain and loss items during the reporting period.

SECTION III SUMMARY OF THE COMPANY BUSINESS

I. Principal businesses of the Company during the reporting period

(I) Descriptions of the Company's principal businesses during the reporting period

During the reporting period, the Company was principally engaged in the research and development, production and sales of products for the energy equipment industry. The main products included pipes for petroleum and gas extraction, fluid and structural pipes, pumping units, oil pumps, sucker rods, cylinder liners for drilling rigs, valve parts, castings and forgings, and others. The Company's products were mainly used in industries in connection with petroleum, natural gas, coalbed methane, shale gas and other energy drilling, machinery processing, urban pipe network, etc. During the reporting period, pipe products contributed nearly 80% of the Company's sales, and were the main source of the revenue and profit of the Company. During the reporting period, there was no material change in the structure of Company's principal businesses.

The Company's main products were pipe products, which were divided into API standard products and non-API standard products. The Company adopted a "sales-based production" business model for production, i.e. the production system of the Company will produce, inspect and deliver the products according to the order placed by customer specifying the required specification and quantity. The Company adopted a centralised procurement model under which all raw materials, moulds and equipment were centrally purchased by the procurement department and it was also responsible for the signing of procurement contracts, procurement status follow-up, facilitating quality improvement of raw material. 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 import & export companies, responsible for domestic and international market research, research and development, product sales and post-sales services, respectively.

(II) Basic information of the Company's industry during the reporting period

The Company operates in the energy equipment industry covering energy sources such as petroleum, natural gas, shale gas, coal, coalbed methane and others, which is apparently vulnerable to changes in economic development cycle, market consumption and demand, cycle of crude oil prices and cycle of raw material prices. During the reporting period, hit by the COVID-19 pandemic and the fluctuation of international oil prices, the capacity utilisation rate of domestic and overseas oilfield drilling operations decreased, the demand in downstream markets inclined to shrink and oil companies at home and abroad accordingly made adjustments to their capital expenditures. However, in the medium and long run, the strategy about energy safety is not going to waver. Against the backdrop of China's continued high external dependence on crude oil and natural gas, the goals of "stabilising oil market and increasing demand for natural gas" would not change and the oil and gas exploration and development market in China is expected to maintain long-term stability and growth.

Furthermore, with the full opening up of China's oil and gas exploration and development market, private and foreign-invested companies and different sectors have hopes of investing capital into the domestic market, to bring new blood for China's oil and gas exploration and development and drive new demand for the energy equipment industry. As the pandemic situation in the world's major countries is easing, the overall demand in the industry will gradually come out of trough and stride into a phase of recovery.

Looking forward to the second half of 2020, to address the stresses and challenges brought about by various uncertainties, management of the Company will take active steps in adjusting business strategies, increase effort in exploring new markets and developing new products, and concentrate on enhancing product quality and brand awareness. The Company will seek to promote quality and efficiency enhancement by deepening internal tapping and refining management. The Company will strengthen technological innovation and equipment upgrade and pursue closer industry-university-institute cooperation to achieve continuous improvement in production capacity and efficiency. The Company will continue to optimise its personnel placement system to recruit high-calibre talents, and build a corporate culture adaptive to the development of the Company to foster stronger cohesiveness company-wide. The Company will strive to achieve higher standards of corporate governance through optimising management processes.

II. Significant changes in major assets

1. Significant changes in major assets

Major asset	Description of significant change
Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	No significant change
Construction-in-progress	No significant change
Monetary funds	As at the end of the reporting period, monetary funds increased by 31.11% compared to the beginning of the year, mainly attributable to the increased security deposits in the period and the receipts of new financing during the period.
Bills receivable	As at the end of the reporting period, bills receivable decreased by 49.38% compared to the beginning of the year, mainly attributable to the decline in operating revenue for the current period, which resulted in a corresponding decrease in trade acceptance bills received.
Financing receivables	As at the end of the reporting period, financing receivables decreased by 87.58% compared to the beginning of the year, mainly attributable to the decline in operating revenue for the current period, which resulted in a corresponding decrease in bank acceptance bills received.
Loans and advances	As at the end of the reporting period, loans and advances decreased by 40.50% compared to the beginning of the year, primarily attributable to the recovery of loans by subsidiaries during the current period.
Prepayments	As at the end of the reporting period, prepayments increased by 98.96% compared to the beginning of the year, primarily attributable to the increase in prepayments for material procurements as at the end of the reporting period.
Other current assets	As at the end of the reporting period, other current assets decreased by 37.44% compared to the beginning of the year, primarily attributable to the decease in input value-added tax as at the end of the reporting period.
Other non-current assets	As at the end of the reporting period, other non-current assets decreased by 54.26% compared to the beginning of the year, primarily attributable to the arrival of certain equipment items during the current period which were purchased by prepayments at the end of last year.

2. Major overseas assets

☐ Applicable ✓ Not applicable

III. Analysis of core competitiveness

1. Strength in technological research and development

With the emphasis on investment in technology development and advancement of proprietary innovation capability, the Company formed a professional and stable scientific research team through internal nurturing and external introduction of talents, and collaboration with tertiary colleges and scientific research institutes, to enable it to have strong strengths in research and development. The Company now has 76 patents, of which 65 are utility model patents, 11 are invention patents. 72 of them have been listed as provincial technology innovations in Shandong. The Company is a high-new technology enterprise in Shandong, with the establishments of Shandong OCTG Engineering and Technological Research Centre (山東省石油專用管工程技術研究中心) and is recognised as a Shandong provincial enterprise technology centre. The post-doctoral scientific research work station of the Company has become the "first nation-wide and industry-wide post-doctoral scientific research work station".

2. Strength in product quality

The Company attaches importance to management of product quality. To fully ensure the 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. 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, valves, mud pump liners, precision stainless steel forgings, three kinds of oil pumping units and accessories, are highly marketable globally in major oil-producing regions such as Europe, the Americas and the Middle East, and are well-received by local and overseas customers.

3. 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 win-win partnership with mass customers. In the domestic market, the Company has a relatively stable customer base which includes, without limitation to, PetroChina, Sinopec, CNOOC and Yanchang Petroleum. The major overseas markets are countries and regions including the United States, Mexico, Canada, Russia, the Middle East. The Company has a marketing team consisting of talents who are professionals in international trade and marketing and have extensive experience and strong business competence, which allows the Company to enjoy, to a certain extent, competitive edge in marketing of oil equipment products.

4. 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 and one of the top four suppliers of PetroChina's Type I products. 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 IV DISCUSSION AND ANALYSIS OF OPERATIONS

I. Overview

During the reporting period, the global spread of COVID-19 hit the ordinary economic activities in all industries at different levels. The world economy showed a downward trajectory. The energy equipment manufacturing industry where the Company operates was hard hit by the pandemic in particular. Amid the excessively volatile international oil prices, the capacity utilisation rate of domestic and overseas oilfield drilling operations declined, the demand in downstream markets inclined to shrink and the order volumes significantly decreased. Under such circumstances, there was a relatively substantial drop in both the production and sales volumes of the Company's pipe products during the reporting period. Meanwhile, product prices maintained low owing to the weakened downstream demand. As a result, the Company suffered a decrease in operating revenue and a loss in operating results.

To address the stresses and challenges brought about by various uncertainties, management of the Company took active steps in adjusting business strategies to prioritising the partnership with stable, long-term and quality customers, initiating adjustment to product mix and further developing the castings and forgings market. During the reporting period, the Company proactively broadened the applications and sales channels of pipe products, which enabled an effective integration between, and a positive adjustment in sales of, the OCTG products and the other social pipes markets. In terms of OCTG products, the Company developed new products, namely bimetal corrosion-resistant pipes and ML125V casings, which have been put into trial operation at some oilfields. In terms of social pipes, seamless steel axle pipes, hydraulic prop tubes and seamless steel cold-drawn pipes have been put into mass production and supplied to some companies. During the reporting period, with greater effort placed in promotion, the Company achieved a further increase in the production and sales volumes of high-end castings and forgings, and a significant year-on-year growth in operating revenue.

As at the end of the reporting period, the Company had total assets of RMB5,448.7785 million, representing a decrease of 5.00% year-on-year. Net assets attributable to shareholders of the listed company were RMB1,637.9558 million, representing a decrease of 6.27% year-on-year. During the reporting period, the Company achieved an operating revenue of RMB1,346.3777 million, representing a decrease of 43.37% year-on-year. Net loss attributable to shareholders of the listed company of RMB109.3255 million was recorded, compared to a profit of RMB18.0129 million in the corresponding period of last year.

II. Analysis of principal businesses

Overview

See "I. Overview" under "Discussion and Analysis of Operations" for details.

Year-on-year changes in key financial data

Unit: RMB

	The reporting period	Same period last year	**Year-on-year increase/ decrease**	**Reason(s) for the change**
Operating revenue	**1,346,377,691.82**	2,377,445,034.26	–43.37%	Mainly attributable the impact of the pandemic during the current period under which international crude oil prices fluctuated significantly and the demand of domestic and overseas oilfields weakened, which led to a decline in the Company's operating revenue.
Operating costs	**1,244,256,538.68**	2,156,658,882.03	–42.31%	Mainly attributable to the decrease in operating revenue for the current period.
Selling expenses	**27,322,539.42**	39,984,800.58	–31.67%	Mainly attributable to the decrease in transportation fees resulted from the reduced shipments during the current period.
Administrative expenses	**86,163,288.05**	55,293,610.81	55.83%	Mainly attributable to the impact of the pandemic during the current period under which depreciation, labor costs and other expenses during the shutdown period were transferred to this line item for accounting.
Finance costs	**73,135,285.58**	79,893,627.95	–8.46%	—
Income tax expenses	**1,300,015.86**	3,410,375.68	–61.88%	Mainly attributable to the decrease in deferred income tax expenses recognised for the current period.
Research and development expenditures	**22,669,450.38**	38,695,846.55	–41.42%	Mainly attributable to the reduction in research and development expenditures during the current period.
Net cash flow generated from operating activities	**62,467,301.30**	273,711,631.80	–77.18%	Mainly attributable to the decrease in operating revenue for the current period.
Net cash flow generated from investing activities	**(12,605,213.76)**	10,521,608.60	–219.80%	Mainly attributable to the due redemption of the bank financial products purchased by subsidiaries in the same period of last year.

Unit: RMB

	The reporting period	Same period last year	**Year-on-year increase/ decrease**	**Reason(s) for the change**
Net cash flow generated from financing activities	**(74,444,055.54)**	(343,263,655.30)	78.31%	Mainly attributable to the decrease in cash repayments for due debts during the current period.
Net increase in cash and cash equivalents	**(26,016,644.43)**	(62,237,349.04)	58.20%	—

Significant changes in profit composition or sources of the Group for the reporting period

☐ Applicable ✓ Not applicable

There were no significant changes in the profit composition or sources of Group during the reporting period.

Composition of operating revenue

Unit: RMB

	The reporting period		Same period last year		
	Amount	**Percentage of operating revenue**	Amount	Percentage of operating revenue	Year-on-year increase/ decrease
Total operating revenue	**1,346,377,691.82**	**100%**	2,377,445,034.26	100%	–43.37%
By industry					
Special equipment manufacturing	**1,346,377,691.82**	**100.00%**	2,377,445,034.26	100.00%	–43.37%
By product					
Pipe products	**1,075,867,038.06**	**79.91%**	1,736,398,713.52	73.04%	–38.04%
Three kinds of pumping units	**17,235,153.36**	**1.28%**	22,554,354.70	0.95%	–23.58%
Petroleum machinery parts	**5,554,410.20**	**0.41%**	19,718,743.32	0.83%	–71.83%
Tube blanks	**92,664,669.60**	**6.88%**	528,281,779.05	22.22%	–82.46%
High-end castings and forgings	**122,510,014.88**	**9.10%**	18,364,032.00	0.77%	567.12%
Others	**32,546,405.72**	**2.42%**	52,127,411.67	2.19%	–37.56%
By region					
Within China	**1,107,541,201.08**	**82.26%**	2,101,112,092.50	88.38%	–47.29%
Outside China	**238,836,490.74**	**17.74%**	276,332,941.76	11.62%	–13.57%

Industries, products or regions that accounted for over 10% of the Company's operating revenue or operating profits

✓ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs	Year-on-year increase/ decrease in gross profit margin
By industry						
Special equipment manufacturing	1,346,377,691.82	1,244,256,538.68	7.58%	–43.37%	–42.31%	–1.70%
By product						
Pipe products	1,075,867,038.06	989,285,257.84	8.05%	–38.04%	–34.79%	–4.58%
High-end castings and forgings	122,510,014.88	109,733,817.60	10.43%	567.12%	551.29%	2.18%
By region						
Within China	1,107,541,201.08	1,047,563,479.97	5.42%	–47.29%	–45.52%	–3.08%
Outside China	238,836,490.74	196,693,058.71	17.65%	–13.57%	–15.93%	2.31%

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 period (the year of 2019) as adjusted based on the caliber at the end of the reporting period

✓ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs	Year-on-year increase/ decrease in gross profit margin
By industry						
Special equipment manufacturing	4,388,904,215.91	4,034,622,745.27	8.07%	–1.42%	7.29%	–7.46%
By product						
Pipe products	3,456,742,513.39	3,110,087,307.89	10.03%	–11.80%	–4.34%	–7.02%
Tube blanks	699,060,843.61	713,720,931.00	–2.10%	136.28%	146.30%	–4.15%
High-end castings and forgings	59,767,421.27	55,254,110.41	7.55%	596.97%	798.28%	–20.72%
By region						
Within China	3,724,722,383.35	3,474,073,278.09	6.73%	–8.80%	1.70%	–9.63%
Outside China	664,181,832.56	560,549,467.18	15.60%	80.44%	62.71%	9.20%

Reason(s) for the change of caliber

Regarding the product classification, the production and sales volumes of the Company's pipe products dropped sharply in 2020 due to the pandemic. In light of this, management of the Company took active steps in adjusting business strategies, initiating adjustment to product mix, further developing the castings and forgings market, and increasing effort in the promotion of high-end castings and forgings. The production and sales volumes of high-end castings and forgings were therefore further increased. During the reporting period, high-end castings and forgings accounted for 9.10% of operating revenue and 18.55% of operating profit. These percentages reached the

III. 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	0.00	—	—	—
Gain or loss on fair value changes	0.00	—	—	—
Impairment of assets	(6,431,967.73)	5.25%	Mainly comprised of the provisions for impairment of inventories and other assets in the current period.	No
Non-operating income	1,086,698.16	–0.89%	—	No
Non-operating expenses	3,444,396.64	–2.81%	Mainly comprised of the provision for loss on compensations for claims related to investors' litigations in the current period.	No
Credit impairment	(8,118,063.86)	6.62%	Mainly comprised of the provisions for impairment of accounts receivable, bills receivable, loans and advances and other assets in the current period.	No
Other income	601,950.96	–0.49%	Mainly comprised of the stability grant received in the current period.	No

IV. Analysis of assets and liabilities

1. Significant changes in the composition of assets

Unit: RMB

	As at the end of the reporting period		As at the end of same period last year			
	Amount	Percentage of total assets	Amount	Percentage of total assets	Increase/ decrease in percentage	Description of the significant change(s)
Monetary funds	**707,917,691.75**	**12.99%**	725,002,035.16	11.12%	1.87%	—
Accounts receivable	**424,787,776.04**	**7.80%**	664,185,521.79	10.19%	–2.39%	Mainly attributable to the decline in operating revenue for the current period.
Inventories	**861,023,594.51**	**15.80%**	1,006,688,718.31	15.45%	0.35%	—
t a y l r	10.19%					

Unit: RMB

	As at the end of the reporting period		As at the end of same period last year			
	Amount	**Percentage of total assets**	Amount	Percentage of total assets	**Increase/ decrease in percentage**	**Description of the significant change(s)**
Short-term borrowings	**2,001,166,539.08**	**36.73%**	2,214,838,910.00	33.98%	2.75%	—
Long-term borrowings	**150,877,971.63**	**2.77%**	323,777,514.17	4.97%	–2.20%	Mainly attributable to the repayment for long-term borrowings during the current period.
Bills receivable	**130,423,298.54**	**2.39%**	495,382,718.86	7.60%	–5.21%	Mainly attributable to the decline in operating revenue for the current period, which resulted in a corresponding decrease in trade acceptance bills received.
Loans and advances	**10,142,715.97**	**0.19%**	37,497,910.59	0.58%	–0.39%	Mainly attributable to the recovery of loans by subsidiaries during the current period.
Prepayments	**81,939,698.15**	**1.50%**	52,746,837.01	0.81%	0.69%	Mainly attributable to the increase in prepayments for material procurements as at the end of the reporting period.
Other current assets	**22,026,619.60**	**0.40%**	86,499,015.79	1.33%	–0.93%	Mainly attributable to the decease in input value-added tax as at the end of the reporting period.
Bills payable	**113,435,596.12**	**2.08%**	476,629,551.98	7.31%	–5.23%	Mainly attributable to the reduction in bill payments as the procurement volume decreased during the current period.
Other current liabilities	**46,127,700.37**	**0.85%**	49,056,505.40	0.75%	0.10%	Mainly attributable to the decrease in the Company's assignment of undue trade acceptance bills.
Long-term payables	**25,649,134.05**	**0.47%**	145,209,090.00	2.23%	–1.76%	Mainly attributable to the return of financing by the Company pursuant to agreements during the current period.

2. *Assets and liabilities measured at fair value*

☐ Applicable ✓ Not applicable

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

Unit: RMB

Item	Book value at the end of the period	Reason(s) for the restriction
Monetary funds	**287,857,356.48**	Security deposits
Bills receivable	**76,457,360.55**	Pledge of bills
Fixed assets	**267,496,408.96**	Security for loans
Intangible assets	**238,457,543.42**	Security for loans
Total	**870,268,669.41**	—

V. Analysis of investments

1. *General*

☐ Applicable ✓ Not applicable

2. *Significant equity investments acquired during the reporting period*

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

4. *Financial assets measured at fair value*

☐ Applicable ✓ Not applicable

5. *Investments in financial assets*

(1)

☐ Applicable ✓ Not applicable

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

(2)

☐ Applicable ✓ Not applicable

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

6. *Use of raised funds*

☐ Applicable ✓ Not applicable

Acquisitions and disposals of subsidiaries during the reporting period

✓ Applicable ☐ Not applicable

Name of company	Method of acquisition and disposal of the subsidiary during the reporting period	Impact on overall production, operation and results
Shouguang Maolong Old Metals Recycle Co., Ltd.	Deregistration	No impact

Information on major controlled and invested companies

On 29 October 2019, the fifth meeting of the sixth session of the board of directors of the Company considered and passed a "Resolution on the deregistration of a wholly-owned subsidiary" (《關於註銷全資子公司的議案》), which proposes to dispose Shouguang Maolong Old Metals Recycle Co., Ltd., a wholly-owned subsidiary of the Company, by way of liquidation and deregistration (Announcement number：2019-029). On 18 February 2020, the Company received from Shouguang Administrative Examination and Approval Service Bureau a notice of deregistration approval, notifying that the procedures for deregistering Maolong Recycle have been completed (Announcement number: 2020-002).

VIII. Structured entities controlled by the Company

☐ Applicable ✓ Not applicable

IX. Forecast of the operating results from January to September 2020

Alert of forecast regarding potential loss in total net profit from the beginning of the year to the end of the next reporting period or significant year-on-year changes and its reason(s)

☐ Applicable ✓ Not applicable

X. Risk exposures and contingency measures of the Company

(1) Market risk

The Company operates in the energy equipment and service industry. The development and sentiment of the energy industry are directly relevant to the growth of the industry where the Company operates in. Crude oil prices are highly cyclical and volatile as they are subject to fluctuation due to global economic growth rate, regional, political, financial, supply and demand, and a number of other factors. At times of low oil prices, oil and gas companies accordingly cut capital expenditures, invest less in exploration and development, and thus the demand for equipment and services in the oil and gas industry becomes weaker. In response, the Company will adjust its product structure and market plan in a timely manner according to market changes.

(2) Raw material price fluctuation risk

Fluctuations in raw material prices affect directly the manufacturing costs of products which have a direct impact on product prices. The Company closely monitors the movements of raw material prices and controls the manufacturing costs of product by certain ways such as locking the raw material prices, and will timely adjust the product prices and product mix according to situations.

(3) Policy risk

In recent years, the PRC has continuously raised environmental protection requirements, and environmental protection policies have become more frequently issued and stricter. Environmental protection supervision has been continuously implemented. The improvement of emission standards is bound to increase the Company's environmental protection related costs. The Company has always been aiming at "energy saving, emission reduction and harmonious development", vigorously pursuing circular economy, maximising resource utilization, and increasing environmental protection investment to ensure the waste discharges of the Company is up to standards.

(4) Exchange rate risk

Any 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) Uncertainties regarding the impact of COVID-19

In the first half of 2020, the COVID-19 spread globally. Although the pandemic is now getting controlled, there remains a risk of rebound, which brings a lot of uncertainties to the business operation of the Company in the future. The Company will persistently implement adequate pandemic prevention and control, and exercise stringent pandemic prevention measures. The Company will also initiate good communication with customers and suppliers, in order to provide better logistic supply chain services for both supply and demand sides, thereby striving to achieve steady development of the Company.

XI. 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 the first half of 2020 are set out in the financial report/financial statements in Section XI of this interim report.

2. Financial highlights

Summary of the results and of the assets and liabilities of the Group's interim results and assets and liabilities for the past 2 financial years is summarised as follows:

	For the half year ended 30 June	
Item	**2020**	2019
	RMB'0,000	RMB'0,000
Total operating revenue	**134,637.77**	237,744.50
Operating profit	**(12,018.06)**	2,327.60
Total profit	**(12,253.83)**	2,202.66
Net profit	**(12,383.83)**	1,861.62
Minority interests	**(1,451.28)**	60.33
Net profit attributable to shareholders of the parent company	**(10,932.55)**	1,801.29
Basic earnings per share (RMB)	**(0.137)**	0.0226

Item	For the half year ended 30 June	
	30 June 2020	30 June 2019
	RMB0'000	RMB0'000
Total assets	**544,877.85**	651,721.10
Total liabilities	**378,392.14**	448,446.49
Net assets	**166,485.71**	203,274.61

3. Changes in share capital

There were no changes in the share capital of the company during the first half of 2020. Details are set out in note (VII) to the financial report/financial statements in Section XI of this interim report.

4. Reserves and distributable reserves

Details of the movements in reserves and distributable reserves of the Group during the first half of 2020 are set out in note (VII) to the financial report/financial statements in Section XI of this interim report.

5. Property, plant and equipment

Details of the changes in property, plant and equipment of the Group during the first half of 2020 are set out in note (VII) to the financial report/financial statements in Section XI of this interim report.

6. Capitalised interests

During the first half of 2020, the Group had capitalised interests of RMB nil.

7. Directors' and supervisors' service contracts or letters of appointment

Each of the directors and supervisors (including the independent non-executive directors and the 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 of compensation (other than statutory compensation).

8. Continuing connected transactions

During the reporting period, the Company entered into a connected transaction with Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司), an invested company in which the Company holds 30% interest. The transaction amount was RMB650,400. For details, please refer to the sub-section headed "XII. Connected persons and connected transaction" in the financial report under Section XI of this interim report.

9. *Directors', supervisors' and chief executive's interests in securities under the Securities and Futures Ordinance ("SFO") of Hong Kong*

As at 30 June 2020, the following directors, supervisors and chief executives of the Company had (a) interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) interests and short positions which were required pursuant to the Model Code, to be notified to the Company and to the SEHK as below:

Name	Type of interest	Number of A shares	Approximate percentage of A shares	Approximate percentage of the total registered share capital
Liu Yun Long	Beneficial interest	2,500	0.00%	0.00%
Wang Quan Hong	Beneficial interest	139,500	0.03%	0.02%

Saved as disclosed above, as at 30 June 2020, to the best knowledge of any directors, supervisors or chief executive of the Company, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or (b) were required pursuant to the Model Code to be notified to the Company and the SEHK.

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

None of the directors or supervisors or their respective associates (as defined under Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any rights to acquire any shares in or debentures of the Company or had exercised any such rights in the first half of 2020.

11. *Share option scheme*

The Company does not operate any share option scheme.

12. *Substantial shareholders*

Details are set out in the section headed "Changes in share capital and shareholders" in Section XI of this interim report.

13. *Directors' and supervisors' interests in contracts*

There were no contracts of significance to the business of the Group and in which any of the directors or supervisors had a material interest, whether directly or indirectly, subsisted in the first half of 2020 or as at 30 June 2020.

14. 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.

The Audit Committee (with members consisting of three independent non-executive directors) held two meetings during the six months ended 30 June 2020 to discuss matters such as the accounting standards and practices adopted by the Group, internal control and financial reporting, and has reviewed this report. Based on the discussions in the meetings, the Audit Committee was satisfied that the financial statements set out in this report were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and the results for the six months ended 30 June 2020. The interim results for the six months ended 30 June 2020 have not been reviewed by the auditors of the Company.

,

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code during the six months ended 30 June 2020.

15. Purchase, sale or redemption of securities

18. *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.

19. *Substantial shareholders' interests in securities*

As at 30 June 2020, to the best knowledge of the Directors, Supervisors and chief executive, as shown 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 as recorded in the register required to be kept under Section 336 of SFO, the following substantial shareholders and other persons had interests and/or short positions in the shares or underlying Shares of the Company:

Substantial shareholder	Nature of interest	Number of A shares	Approximate shareholding percentage of A shares	Approximate shareholding percentage of total registered capital
Zhang En Rong (Note 1, 3)	Beneficial interest	235,617,000	43.49%	29.53%
Zhang Yun San (Note 3)	Beneficial interest	23,108,000	4.27%	2.90%
Shandong Guohui Investment Co. Ltd. (山東國惠投資有限公司)	Security interest	150,617,000	27.80%	18.88%
China Great Wall Asset Management Co., Ltd. (Note 2)	Corporate interest	37,000,000	6.83%	4.64%
China Great Wall Asset Management Co., Ltd. Shandong Branch	Security interest	37,000,000	6.83%	4.64%

Substantial shareholder	Nature of interest	Number of H shares	Approximate shareholding percentage of H shares	Approximate shareholding percentage of total registered capital
Zhang Yun San (Note 3)	Beneficial interest	9,060,400	3.54%	1.14%

Substantial shareholder	Nature of interest	Number of A shares	Approximate shareholding percentage of A shares	Approximate shareholding percentage of total registered capital
Zhang En Rong (Note 1, 3)	Beneficial interest	187,617,000	34.63%	23.52%

Notes:

1. The shares held by Mr. Zhang En Rong have been pledged.

2. China Great Wall Asset Management Co., Ltd. holds 100% equity interest in China Great Wall Asset Management Co., Ltd. Shandong Branch. Therefore, China Great Wall Asset Management Co., Ltd. is deemed to have 37,000,000 A shares of the Company.

3. Zhang En Rong is the controlling shareholder of the Company. He is the father of Zhang Yun San. The Company is not aware of any relationship between the other shareholders of the Company or whether such shareholders are parties to any concerted action.

Save as disclosed above, as at 30 June 2020, 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.

20. Liquidity and financial resources

As at 30 June 2020, the Group recorded a current ratio of 63.35%, quick ratio of 39.36%, receivable turnover ratio of 288.81% and inventory turnover ratio of 138.56%. The main source of the Group's capital is the cash inflow from operating activities, borrowings from financial institutions and others. The Group's capital needs do not have obvious seasonal pattern.

As at 30 June 2020, the Group had total borrowings of RMB2.670 billion (as at the end of last year, the Group had total borrowings of RMB2.470 billion). As at 30 June 2020, the Group had monetary funds of RMB708 million (monetary funds as at the end of last year: RMB540 million).

21. Gearing ratio

The Group's gearing ratio was approximately 69.45% (2019: approximately 68.81%) which is calculated based on the Group's total liabilities of approximately RMB378,392 ten thousand (2019: approximately RMB394,679 ten thousand) and total assets of approximately RMB544,878 ten thousand (2019: approximately RMB573,575 ten thousand).

22. Treasury policy

The Group has established a sound and strict internal control system for cash and fund management so as to strengthen its financial management. Most of the Group's revenues are denominated in RMB. The Group's liquidity and solvency are in good condition.

23. Restricted assets

As at 30 June 2020, the Group had restricted assets as follows:

Item	Book value at the end of the period	Reason(s) for the restriction
Monetary funds	**287,857,356.48**	Security deposits
Bills receivable	**76,457,360.55**	Pledge of bills
Fixed assets	**267,496,408.96**	Charge for borrowings
Intangible assets	**238,457,543.42**	Charge for borrowings
Total	**870,268,669.41**	—

24. Contingent liabilities

As at the date of these financial statements, the claim cases against the Company by investors regarding false statements about securities have been entertained by the Jinan Intermediate People's Court, and the aggregate sum involved was RMB92,142,813.18. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB86,760,269.86, with actual settlement amount of RMB45,300,629.75. For those closed cases, the Company is performing its obligations according to the judgment results. For those cases that have been heard but pending for judgment and those cases that have not been heard, estimated liabilities of RMB4,575,161.82 were provided at a rate of 85% with reference to the cases already closed. The Company has made cumulative total provisions for estimated liabilities of RMB49,875,791.57 in respect of this issue so far.

25. Business review

During the reporting period, the Company achieved an unaudited operating revenue of RMB134,637.77 ten thousand, representing a decrease of 43.37% compared to the corresponding period of last year. Unaudited net profit attributable to shareholders of the listed company was -RMB10,932.55 ten thousand, compared to a profit of RMB1,801.29 ten thousand in the corresponding period of last year. Basic earnings per share was -RMB0.137 per share, compared to RMB0.0226 per share for the same period of last year. Review of the Group's results for the half year ended 30 June 2020 is set out in the sections headed "Discussion and Analysis of Operations" and "Financial Report" of this report.

ト

(1) Pursuant to a financing agreement and the relevant mortgage contract entered into between the Company and the related subsidiaries with China Great Wall Asset Management Co., Ltd. Shandong Branch (中國長城資產管理股份有限公司山東省分公司) (hereinafter referred to as "Great Wall Asset Management"), Shouguang Baolong and Molong Logistic (both subsidiaries of the Company) provided collaterals to secure the Company's financing in Great Wall Asset Management by its own land use rights with licence numbered Shou Guoyong (2007) No. 02704 and Shou Guoyong (2013) No. 00352 and the related ground buildings, and by its own sea area use rights with licence numbered Guohai Zheng No.2016B37078313748, respectively. As at 30 June 2020, the book value of the above-mentioned land use rights and sea area use rights was RMB82.2353 million, and the book value of the real property buildings was RMB19.3639 million. The financing amount of the Company under such contract is RMB50.0119 million. Meanwhile, Zhang En Rong, the controlling shareholder of the Company entered into a joint liability guarantee contract (《連帶責任擔保合同》) with Great Wall Asset Management, to provide joint guarantee liability for the financing. The above mortgage guarantee and warrant guarantee is expired on 8 October 2020.

(2) Pursuant to a financing agreement and the relevant mortgage contract entered into between the Company and Shouguang Maolong (a subsidiary of the Company) with Great Wall Asset Management, the Company provided collaterals to secure the financing of the Company and Shouguang Maolong (a subsidiary) in Great Wall Asset Management by the Company's own land use rights with licence numbered Shou Guoyong (2005) No. 1027 and the related ground buildings. As at 30 June 2020, the book value of the above-mentioned mortgaged land use rights was RMB9.3092 million, and the book value of real property buildings was RMB32.3813 million. The financing amount of the Company under such contract is RMB300.00 million. Meanwhile, Zhang En Rong, a controlling shareholder of the Company, entered into a contract on pledge of share of the listed company (《上市公司股票質押合同》) with Great Wall Asset Management, to provide collateral for the financing agreement by the 85 million shares of the Company it held. Zhang En Rong, a controlling shareholder of the Company, entered into a Joint Liability Guarantee Contract (《連帶責任擔保合同》) with Great Wall Asset Management, to provide joint guarantee liability for the financing agreement. The above mortgage guarantee, pledge guarantee and warrant guarantee are expired on 29 December 2020.

(3) Pursuant to a finance lease contract entered into between the Company and Cosco Shipping Leasing Co., Ltd. ("Cosco Shipping"), the Company commenced the finance lease business using certain equipment by way of sale and leaseback arrangement. As at 30 June 2020, the equipment had an original value of RMB187.0596 million and a net book value of RMB127.9219 million. The financing amount under the contract was RMB150 million. The contract will expire on 15 April 2022.

(4) On 30 June 2020, the Company and Shouguang Maolong (a subsidiary of the Company) entered into a financing agreement with Great Wall Asset Management, pursuant to which, the Company provided collaterals to secure the financing of the Company and Shouguang Maolong (a subsidiary of the Company) by its own land use rights and the relevant ground buildings with licence numbered Shou Guoyong (2011) No. 0164, Shou Guoyong (2009) No. 0204, Shou Guoyong (2010) No. 0083, Shou Guoyong (2010) No. 0082, Shou Guoyong (2009) No. 0203, Lu (2019) Shouguang City Fixed Asset Right No. 0015760, Lu (2019) Shouguang City Fixed Asset Right No. 0015758, Lu (2019) Shouguang City Fixed Asset Right No. 0015752, Lu (2019) Shouguang City Fixed Asset Right No. 0015747, Lu (2019) Shouguang City Fixed Asset Right No. 0015757, Wen Guoyong (2006) No. 160005 and Wen Guoyong (2010) No. 160001. The financing amount of the Company under the contract was RMB192.4085 million. As at 30 June 2020, the above pledged land use rights had an book value of RMB146.9131 million and the real property buildings had a book value of RMB74.9589 million. The contract will expire on 30 June 2023.

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. Management has identified the major risks of the Group and regularly reviews its exposure to industry, policy, operational and currency risks.

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

The Group has a set of compliance and risk management policies and procedures in place. Members of senior management are delegated with the responsibility to continuously 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 MATERIAL MATTERS

I. Annual general meeting and extraordinary general meetings convened in the reporting period

1. General meetings during the reporting period

Session of meeting	Type of meeting	Percentage of investor participation	Convening date	Date of disclosure	Index of disclosure
2019 Annual General Meeting	Annual general meeting	30.12%	19 June 2020	20 June 2020	Announcement number: 2020–037 http://www.cninfo.com.cn

2. Extraordinary general meeting convened at the request of preferred shareholders with restored voting rights

☐ Applicable ✓ Not applicable

II. Profit distribution and transfer of capital reserve to share capital during the reporting period

☐ Applicable ✓ Not applicable

The Company did not plan to pay any cash dividends or issue any bonus shares or transfer any reserve to capital for the half year.

III. 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.

IV. Appointment and dismissal of accounting firm

Whether the interim financial report has been audited

☐ Yes ✓No

The Company's interim report is unaudited.

V. Opinions of the board and the supervisory committee regarding the "modified auditor's report" issued by accounting firm for the reporting period

☐ Applicable ✓ Not applicable

VI. Opinions of the board regarding the "modified auditor's report" for the prior year

☐ Applicable ✓ Not applicable

VII. Matters related to bankruptcy and reorganisation

☐ Applicable ✓ Not applicable

There were no matters related to bankruptcy and reorganisation during the reporting period.

VIII. Litigations

Significant litigations and arbitrations

☐ Applicable ✓ Not applicable

The Company was not involved in any significant litigations or arbitrations during the reporting period.

Other lawsuits

✓ Applicable ☐ Not applicable

Basic information about the lawsuit (arbitration)	Amount involved (in ten thousand)	Any estimated liabilities incurred	Progress of the lawsuit (arbitration)	Result and impacts of trial for the lawsuit (arbitration)	Execution of judgment of the lawsuit (arbitration)	Date of disclosure	Index of disclosure
Investor lawsuits	9,214.28	Yes	For details, please refer to the sub-section headed "Contingencies" under XIV.2 in Section XI of this report	The Company has made a provision for estimated liabilities in respect of the lawsuits.	Compensations are being paid for closed cases.	Not applicable	http://www.cninfo.com.cn

As at 30 June 2020, the claim cases against the Company by investors regarding false statements about securities have been entertained by the Jinan Intermediate People's Court, and the aggregate sum involved was RMB92,142,813.18, representing 5.27% of the audited net assets for the immediate prior period. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB86,760,269.86, with actual settlement amount of RMB45,300,629.75. For those closed cases, the Company is performing its obligations according to the judgment results. For those cases that have been heard but pending for judgment and those cases that have not been heard, estimated liabilities of RMB4,575,161.82 were provided at a rate of 85% with reference to the cases already closed. The Company has made cumulative total provisions for estimated liabilities of RMB49,875,791.57 in respect of this issue so far.

IX. Media queries

☐ Applicable ✓ Not applicable

There were no general media queries during the reporting period.

X. Punishments and rectifications

☐ Applicable ✓ Not applicable

There were no punishments and rectifications during the reporting period.

XI. Integrity of the Company, its controlling shareholders and actual controllers

✓ Applicable ☐ Not applicable

During the reporting period, the Company, its controlling shareholders and actual controllers were in good credit standing, and there was no non-performance of any valid court decision or any outstanding debts of large amount.

XII. Operation of stock incentive schemes, employee share schemes or other employee incentive measures of the Company

☐ Applicable ✓ Not applicable

The Company did not have or operate any stock incentive schemes, employee share schemes or other employee incentive measures during the reporting period.

XIII. Significant related party transactions

1. Related party transactions associated with the day-to-day operations

☐ Applicable ✓ Not applicable

The Company did not enter into any related party transaction associated with the day-to-day operations during the reporting period.

2. Related party transactions in connection with acquisition and 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.

3. Related party transactions in connection with joint external investment

☐ Applicable ✓ Not applicable

There were no related party transactions in connection with joint external investment during the reporting period.

4. Amounts due from/to related parties

☐ Applicable ✓ Not applicable

There were no amounts due from/to related parties during the reporting period.

5. *Other significant related party transactions*

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

XV. Material contracts and their performance

1. *Custody, Contracting and leasing*

(1)

☐ Applicable ✓ Not applicable

There was no custody during the reporting period.

(2)

☐ Applicable ✓ Not applicable

There was no contracting during the reporting period.

(3)

☐ Applicable ✓ Not applicable

There was no leasing during the reporting period.

2. *Significant guarantees*

✓ Applicable ☐ Not applicable

(1)

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	Guarantee period	Fully performed or not	Related party guarantee or not
Guarantees of the Company in favour of subsidiaries								
Shouguang Maolong	16 May 2020	14,510.78	30 June 2020	13,959.99	Security	3 years	No	No
Shouguang Maolong	27 March 2020	50,000.00	—	0	—	—	—	—
Weihai Baolong	23 March 2019	10,000.00	—	0	—	—	—	—
Molong I&E	23 March 2019	10,000.00	—	0	—	—	—	—
Total line of guarantees granted to subsidiaries during the reporting period (B1)			64,510.78	Total actual amount of guarantees in favour of subsidiaries during the reporting period (B2)				13,959.99
Total line of guarantees granted to subsidiaries as at the end of the reporting period (B3)			84,510.78	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (B4)				13,959.99

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	Guarantee period	Fully performed or not	Related party guarantee or not
Shouguang Maolong	16 May 2020	4,048.95	30 June 2020	3,895.27	Security	3 years	No	No
Shouguang Maolong	16 May 2020	1,440.27	30 June 2020	1,385.6	Security	3 years	No	No
Total line of guarantees granted to subsidiaries during the reporting period (C1)				5,489.22	Total actual amount of guarantees in favour of subsidiaries during the reporting period (C2)			5,280.86
Total line of guarantees granted to subsidiaries as at the end of the reporting period (C3)				5,489.22	Total actual amount of guarantees in favour of subsidiaries as at the end of the reporting period (C4)			5,280.86
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)			70,000	Total actual amount of guarantees during the reporting period (A2+B2+C2)				19,240.85
Total line of guarantees granted as at the end of the reporting period (A3+B3+C3)			90,000	Total actual amount of guarantees as at the end of the reporting period (A4+B4+C4)				19,240.85
Total actual guarantees (i.e. A4+B4+C4) as a percentage of net assets of the Company								11.75%
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)								19,240.85
Amount of total guarantees in excess of 50% of net assets (F)								0
Total of the above three guarantee amounts (D+E+F)								19,240.85
For unexpired guarantees, descriptions about the guarantee liabilities or possible joint and several liabilities of repayment occurred during the reporting period (if any)								Nil
External guarantees in breach of procedural requirements (if any)								Nil

Details of synthetic guarantees

On 15 May 2020, the third special meeting of the sixth session of the board of directors of the Company considered and passed the "Resolution on 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.

(2)

☐ Applicable ✓ Not applicable

There were no illegal external guarantees during the reporting period.

3. *Entrusted wealth management*

✓ Applicable ☐ Not applicable

Unit: RMB ten thousand

Type	Source of funds for the entrusted wealth management	Amount for the entrusted wealth management	Unmatured balance	Amount due but not received
Bank financial products	Self-owned fund	9,920	920	0
Total		9,920	920	0

Particulars of high-risk entrusted wealth management with individually significant, low-security, low-liquidity, non-principal protected products

☐ Applicable ✓ Not applicable

Expected irrecoverable principal or other potential impairment in entrusted wealth management

☐ Applicable ✓ Not applicable

4. *Other material contracts*

☐ Applicable ✓ Not applicable

There were no other material contracts during the reporting period.

XVI. Social responsibility

1. Major environmental issues

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

Yes

The Company or name of subsidiary	Name of major pollutant and specific pollutant	Method of discharge	Number of discharge outlet(s)	Distribution of discharge outlet(s)	Discharge concentration	Implemented standards for pollutant discharge	Total volume of discharge	Approved total volume of discharge	Excessive discharge
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	0mg/m³	50 mg/m³	0	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	18 mg/m³	150 mg/m³	0.84 tonne	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	8 mg/m³	10mg/m³	0.16 tonne	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	19 mg/m³	50 mg/m³	0.24 tonne	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	94mg/m³	150 mg/m³	1.54 tonnes	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	8.5mg/m³	10mg/m³	0.18 tonne	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	9mg/m³	50 mg/m³	0.19 tonne	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	62mg/m³	150 mg/m³	1.34 tonnes	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	8.4mg/m³	10mg/m³	0.18 tonne	–	No
Shandong Molong	Sulfur dioxide	Organised	1	Production complex	1.11mg/m³	50 mg/m³	58.8 kilograms	–	No
Shandong Molong	Nitrogen oxides	Organised	1	Production complex	12.2mg/m³	150 mg/m³	736 kilograms	–	No
Shandong Molong	Particulate matter	Organised	1	Production complex	0.88mg/m³	10mg/m³	47.5 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	1.5mg/m³	0.5mg/m³	22.4 kilograms	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0	5.0mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0	15mg/m³	0	–	No
Shandong Molong	Non-methane total hydrocarbons	Organised	1	Production complex	14.5mg/m³	50mg/m³	216 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	1.35mg/m³	0.5mg/m³	20.4 kilograms	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0	5.0mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0	15mg/m³	0	–	No
Shandong Molong	Non-methane total hydrocarbons	Organised	1	Production complex	14.5mg/m³	50mg/m³	215 kilograms	–	No
Shandong Molong	Benzene	Organised	1	Production complex	0	0.5mg/m³	0	–	No
Shandong Molong	Toluene	Organised	1	Production complex	0	5.0mg/m³	0	–	No
Shandong Molong	Xylene	Organised	1	Production complex	0	15mg/m³	0	–	No
Shandong Molong	Non-methane total hydrocarbons	Organised	1	Production complex	13.6mg/m³	50mg/m³	198.7 kilograms	–	No
Shouguang Baolong	Particulate matter	Organised	1	Production complex	0.83mg/m³	10mg/m³	936 kilograms	–	No
Shouguang Maolong	Sulfur dioxide	Organised	1	Production complex	25.1mg/m³	50 mg/m³	14.8 tonnes	–	No
Shouguang Maolong	Nitrogen oxides	Organised	1	Production complex	14.4mg/m³	150 mg/m³	7.1 tonnes	–	No
Shouguang Maolong	Particulate matter	Organised	1	Production complex	1.78mg/m³	10mg/m³	1.06 tonnes	–	No

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 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 and fabric filter and new online monitoring devices, to ensure effective treatment and discharge of exhausts generated from the production process.

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 carried out. The Company's pollutants discharge permits were all valid.

Each of the Company and its subsidiaries has engaged a qualified firm to prepare 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.

During the reporting period, the Company and its subsidiaries worked closely with local environmental inspection departments on periodic supervisory inspections, and engaged third party inspection firms to monitor their discharge statistics on a regular basis, with an aim to meet industry standards and requirements of local environmental authorities. Monthly sample testing on the related environmental statistics, supervision on stable operation of wastewater and exhaust treatment facilities are conducted to effectively ensure sound management of internal discharge of wastewater and exhaust.

There was no other discloseable environmental information.

There was no other environmentally related information.

2. Fulfillment of social responsibility regarding targeted poverty alleviation

During the reporting interim period, the Company did not commence any targeted poverty alleviation activity, and there was also no subsequent targeted poverty alleviation plan.

XVII. Descriptions of other significant events

✓ Applicable ☐ Not applicable

1. Completion of deregistration of subsidiaries

On 29 October 2019, the fifth meeting of the sixth session of the board of directors of the Company considered and passed a "Resolution on the deregistration of a wholly-owned subsidiary" (《關於註銷全資子公司的議案》), which proposes to dispose Shouguang Maolong Old Metals Recycle Co., Ltd., a wholly-owned subsidiary of the Company, by way of liquidation and deregistration (Announcement number：2019-029). On 18 February 2020, the Company received from Shouguang Administrative Examination and Approval Service Bureau a notice of deregistration approval, notifying that the procedures for deregistering Maolong Recycle have been completed (Announcement number: 2020-002). Upon the deregistration, Maolong Recycle is no longer consolidated into the Company.

2. Proposed deregistration of a subsidiary

The Company convened the sixth meeting of the sixth session of the board of directors and the sixth meeting of the sixth session of supervisory committee respectively on 27 March 2020, and considered and passed a "Resolution on the deregistration of a controlled subsidiary" (《關於註銷控股子公司的議案》), which proposes to dispose Shouguang Baolong Management and Consultancy Co., Ltd. (a controlled subsidiary), by way of liquidation and deregistration (Announcement number：2020-017). Up to the date of disclosure of the report, the liquidation and deregistration of the subsidiary have not been completed.

3. Progress of the investor lawsuits

As at 30 June 2020, the claim cases against the Company by investors regarding false statements about securities have been entertained by the Jinan Intermediate People's Court, and the aggregate sum involved was RMB92,142,813.18. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB86,760,269.86, with actual settlement amount of RMB45,300,629.75. For those closed cases, the Company is performing its obligations according to the judgment results. For those cases that have been heard but pending for judgment and those cases that have not been heard, estimated liabilities of RMB4,575,161.82 were provided at a rate of 85% with reference to the cases already closed. The Company has made cumulative total provisions for estimated liabilities of RMB49,875,791.57 in respect of this issue so far.

XVIII. Significant events of subsidiaries of the Company

☐ Applicable ✓ Not applicable

SECTION VI 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	
	Number of shares	Percentage	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	Number of shares	Percentage
I. Restricted shares	106,500	0.01%	0	0	0	0	0	106,500	0.01%
1. Other domestic shares	106,500	0.01%	0	0	0	0	0	106,500	0.00%
Including: Domestic natural person shares	106,500	0.01%	0	0	0	0	0	0	0.00%
II. Non-restricted shares	797,741,900	99.99%	0	0	0	0	0	797,741,900	99.99%
1. RMB ordinary shares	541,615,500	67.88%	0	0	0	0	0	541,615,500	67.88%
2. Overseas-listed foreign shares	256,126,400	32.10%	0	0	0	0	0	256,126,400	32.10%
III. Total number of shares	797,848,400	100.00%	0	0	0	0	0	797,848,400	100.00%

Reason(s) for the change in shares

☐ Applicable ✓ Not applicable

Approval for the change in shares

☐ Applicable ✓ Not applicable

Transfer for the change in shares

☐ Applicable ✓ Not applicable

Progress of share repurchases

☐ Applicable ✓ Not applicable

Progress of reduction of repurchased shares through centralised bidding

☐ 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 disclosures considered necessary by the Company or required by securities regulatory authorities

☐ Applicable ✓ Not applicable

2. Changes in restricted shares

☐ Applicable ✓ Not applicable

II. Issue and listing of securities

☐ Applicable ✓ Not applicable

III. Number of shareholders of the Company and their shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	31,736 (of which 31,689 were for A shares and 47 were for H shares)	Total number of preferred shareholders with restored voting rights as at the end of reporting period (if any)	0

Shareholdings of ordinary shareholders holding over 5% of shares or the top 10 ordinary shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of ordinary shares held as at the end of the reporting period	Change (increase or decrease) during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Pledged or frozen	
							Status of the shares	Number of shares
Hong Kong Securities Clearing Company Limited	Overseas legal person	30.93%	246,764,990	59,600	0	246,764,990	–	–
Zhang En Rong	Domestic natural person	29.53%	235,617,000	0	0	235,617,000	Pledged	187,617,000
Zhang Yun San	Domestic natural person	4.03%	32,168,400	0	0	32,168,400	–	–
Lin Fu Long	Domestic natural person	3.28%	26,162,000	0	0	26,162,000	–	–
Central Huijin Asset Management Ltd.	State-owned legal person	1.70%	13,536,100	0	0	13,536,100	–	–
Shenzhen Qianhai Jingwei Ronghe Asset Management Co., Ltd.—Ronghe Phase II Private Securities Investment Fund (深圳前海經緯融和資產管理有限公司－融和2期私募證券投資基金)	Domestic non-state owned legal person	0.47%	3,720,752	(24,500)	0	3,720,752	–	–
Shanghai Wozhu Technology Partnership (Limited Liability Partnership) (上海窩竹科技合夥企業（有限合夥）)	Domestic non-state owned legal person	0.42%	3,387,500	3,387,500	0	3,387,500	–	–
Zhu Yi Ming (朱一明)	Domestic natural person	0.33%	2,596,701	2,596,701	0	2,596,701	–	–
Guo Li Min (郭麗敏)	Domestic natural person	0.29%	2,306,600	2,306,600	0	2,306,600	–	–
Xu Jiang Tao (徐江濤)	Domestic natural person	0.21%	1,698,601	1,698,601	0	1,698,601	–	–

Strategic investors or ordinary legal person becoming top 10 ordinary shareholders upon placing of new shares (if any)	Not applicable
Connected relationship or acting in concert among the above shareholders	Zhang En Rong is the father of Zhang Yun San. The Company is not aware of any connected relationship or acting in concert among other shareholders.

Shareholdings of the top 10 non-restricted ordinary shareholders

Name of shareholder	Number of non-restricted ordinary shares held as at the end of the reporting period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	246,764,990	Overseas listed foreign shares	246,764,990
Zhang En Rong	235,617,000	RMB ordinary shares	235,617,000
Zhang Yun San	32,168,400	RMB ordinary shares	23,108,000
		Overseas listed foreign shares	9,060,400
Lin Fu Long	26,162,000	RMB ordinary shares	26,162,000
Central Huijin Asset Management Ltd.	13,536,100	RMB ordinary shares	13,536,100
Shenzhen Qianhai Jingwei Ronghe Asset Management Co., Ltd.— Ronghe Phase II Private Securities Investment Fund (深圳前海經緯融和資產管理有限公司－融和2期私募證券投資基金)	3,720,752	RMB ordinary shares	3,720,752
Shanghai Wozhu Technology Partnership (Limited Liability Partnership) (上海窩竹科技合夥企業（有限合夥）)	3,387,500	RMB ordinary shares	3,387,500
Zhu Yi Ming (朱一明)	2,596,701	RMB ordinary shares	2,596,701
Guo Li Min (郭麗敏)	2,306,600	RMB ordinary shares	2,306,600
Xu Jiang Tao (徐江濤)	1,698,601	RMB ordinary shares	1,698,601

Connected relationship or acting in concert among the top 10 non-restricted ordinary shareholders, and between the top 10 non-restricted ordinary shareholders and the top 10 ordinary shareholders	Zhang En Rong is the father of Zhang Yun San. The Company is not aware of any connected relationship or acting in concert among other shareholders.
Involvement in securities margin trading by the top 10 ordinary shareholders (if any)	Not applicable

Þ Þ Þ 10 Þ Þ
Þ 10 - Þ Þ Þ

☐ Yes ✓ No

The top 10 ordinary shareholders and the top 10 non-restricted ordinary shareholders did not enter into any contracted repurchase transactions during the reporting period.

IV. Changes in controlling shareholders or actual controllers

Changes in controlling shareholders during the reporting period

☐ Applicable ✓ Not applicable

There were no changes in the controlling shareholders of the Company during the reporting period.

Changes in actual controllers during the reporting period

☐ Applicable ✓ Not applicable

There were no changes in actual controllers of the Company during the reporting period.

SECTION VII PREFERRED SHARES

☐ Applicable ✓ Not applicable

The Company did not have any preferred shares during the reporting period.

SECTION VIII CONVERTIBLE CORPORATE BONDS

☐ Applicable ✓ Not applicable

The Company did not have any convertible corporate bonds during the reporting period.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in shareholdings of directors, supervisors and senior management

☐ Applicable ✓ Not applicable

There were no changes in the shareholdings of the Company's directors, supervisors and senior management during the reporting period. Details can be found in the Annual Report 2019.

II. Changes in directors, supervisors and senior management

✓ Applicable ☐ Not applicable

Name	Position	Type	Date	Reason
Liu Min	Secretary to the board of directors	Dismissal	15 May 2020	Resigned from the position of secretary to the board of directors due to change of working arrangements.
Zhao Xiao Tong	Secretary to the board of directors	Appointment	15 May 2020	Appointed as secretary to the board of directors at the third special meeting of the sixth session of the board of directors.

SECTION X CORPORATE BONDS

Whether the Company had any corporate bonds publicly issued and listed on a stock exchange which have not yet matured or has matured but not fully redeemed as at the date of approval of the interim report

No

SECTION XI FINANCIAL REPORT

I. Auditor's report

Whether the interim report has been audited

☐Yes ✓No

The Company's interim financial report is unaudited.

II. Financial statements

Unit used in the financial statements of the financial report: RMB

1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	30 June 2020	31 December 2019
Current assets:		
Monetary funds	**707,917,691.75**	539,942,128.18
Settlement deposits	**—**	—
Lending funds	**—**	—
Financial assets held for trading	**—**	—
Derivative financial assets	**—**	—
Bills receivable	**130,423,298.54**	257,635,279.11
Accounts receivable	**424,787,776.04**	507,559,024.95
Loans and advances	**10,142,715.97**	17,046,915.97
Financing receivables	**11,945,280.78**	96,155,523.75
Prepayments	**81,939,698.15**	41,184,464.45
Insurance receivables	**—**	—
Reinsurance receivables	**—**	—
Reinsurance contract reserves receivable	**—**	—
Other receivables	**23,902,695.95**	29,289,226.01
Including: Interest receivables	**—**	2,308,030.91
Dividends receivable	**—**	—
Purchases of sell-back financial assets	**—**	—
Inventories	**861,023,594.51**	934,907,320.58
Contract assets	**—**	—
Assets held for sale	**—**	—
Non-current assets due within one year	**—**	—
Other current assets	**22,026,619.60**	35,206,341.97
Total current assets	**2,274,109,371.29**	2,458,926,224.97

Unit: RMB

Item	30 June 2020	31 December 2019
Non-current assets:		
Loans and advances	**—**	—
Debt investments	**—**	—
Other debt investments	**—**	—
Long-term receivables	**—**	—
Long-term equity investments	**2,557,061.01**	2,557,061.01
Investments in other equity instruments	**—**	—
Other non-current financial assets	**—**	—
Investment properties	**—**	—
Fixed assets	**2,625,785,466.34**	2,726,157,716.13
Construction-in-progress	**54,254,509.44**	55,034,853.27
Productive biological assets	**—**	—
Oil and gas assets	**—**	—
Right-of-use assets	**—**	—
Intangible assets	**437,923,890.81**	443,223,548.01
Development expenditures	**10,945,166.88**	—
Goodwill	**—**	—
Long-term deferred expenses	**—**	—
Deferred income tax assets	**38,802,419.49**	40,231,904.91
Other non-current assets	**4,400,583.62**	9,621,036.29
Total non-current assets	**3,174,669,097.59**	3,276,826,119.62
Total assets	**5,448,778,468.88**	5,735,752,344.59

Unit: RMB

Item	30 June 2020	31 December 2019
Current liabilities:		
Short-term borrowings	**2,001,166,539.08**	1,929,510,883.39
Borrowings from the central bank	**—**	—
Borrowing funds	**—**	—
Financial liabilities held for trading	**—**	—
Derivative financial liabilities	**—**	—
Bills payable	**113,435,596.12**	281,588,603.88
Accounts payable	**790,492,197.10**	924,020,613.80
Receipts in advance	**—**	—
Contract liabilities	**35,779,305.27**	32,463,654.22
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	**57,766,099.72**	57,276,942.10
Taxes payable	**10,443,015.31**	13,393,461.51
Other payables	**41,914,966.57**	61,423,531.25
Including: Interests payable	**—**	6,389,751.57
Dividends payable	**—**	—
Brokerage and commission payables	**—**	—
Reinsurance payables	**—**	—
Liabilities held for sale	**—**	—
Non-current liabilities due within one year	**492,682,526.61**	482,636,906.78
Other current liabilities	**46,127,700.37**	87,557,572.20
Total current liabilities	**3,589,807,946.15**	3,869,872,169.13
Non-current liabilities:		
Insurance contract reserves	**—**	—
Long-term borrowings	**150,877,971.63**	—
Bonds payable	**—**	—
Including: Preferred shares	**—**	—
Perpetual bonds	**—**	—
Lease liabilities	**—**	—
Long-term payables	**25,649,134.05**	58,045,884.69
Long-term salaries payable	**—**	—
Estimated liabilities	**4,575,161.82**	5,734,176.25
Deferred income	**7,386,306.54**	7,386,306.54
Deferred income tax liabilities	**5,624,829.82**	5,754,299.38
Other non-current liabilities	**—**	—
Total non-current liabilities	**194,113,403.86**	76,920,666.86
Total liabilities	**3,783,921,350.01**	3,946,792,835.99

Unit: RMB

Item	30 June 2020	31 December 2019
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	**—**	—
Including: Preferred shares	**—**	—
Perpetual bonds	**—**	—
Capital reserve	**863,169,158.42**	863,169,158.42
Less: Treasury shares	**—**	—
Other comprehensive income	**(3,292,764.55)**	(3,055,060.57)
Special reserve	**—**	—
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve	**11,236.91**	11,236.91
Undistributed profits	**(207,534,180.80)**	(98,208,687.79)
Total equity attributable to owners of the parent company	**1,637,955,773.86**	1,747,518,970.85
Minority interests	**26,901,345.01**	41,440,537.75
Total owners' equity	**1,664,857,118.87**	1,788,959,508.60
Total liabilities and owners' equity	**5,448,778,468.88**	5,735,752,344.59

Legal representative: Liu Yun Long | Chief accounting officer: Liu Min | Head of accounting department: Zhang Xue Mei

2. *Balance sheet of the parent company*

Unit: RMB

Item	30 June 2020	31 December 2019
Current assets:		
Monetary funds	**646,723,819.18**	515,419,364.09
Financial liabilities held for trading	**—**	—
Derivative financial assets	**—**	—
Bills receivables	**130,423,298.54**	257,635,279.11
Accounts receivable	**564,321,277.59**	614,469,903.11
Financing receivables	**4,522,299.44**	13,745,135.20
Prepayments	**578,720,063.12**	466,070,802.57
Other receivables	**486,732,054.13**	742,034,322.28
Including: Interest receivables	**—**	2,308,030.91
Dividends receivable	**—**	—
Inventories	**596,802,792.23**	627,068,241.69
Contract assets	**—**	—
Assets held for sale	**—**	—
Non-current assets due within one year	**—**	—
Other current assets	**1,838,864.78**	—
Total current assets	**3,010,084,469.01**	3,236,443,048.05

Unit: RMB

Item	30 June 2020	31 December 2019
Non-current assets:		
Debt investments	**—**	—
Other debt investments	**—**	—
Long-term receivables	**—**	—
Long-term equity investments	**1,144,019,921.73**	1,144,019,921.73
Investments in other equity instruments	**—**	—
Other non-current financial assets	**—**	—
Investment properties	**—**	—
Fixed assets	**1,004,601,175.02**	1,056,055,848.38
Construction-in-progress	**438,994.30**	486,984.53
Productive biological assets	**—**	—
Oil and gas assets	**—**	—
Right-of-use assets	**—**	—
Intangible assets	**131,181,772.49**	132,088,784.23
Development expenditures	**10,945,166.88**	—
Goodwill	**—**	—
Long-term deferred expenses	**—**	—
Deferred income tax assets	**36,543,913.52**	37,883,413.51
Other non-current assets	**—**	—
Total non-current assets	**2,327,730,943.94**	2,370,534,952.38
Total assets	**5,337,815,412.95**	5,606,978,000.43
Current liabilities:		
Short-term borrowings	**1,510,566,539.08**	1,765,910,883.39
Financial liabilities held for trading	**—**	—
Derivative financial liabilities	**—**	—
Bills payable	**493,693,956.67**	456,088,603.88
Accounts payable	**258,045,048.95**	318,744,403.11
Receipts in advance	**—**	—
Contract liabilities	**23,022,598.84**	28,059,132.72
Salaries payable	**37,514,781.77**	37,751,734.57
Taxes payable	**7,339,145.70**	10,297,524.70
Other payables	**292,724,778.91**	151,446,321.31
Including: Interests payable	**—**	5,214,764.95
Dividends payable	**—**	—
Liabilities held for sale	**—**	—
Non-current liabilities due within one year	**323,795,804.79**	329,697,408.24
Other current liabilities	**46,127,700.37**	87,557,572.20
Total current liabilities	**2,992,830,355.08**	3,185,553,584.12

Unit: RMB

Item	30 June 2020	31 December 2019
Non-current liabilities:		
Long-term borrowings	**—**	—
Bonds payable	**—**	—
Including: Preferred shares	**—**	—
Perpetual bonds	**—**	—
Lease liabilities	**—**	—
Long-term payables	**25,649,134.05**	58,045,884.69
Long-term salaries payable	**—**	—
Estimated liabilities	**4,575,161.82**	5,734,176.25
Deferred income	**—**	—
Deferred income tax liabilities	**—**	—
Other non-current liabilities	**—**	—
Total non-current liabilities	**30,224,295.87**	63,780,060.94
Total liabilities	**3,023,054,650.95**	3,249,333,645.06
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	**—**	—
Including: Preferred shares	**—**	—
Perpetual bonds	**—**	—
Capital reserve	**863,150,490.92**	863,150,490.92
Less: Treasury shares	**—**	—
Other comprehensive income	**—**	—
Special reserve	**—**	—
Surplus reserve	**187,753,923.88**	187,753,923.88
Undistributed profits	**466,007,947.20**	508,891,540.57
Total owners' equity	**2,314,760,762.00**	2,357,644,355.37
Total liabilities and owners' equity	**5,337,815,412.95**	5,606,978,000.43

3. *Consolidated income statement*

Unit: RMB

Item			Interim 2020	Interim 2019
I.	**Total operating revenue**		**1,346,377,691.82**	2,377,445,034.26
	Including: Operating revenue		**1,346,377,691.82**	2,377,445,034.26
		Interest income	**—**	—
		Insurance premium earned	**—**	—
		Brokerage and commission income	**—**	—
II.	**Total operating costs**		**1,452,590,013.40**	2,365,272,100.70
	Including: Operating costs		**1,244,256,538.68**	2,156,658,882.03
		Interest expenses	**—**	—
		Brokerage and commission expenses	**—**	—
		Surrenders	**—**	—
		Net compensation expenses	**—**	—
		Net charge of insurance liability reserve	**—**	—
		Policyholder dividend expenses	**—**	—
		Reinsurance premiums	**—**	—
		Taxes and surcharges	**10,232,230.64**	12,424,623.05
		Selling expenses	**27,322,539.42**	39,984,800.58
		Administrative expenses	**86,163,288.05**	55,293,610.81
		Research and development expenses	**11,480,131.03**	21,016,556.28
		Finance costs	**73,135,285.58**	79,893,627.95
		Including: Interest expenses	**74,244,592.48**	82,551,261.56
		Interest income	**2,700,511.98**	4,383,386.30
	Add: Other income		**601,950.96**	12,204,052.90
	Investment income		**—**	1,170,164.41
	Including: Gains on investment in associates and joint ventures		**—**	—
		Gain on derecognition of financial assets measured at amortised cost	**—**	—
	Exchange gains		**—**	—
	Net gains on exposure hedges		**—**	—
	Gain on fair value changes		**—**	—
	Credit impairment losses		**(8,118,063.86)**	(2,041,521.53)
	Asset impairment losses		**(6,431,967.73)**	—
	Gains on disposal of assets		**(20,157.66)**	(229,634.05)
III.	**Operating profit**		**(120,180,559.87)**	23,275,995.29
	Add: Non-operating income		**1,086,698.16**	6,078,613.12
	Less: Non-operating expenses		**3,444,396.64**	7,328,046.80
IV.	**Total profit**		**(122,538,258.35)**	22,026,561.61
	Less: Income tax expenses		**1,300,015.86**	3,410,375.68
V.	**Net profit**		**(123,838,274.21)**	18,616,185.93
	(I)	By business continuity		
		1. Net profit from continuing operations	**(123,838,274.21)**	18,616,185.93
		2. Net profit from discontinued operations	**—**	—
	(II)	By attributable ownership		
		1. Net profit attributable to the owners of the parent company	**(109,325,493.01)**	18,012,923.36
		2. Minority interests	**(14,512,781.20)**	603,262.57

Unit: RMB

Item			Interim 2020	Interim 2019
VI.	**Other comprehensive income, net of tax**		**(264,115.52)**	(29,674.09)
	Other comprehensive income attributable to owners of the parent company, net of tax		**(237,703.98)**	(26,706.68)
	(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	**(237,703.98)**	(26,706.68)
		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	**(237,703.98)**	(26,706.68)
		7. Others	**—**	—
	Other comprehensive income attributable to minority shareholders, net of tax		**(26,411.54)**	(2,967.41)
VII.	**Total comprehensive income**		**(124,102,389.73)**	18,586,511.84
	Total comprehensive income attributable to owners of the parent company		**(109,563,196.99)**	17,986,216.68
	Total comprehensive income attributable to minority shareholders		**(14,539,192.74)**	600,295.16
VIII.	**Earnings per share:**			
	(I)	Basic earnings per share	**(0.137)**	0.0226
	(II)	Diluted earnings per share	**(0.137)**	0.0226

Legal representative:	Chief accounting officer:	Head of accounting department:
Liu Yun Long	Liu Min	Zhang Xue Mei

4. *Income statement of the parent company*

Unit: RMB

Item			**Interim 2020**	Interim 2019
I.	**Operating revenue**		**1,115,639,819.69**	1,863,766,772.19
	Less: Operating costs		**1,013,512,530.56**	1,666,352,517.44
		Taxes and surcharges	**7,439,336.84**	6,501,953.69
		Selling expenses	**19,845,958.01**	33,316,813.69
		Administrative expenses	**33,899,846.42**	24,319,269.43
		Research and development expenses	**11,480,131.03**	21,016,556.28
		Finance costs	**55,020,271.86**	54,724,964.66
		Including: Interest expenses	**55,776,505.65**	58,738,760.26
		Interest income	**2,598,276.86**	4,151,408.95
	Add: Other income		**413,426.64**	135,700.00
		Investment income	**—**	—
	Including: Gains on investment in associates and joint ventures		**—**	—
		Gain on derecognition of financial assets measured at amortised cost	**—**	—
	Net gains on exposure hedges		**—**	—
	Gain on fair value changes		**—**	—
	Credit impairment losses		**(8,073,799.54)**	(2,879,470.89)
	Asset impairment losses		**(5,316,175.04)**	—
	Gains on disposal of assets		**1,699.12**	(502,566.05)
II.	**Operating profit**		**(38,533,103.85)**	54,288,360.06
	Add: Non-operating income		**375,245.20**	2,124,692.99
	Less: Non-operating expenses		**3,386,234.73**	7,232,951.30
III.	**Total profit**		**(41,544,093.38)**	49,180,101.75
	Less: Income tax expenses		**1,339,499.99**	2,035,157.63
IV.	**Net profit**		**(42,883,593.37)**	47,144,944.12
	(I)	Net profit from continuing operations	**(42,883,593.37)**	47,144,944.12
	(II)	Net profit from discontinued operations	**—**	—

Unit: RMB

Item			Interim 2020	Interim 2019
V.	**Other comprehensive income, net of tax**		**—**	—
	(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**		**(42,883,593.37)**	47,144,944.12
VII.	**Earnings per share:**			
	(I)	Basic earnings per share	**—**	—
	(II)	Diluted earnings per share	**—**	—

5. *Consolidated statement of cash flows*

Unit: RMB

Item		Interim 2020	Interim 2019
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	**1,539,659,241.46**	2,116,536,269.12
	Net increase in customer deposits and due to banks and other financial institutions	**—**	—
	Net increase in borrowings from the central bank	**—**	—
	Net increase in borrowing funds from other financial institutions	**—**	—
	Cash received from receiving premiums of original insurance contracts	**—**	—
	Net cash received from reinsurance business	**—**	—
	Net increase in deposits from policyholders and investments	**—**	—
	Cash received of interests, brokerages and commissions	**—**	—
	Net increase in borrowing funds	**—**	—
	Net increase in repurchase business capital	**—**	—
	Net cash proceeds from securities brokerage	**—**	—
	Receipts of tax refunds	**9,735,889.58**	5,759,604.17
	Other cash received relating to operating activities	**9,370,946.65**	136,178,082.34
	Sub-total of cash inflows from operating activities	**1,558,766,077.69**	2,258,473,955.671 -1T1 1 Tf-35.68

Unit: RMB

Item		Interim 2020	Interim 2019
II.	**Cash flows from investing activities:**		
	Cash received from return on investments	**—**	58,000,000.00
	Cash received from gains on investments	**—**	1,170,164.41
	Net cash from disposal of fixed assets, intangible assets and other long-term assets	**9,033,785.00**	276,666.35
	Net cash received from disposal of subsidiaries and other business units	**—**	—
	Other cash received relating to investing activities	**—**	—
	Sub-total of cash inflows from investing activities	**9,033,785.00**	59,446,830.76
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**21,638,998.76**	48,925,222.16
	Cash paid for investments	**—**	—
	Net increase in pledged loans	**—**	—
	Net cash paid for acquisition of subsidiaries and other business units	**—**	—
	Cash paid relating to other investing activities	**—**	—
	Sub-total of cash outflows from investing activities	**21,638,998.76**	48,925,222.16
	Net cash flow generated from investing activities	**(12,605,213.76)**	10,521,608.60
III.	**Cash flows from financing activities:**		
	Cash received from capital contributions	**—**	—
	Including: Cash received from capital contributions from minority shareholders by subsidiaries	**—**	—
	Cash received from borrowings	**2,009,460,964.54**	2,286,361,000.00
	Other cash received relating to financing activities	**—**	—
	Sub-total of cash inflows from financing activities	**2,009,460,964.54**	2,286,361,000.00
	Cash paid for repayment of debts	**1,815,517,128.88**	2,540,847,926.67
	Cash paid for distribution of dividends and profits or repayment of interests	**74,395,683.20**	83,676,728.63
	Including: Dividends and profits paid to minority shareholders by subsidiaries	**—**	—
	Cash paid relating to other financing activities	**193,992,208.00**	5,100,000.00
	Sub-total of cash outflows from financing activities	**2,083,905,020.08**	2,629,624,655.30
	Net cash flow generated from financing activities	**(74,444,055.54)**	(343,263,655.30)
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	**(1,434,676.43)**	(3,206,934.14)
V.	**Net increase in cash and cash equivalents**	**(26,016,644.43)**	(62,237,349.04)
	Add: Balance of cash and cash equivalents at the beginning of the period	**496,256,836.18**	578,924,482.20
VI.	**Balance of cash and cash equivalents at the end of the period**	**470,240,191.75**	516,687,133.16

6. *Statement of cash flows of the parent company*

Unit: RMB

Item	Interim 2020	Interim 2019
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**1,441,439,497.40**	1,739,496,343.88
Refunds of taxes received	**9,648,112.40**	1,967,431.10
Other cash received relating to operating activities	**5,305,322.26**	107,269,557.38
Sub-total of cash inflows from operating activities	**1,456,392,932.06**	1,848,733,332.36
Cash paid for purchasing goods and receiving services	**848,739,877.62**	1,566,486,172.49
Cash paid to and on behalf of employees	**65,913,459.99**	89,564,534.17
Cash paid for taxes	**11,883,733.68**	37,901,044.69
Other cash paid relating to operating activities	**238,554,020.52**	68,864,191.55
Sub-total of cash outflows from operating activities	**1,165,091,091.81**	1,762,815,942.90
Net cash flow generated from operating activities	**291,301,840.25**	85,917,389.46
II. Cash flows from investing 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	**—**	—
Net cash received from disposal of subsidiaries and other operating entities	**—**	—
Other cash received relating to investing activities	**—**	—
Sub-total of cash inflows from investing activities	**—**	—
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**296,000.00**	11,570,982.16
Cash paid for investments	**—**	—
Net cash paid for acquisition of subsidiaries and other operating entities	**—**	—
Other cash paid relating to investing activities	**—**	—
Sub-total of cash outflows from investing activities	**296,000.00**	11,570,982.16
Net cash flow generated from investing activities	**(296,000.00)**	(11,570,982.16)
III. Cash flows from financing activities:		
Cash received from capital contributions	**—**	—
Cash received from borrowings	**1,330,263,500.00**	1,832,761,000.00
Other cash received relating to financing activities	**—**	—
Sub-total of cash inflows from financing activities	**1,330,263,500.00**	1,832,761,000.00
Cash paid for repayment of liabilities	**1,629,103,849.50**	1,973,690,650.77
Cash paid for dividend and profit distributions or interest repayments	**53,365,957.00**	59,340,596.17
Other cash paid relating to financing activities	**—**	5,100,000.00
Sub-total of cash outflows from financing activities	**1,682,469,806.50**	2,038,131,246.94
Net cash flow generated from financing activities	**(352,206,306.50)**	(205,370,246.94)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	**(1,487,286.66)**	(3,339,732.99)
V. Net increase in cash and cash equivalents	**(62,687,752.91)**	(134,363,572.63)
Add: Balance of cash and cash equivalents at the beginning of the period	**471,734,072.09**	563,255,887.34
VI. Balance of cash and cash equivalents at the end of the period	**409,046,319.18**	428,892,314.71

8. Statement of changes in owners' equity of the parent company

Unit: RMB

Item	Interim 2020											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
I. Balance at the end of the same period last year	**797,848,400.00**	**–**	**–**	**–**	**863,150,490.92**	**–**	**–**	**–**	**187,753,923.88**	**508,891,540.57**	**–**	**2,357,644,355.37**
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	**797,848,400.00**	**–**	**–**	**–**	**863,150,490.92**	**–**	**–**	**–**	**187,753,923.88**	**508,891,540.57**		**2,357,644,355.37**
III. Changes in the current period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,883,593.37)**	**–**	**(42,883,593.37)**
(i) Total comprehensive income	–	–	–	–	–	–	–	–	–	(42,883,593.37)	–	(42,883,593.37)
(ii) Owners' capital contribution and reduction	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Transfer of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to 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. Charge for the period	–	–	–	–	–	–	–	7,305,455.14	–	–	–	79,765.60
2. Utilised during the period	–	–	–	–	–	–	–	7,305,455.14	–	–	–	79,765.60
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	**797,848,400.00**	**–**	**–**	**–**	**863,150,490.92**	**–**	**–**	**–**	**187,753,923.88**	**466,007,947.20**	**–**	**2,314,760,762.00**

Unit: RMB

Item		Interim 2019											
			Other equity instruments										
		Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
I.	**Balance at the end of the same period last year**	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	471,390,320.79	–	2,320,143,135.59
	Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
	Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
	Others	–	–	–	–	–	–	–	–	–	–	–	–
II.	**Balance at the beginning of the current year**	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	471,390,320.79	–	2,320,143,135.59
III.	**Changes in the current period**	–	–	–	–	–	–	–	–	–	47,144,944.12	–	47,144,944.12
(i)	Total comprehensive income	–	–	–	–	–	–	–	–	–	47,144,944.12	–	47,144,944.12
(ii)	Owners' capital contribution and reduction	–	–	–	–	–	–	–	–	–	–	–	–
	1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–
	2. Capital contributed by other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
	3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
	4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iii)	Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–
	1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
	2. Distributions to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–
	3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iv)	Transfer of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
	1. Transfer of capital reserve to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
	2. Transfer of surplus reserve to 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. Charge for the period	–	–	–	–	–	–	–	4,737,945.91	–	–	–	4,737,945.91
	2. Utilised during the period	–	–	–	–	–	–	–	4,737,945.91	–	–	–	4,737,945.91
(vi)	Others	–	–	–	–	–	–	–	–	–	–	–	–
IV.	**Balance at the end of the current period**	797,848,400.00	–	–	–	863,150,490.92	–	–	–	187,753,923.88	518,535,264.91	–	2,367,288,079.71

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. Its predecessor company is Shandong Molong Group Co.. The Company was jointly promoted and founded 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 (勝利油田凱源石油開發有限責任公司) and Gansu Industrial University Alloy Materials Factory (甘肅工業大學合金材料總廠) on 27 December 2001 with the approval from Shandong Economic Restructuring Office (山東省經濟體制改革辦公室) under with the Document Lu Ti Gai Han Zi [2001] No. 53 (魯體改函字[2001]53號文).

Upon the approval by China Securities Regulatory Commission under the Document Zheng Jian Guo He Zi [2003] No. 50 (證監國合字[2003]50號文), on 15 April 2004, the Company issued 134,998,000 additional overseas listed foreign shares (H Shares) with a nominal value of RMB0.10 each at an issue price of HKD0.70 per share, and listed on the Growth Enterprise Market of the SEHK.

Upon the approval by China Securities Regulatory Commission under the Document Zheng Jian Guo He Zi [2005] No. 13 (證監國合字[2005]13號文), on 12 May 2005, the Company issued 108,000,000 additional overseas listed foreign shares (H Shares) with a nominal value of RMB0.10 each at an issue price of HKD0.92 per share.

Upon the approval under the Document Zheng Jian Guo He Zi [2007] No. 2 (證監國合字[2007]2號文) issued by China Securities Regulatory Commission on 26 January 2007 and the approval issued by the SEHK on 6 February 2007, the Company's overseas listed foreign shares (H Shares) were withdrawn from listing on the Growth Enterprise Market of the SEHK and transferred to list on the Main Board of the SEHK on 7 February 2007.

Upon the approval by China Securities Regulatory Commission under the Document Zheng Jian Xu Ke [2010] No. 1285 (證監許可[2010]1285號文), on 11 October 2010, the Company offered 70,000,000 RMB ordinary shares (A Shares) with a nominal value of RMB1 each at an issue price of RMB18 per share, which were listed for trading on the SZSE since 21 October 2010. The Company's registered capital was changed to RMB398,924,200.00, and the total number of shares was changed to 398,924,200 shares.

Pursuant to a resolution of the Annual General Meeting 2011 convened on 25 May 2012, on the basis of a total of 398,924,200 shares as at 31 December 2011, the Company increased its share capital through transfer of capital reserve at the ratio of 1 new share for 1 existing share, totalling 398,924,200 new shares, on the date of transfer, being 19 July 2012. Upon such transfer, the Company's registered capital was changed to RMB797,848,400.00, and the total number of shares was changed to 797,848,400 shares.

As at 31 December 2019, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

The Company's place of domicile and office address are both at No. 999 Wen Sheng Street, Shouguang City, Shandong Province.

The Company and its subsidiaries (hereunder referred as to the "Group") operate in the machinery manufacturing industry and are principally engaged in the manufacture of special equipment for petroleum machinery. The scope of business mainly covers the production and sale of oil pumps, sucker rods, pumping units, tubing, petroleum machinery and textile machinery; development of petroleum machinery and related products; commodity information services (excluding intermediaries) (The 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 licence).

The controlling shareholder and ultimate controller of the Company is Zhang En Rong, a natural person.

The Group's consolidated financial statements covers nine companies including Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司), Shouguang Maolong New Materials Technology Development Co., Ltd. (壽光懋隆新材料技術開發有限公司) and Weihai Baolong Special Petroleum Materials Co., Ltd. (威海市寶隆石油專材有限公司). During the reporting period, the consolidated statements did not cover 2 subsidiaries, namely Maolong Recycle and Wendeng Baolong. The scope of consolidated financial statements and its changes are described in "VIII. Change in the scope of consolidation" of this note and "IX. Interests in other entities" of this note.

IV. Basis of preparation of the financial statements

1. Basis of preparation

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

2. Going concern

As at the date of the financial report, the Group has been worked smoothly with the associated financial institutions, with some financing channels developed and some facility lines increased. At present, the Company has strong order book, steady cash flows from operating activities, and a relatively promising market outlook for its self-developed new products. Besides, the Group does not have any plan for material investments in 2020.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

The Group has adopted the accounting policies and accounting estimates specific to the characteristics of its actual production and operation, including the business cycle, recognition and measurement of financial assets, measurement of inventory dispatched, classification and depreciation 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 have prepared the financial statements in accordance with the ASBEs, which gives a true and complete view of the financial position, trading results, cashflows 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 for determining the classification of the liquidity of assets and liabilities.

4. Reporting currency

The reporting currency of the Group is RMB.

5. *Accounting for business combinations under common and uncommon control*

The assets and liabilities that the Group acquires as the combining party in a business combination under common control shall be measured at their book value of the combined party on the combining date in the consolidated statements of the ultimate controlling party. The balance between the book value of the net assets acquired and that of the consideration paid shall be used to adjust capital reserves. If capital reserves are insufficient for offsetting, retained earnings will be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in a business combination not under common control shall be measured at fair value on the acquisition date. The combination costs shall be the aggregate of the fair value of cash or non-cash assets paid by the Group on the acquisition date to obtain control over the acquiree, the debts issued or undertaken by the Group and the equity securities issued as well as all relevant direct costs for the business combination (for a business combination realised by multiple transactions, the combination costs shall be the aggregate of the costs of all separate transactions). The amount of the combination costs in excess of the fair value of the identifiable net assets of the acquiree shall be recognised as goodwill. If the combination costs are less than the fair value of the identifiable net assets of the acquiree, the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the combination as well as the fair value of the non-cash assets or the equity securities issued for paying the consideration will be reviewed. If the combination costs are still less than the fair value of the identifiable net assets after review, the balance shall be accounted for as non-operating income for the current period.

6. *Preparation of consolidated financial statements*

The Group incorporates all controlled subsidiaries and structured entities into the scope of the consolidated financial statements.

In preparation of the consolidated financial statements, necessary adjustments will be made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies if there is inconsistency on the accounting policies and accounting period between the Company and its subsidiaries.

Significant intra-group transactions, current balance and unrealised profits within the scope of consolidation shall be offset in preparing the consolidated financial statements. The shares of owners' 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 as "minority interests, profit or loss attributable to 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 a subsidiary 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 ultimate controlling party gains control.

In preparing consolidated financial statements, equity interests acquired by two or more transactions, which finally achieves the business combination, shall be adjusted as if they had been in existence in the current state since the ultimate controlling party gains control. When preparing the comparative statements, to the extent that the Group and the combined party are both under the control of the ultimate controlling party, the relative assets and liabilities of the combined party shall be included in the comparative statements of the Group's consolidated financial statements, and the increase in net assets arising from the combination will be adjusted against the related items under owners' equities in the comparative statements. To avoid double counting the value of the net assets of the combined party, long-term equity investments before the combination, as well as the relevant recognised profit or loss, other comprehensive income and other changes in net assets from the day of acquiring the original equity interest or the day when the Group and the combined party are under the same ultimate control, whichever is later, to the combination date shall be offset against the retained earnings at the beginning of the period and the profit or loss for the current period in the comparative statements, respectively.

The operating results and cash flows of a subsidiary acquired from a business combination not under common control unit shall be included in the consolidated financial statements since 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.

For equity interests in an investee not under common control acquired by two or more transactions, which finally achieves the business combination, when the Group prepares the consolidated statements, equity interests in the investee before the acquisition date shall be re-measured at fair value on the acquisition date and the balance between the fair value and the book value shall be included in the investment gains for the current period. Except for other comprehensive income arising from changes as a result of remeasurement of net liabilities or net assets of the defined benefit plan of the investee, other comprehensive income under the equity method involving the equity interests in the investee held before the acquisition date and other changes in equity except net profit or loss, other comprehensive income and profit distribution shall be converted into investment gains or loss in the period in which the acquisition date falls.

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing controls and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to capital premium or share premium in the consolidated financial statements. Adjustments shall be made to retained earnings in the event that capital reserves are not sufficient.

When the Group loses the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equity shall be re-measured in accordance with the fair value on the date of losing control upon preparation of the consolidated financial statements. The amount of the sum of the consideration obtained from equity disposal and the fair value of remaining equity deducting the difference between shared net asset of original subsidiaries that were started to be calculated on the acquisition date or merging date, shall be recorded as investment gain or loss in the period of losing control, and a written down to goodwill shall be made at the same time. Other comprehensive income related to former equity investment in subsidiaries shall be recognised as current investment income upon losing of controls.

For the Group's disposal on the subsidiaries' equity investment by steps until the loses of controls, if transactions in disposal of subsidiaries' equity investment until losing control are in a package deal, each transaction shall be treated as one transaction of disposal on subsidiaries and loses of control; but the difference between considerations from each disposal of investment and shared net asset of the subsidiary before losing controls shall be recognised as other comprehensive income in the consolidated financial statements, and transferred to investment income for the period of losing controls.

7. *Classifications of joint arrangement and accounting treatment of common cooperation*

The joint arrangement of the Group includes common operations and joint ventures. For common operation projects, as a joint operation party the Group recognises assets and liabilities solely held by the Group and assets and liabilities held on proportion. Revenue and expenses solely or proportionally recognised in accordance with relevant agreements. Transactions on asset purchase or sales with joint ventures, that do not form normal business activity shall only recognise parts of profits and losses generated in above transactions belonging to other joint operation parties.

8. *Criteria for determination of cash and cash equivalents*

Cash in cash flow statement of the Group shall be cash on hand and deposits available for payment at any time. Cash equivalents in cash flow shall be investments which shall be short-term (normally become due within 3 months after purchasing date), highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

9. *Foreign currency operations and translation of foreign currency statements*

(1)

For foreign currency transactions, the Group translate the foreign currency amounts into RMB amounts at the spot rates of exchanges on a trade-date basis. On balance sheet date, foreign currency monetary items are translated into RMB at the prevailing exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and 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.

(2)

Assets and liabilities in foreign currency balance sheet are translated at the spot rate prevailing at the balance sheet date. Except for "undistributed profits", items under the owners' equity are translated at the spot exchange rate when they occur. Income and expenses in income statement are translated at the spot exchange rate on a trade-date basis. The resulting differences are presented under other comprehensive income. Cash flow dominated in foreign currency are translated at the spot rate when occurs. Effects on cash arising from the change of exchange rate are presented as separate item in the cash flow statement.

10. *Financial instruments*

Financial asset or financial liability is recognised when the Group becomes a contractual party of a financial instrument.

(1)

1) Classification, recognition and measurement of financial assets

The Group classifies its financial assets into the following category based on the business model within which the financial asset is managed and the characteristics of contractual cashflow of the financial asset: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss for the period.

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 give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially measured at fair value, with the related transaction costs included in the amount initially recognised. The financial assets are subsequently measured at amortised cost. Except for those designated as hedged items, any difference between the initially recognised amount and the amount at maturity is amortised using effective interest method while the profit or loss on amortisation, depreciation and currency exchange and the profit or loss incurred at the time of de-recognition shall be recorded in the profit or loss of the current period.

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; and ② the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal. Financial assets of this kind are initially measured at fair value and relevant transaction costs are recorded in the initially recognised amount. Except for those designated as hedged items, other profit or loss on financial assets of this kind (excluding the credit impairment loss or gain, the profit or loss on currency exchange, interests on financial assets measured by effective interest method) shall be recorded in other comprehensive income. At the time of derecognition of financial assets, the cumulative profit or loss previously recorded in other comprehensive income shall be released from other comprehensive income and recorded in the profit or loss of the current period.

The Group recognises interest income using the effective interest method. The interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, with the following exceptions: ① For a purchased or originated credit-impaired financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted effective interest rate to its amortized cost. ② For a financial asset that is not a purchased or originated credit-impaired financial asset but has subsequently become credit-impaired, whose interest income is then calculated by applying the effective interest rate to its amortized cost.

The Group designates non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through other comprehensive income is recognised initially at fair value, and related transaction expense is included in the initially recognised amount. Except for dividends (excluding any portion as return of investment cost) received and recorded in the current profit and loss, other related gains and losses (including exchange gains and losses) are included in other comprehensive income and subsequently may not be transferred to the current profits and losses. When it is derecognised, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and is included in retained earnings.

Except those classified as financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group classifies the remaining financial assets as financial assets at fair value through profit or loss. Financial assets of this kind are initially measured at fair value and relevant transaction costs are included directly in the initially recognised amount. The profit or loss on financial assets of this kind is included in the profit or loss of the current period.

When the Group changes the business model for managing financial assets, all financial assets being affected are reclassified. There were no such circumstance in the year.

2) Basis of recognition and method of measurement of transfer of financial assets

A financial asset is derecognised if any one of the following conditions is satisfied: ① the contractual rights to receive cash flows from the financial asset have ceased; ② the financial asset has been transferred and the Group has transferred substantially all the risks and rewards incidental to the ownership of the financial asset; ③ the financial asset has been transferred and the Group has neither transferred nor retained substantially all the risks and rewards incidental to the ownership of the financial asset, and has not retained its control over the financial asset.

Where the transfer of a financial asset in whole satisfies the criteria of derecognition, the difference between the carrying amount of the financial asset transferred and the sum of 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 contractual terms of the transferred financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) is included in profit or loss for the current period.

Where the transfer of financial asset in part satisfies the criteria of derecognition, the carrying amount of the entire 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 contractual terms of the transferred financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the carrying amount of the entire financial asset abovementioned for allocation is included in profit or loss for the current period.

(2)

1) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified either as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. These financial liabilities are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method. Except for the following, the Group classifies financial liabilities as financial liabilities at amortized cost: ① Financial liabilities at fair value through profit or loss, including held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. ② Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach appliesmortized cost: ú

(5)

The Group classifies financial liabilities and equity instruments on the following principles: (1) Where the Group is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument will or may be settled in the Group's own equity instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby 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 instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby 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 to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be

12. *Accounts receivable*

For the accounts receivable arising from the transactions regulated by the "Accounting Standards for Business Enterprises No. 14 — Revenue" and including no significant financing components, the Group always measures its loss allowance at an amount equal to the lifetime expected credit losses.

Judgment of whether credit risk has increased significantly since initial recognition. By comparing the default probability of the financial instrument within the estimated duration determined at initial recognition against the default probability of such instrument within the estimated duration determined on the balance sheet date, the Group determines whether the credit risk of financial instrument has increased significantly. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since initial recognition. In normal circumstance, if the financial instrument is more than 30 days past due, it indicates that the credit risk of financial instrument has increased significantly; unless the Group can obtain reasonable and supportable information without undue cost or effort, which demonstrates that even if it is more than 30 days past due, the credit risk has not increased significantly since the initial confirmation. When determining whether the credit risk has increased significantly since the initial confirmation, the Group shall consider the reasonable and supportable information, including forward-looking information, that is available without undue cost or effort.

Information considered by the Group includes:

— the issuer or debtor has significant financial difficulty;

— the debtor has a breach of the contract, such as default or delay in payment of interest or principal;

— after consideration for relevant economic or contractual conditions based on the debtor's financial difficulty, the creditor grants the debtor a concession which would not be granted for any other situation;

— the debtor will probably enter bankruptcy or financial restructuring;

— the issuer's or debtor's financial difficulty conduces to the disappearance of the active market of the financial asset;

— a financial asset is purchased or originated at a large discount and the discount reflects the occurrence of credit loss.

For bills receivable and accounts receivable, the Group adopts expected credit loss approach to provide for allowances for bad debts. For bills receivable and accounts receivable which have significant different credit risk, expected credit loss is determined on an individual basis. Apart from determining expected credit loss on accounts receivable and bills receivable on an individual basis, the Group also determines the expected credit losses on a collective basis based on the age distribution and whether it is the common risk characteristics of related party amounts within the scope of consolidation. For the combination of expected credit losses based on aging characteristics and the combination of expected credit loss of related parties within the scope of consolidation, the Group calculates the expected credit loss on accounts receivable and bills receivable using the exposure to default risk and expected credit loss rate of on accounts receivable and bills receivable, and determine the expected credit loss rate based on default probability and default loss rate.

The Group measures the expected credit loss on bills receivable and accounts receivable as of the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for the bills receivable and accounts receivable at that time, the Group recognises the difference as loss allowance for the bills receivable and accounts receivable which shall be charged to "credit impairment loss" or credited to "provision for bad debts". In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant notes receivable and accounts receivable cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to "provision for bad debts" and credited to "notes receivable" or "accounts receivable". If the amount written off is greater than the loss allowance, the difference is charged to "credit impairment loss" for the relevant period.

Based on the actual credit loss in previous years and taking into account of forward-looking information of the year, the Group'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%

13. Financing receivables

Measurement of expected credit loss: Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received, discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Group measures the expected credit loss on other receivables as of the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for other receivables at that time, the Group recognises the difference as loss allowance for other receivables which shall be charged to "credit impairment loss" or credited to "provision for bad debts". In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant other receivables cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to "provision for bad debts" and credited to "other receivables". If the amount written off is greater than the loss allowance, the difference is charged to "credit impairment loss" for the relevant period.

15. Inventories

Inventories of the Group mainly include raw materials, entrusted processed materials, work-in-progress and finished products.

The inventory taking system shall be on a perpetual basis. Inventories are initially measured at cost; when inventories are delivered, weight average method is adopted to determine the actual cost of inventories delivered. Low-value consumable and packaging materials are amortised by one-time written-off.

Net realisable value of goods-in-stock, work-in-progress or held-for-sale raw materials are determined by their estimated sales less the related selling expenses and taxes. Net realisable value of held-for-production raw materials are determined by their estimated sales price of finished products less the production cost, related selling expenses and taxes.

16. Contract assets

(1)

A contract asset is the Group's right to consideration in exchange for goods that it 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 the customer, and it has the right to receive payment because one of the goods has been delivered, but the receipt of such payment is conditioned on the delivery of another goods, the Group shall recognise such right to receive payment as contract asset.

(2)

For the recognition and accounting treatment for expected credit losses on contract assets, please refer to the recognition and accounting treatment for bills and accounts receivable in note 12 above.

The Group measures the expected credit loss on contract assets as of the balance sheet date. When the expected credit loss is greater than the carrying amount of loss allowance for the contract assets at that time, the Group recognises the difference as impairment loss which shall be charged to "credit impairment loss" or credited to "impairment allowance for contract assets". In the case contrary to the aforesaid, the Group recognises the difference as impairment gain and makes the account contrarily.

When any credit loss of the Group is actually incurred and it is certain that relevant contract assets cannot be recovered, after an approval for write-off is obtained, the approved amount of write-off shall be charged to "impairment allowance for contract assets" and credited to "contract assets". If the amount written off is greater than the loss allowance, the difference is charged to "credit impairment loss" for the relevant period.

17. Contract costs

(1) Ի Ի

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

Contract performance costs 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 that the entity can specifically identify, 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 bore by the customer are excluded.

(2)

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

(3)

When determining the impairment loss of an asset related to the contract cost, the Group first determines the impairment loss for other assets related to the contract, which is determined in accordance with other relevant accounting standards for business enterprises; then, the Group provides for impairment allowance and recognises as an impairment loss of asset to the extent that the carrying amount of such asset exceeds the difference between the following: the remaining amount of consideration that the Group expects to receive for the transfer of goods to which the asset relates; and the costs that are estimated to be incurred for the transfer of the relevant goods.

The Group shall recognise in profit or loss a reversal of an impairment loss previously recognised when the impairment conditions change and the aforesaid difference is higher than the carrying amount of the asset. The increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

18. Assets held for sale

(1) The Group classifies non-current assets or disposal group that meet the following criteria as held for sale: (1) can immediately be disposed of under the current conditions based on cases of disposals of such assets or disposal groups 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. Before the Group first classifies a non-current asset or disposal group as held for sale, the book value of the non-current asset or each asset and liability in the disposal group is measured according to the requirements of the relevant accounting standards. On initial measurement or remeasurement on the balance sheet date of a non-current asset or a disposal group held for sale, where the book value is

Reversed amount after the recognition of asset impairment loss of the disposal group held for sale should be added proportionally to the book value share according to the share of the book value of each non-current asset in the disposal group other than goodwill.

(6) 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.

(7) When a non-current asset or a disposal group held for sale no longer satisfies the criteria of classification as held for sale and ceases to be classified as held for sale, or a non-current asset is removed from the disposal group held for sale, it is measured is based on the lower of the following: (1) the book value before classification as held for sale adjusted by recognition of depreciation, amortisation or impairment assuming there was no classification as held for sale; (2) the recoverable amount.

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

19. Long-term equity investments

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

Our judgement of joint control is based on the fact of arrangements that all participants involved or groups of participants jointly control and that policies of relevant activities must be unanimously agreed by participants who jointly control the arrangement.

When the Group owns 20% or above but less than 50% of the voting right of the investee directly, or indirectly through subsidiaries, it is considered to have a significant influence on the investee. If the voting right in the investee is less than 20%, the influence on investee will be decided based on facts and circumstances including representatives in the board of directors of similar authority of the investee, or participation in the process of formulating the financial and operating policies of the investee, having significant transactions with the investee, dispatching management personnel to the investee, and providing key technology and data to the investee.

An investee that is under the control of the Group is deemed as a subsidiary of the Group. For long-term equity investments acquired through a business combination under common control, they will be used as the initial investment cost of long-term equity investment according to 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. If the book value of net assets of the consolidated party at the date of consolidation is negative, long-term equity investment cost is recognised as nil.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investments acquired through business combination under uncommon control, consolidation cost will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business merger, long-term equity investments acquired by cash will be used as investment cost according to the actual payment of the purchase price; long-term equity investments acquired through issuance of equity securities will be used as investment cost according to the fair value of the equity securities issued; long-term equity investments from investors will be used as investment cost according to the investment contracts or agreement value. If the Company holds long-term equity investments acquired through debt restructuring, non-monetary asset exchange, etc., the method of recognition of investment cost should be determined according to the requirements of the relevant business accounting standards and the disclosure of the Company's actual conditions.

The Group's investments in subsidiaries are accounted for using the cost method and using equity method for the investments in joint ventures and associates.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognised as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognised after adjustment is made to the net profit of the investees.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Company ceases to have control or significant influence on the invested company due to the reasons such as disposal of part of its equity investment, the remaining shareholding after disposal shall be accounted for under available- for-sale financial assets, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognised in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying 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, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting for each transaction shall be conducted separately. For the package transaction, the accounting for each transaction shall be treated as disposing subsidiary and loss of its control. However, the difference between each disposal price before loss of control and the carrying value of the corresponding long-term investment of the equity disposed, shall be recognised as other comprehensive income, and shall be transfer to the profit or loss for the current period upon loss of control.

20. Fixed assets

(1)

Fixed assets are tangible assets with significant value and useful lives for more than one year, and held for use in the production goods, renting of services, for rental, or for administrative purposes. Fixed assets are recognised when it is highly probable of economic benefits inflow to the Group and their costs can be measured reliably. The Group's fixed assets include buildings, machinery, electronic equipment, vehicles and other equipment.

(2) ⊦

Category	Depreciation method	Years of depreciation	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line	20	5	4.75
Machinery	Straight-line	5–20	5	19.00–4.75
Electronic equipment	Straight-line	3–5	5	31.67–19.00
Vehicles	Straight-line	5	5	19.00
Other equipment	Straight-line	5	5	19.00

The Group reviews the expected life of use, estimated net residual value and depreciation method of fixed assets at the end of each year, and changes, if any, are treated as changes in accounting estimates.

21. Construction-in-progress

Construction-in-progress is carried forward to fixed assets 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 the completion of final account audit of the completed project, adjustment will be made for any difference from the original value of the fixed assets.

22. Borrowing costs

In terms of the borrowing costs involving fixed assets, investment real estate and inventory directly attributable to over one year construction or production to achieve its intended use or sale, the capitalization of the borrowing costs can commence only when all of the conditions are satisfied; expenditures for the asset are being incurred, borrowing costs are being incurred, and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. When the qualified asset under acquisition, construction or production is ready for the intended use or sale, the capitalisation of the borrowing costs shall be ceased. The amount of other borrowing costs shall be recognised in profits of losses in the current period. If the qualified asset is interrupted abnormally during construction or production, and interruption has lasted for three consecutive months, the capitalisation of the borrowing costs shall be suspended until the construction or production of a fixed assets is resumed.

The amount of interest of specific borrowings occurred for the period shall be capitalised after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalisation period. The capitalised amount of general borrowings shall be determined on the basis that the weighted average (of the excess amounts of cumulative assets expenditures 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.

23. Right-of-use assets

A right-of-use asset is a right to use a leased asset by the Group, as a lessee, within a lease term.

(1)

At the commencement of a lease term, the Group initially measures a right-of-use asset at cost, which comprises the following four elements: ① the amount of lease liability initially measured; ② the lease payment made on or before the commencement date of lease term, net of any incentives received; ③ any initial expenses directly incurred, that is the incremental cost incurred to obtain the lease; ④ the costs expected to be incurred in 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 and conditions of the lease, unless it is incurred from the production of inventories.

(2)

After the commencement date of lease term, the Group subsequently measures the right-of-use asset on a cost basis, that is to measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses.

The Group remeasures lease liabilities according to the requirements under the standard of leases and makes corresponding adjustment to the carrying amount of right-of-use assets.

(3) Ի - -

A right-of-use asset is depreciated from the commencement date of lease term. Generally, depreciation of a right-of-use asset starts from the month when the lease commences. The depreciation amount is charged to the cost of the right-of-use asset or profit or loss according to the use of the underlying asset.

When determining the depreciation method of a right-of-use asset, the Group considers the expected consumption of economic benefits in respect of the right-of-use asset and depreciates the asset on a straight-line basis.

In determining the useful life of a right-of-use assets, the Group follows the principles below: if it can reasonably be certain that the ownership right will be obtained upon expiry of the lease term, the right-of-use asset is depreciated over the remaining useful life; if it cannot reasonably be certain that the ownership right will be obtained upon expiry of the lease term, the right-of-use asset is depreciated over the shorter of the lease term and the remaining useful life of the right-of-use asset.

If the right-of-use asset is impaired, depreciation is made at the carrying amount of the right-of-use asset after deduction the impairment losses.

24. Intangible assets

(1) Ի ,

The Group's intangible assets mainly include land use right, maritime use right, patented technology, non-patented technology and software, etc. Intangible assets are measured at the actual costs at acquisition. For purchased intangible assets, actual paid cost and other relevant expenses are used as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the values specified in the investment contract or agreement, while for the unfair agreed value in contract or agreement, the actual cost is determined at the fair value. The intangible asset, which is owned by the acquiree in a combination under different control but is not confirmed in the financial statement, shall be confirmed as intangible asset at its fair value upon the initial recognition on the acquiree's assets.

For intangible assets with definite useful lives, the Group adopts straight-line method for amortization at the month of acquisition. The Group amortises land use right, maritime use right on the basis of its useful life by straight-line method since it is acquired. The patent technology, non-patent technology and other intangible assets are amortised evenly on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortisation amount is accounted into profit and loss in the current period. The Group makes the assessment on the estimated useful life and amortisation method of intangible assets with limited useful life 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.

(2) ⊦ ⊦ ⊦

The Group's major research and development projects relate to tubing and casings of different models and materials.

With reference to the nature of expenditures and uncertainty of the final achievement, expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

From early investigations to the applications after maturity, the new product R&D projects of the Group shall undergo two phases, namely research and development. The research phase includes such stages as investigation, substantiation, the initiation and approval of annual new product R&D plans, early researches (including formula design, process design, equipment selection, formulation of technical standards, etc.), the preparation and approval of monthly new product R&D plans and so on, among which the completion of approval of monthly new product R&D plans symbolises the end of the phase of research for a new product. The development phase includes specifically such stages as trial production of the new product, project acceptance, etc., the latter of which symbolises the end of the phase of development for a new product.

Start time of the phase of development: the point when the approval of monthly new product R&D plans is completed, the early researches are completed and the formula, production process and technical standards for the product are finalised.

Expenditure at the research phase is recognised in profit or loss of the period in which it is incurred.

Expenditure on the development phase is recognised as an intangible asset when all of the following criteria are met:

1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

2) the management's intention to complete, use or sell the intangible asset;

3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure on the development phase which does not meet the above criteria is included in profit or loss of the period in which it is incurred. Expenditure in the development phase which has been included in the profit or loss in the prior period will not be recognised as asset in subsequent period. The capitalised expenditures in development phase are presented as development expenditure in the balance sheet and it is carried down into the intangible asset since the date when the asset is ready for its intended use.

25. *Impairment of long-term assets*

The Company assesses items such as long-term equity investments, investment properties measured at cost, fixed assets, construction-in-progress, intangible assets with definite life, the Company conducts impairment test where there is any indication of impairment. Goodwill and intangible assets with indefinite useful life are tested at the end of each year for impairment, no matter there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

When performing impairment test on goodwill that is separately presented in the financial statements, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

If the carrying amount of such asset exceeds its recoverable amount after impairment test, the difference is recognised as impairment losses. The above impairment losses is irreversible in the subsequent accounting period once recognised.

26. *Long-term deferred expenses*

The Group's long-term deferred expenses will be amortized evenly during its beneficial period, If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to 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, the amount received or receivable is recognised as contract liabilities when the customers' payment is actually made or is due, whichever is earlier.

28. Employee compensations

(1) ⊦ -

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

Short-term employee benefits 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, employee education costs, short-term paid leaves, short-term profit sharing schemes, non-monetary welfare and other short-term salaries. The Group recognises employee remuneration payables as liabilities during the accounting period in which employees render their services and included in profits or losses in the current period or related cost of assets based on the beneficiaries of the services.

(2) -

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 included in profit or loss of the period or relevant asset costs according to the beneficiaries. The Group has currently no defined benefit plan.

(3)

The Group has currently no termination benefits.

(4) ⊦ -

The Group has currently no other long-term compensations.

29. Lease liabilities

(1)

The Group initially measures a lease liability at the present value of outstanding lease payments at the commencement date of the lease term.

1) Lease payments

(2)

After the commencement date of the lease term, the Group follows the principles below for the subsequent measurement of a lease liability: ① to increase the carrying amount of the lease liability when recognizing the interest on the lease liability; ② to reduce the carrying amount of the lease liability when a lease payment is made; ③ to remeasure the carrying amount of the lease liability when there is a change in lease payment due to a change of reassessment or the lease.

The interest expenses of a lease liability in each period during the lease term based on fixed periodic interest rate are charged to the profit of loss of the current period, except those are capitalised. Periodic interest rate is the discount rate used by the Group for initial measurement of the lease liability, or the revised discount rate used by the Group when remeasuring the lease liability at the revised discount rate due to a change of lease payments or a change of the lease.

(3)

After the commencement date of the lease term, the Group remeasures the lease liability based on the lease payments after the change and the revised discount rate, with a corresponding adjustment made to the carrying amount of the right-of-use asset. The carrying amount of the right-of-use asset is reduced to zero. If there is any further reduction of the lease liability, the Group charge the remaining amount to the profit or loss for the current period. ① There is a change in the substantial fixed payment; ② There is a change in projected payable of the guarantee residual value; ③ There is a change in the index or ratio used for determining the lease payment; ④ There is a change in the assessment result of the purchase option; ⑤ There is a change in the assessment result of the extension or termination option or the actual exercise of the option.

30. Provisions

A provision is recognised as a liabilities when an obligation related to a contingency, such as guarantees provided to outsiders, pending litigations or arbitrations, product warranties, redundancy plan, onerous contract, reconstructing, expected disposal of fixed assets, satisfied all of the following conditions: the obligation is a present obligation of the Group; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. Considering the factors, such as risk, uncertainties, and time value of money related to the contingencies. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

If all or part of the expense necessary for settling the provisions is expected to be compensated by the third party, the amount of compensation is separately recognised as an asset when it is basically determined to be recoverable, and the recognised amount of the compensation shall not exceed the carrying amount of the provisions.

The Group reviews the carrying amount of provisions at the balance sheet date and makes appropriate adjustments to reflect the current best estimate.

31. Safety Production Fee

The Group collects, utilises and reviews the safety production fee pursuant to the relevant requirements of Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (No. 16 [2012] of the Ministry of Finance and the State Administration of Work Safety) and Notice of the Ministry of Finance on Issuing Interpretation No. 3 of the Accounting Standards for Business Enterprises (No. 8 [2009] of the Ministry of Finance).

The provision of Group's machinery production enterprise safety production costs is based on the actual sales revenue in last year, which is extracted monthly by taking excess regressive manner in accordance with the following standard. The provision will be used for enhancing and improving safe production conditions of enterprises or projects.

(1) Operating income of RMB10 million and below, accrued in accordance with 2%;

(2) Operating income of RMB10 million to RMB100 million (inclusive), accrued in accordance with 1%;

(3) Operating income of RMB100 million to RMB1,000 million (inclusive), accrued in accordance with 0.2%;

(4) Operating income of RMB1,000 million to RMB5,000 million (inclusive), accrued in accordance with 0.1%;

(5) Operating income above RMB5,000 million, accrued in accordance with 0.05%.

The provision of the safety production fee for newly established enterprises and machinery production enterprise with production less than one year is based on actual sales revenue for the year. The provision is accrued monthly.

The provision of safety production fee is recognised in profit and loss for the current period and "special reserve" account shown separately under owner's equity. When using the reserve for maintaining safety production fee, the amount will be debited from the "special reserve" if the fee is expenses nature. When using the reserve for maintaining safety production fee of fixed asset, the amount will be debited from the inim ford as cE ofrfetriod and "special

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

2) the customer can control the asset created or enhanced during the Group's performance.

3) the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, which is determined by input method. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

1) the Group has a present right to payment for the goods or services.

2) the Group has transferred the legal title of the goods to the customer.

3) the Group has transferred physical possession of the goods to the customer.

4) the Group has transferred the significant risks and rewards of ownership of the goods to the customer.

5) the customer has accepted the goods or services.

The Group's right to consideration in exchange for goods or services that it has transferred to a customer is stated as contract asset. The Group recognises allowances for impairment loss for expected credit loss on contract assets. Receivable is the Group's unconditional right to consideration to be received from a customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(2) Ꮒ Ꮒ ’

.

① *Contracts for sale of goods*

Contracts for sale of goods between the Group and its customers usually include only the performance obligations in respect of the transfer of goods. In general, the Group recognises revenue at the point in time when the customer accepts the control of the goods, taking into full consideration of the following factors: obtaining the present right to receiving payment in respect of the goods; transfer of substantial risks and returns in respect of the title to the goods; transfer of legal title in respect of the goods; transfer of the physical asset of the goods; and the acceptance of goods by customers.

② *Contracts for provision of services*

Contracts for provision of services between the Group and its customers usually contain performance obligations such as technical services and after-sale maintenance services. While the Group performs the contract, the customer obtains and consumes the economic benefit brought by the Group's performance, and in respect of the portion of revenue arising from the Group's performance completed to date, the Group is entitled, during the entire validity period of the contract, to recognise revenue according to progress of performance within such period for satisfying such performance obligations during a period of time, however other than circumstances that the progress of performance cannot be reasonably determined. The Group determines progress of performance in respect of the provision of services using input method. When the progress of performance cannot be reasonably determined, if the costs incurred are expected to be compensated, the Group recognises revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

33. Government grants

The Group's government grants include financial funding, interest subsidy for loans and tax rebates, of which government grants related to assets represent the government grants obtained by the Group and applied towards acquiring and constructing or otherwise develop long-term assets. Government grants related to income 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, otherwise, it is classified as a government grant related to income in its entirety.

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 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 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).

Government grants related to assets are recognised as deferred income and are allocated evenly to profit or loss for the 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 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.

For government grants recognised that needs to be returned, the Group accounts the returning amount in the period according to the following:

1) Where it has been offset against the carrying value of the relevant asset on initial recognition, the carrying value of the asset is adjusted.

2) Where relevant deferred income exists, the balance of the carrying amount of the relevant deferred income is offset and the excess is recognised in profit or loss for the period.

3) In other cases, it is directly recognised in profit or loss for the period.

34. Deferred income tax assets/deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Group are calculated and recognised based on the difference between tax bases and carrying amounts of assets and liabilities (temporary differences). Deferred income tax asset is recognised for the deductible losses that are deductible against taxable profit in subsequent years in accordance with the requirements under tax laws. No deferred tax liability is recognised for temporary difference arising from initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognised for a temporary difference arising from initial recognition of asset or liability due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At 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.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available to deduct from the deductible temporary difference, deductible losses and tax credits.

35. Leases

(1)

A lease is a contract under which the lessor conveys the right to use an asset to the lessee for a period

For a contract that contains multiple lease components, the Group separates the contract and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the Group separates and accounts for the lease and non-lease components.

(2) Ի

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease term. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, the lease payments made at or before the commencement date of the lease term (net of any lease incentives received), any initial direct costs incurred and an estimate of costs expected to be incurred in dismantling and removing the lease asset or restoring the site on which the lease asset is located, or restoring the lease asset to the condition required by the terms and conditions of the lease.

As a lessee, the Group recognises right-of-use assets and lease liabilities for leases.

1) 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 a 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 by adding right of use of one or more leased assets; ②the increased consideration and the standalone price of the expanded part 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. When calculating the present value of the lease payment after modification, the Group uses the interest rate implicit in lease of the remaining lease term as the discount rate. If the interest rate implicit in lease of the remaining lease term cannot be determined, the Group uses lessee's incremental borrowing rate at the effective date of the modification of the lease as the discount rate. 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 carrying amount 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 of the current year. ② For other modifications of lease that result in remeasurement of lease liability, the lessee made corresponding adjustment to the carrying amount of the right-of-use asset.

2) 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 recognize 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 the profit or loss for the current period in each period of the lease term on a straight-line basis.

(3) ト

On the basis of determining the contract is or contains a lease as mentioned in (1), the Group, as a lessor, classifies the lease as finance lease and operating lease at the inception of the lease.

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

A lease is usually classified as a finance lease by the Group when one or more of the following conditions are satisfied: ① When the lease term expires, the ownership of the leased asset is transferred to the lessee; ② The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, it can be reasonably certain at the commencement date of the lease that the lessee will exercise the option; ③ The ownership of the asset is not transferred, but the lease term takes up most of the useful life of the leased assets (not less than 75% of the useful life of the leased asset); ④ On the commencement date of the lease, the present value of the lease receipt is basically equivalent to the fair value of the leased asset (not less than 90% of the fair value of the leased asset); ⑤ The leased assets are of a special nature. If no major modifications are made, it can only be used by the lessee. If one or more of the following indications exist in a lease, the Group may also classify it as a finance lease: ① If the lessee cancels the lease, the loss of the lessor arising from the cancellation of lease is borne by the lessee; ② The gain or loss arising from the fair value change in the balance of the asset belongs to the lessee; ③ The lessee is able to continue the lease for the next period at a rent far below the market level.

1) Accounting for operating leases

Initial measurement

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 net lease investment is used 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). A lease receipt is the payment receivable from the lessee by the lessor for conveying the right to use a leased asset within the lease period, which comprises: ① the fixed payments and the substantial fixed payments to be made by the lessee, net of the lease incentive amount, if any; ② the variable lease payments depending on an index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; ③ the price of exercising the option to purchase, provided that it is reasonably certain that the lessee will exercise the option; ④ the amount payable by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; ⑤ the residual value of the guarantee provided by the lessee, its related party and an independent third party having financial capability to fulfil the obligation under the guarantee.

Subsequent measurement

The Group calculates and recognises interest income in each period during the lease term based on fixed periodic interest rate. Periodic interest rate is the implicit discount rate used to determine the net lease investment (For sub-leases where the implicit interest rate cannot be determined, the discount rate of the original lease is used (adjusted by any initial direct expenses in relation to the sub-lease), or the revised discount rate fixed when the modification of the finance lease is not treated as a separate lease and the leased is classified as finance lease in accordance with the relevant requirement with the criteria are satisfied had the modification take effect on the commencement date of the lease.

Accounting for lease modifications

If the finance lease is modified and meets the following conditions, the Group accounts for the modification as a separate lease: ① The modification expands the lease scope by adding right to use of one or more leased assets; ② The increased consideration is equal to the standalone price of the expanded lease scope as adjusted based on the contract.

If the modification of finance lease is not accounted for as a separate lease, and it satisfies the criteria of classification of the lease as an operating lease had the modification takes effect on the lease commencement date, the Group accounts for the lease modification as a new lease since the effective date of the lease modification, with the net lease investment prior to the effective date of the lease modification as the carrying amount of the leased asset.

2) Accounting for operating leases

Treatment of rents

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

Incentive measures provided

For rent-free period, the Group allocates the total rent over the lease term without deducting rent-free period on a straight-line basis, and recognises rental income during the rent-free period. If the Group bears certain expenses on behalf of the lessee, such expenses are deducted from the rental income and the balance of rental income after deduction is allocated over the lease term.

Initial direct expenses

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.

Depreciation

For the fixed assets in operating lease assets, they are depreciated using the policy similar to the depreciation of assets. For other operating lease assets, they are amortised on a systematic and reasonable manner.

Variable lease payments

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 of the current period when they occur.

Modifications of operating leases

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.

36. *Other significant accounting policies and accounting estimates*

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying value of goodwill. All other current tax and deferred tax are recognised in profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred tax liabilities that should be recognised using the balance sheet liabilities approach at the end of period and their balances originally recognised.

The Group's operating segments are identified based on internal organisation structure, management requirements and internal reporting system. The reportable segments are determined and disclosed based on the operating segments.

Operating segment is a component of the Group that satisfies the following criteria simultaneously: the component can generate revenue and expenses in business activities; the management of the Group can assess the operating performance of the component in order to allocate resources and assess performance; and the Group can acquire accounting information such as the financial position, operating performance and cash flow of the component. If two or more operating segments carry similar economic characteristics, and satisfy certain criteria, they are combined as one operating segment.

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.

37. *Changes in significant accounting policies and accounting estimates*

(1) Þ

☐ Applicable ✓ Not applicable

(2) Þ

☐ Applicable ✓ Not applicable

(3) Þ Þ Þ Þ

Þ Þ Þ ◣

Þ 2020

☐ Applicable ✓ Not applicable

(4) Þ

Þ Þ ◣ Þ

2020

☐ Applicable ✓ Not applicable

VII. Notes to the consolidated financial statements

1. Monetary funds

Unit: RMB

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	**131,740,705.60**	**100.00%**	**1,317,407.06**	**1.00%**	**130,423,298.54**	260,237,655.67	100.00%	2,602,376.56	1.00%	257,635,279.11
Including:										
Bills receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**131,740,705.60**	**100.00%**	**1,317,407.06**	**1.00%**	**130,423,298.54**	260,237,655.67	100.00%	2,602,376.56	1.00%	257,635,279.11
Total	**131,740,705.60**	**100.00%**	**1,317,407.06**	**1.00%**	**130,423,298.54**	260,237,655.67	100.00%	2,602,376.56	1.00%	257,635,279.11

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	Bad debt provision	Provision rate
Within 1 year	131,740,705.60	1,317,407.06	1.00%
Total	131,740,705.60	1,317,407.06	—

Basis for determining the group:

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

If provision for bad debts of bills receivable was made using the general approach of expected credit loss, please disclose the information on provision for bad debts with reference to the disclosures of other receivables:

☐ Applicable ✓ Not applicable

(2) ,

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provisions for impairment of bills receivable	2,602,376.56	—	1,284,969.50	—	—	1,317,407.06
Total	2,602,376.56	—	1,284,969.50	—	—	1,317,407.06

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

☐ Applicable ✓ Not applicable

(3)

Unit: RMB

Item	Pledged amount at the end of the period
Trade acceptance bills	76,457,360.55
Total	76,457,360.55

(4) .

Unit: RMB

Item	Amount derecognised as at the end of the period	Amount not derecognised as at the end of the period
Trade acceptance bills	—	46,127,700.37
Total	—	46,127,700.37

(5) - h

h

The Group had no bills transferred to accounts receivable due to non-performance of drawers at the end of the current period.

( ) - h

The Group had no actual write-offs of bills receivable at the end of the current period.

3. *Accounts receivable*

(1)

Unit: RMB

	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		
Type	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Accounts receivable provided for bad debts on an individual basis	**18,965,734.73**	**3.37%**	**3,793,146.95**	**20.00%**	**15,172,587.78**	19,965,734.73	3.14%	3,993,146.95	20.00%	15,972,587.78
Including:										
Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	**18,965,734.73**	**3.37%**	**3,793,146.95**	**20.00%**	**15,172,587.78**	19,965,734.73	3.14%	3,993,146.95	20.00%	15,972,587.78
Accounts receivable provided for bad debts on a collective basis	**543,008,347.05**	**96.63%**	**133,393,158.79**	**24.57%**	**409,615,188.26**	615,592,605.55	96.86%	124,006,168.38	20.14%	491,586,437.17
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**543,008,347.05**	**96.63%**	**133,393,158.79**	**24.57%**	**409,615,188.26**	615,592,605.55	96.86%	124,006,168.38	20.14%	491,586,437.17
Total	**561,974,081.78**	**—**	**137,186,305.74**	**—**	**424,787,776.04**	635,558,340.28	100.00%	127,999,315.33	—	507,559,024.95

Provision for bad debts on an individual basis: Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk

Unit: RMB

		Balance at the end of the period		
Name	Book balance	Bad debt provision	Provision rate	Reason for provision
Hebei Zhongtai Steel Pipes Manufacturing Company Limited (河北中泰鋼管製造有限公司)	18,965,734.73	3,793,146.95	20.00%	Provision was made based on the expected credit loss amount of the customer
Total	18,965,734.73	3,793,146.95	—	—

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

Unit: RMB

	Balance at the end of the period		
Name	**Book balance**	**Bad debt provision**	**Provision rate**
Within 1 year	402,992,070.88	4,029,920.71	1.00%
1–2 years	16,654,355.48	8,327,177.74	50.00%
2–3 years	400,715.36	300,536.52	75.00%
3–5 years	14,837,876.70	12,612,195.19	85.00%
Over 5 years	108,123,328.63	108,123,328.63	100.00%
Total	543,008,347.05	133,393,158.79	—

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss, please disclose the information on provision for bad debts with reference to the disclosures of other receivables:

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

Age	**Balance at the end of the period**
Within 1 year (inclusive)	402,992,070.88
1 to 2 years	16,654,355.48
2 to 3 years	400,715.36
Over 3 years	141,926,940.06
3 to 4 years	2,499,070.57
4 to 5 years	31,304,540.86
Over 5 years	108,123,328.63
Total	561,974,081.78

(2) , ト

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	
Provisions for bad debts of accounts receivable	127,999,315.33	9,186,990.41	—	—	—	137,186,305.74
Total	127,999,315.33	9,186,990.41	—	—	—	137,186,305.74

(3) - ト

Write-off of accounts receivable:

The Group had no actual write-offs of accounts receivable for the current period.

(4) ト ト

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Percentage of the total balance of accounts receivable at the end of the period	Balance of bad debt provision at the end of the period
Entity I	187,310,298.52	33.33%	，菴袪笓顤f庍茈彣遏퐌樧帎誶籰を蕄刨

( )

As at 30 June 2020, the Group had no assets or liabilities arising from transfer of accounts receivable and continuous involvement.

Other information:

As at 30 June 2020, the Group had no accounts receivable that restricted for use as they have been applied to the factoring of loans.

4. Financing receivables

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Bank acceptance bills	**11,945,280.78**	96,155,523.75
Total	**11,945,280.78**	96,155,523.75

Increase or decrease movements and fair value changes of financing receivables during the period

✓ Applicable ☐ Not applicable

The Group uses the carrying amount of the bank acceptance bills as their fair value due to their short remaining terms and their carrying amount approximates to their fair value.

If provision for impairment of financing receivables was made using the general approach of expected credit loss, please disclose the information on provision for impairment with reference to the disclosures of other receivables:

✓ Applicable ☐ Not applicable

No provision for asset impairment was made by the Group as the acceptors of the bank acceptance bills it holds are all financial institutions with good credit standing.

(1)

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Loans and advances	**40,813,201.90**	47,925,154.08
Less: Loss allowances for loans	**30,670,485.93**	30,878,238.11
Loans and advances, net	**10,142,715.97**	17,046,915.97

(2)

Unit: RMB

Type of borrowing	**Balance at the end of the period**	Balance at the beginning of the year
Pledged loans	**0.00**	5,340,000.00
Secured loans	**3,699,593.19**	3,844,593.19
Guaranteed loans	**6,443,122.78**	7,862,322.78
Total	**10,142,715.97**	17,046,915.97

(3)

As at 30 June 2020, subsidiaries of the Group had total overdue loans of RMB40,813,201.90. Details of the impairment loss of the Group's loans based on the provision and status of security using the expected credit loss model were as follows:

Unit: RMB

Period of overdue	Amount	Percentage of total loans (%)	Balance of loss allowance for loans at the end of the period
>360 days	40,813,201.90	100	30,670,485.93
180–360 days	—	—	—
90–180 days	—	—	—
<90 days	—	—	—
Total	40,813,201.90	100	30,670,485.93

(4)

Unit: RMB

	Balance at the end of the period				
	Book balance		Loss allowance for loans		
Type	**Amount**	**Percentage (%)**	**Amount**	**Provision rate (%)**	**Net loans**
Corporate loans	37,988,201.90	93.08	28,937,485.93	76.17	9,050,715.97
Personal loans	2,825,000.00	6.92	1,733,000.00	61.35	1,092,000.00
Total	40,813,201.90	100.00	30,670,485.93	—	10,142,715.97

	Balance at the beginning of the year				
	Book balance		Loss allowance for loans		
Type	Amount	Percentage (%)	Amount	Provision rate (%)	Net loans
Corporate loans	45,100,154.08	94.11	29,145,238.11	64.62	15,954,915.97
Personal loans	2,825,000.00	5.89	1,733,000.00	61.35	1,092,000.00
Total	47,925,154.08	100.00	30,878,238.11	—	17,046,915.97

(5) ,

h

Unit: RMB

		Movement during the current period			
Type	**Balance at the beginning of the period**	**Provision**	**Recovery or reversal**	**Offset**	**Balance at the end of the period**
Provision for impairment of loans and advances	30,878,238.11	—	207,752.18	—	30,670,485.93
Total	30,878,238.11	—	207,752.18	—	30,670,485.93

6. Prepayments

(1)

Unit: RMB

	Balance at the end of the period		Balance at the beginning of the period	
Age	**Amount**	**Percentage**	Amount	Percentage
Within 1 year	**76,692,815.10**	**93.60%**	36,184,175.19	87.86%
1 to 2 years	**697,970.78**	**0.85%**	520,257.50	1.26%
2 to 3 years	**174,558.00**	**0.21%**	15,091.24	0.04%
Over 3 years	**4,374,354.27**	**5.34%**	4,464,940.52	10.84%
Total	**81,939,698.15**	**—**	41,184,464.45	100.00%

7. *Other receivables*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Interest receivables	**—**	2,308,030.91
Other receivables	**23,902,695.95**	26,981,195.10
Total	**23,902,695.95**	29,289,226.01

(1)

1) Category of interest receivables

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Interest on deposits and margins	**—**	2,308,030.91
Total	**—**	2,308,030.91

2) Significant overdue interests

The above interests of the Group were not overdue.

3) Provision for bad debts

☐ Applicable ✓ Not applicable

(2) ⊦

1) Other receivables by payment nature

Unit: RMB

Payment nature	Book balance at the end of the period	Book balance at the beginning of the period
Staff turnover loans	**1,010,354.00**	1,293,754.00
Deposits/margins	**2,914,255.36**	3,589,758.00
Amounts due from administrative entities	**23,494,341.48**	26,000,341.48
Amounts due from other entities	**2,487,319.44**	1,677,120.82
Less: Provision for bad debts of other receivables	**(6,003,574.33)**	(5,579,779.20)
Total	**23,902,695.95**	26,981,195.10

2) Provision for bad debts

Unit: RMB

Provision for bad debts	Stage 1 Next 12-month expected credit loss	Stage 2 Lifetime expected credit loss (non-credit impaired)	Stage 3 Lifetime expected credit loss (credit impaired)	Total
Balance at 1 January 2020	241,368.00	5,338,411.20	0.00	5,579,779.20
Balance at 1 January 2020 during the period	—	—	—	—
Charge for the period	(12,104.87)	435,900.00	—	423,795.13
Balance at 30 June 2020	229,263.13	5,774,311.20	—	6,003,574.33

Movements of book balance of significant changes in loss allowance for the current period

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

Age	Balance at the end of the period
1 year (inclusive)	12,097,466.96
1 to 2 years	1,498,303.32
2 to 3 years	250,000.00
Over 3 years	16,060,500.00
3 to 4 years	500.00
4 to 5 years	230,000.00
Over 5 years	15,830,000.00
Total	29,906,270.28

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	
Provisions for bad debts of other receivables	5,579,779.20	423,795.13	—	—	—	6,003,574.33
Total	5,579,779.20	423,795.13	—	—	—	6,003,574.33

4) Actual write-off of other receivables for the current period

There were no actual write-offs of other receivables for the current period.

5) *Balance of five largest other receivables as at the end of the period 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 City Yang Kou Town Office of Finance	Current accounts of the government	14,530,000.00	Over 5 years	48.59%	3,051,300.00
Shouguang City Yang Kou Town Statistic Centre of Finance, Political, Economic and Administration Affairs	Current accounts of the government	7,050,941.48	Over 4 years	23.58%	2,128,441.64
Sinopec International Business Co., Ltd., Nanjing Bidding Centre (中國石化國際事業有限公司南京招標中心)	Security deposits	1,782,555.36	Within 1 year	5.96%	—
Wendeng Gaocun Town People's Government	Current accounts of the government	1,300,000.00	Over 5 years	4.35%	562,540.45
Weihai City Wendeng District Finance Bureau	Security deposits	613,400.00	Within 1 year	2.05%	—
Total	—	25,276,896.84	—	84.53%	5,742,282.09

6) *Accounts receivable related to government grants*

Nil

7) *Other receivables derecognised on transfer of financial assets*

As at 30 June 2020, the Group had no other receivables derecognised on transfer of financial assets.

8) *Amount of assets or liabilities arising from transfer of other receivables and continuous involvement*

As at 30 June 2020, the Group had no assets or liabilities arising from transfer of other receivables and continuous involvement.

Other information:

As at 30 June 2020, the Group had no other receivables that have been used as a pledge.

8. *Inventories*

Should the Company comply with the disclosure requirements for property industry

No

(1)

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment of inventories or provision for devaluation of costs of contract performance**	**Book value**	Book balance	Provision for impairment of inventories or provision for devaluation of costs of contract performance	Book value
Raw materials	**332,039,143.18**	**4,779,389.00**	**327,259,754.18**	353,582,703.30	6,430,777.40	347,151,925.90
Work-in-progress	**114,083,304.40**	**2,798,103.54**	**111,285,200.86**	166,028,851.73	4,569,606.68	161,459,245.05
Goods in stock	**424,123,138.03**	**11,052,204.24**	**413,070,933.79**	426,713,762.34	10,725,275.46	415,988,486.88
Sub-contracting materials	**9,639,681.21**	**231,975.53**	**9,407,705.68**	10,309,440.99	1,778.24	10,307,662.75
Total	**879,885,266.82**	**18,861,672.31**	**861,023,594.51**	956,634,758.36	21,727,437.78	934,907,320.58

(2)

Unit: RMB

		Increase during the current period		**Decrease during the current period**		
Item	**Balance at the beginning the period**	**Provision**	**Others**	**Reversal or offset**	**Others**	**Balance at the end of the period**
Raw materials	6,430,777.40	232,397.31	—	1,883,785.71	—	4,779,389.00
Work-in-progress	4,569,606.68	356,565.57	—	2,128,068.71	—	2,798,103.54
Goods in stock	10,725,275.46	5,612,807.56	—	5,285,878.78	—	11,052,204.24
Sub-contracting materials	1,778.24	230,197.29	—	—	—	231,975.53
Total	21,727,437.78	6,431,967.73	—	9,297,733.20	—	18,861,672.31

Allowances for impairment of inventories

Item	Specific basis for determining net realisable value	Reason(s) for reversal or offset during the current year
Raw materials	Selling price of a product produced with the materials and semi-finished products minus further processing costs and related selling expenses and related tax expenses.	Used for production and price change
Work-in-progress		Used for production and price change
Sub-contracting materials		Used for production and price change
Finished products	Selling price minus selling expenses and related tax expenses.	External sales and price change

(3) ⊢ ⊢

Nil

(4) ⊢

Nil

9. *Other current assets*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Deductible input tax	**20,866,316.96**	34,046,039.33
Prepaid income tax	**1,160,302.64**	1,160,302.64
Total	**22,026,619.60**	35,206,341.97

10. Long-term equity investments

Unit: RMB

		Movement during the period									
Investee	Balance at the beginning of the period (Book value)	Increase in investment	Decrease in investment	Gain or loss on investments recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividend or profits declared	Provision for impairment	Others	Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period
I. Joint Ventures											
II. Associates											
Karamay Yalong Petroleum Machinery Co., Ltd.	2,557,061.01	–	–	–	–	–	–	–	–	2,557,061.01	–
Sub-total	2,557,061.01	–	–	–	–	–	–	–	–	2,557,061.01	–
Total	2,557,061.01	–	–	–	–	–	–	–	–	2,557,061.01	–

11. Fixed assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	**2,625,785,466.34**	2,726,157,716.13
Total	**2,625,785,466.34**	2,726,157,716.13

(1)

Unit: RMB

Item		Buildings	Machinery	Electronics and others	Vehicles	Total
I.	**Original book value:**					
1.	Balance at the beginning of the period	1,095,993,243.01	3,316,763,702.46	123,127,740.46	14,418,832.27	4,550,303,518.20
2.	Additions during the period	—	21,955,378.32	760,094.75	906,073.31	23,621,546.38
(1)	Purchase	—	13,099,657.48	760,094.75	906,073.31	14,765,825.54
(2)	Transfer from construction-in-progress	—	8,855,720.84	—	—	8,855,720.84
(3)	Additions from business combinations	—	—	—	—	—
3.	Reductions during the period	9,278,120.73	478,578.89	683,015.04	472,650.50	10,912,365.16
(1)	Disposals or retirements	9,278,120.73	478,578.89	683,015.04	472,650.50	10,912,365.16
4.	Balance at the end of the period	1,086,715,122.28	3,338,240,501.89	123,204,820.17	14,852,255.08	4,563,012,699.42
II.	**Accumulated depreciation**					
1.	Balance at the beginning of the period	320,569,282.91	1,337,814,147.66	90,999,782.65	6,817,643.07	1,756,200,856.29
2.	Additions during the period	26,509,475.62	86,431,926.95	2,591,049.26	1,108,193.47	116,640,645.30
(1)	Provision	26,509,475.62	86,431,926.95	2,591,049.26	1,108,193.47	116,640,645.30
3.	Reductions during the period	2,156,086.95	407,072.85	646,274.89	349,064.60	3,558,499.29
(1)	Disposals or retirements	2,156,086.95	407,072.85	646,274.89	349,064.60	3,558,499.29
4.	Balance at the end of the period	344,922,671.58	1,423,839,001.76	92,944,557.02	7,576,771.94	1,869,283,002.30
III.	**Impairment provision**					
1.	Balance at the beginning of the period	4,986,478.28	62,958,467.50	—	—	67,944,945.78
2.	Additions during the period	—	—	—	—	—
(1)	Provision	—	—	—	—	—
3.	Reductions during the period	—	715.00	—	—	715.00
(1)	Disposals or retirements	—	715.00	—	—	715.00
4.	Balance at the end of the period	4,986,478.28	62,957,752.50	0.00	0.00	67,944,230.78
IV.	**Book value**					
1.	Book value at the end of the period	736,805,972.42	1,851,443,747.63	30,260,263.15	7,275,483.14	2,625,785,466.34
2.	Book value at the beginning of the period	770,437,481.82	1,915,991,087.30	32,127,957.81	7,601,189.20	2,726,157,716.13

(2) Þ Þ

Unit: RMB

Item	Book value	Reason for uncompleted property ownership certificate
Plant in logistics park	7,118,613.10	Applying
Workshop plant, office building and staff canteen of Maolong New Materials	238,089,513.80	Not yet applied
Total	245,208,126.90	—

Other information

The Group did not have any temporarily idle fixed assets, or any fixed assets that were leased in under finance leases or leased out under operating leases.

12. Construction-in-progress

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction-in-progress	**54,254,509.44**	55,034,853.27
Total	**54,254,509.44**	55,034,853.27

(1) - -

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
Employee technical development training centre	**20,806,105.60**	**—**	**20,806,105.60**	20,796,671.64	—	20,796,671.64
Furnace restoration and improvement and new auxiliary and miscellaneous projects	**7,989,997.25**	**—**	**7,989,997.25**	16,845,718.09	—	16,845,718.09
VD vacuum degassing device	**24,859,535.85**	**—**	**24,859,535.85**	16,745,602.57	—	16,745,602.57
Other miscellaneous projects	**598,870.74**	**—**	**598,870.74**	646,860.97	—	646,860.97
Total	**54,254,509.44**	**—**	**54,254,509.44**	55,034,853.27	—	55,034,853.27

(2) - - h

Unit: RMB

112

Item	Budget amount	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets during the period	Other reductions during the period	Balance at the end of the period	Ratio of accumulated construction investments to the budget	Construction progress	Accumulated interest capitalised	Including: Amount of interest capitalised during the period	Capitalisation rate of interest for the period	Sources of fund
Employee technical development training centre	26,000,000.00	20,796,671.64	9,433.96	–	–	20,806,105.60	88.35%	95%	–	–	–	Others
Furnace restoration and improvement and new auxiliary and miscellaneous projects	50,000,000.00	16,845,718.09	–	8,855,720.84	–	7,989,997.25	103.49%	95%	–	–	–	Others
VD vacuum degassing device	29,160,000.00	16,745,602.57	8,113,933.28	–	–	24,859,535.85	85.25%	90%	–	–	–	Others
Total	105,160,000.00	54,387,992.30	8,123,367.24	8,855,720.84	–	53,655,638.70	–	–	–	–	–	–

(3) - - h

No impairment was provided for construction-in-progress as there were no indication of impairment of construction-in-progress at the end of the period.

(4) h

As at the end of the period, there were no restrictions on the ownership or use right of construction-in-progress due to pledge, guarantee or any other reasons.

13.

14. Development expenditures

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period: Internal development expenditures	Increase during the period: Others	Decrease during the period: Recognised as intangible assets	Decrease during the period: Transfer to profit or loss for the current period	Balance at the end of the period
Project I	—	4,231,544.07	—	4,231,544.07	—	—
Project II	—	5,245,811.51	—	—	—	5,245,811.51
Project III	—	3,704,826.09	—	—	3,704,826.09	—
Project IV	—	2,591,053.09	—	—	—	2,591,053.09
Project V	—	3,108,302.28	—	—	—	3,108,302.28
Total	—	18,881,537.04	—	4,231,544.07	3,704,826.09	10,945,166.88

Other information

Please refer to V.24 of this note for the division in the phase of research and development expenditures and the phase of development, the time and basis of capitalization of development phase.

15. Deferred income tax assets/deferred income tax liabilities

(1)

Unit: RMB

Item	Balance at the end of the period: Deductible temporary difference	Balance at the end of the period: Deferred income tax assets	Balance at the beginning of the period: Deductible temporary difference	Balance at the beginning of the period: Deferred income tax assets
Unrealised profits from intragroup transactions	**9,034,023.88**	**2,258,505.97**	9,393,965.60	2,348,491.40
Bills receivable	**1,317,407.06**	**197,611.06**	2,602,376.56	390,356.49
Accounts receivable	**136,741,869.20**	**20,511,280.38**	127,816,000.16	19,172,400.02
Other receivables	**3,302,897.38**	**495,434.61**	2,869,997.38	430,499.61
Allowance for impairment of inventories	**14,508,575.64**	**2,176,286.35**	18,060,869.10	2,709,130.37
Difference in amortisation of intangible assets	**83,180,178.95**	**12,477,026.84**	95,472,670.50	14,320,900.58
Estimated liabilities	**4,575,161.82**	**686,274.28**	5,734,176.25	860,126.44
Total	**252,660,113.93**	**38,802,419.49**	261,950,055.55	40,231,904.91

(2)

Unit: RMB

Item	**Balance at the end of the period**		Balance at the beginning of the period	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Long-term equity investments	**15,237.51**	**3,809.38**	15,237.52	3,809.38
Intangible assets	**22,484,081.76**	**5,621,020.44**	23,001,960.00	5,750,490.00
Total	**22,499,319.27**	**5,624,829.82**	23,017,197.52	5,754,299.38

(3)

Unit: RMB

Item	**Offsetting between deferred income tax assets and liabilities at the end of the period**	**Balance of deferred income tax assets or liabilities after offsetting at the end of the period**	Offsetting between deferred income tax assets and liabilities at the beginning of the period	Balance of deferred income tax assets or liabilities after offsetting at the beginning of the period
Deferred income tax assets	**—**	**38,802,419.49**	—	40,231,904.91
Deferred income tax liabilities	**—**	**5,624,829.82**	—	5,754,299.38

(4)

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Deductible temporary differences	**106,112,926.87**	97,006,220.12
Deductible losses	**1,148,661,153.00**	1,052,554,995.02
Total	**1,254,774,079.87**	1,149,561,215.14

(5) h

Unit: RMB

Year	**Amount at the end of the period**	Amount at the beginning of the period	Remark
2020	**135,433,959.60**	135,433,959.60	—
2021	**159,003,364.18**	159,003,364.18	—
2022	**176,061,927.43**	176,061,927.43	—
2023	**52,476,863.76**	52,476,863.76	—
2024	**223,281,561.26**	223,281,561.26	—
2025	**21,068,733.71**	—	—
2026	**230,288,589.07**	230,288,589.07	—
2029	**76,008,729.72**	76,008,729.72	—
2030	**75,037,424.27**	—	—
Total	**1,148,661,153.00**	1,052,554,995.02	—

16. Other non-current assets

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Prepaid land premiums	**3,900,000.00**	**—**	**3,900,000.00**	3,900,000.00	—	3,900,000.00
Prepayments for equipment	**500,583.62**	**—**	**500,583.62**	5,721,036.29	—	5,721,036.29
Total	**4,400,583.62**	**—**	**4,400,583.62**	9,621,036.29	—	9,621,036.29

17. Short-term borrowings

(1) Þ -

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Pledged borrowings	**—**	11,229,883.37
Guaranteed borrowings	**767,696,035.00**	386,800,000.02
Credit borrowings	**742,870,504.08**	1,367,881,000.00
Borrowings for bills discounting and letters of credit	**490,600,000.00**	163,600,000.00
Total	**2,001,166,539.08**	1,929,510,883.39

Information on the classification of short-term borrowings:

Details of the interest rate: In the interim period of 2020, the weighted average annual interest rate for short-term borrowings of the Group was 4.67% (2019: 4.789%).

(2) Þ -

The Group did not have any outstanding overdue short-term borrowing as at the end of the current period.

18. Bills payable

Unit: RMB

Type	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	**113,435,596.12**	281,588,603.88
Total	**113,435,596.12**	281,588,603.88

As at the end of the period, total outstanding overdue bills payable amounted to RMB0.00.

19. Accounts payable

(1)

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Amounts due to suppliers	**790,492,197.10**	924,020,613.80
Total	**790,492,197.10**	924,020,613.80

(2) h

Unit: RMB

Item	Balance at the end of the period	Reasons for outstanding or carrying forward
Entity I	**15,644,747.65**	Settlement conditions unsatisfied
Entity II	**11,384,819.70**	Settlement conditions unsatisfied
Entity III	**5,933,245.98**	Settlement conditions unsatisfied
Entity IV	**4,070,218.65**	Settlement conditions unsatisfied
Entity V	**3,959,677.66**	Settlement conditions unsatisfied
Total	**40,992,709.64**	—

Other information:

Accounts payable based on trade date:

Item	Amount at the end of the period	Amount at the beginning of the period
Within 2 months	**262,126,885.69**	463,282,439.13
2–3 months	**46,282,571.11**	102,347,363.72
3–4 months	**38,674,309.79**	51,928,009.62
4 months –1 year	**247,312,638.36**	150,409,259.97
1–2 years	**98,288,832.85**	57,797,898.87
2–3 years	**27,887,812.82**	33,184,637.97
Over 3 years	**69,919,146.48**	65,071,004.52
Total	**790,492,197.10**	924,020,613.80

20. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Receipts in advance	**35,779,305.27**	32,463,654.22
Total	**35,779,305.27**	32,463,654.22

21. Salaries payable

(1)

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
I. Short-term salaries	57,276,942.10	97,568,188.39	97,079,030.77	57,766,099.72
II. Post-employment benefits — defined contribution plans	—	5,169,633.31	5,169,633.31	—
Total				

22. *Taxes Payable*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Value-added tax	**824,808.20**	2,230,290.05
Enterprise income tax	**6,185,500.78**	6,797,851.33
Individual income tax	**37,599.07**	76,889.55
Urban maintenance and construction tax	**4,832.13**	770,579.83
Property tax	**1,231,130.77**	1,238,532.15
Land use tax	**1,912,506.41**	1,275,916.34
Education surcharge	**1,723.93**	550,414.17
Local water resources fund	**287.32**	55,041.43
Stamp duty	**93,973.27**	218,705.35
Others	**150,653.43**	179,241.31
Total	**10,443,015.31**	13,393,461.51

23. *Other payables*

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Interest payables	**—**	6,389,751.57
Other payables	**41,914,966.57**	55,033,779.68
Total	**41,914,966.57**	61,423,531.25

(1)

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Interests on long-term borrowings with principal repayable at maturity and interest payable by installments	**—**	555,555.56
Interests payable for short-term borrowings	**—**	2,270,088.67
Interests on long-term borrowings with principal repayable and interest payable by installments	**—**	1,283,106.47
Interests on long-term payables with principal repayable and interest payable by installments	**—**	2,281,000.87
Total	**—**	6,389,751.57

As at 30 June 2020, the Group had no unpaid overdue interest.

(2) Þ

1) Presentation of other payables by payment nature

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Accrued energy charges	**21,277,867.33**	35,876,548.51
Deposits	**8,576,462.08**	9,651,252.85
Others	**12,060,637.16**	9,505,978.32
Total	**41,914,966.57**	55,033,779.68

2) Significant other payables with an age over 1 year

As at the end of the period, the Group did not have any significant other payables with an age over one year.

24. 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	**430,497,804.80**	425,044,064.29
Long-term payables due within one year	**62,184,721.81**	57,592,842.49
Total	**492,682,526.61**	482,636,906.78

25. Other current liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Unmatured endorsed trade acceptance bills	**46,127,700.37**	87,557,572.20
Total	**46,127,700.37**	87,557,572.20

26. Long-term borrowings

(1) -

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Pledged borrowings	**250,500,000.00**	250,000,000.00
Secured borrowings	**330,875,776.43**	175,044,064.29
Less: Amounts due within one year	**(430,497,804.80)**	(425,044,064.29)
Total	**150,877,971.63**	0.00

Information on the classification of long-term borrowings:

The principal and interest of long-term borrowings due within one year have been reclassified to "non-current liabilities due within one year". See note VII.24.

Other information, including interest rate intervals:

The interest rates of long-term borrowings of the Group for the first half of 2020 ranged between 8.66%-9.22%.

Profile of maturity dates of long-term borrowings is as follows:

Unit: RMB

Item	**Amount at the end of the period**	Amount at the beginning of the year
1 to 2 years	**75,438,985.82**	0.00
2 to 3 years	**75,438,985.81**	—
Total	**150,877,971.63**	0.00

27. Long-term payables

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Long-term payables	**25,649,134.05**	58,045,884.69
Total	**25,649,134.05**	58,045,884.69

(1) -

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Leaseback financing	**25,649,134.05**	58,045,884.69

Other information:

The effective interest rate of long-term payables of the Group for the first half of 2020 was 10.90%.

Profile of maturity dates of long-term payables:

Unit: RMB

Item	**Amount at the end of the period**	Amount at the beginning of the year
1–2 years	**25,649,134.05**	54,116,154.13
2–3 years	**—**	3,929,730.56
Total	**25,649,134.05**	58,045,884.69

28. Estimated liabilities

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period	Cause
Pending litigations	**4,575,161.82**	5,734,176.25	See note XIV.2 for details
Total	**4,575,161.82**	5,734,176.25	—

29. Deferred income

Unit: RMB

Item	**Balance at the beginning of the period**	**Increase during the period**	**Decrease during the period**	**Balance at the end of the period**	**Cause**
Government grants	7,386,306.54	—	—	7,386,306.54	Asset-related government grants
Total	7,386,306.54	—	—	7,386,306.54	—

Items related to government grants:

Unit: RMB

Liability item	Balance at the beginning of the period	Amount of new grants during the period	Amount included in non-operating income for the period	Amount included in other income for the period	Amount charged against costs and expenses for the period	Other movements	Balance at the end of the period	Asset-related/ income-related
Grants for ancillary infrastructure	6,954,855.00	—	—	—	—	—	6,954,855.00	Asset-related
Grants for defense basement construction	431,451.54	—	—	—	—	—	431,451.54	Asset-related
Total	7,386,306.54	—	—	—	—	—	7,386,306.54	—

Other information:

According to the Notice on Providing a Grant for Ancillary Infrastructure of Shouguang Molong Logistic Co., Ltd. (Shang Zheng Fa [2016] No.3) (《關於撥付壽光墨龍物流有限公司基礎設施配套補助資金的通知》(上政發[2016]3號)) issued by the Shouguang City Shangkou Town People's Government, the Group received a grant of RMB6,954,855.00 for ancillary infrastructure on 24 February 2016, and recognised such government grant as an asset-related government grant. No amortisation was made in the year as the construction of the relevant infrastructure has not been completed.

According to the Request for Return of Preferential Policy to the Phase II Project of Weihai Baolong Special Petroleum Materials Co., Ltd. (Gao Zheng Qing Zi [2018] No. 42) (《關於對威海市寶隆石油專材有限公司二期項目享受優惠政策返回的請示》(高政請字[2018]42號)) issued by the Weihai City Wendeng District Gaocun Town People's Government, Weihai Baolong, a subsidiary of the Company, received a grant of RMB719,085.90 for the construction of defense basement on 25 February 2019, and recognised such government grant as an asset-related government grant. Accumulated amortisation of RMB287,634.36 has been charged.

30. Share capital

Unit: RMB

		Movement during the period (increase/decrease) (+, –)					
	Balance at the beginning of the period	Issue of new shares	Bonus issue	Transfer of reserves into shares	Others	Sub-total	Balance at the end of the period
Total number of shares	797,848,400.00	—	—	—	—	—	797,848,400.00

31. Capital Reserves

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Capital premium (share capital premium)	849,481,990.92	—	—	849,481,990.92
Other capital reserves	13,687,167.50	—	—	13,687,167.50
Total	863,169,158.42	—	—	863,169,158.42

32. Other comprehensive income

Unit: RMB

Item	Balance at the beginning of the period	Amount for the period						Balance at the end of the period
		Amount before income tax for the period	Less: Transfer of amount previously included in other comprehensive income to profit or loss for the current period	Less: Transfer of amount previously included in other comprehensive income to retained earnings for the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that may not reclassified to profit or loss	–	–	–	–	–	–	–	–
II. Other comprehensive income that will be reclassified to profit or loss	(3,055,060.57)	(264,115.53)	–	–	–	(237,703.98)	(26,411.55)	(3,292,764.55)
Exchange differences on translation of foreign financial statements	(3,055,060.57)	(264,115.53)	–	–	–	(237,703.98)	(26,411.55)	(3,292,764.55)
Total other comprehensive income	(3,055,060.57)	(264,115.53)	–	–	–	(237,703.98)	(26,411.55)	(3,292,764.55)

Other information, including the adjustments to transfer of effective portion of gains or losses from cash flow hedges to the amount initially recognised for hedged items: Nil

33. Special Reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Safety production fees	—	16,103,187.39	16,103,187.39	—
Total	—	16,103,187.39	16,103,187.39	—

34. Surplus Reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory surplus reserve	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

35. General risk reserve

Unit: RMB

Item	Amount at the beginning of the year	Increase during the period	Decrease during the period	Amount at the end of the period
General risk reserve	11,236.91	—	—	11,236.91
Total	11,236.91	—	—	11,236.91

36. Undistributed profits

Unit: RMB

Item	Current period	Prior period
Undistributed profits at the end of the prior period before adjustments	**(98,208,687.79)**	98,100,580.11
Undistributed profits at the beginning of the period after adjustments	**(98,208,687.79)**	98,100,580.11
Add: Net profit attributable to owners of the parent company for the period	**(109,325,493.01)**	(196,309,267.90)
Undistributed profits at the end of the period	**(207,534,180.80)**	(98,208,687.79)

Breakdown of the adjustments to undistributed profits at the beginning of the period:

1). The effect of the retrospective adjustments arising from the ASBEs and the related new requirements on the undistributed profits at the beginning of the period amounted to RMB0.00.

2). The effect of the changes in accounting policies on the undistributed profits at the beginning of the period amounted to RMB0.00.

3). The effect of corrections of significant accounting errors on the undistributed profits at the beginning of the period amounted to RMB0.00.

4). The effect of the change in scope of combination under common control on the undistributed profits at the beginning of the period amounted to RMB0.00.

5). The effect of other adjustments on the undistributed profits at the beginning of the period amounted to RMB0.00.

37. *Minority interests*

Minority interests attributable to minority shareholders of each subsidiary

Unit: RMB

Name of subsidiary	Percentage of minority shareholding (%)	Balance at the end of the period	Balance at the beginning of the year
Shouguang Baolong	30.00	(47,776,238.29)	(31,120,652.72)
Baolong Consultancy	50.00	74,908,503.20	72,757,222.66
Other companies	—	(230,919.90)	(196,032.19)
Total	—	26,901,345.01	41,440,537.75

38. *Operating revenue and operating costs*

Unit: RMB

	Amount for the period		Amount for the prior period	
Item	**Revenue**	**Costs**	Revenue	Costs
Principal operations	**1,322,881,285.82**	**1,223,518,980.53**	2,336,044,685.01	2,118,045,769.31
Other operations	**23,496,406.00**	**20,737,558.15**	41,400,349.25	38,613,112.72
Total	**1,346,377,691.82**	**1,244,256,538.68**	2,377,445,034.26	2,156,658,882.03

Details of revenue:

Unit: RMB

Contract category	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	High-end castings and forgings	Others	Total
Type of goods							
Including:							
Pipe products	1,075,867,038.06	—	—	—	—	—	1,075,867,038.06
Three kinds of pumping units	—	17,235,153.36	—	—	—	—	17,235,153.36
Petroleum machinery parts	—	—	5,554,410.20	—	—	—	5,554,410.20
Tube blanks	—	—	—	92,664,669.60	—	—	92,664,669.60
High-end castings and forgings	—	—	—	—	122,510,014.88	—	122,510,014.88
Others	—	—	—	—		32,546,405.72	32,546,405.72
By business location							
Including:							
Within China	844,703,268.56	15,160,780.06	—	92,664,669.60	122,510,014.88	32,502,467.98	1,107,541,201.08
Outside China	231,163,769.50	2,074,373.30	5,554,410.20	—	—	43,937.74	238,836,490.74
Type of contracts							
Including:							
Revenue recognised at a point in time	1,075,867,038.06	17,235,153.36	5,554,410.20	92,664,669.60	122,510,014.88	32,546,405.72	1,346,377,691.82
Total	1,075,867,038.06	17,235,153.36	5,554,410.20	92,664,669.60	122,510,014.88	32,546,405.72	1,346,377,691.82

Information on performance obligations:

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

Information on transaction price allocated to remaining performance obligations:

The corresponding revenue from performance obligations that have been contracted but not yet performed or completed amounted to RMB429,000,000.00 as at the end of the reporting period, RMB429,000,000.00 of which were expected to be recognised as revenue in 2020.

39. Taxes and surcharges

Unit: RMB

Item	**Amount for the current period**	Amount for the prior period
Urban maintenance and construction tax	**1,878,164.23**	3,521,143.36
Education surcharge	**1,339,914.29**	1,931,088.99
Resource tax	**39,418.80**	92,746.40
Property tax	**2,481,161.06**	2,484,330.33
Land use tax	**3,825,093.99**	2,555,167.08
Vehicle and vessel use tax	**5,932.74**	976.20
Stamp duty	**394,763.32**	773,650.44
Local water resource fund	**133,991.42**	251,510.24
Other taxes	**133,790.79**	814,010.01
Total	**10,232,230.64**	12,424,623.05

40. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Delivery fees	**22,513,301.26**	32,462,350.19
Agency fees	**46,651.88**	137,977.95
Wages	**1,822,765.95**	2,036,093.97
Travelling expenses	**157,032.24**	255,690.92
Entertainment expenses	**1,254,420.96**	2,238,113.92
Office expenses	**112,976.02**	152,529.11
Commissions	**277,117.54**	445,625.49
Depreciation charges	**133,645.18**	123,542.61
Bidding service charges	**33,962.26**	213,396.23
Others	**970,666.13**	1,919,480.19
Total	**27,322,539.42**	39,984,800.58

41. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Amortisation of intangible assets	**5,755,458.40**	5,911,290.94
Depreciation charges	**35,809,129.10**	10,932,684.23
Staff remunerations	**22,000,728.35**	17,941,154.62
Travelling expenses	**284,023.16**	686,731.45
Machinery material consumables	**2,068,309.96**	5,916,133.67
Entertainment expenses	**1,417,481.91**	1,713,298.80
Board of directors' expenses	**892,296.67**	677,067.92
Utilities	**8,448,474.65**	4,919,280.83
Commissions	**2,258,707.06**	2,919,391.76
Repair charges	**3,292,763.20**	2,088,602.18
Others	**3,935,915.59**	1,587,974.41
Total	**86,163,288.05**	55,293,610.81

42. Research and development expenditures

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Research and development of new products	**7,704,388.16**	17,029,164.68
Amortisation of non-patented technology for the year	**3,775,742.87**	3,987,391.60
Total	**11,480,131.03**	21,016,556.28

43. Finance costs

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	**74,244,592.48**	82,551,261.56
Interest income	**(2,700,511.98)**	(4,383,386.30)
Foreign exchange losses	**(1,501,780.09)**	(3,211,118.44)
Other expenses	**3,092,985.17**	4,936,871.13
Total	**73,135,285.58**	79,893,627.95

44. Other income

Unit: RMB

Source of other income	Amount for the current period	Amount for the prior period
Grants for recycling resource enterprises	**—**	10,685,367.00
Incentives and grants for patented technology and intellectual properties	**—**	165,700.00
Reward for industrial recognition	**—**	633,900.00
Reward for project construction	**—**	719,085.90
Stability subsidies	**569,548.00**	—
Others	**32,402.96**	—
Total	**601,950.96**	12,204,052.90

45. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Others	**—**	1,170,164.41
Total	**—**	1,170,164.41

46. Credit impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Loss on impairment of loans	**207,752.18**	731,332.89
Loss on bad debts of accounts receivable	**(9,186,990.41)**	(2,772,854.42)
Loss on bad debts of bills receivable	**1,284,969.50**	—
Loss on bad debts of other receivables	**(423,795.13)**	—
Total	**(8,118,063.86)**	(2,041,521.53)

47. Loss on impairment of assets

Unit: RMB

Item	**Amount for the current period**	Amount for the prior period
II. Loss on impairment of inventories and loss on impairment of costs of contract performance	**(6,431,967.73)**	—
Total	**(6,431,967.73)**	—

48. Gain on disposal of assets

Unit: RMB

Source of gain on disposal of assets	**Amount for the current period**	Amount for the prior period
Gain on disposal of fixed assets	**(20,157.66)**	(229,634.05)
Total	**(20,157.66)**	(229,634.05)

49. Non-operating income

Unit: RMB

Item	**Amount for the current period**	Amount for the prior period	**Amount credited to non-recurring profit or loss for the current period**
Others	**1,086,698.16**	6,078,613.12	**1,086,698.16**
Total	**1,086,698.16**	6,078,613.12	**1,086,698.16**

50. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount credited to non-recurring profit or loss for the current period
Estimated liabilities	**3,216,057.10**	7,132,168.72	**3,216,057.10**
Loss on damage and retirement of non-current assets	**69,324.73**	—	**69,324.73**
Others	**159,014.81**	195,878.08	**159,014.81**
Total	**3,444,396.64**	7,328,046.80	**3,444,396.64**

51. Income tax expenses

(1)

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Current income tax expenses	**—**	1,390,220.31
Deferred income tax expenses	**1,300,015.86**	2,020,155.37
Total	**1,300,015.86**	3,410,375.68

(2)

Unit: RMB

Item	Amount for the current period
Total profit	**(122,538,258.35)**
Income tax expenses at statutory/applicable tax rate	**(18,380,738.75)**
Effect of different tax rates applicable to subsidiaries	**(8,099,416.50)**
Effect of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in the period	**33,019,356.12**
Effect of research and development expenditures plus deductions	**(5,239,185.01)**
Income tax expenses	**1,300,015.86**

52. Other comprehensive income

See note VII.32 for details.

53. Statement of cash flows line items

(1) ⊦ ⊦

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Government grants	**601,950.96**	25,607,152.90
Interest income	**2,700,511.98**	4,383,386.30
Decrease in security deposits of acceptance bills	**—**	102,692,890.56
Others	**6,068,483.71**	3,494,652.58
Total	**9,370,946.65**	136,178,082.34

(2) ⊦ ⊦

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Delivery fees	**22,616,386.36**	32,905,095.86
Expenditures for research and development of new products	**7,704,388.16**	17,029,164.68
Consumables	**1,274,817.31**	3,966,598.08
Agency fees	**68,165.69**	137,977.95
Travelling expenses	**441,055.40**	942,422.37
Commissions	**3,428,121.27**	4,042,085.17
Repair charges	**3,292,763.20**	2,088,602.18
Utilities	**8,448,474.65**	4,919,280.83
Entertainment expenses	**2,671,902.87**	3,951,412.72
Handling charges by financial institutions	**3,428,467.88**	4,936,871.13
Compensations for claims related to shareholders' litigations	**8,987,619.90**	16,617,828.90
Others	**1,964,388.62**	5,714,815.96
Total	**64,326,551.31**	97,252,155.83

(3) ⊦ ⊦

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Financing handling charges	**—**	5,100,000.00
Increase in financing margins	**193,992,208.00**	—
Total	**193,992,208.00**	5,100,000.00

54. *Supplemental information on statement of cash flows*

(1) ⊢

Unit: RMB

Supplemental information	Amount for the current period	Amount for the prior period
1. Reconciliations of net profit to cash flows from operating activities:		
Net profit	**(123,838,274.21)**	18,616,185.93
Add: Provision for impairment of assets	**14,550,031.59**	2,041,521.53
Depreciation of fixed assets, oil and gas assets and productive biological assets	**116,640,645.30**	103,994,293.41
Amortisation of intangible assets	**9,531,201.27**	9,573,771.15
Loss on disposal of fixed assets, intangible assets and other long-term assets	**(2,077,392.20)**	—
Loss on retirement of fixed assets	**11,234.56**	(502,566.05)
Finance costs	**74,299,666.36**	82,679,729.81
Investment loss	**—**	(1,199,463.80)
Decrease in deferred income tax assets	**1,429,485.42**	2,059,796.33
Decrease in inventories	**72,234,801.31**	36,189,736.30
Decrease in trade receivables	**123,695,405.99**	(166,807,415.79)
Increase in trade payables	**(224,009,504.09)**	187,066,042.98
Net cash flow generated from operating activities	**62,467,301.30**	273,711,631.80
2. Non-cash significant investing and financing activities:		
3. Net changes in cash and cash equivalents:		
Balance of cash at the end of the period	**470,240,191.75**	516,687,133.16
Less: Balance of cash at the beginning of the period	**496,256,836.18**	578,924,482.20
Net increase in cash and cash equivalents	**(26,016,644.43)**	(62,237,349.04)

(2) ⊢ ⊢

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	**470,240,191.75**	496,256,836.18
Including: Cash on hand	**233,211.00**	183,974.68
Bank deposits readily available for payments	**419,827,124.27**	298,376,840.40
Other monetary funds readily available for payments	**50,179,856.48**	197,696,021.10
III. Balance of cash and cash equivalents at the end of the period	**470,240,191.75**	496,256,836.18

Other information:

The Company had margins with maturity over 3 months of RMB237,677,500.00.

As at 30 June 2020, the Company had a balance of monetary funds of RMB707,917,691.75, which was included in the statement of cash flows under balance of cash at the end of the period amounting to RMB470,240,191.75. The difference represented the margins with maturity over 3 months of RMB237,677,500.00. As it is restricted for use, it was not accounted for as cash and cash equivalents.

55. Assets with restriction on ownership or use right

Unit: RMB

Item	Book value at the end of the period	Reason(s) for the restriction
Monetary funds	**287,857,356.48**	Margins
Bills receivable	**76,457,360.55**	Pledge of bills
Fixed assets	**267,496,408.96**	Security for borrowings
Intangible assets	**238,457,543.42**	Security for borrowings
Total	**870,268,669.41**	—

56. Foreign currency monetary items

(1)

Unit: RMB

Item	Balance in foreign currencies at the end of the period	Translation rate	Balance in RMB after translation at the end of the period
Monetary funds			
Including: USD	24,320,128.25	7.0795	172,174,324.81
Euro ("EUR")	0.37	7.961	2.95
HKD	0.00	0	—
Accounts receivable			
Including: USD	22,369,720.31	7.0795	158,366,434.93
EUR	139,355.38	7.961	1,109,408.17
HKD	—	—	—
Accounts payable			
Including: USD	1,489,899.32	7.0795	10,547,742.24
EUR	—	—	—
HKD	—	—	—
Contract liabilities			
Including: USD	531,687.52	7.0795	3,764,081.80
Short-term borrowings			
Including: USD	5,000,000.00	7.0795	35,397,500.00
Interest payables			
Including: USD	5,391.25	7.0795	38,167.35
Long-term borrowings			
Including: USD	—	—	—
EUR	—	—	—
HKD	—	—	—

(2) , ⊦
, ⊦
, ⊦ ( ) ⊦ ⊦
.

✓ Applicable ☐ Not applicable

MPM, a controlled subsidiary of the Company (having 90% of its shareholdings and voting rights) is domiciled and principally operates in Hong Kong and its reporting currency is USD.

57. Government grants

(1)

Unit: RMB

Type	Amount	Presented as	Amount included in profit or loss for the current period
Stability subsidies	569,548.00	Other income	569,548.00
Others	32,402.96	Other income	32,402.96
Total	601,950.96	—	601,950.96

(2)

☐ Applicable ✓ Not applicable

Other information:

The Group had no refund of government grants during the period.

VIII. Changes in scope of consolidation

1. Changes in scope of consolidation due to other reasons

Specify the change in scope of consolidation due to other reasons (e.g. incorporation of a new subsidiary, liquidation of a subsidiary) and its details:

During the reporting period, two subsidiaries, namely Maolong Recycle and Wendeng Baolong, were excluded from the scope of consolidation.

On 29 October 2019, the fifth meeting of the sixth session of the board of directors of the Company considered and passed a "Resolution on the deregistration of wholly-owned subsidiaries" (《關於註銷全資子公司的議案》), which proposes to dispose Shouguang Maolong Old Metals Recycle Co., Ltd. and Wendeng Baolong Recyclable Resource Co., Ltd., wholly-owned subsidiaries of the Company, by way of liquidation and deregistration (Announcement number：2019-029). On 24 December 2019, the Company received a notice from the Administrative Examination and Approval Service Bureau under the Administration for Market Regulation of Wendeng District of Weihai City, notifying that the procedures for deregistering Wendeng Baolong have been completed (Announcement number: 2019-039). On 18 February 2020, the Company received from Shouguang Administrative Examination and Approval Service Bureau a notice of deregistration approval, notifying that the procedures for deregistering Maolong Recycle have been completed (Announcement number: 2020-002).

IX. Interests in other entities

1. *Interests in subsidiaries*

(1) ⊦

Differences between proportions of shareholdings and voting rights in subsidiaries:

Name of subsidiary	Form of business	Principal place of operation	Place of registration	Business nature	Registered capital	Percentage of shareholding		Method of acquisition
						Direct	Indirect	
MPM	Limited company	Hong Kong	Hong Kong	Trading	USD100 ten thousand	90.00%	0.00%	Merger and acquisition
Shouguang Maolong	Limited liability company	Shouguang	Shouguang	Manufacturing	RMB71,238 ten thousand	100.00%	0.00%	Merger and acquisition
Molong Electro-mechanical	Limited liability company	Shouguang	Shouguang	Manufacturing	USD100 ten thousand	0.00%	100.00%	Merger and acquisition
Shouguang Baolong	Limited liability company	Shouguang	Shouguang	Manufacturing	RMB15,000 ten thousand	70.00%	0.00%	Establishment by investment
Weihai Baolong	Limited liability company	Weihai	Weihai	Manufacturing	RMB2,600 ten thousand	61.54%	38.46%	Merger and acquisition
Molong Logistic	Limited liability company	Shouguang	Shouguang	Services	RMB300 ten thousand	100.00%	0.00%	Establishment by investment
Molong I&E	Limited liability company	Shouguang	Shouguang	Import and export	RMB1,000 ten thousand	100.00%	0.00%	Establishment by investment
Baolong Consultancy	Limited liability company	Shouguang	Shouguang	Services	RMB15,000 ten thousand	0.00%	50.00%	Merger and acquisition
Molong Energy	Limited liability company	Shouguang	Shouguang	Services	RMB1,000 ten thousand	51.00%	0.00%	Establishment by investment

As at 30 June 2020, none of the subsidiaries of the Company has issued any share capital or debt securities.

Basis for holding less than half of voting rights but retaining control over investees, and holding more than half of voting rights but not having control over investees:

The Group was the largest shareholder of Baolong Consultancy holding 50% equity interest. The other six shareholders were all natural persons and their shareholdings were dispersed (at a percentage of 10% or 6.67%). As stipulated in the articles of association of Baolong Consultancy, for a resolution proposed at board meeting, each person can cast one vote. A board resolution shall be passed by a majority of directors. The company had 3 directors, all of them were appointed by the Group. The Group had effective control over Baolong Consultancy, and therefore, it was included within the scope of consolidation.

(2) -⊦

Unit: RMB

Name of subsidiary	Shareholding percentage of minority shareholders	Profit and loss attributable to minority shareholders for the current period	Dividends declared to minority shareholders for the current period	Balance of minority interests at the end of the period
Shouguang Baolong	30.00%	(16,655,585.58)	—	(47,776,238.29)
Baolong Consultancy	50.00%	2,151,280.54	—	74,908,503.20
Total	—	(14,504,305.04)	—	27,132,264.91

(3) - ٢

Unit: RMB

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

2. Transactions resulting in changes in share of owners' equity of subsidiaries with control over subsidiaries retained

(1) Ի Ի Ի ’

Nil

3. Interests in joint arrangements or associates

(1) Ի Ի

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

(2)

None of the associates incurred any excessive losses.

(3) Ի

The Group had no unrecognised commitments associated with investment in joint ventures.

(4) Ի

The Group had no contingent liabilities associated with investment in joint ventures.

4. Interest in structured entities not consolidated in the consolidated financial statements

Information on structured entities not consolidated in the consolidated financial statements:

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

X. Risks associated with financial instruments

The Group's major financial instruments include borrowings, accounts receivable, accounts payable and others. Detailed information about these financial instruments are set out in note VI. 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, where 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)

1) Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rate. The Group is mainly exposed to foreign exchange risks in connection with USD, HKD and EUR, except for the parent company and its subsidiaries MPM of the Group which entered purchases and sales in USD, EUR and HKD, other principal operating activities of the Group are settled in RMB. As at 30 June 2020, except for the USD balances in assets and liabilities, odd monies in EUR and HKD balances as set out below, all balances of assets and liabilities of the Group were denominated in RMB. The foreign exchange risk arising from these assets and liabilities in USD balances may affect the operating results of the Group.

Unit: RMB

Item	**30 June 2020**	31 December 2019
Monetary funds — USD	**172,174,324.81**	116,873,789.09
Monetary funds — EUR	**2.95**	2.89
Accounts receivable — USD	**158,366,434.93**	148,370,657.42
Accounts receivable — EUR	**1,109,408.17**	1,086,523.61
Short-term borrowings — USD	**35,397,500.00**	34,881,000.00
Accounts payable — USD	**10,547,742.24**	31,540,777.37
Contract liabilities — USD	**3,764,081.80**	—
Interest payables — USD	**38,167.35**	—

The Group closely monitors the effect of changes in foreign exchange rates on the Group.

The Group has always placed its concern on the research of foreign exchange risk management policies and strategies. It maintains close co-operation with financial institutions engaging in foreign exchange business, and arranges favourable settlement terms in contracts to reduce foreign exchange risk. Meanwhile, with the continuous increase in the proportion of international market, if risks beyond the control of the Group, such as the appreciation of RMB, the Group will mitigate such risk via suitable adjustment of sales strategies.

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. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2020, the Group's interest-bearing liabilities were mainly floating-rate loan contracts denominated in RMB amounting to RMB318,000,000.00 (31 December 2019: RMB594,800,000.00) and fixed-rate loan contracts denominated in RMB and USD amounting to RMB2,347,266,614.76 (31 December 2019: RMB1,875,393,674.86).

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. The Group aims at maintaining these fixed-rate bank loans at floating rates.

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 fair value risks arising from changes in interest rate.

The Company designs rationally credit lines, various credit types and the term of credit lines through the establishment of good relations between banks and enterprise to ensure sufficient bank line of credit and meet the Company's various types of needs for short-term financing. Meanwhile, the Company reduce rationally risk of interest rate fluctuations by shortening the duration of a single borrowing and special agreement on early repayment terms.

3) *Price risk*

The Group sells steel products at market prices. Therefore, it is vulnerable to the fluctuation of these price.

(2)

As at 30 June 2020, the maximum credit risk exposure that may cause financial loss to the Group mainly derived from the loss on financial assets of the Group due to the failure of performing obligations by contract counterparties. Specifically:

The book value of the financial asset which has been recognised in the consolidated balance sheet; in respect of financial instruments that are measured by fair value, the book value reflects its risk exposure, but not its biggest risk exposure, the biggest risk exposure will change as the future fair value changes.

In order to minimise the credit risk, the Group conducts a review on the determination and approval of credit limits, and carries out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Group's credit risk is significantly reduced.

The Group maintains its working capital with reputable banks. Therefore, the credit risk for such 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.

(3)

The liquidity risk is the Group's impossibility to perform its financial obligations after the maturity date. In the management of the liquidity risk, the Group monitors and maintains a level of working capital deemed adequate by the management to perform the Group's obligations, thus will not cause loss or

2. Sensitivity analysis

The Group applies sensitivity to analyse the rationality of technical risk variables and the effects of possible changes on profit and loss or shareholders' equity. As any risk variable seldom varies, and correlation among variables will play a major role in the ultimate amount of a special risk variable. Therefore, the followings are carrying out on the assumed condition that each variable change independently.

(1) ┣

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

Based on the above assumption, with all other variables held constant, the post-tax effects of possible reasonable changes in exchange rates on profit and loss and equity for the current period are set out below:

Unit: RMB

Item	**Change in exchange rate**	**30 June 2020**		2019	
		Effect on net profit	**Effect on owners' equity**	Effect on net profit	Effect on owners' equity
All foreign currencies	5% appreciation against RMB	**14,095,158.28**	**14,095,158.28**	8,496,140.81	8,496,140.81
All foreign currencies	5% depreciation against RMB	**(14,095,158.28)**	**(14,095,158.28)**	(8,496,140.81)	(8,496,140.81)

XI. Fair value disclosures

144

As at 30 June 2020, the Group's financing receivables were measured at fair value. As the related bank acceptance bills had short maturities, the difference between their fair value and carrying amount was minimal.

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

5.

Information on related guarantees:

(1) As at 30 June 2020, 18,761.70 ten thousand of shares of the Company held by Mr. Zhang En Rong, the controlling shareholder of the Company, were pledged to secure external financing of the Group, representing 79.63% of the total shares of the Company held by him, and 23.52% of the total share capital of the Company.

(2) On 15 May 2020, the third special meeting of the sixth session of the board of directors of the Company considered and passed the "Resolution on 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, and that Mr. Zhang En Rong, the controlling shareholder and the actual controller of the Company, should provide joint and several guarantee for the above business to be commenced by Shouguang Maolong.

(3)

Unit: RMB

Item	**Amount for the current period**	Amount for the prior period
Compensation of key management personnel	**1,180,117.37**	1,306,374.04

(4) ⊦

The Group had no other connected transactions or continuing connected transactions.

6. *Amounts due from and due to related parties*

(1)

Unit: RMB

Item	Related party	**Balance at the end of the period**		Balance at the beginning of the period	
		Book balance	**Provision of bad debts**	Book balance	Provision of bad debts
Accounts receivable	Karamay Yalong Petroleum Machinery Co., Ltd	**3,959,666.39**	**39,596.66**	3,604,705.96	36,047.06

7. *Undertakings of related parties*

Mr. Zhang En Rong, the controlling shareholder of the Company, undertakes that, when it is needed by Company, the controlling shareholder shall provide the Company with funds to be obtained by reasonable ways such as pledge over shares of the Company, to support the operation of its working capital, and to meet the requirements for repayment of loans and refinancing.

As at 30 June 2020, 18,761.70 ten thousand of shares of the Company held by Mr. Zhang En Rong were pledged to secure external financing of the Group, representing 79.63% of the total shares of the Company held by him, and 23.52% of the total share capital of the Company.

XIII. Share-based payments

1. *Overview of share-based payments*

☐ Applicable ✓ Not applicable

2. *Equity-settled share-based payments*

☐ Applicable ✓ Not applicable

3. *Cash-settled share-based payments*

☐ Applicable ✓ Not applicable

4. *Revision and termination of share-based payments*

Nil

5. *Others*

The Group had no share-based payments during the current period.

XIV. Commitments and contingencies

1. *Significant commitments*

Significant commitments at the balance sheet date

As at 30 June 2020, the Group did not have any other significant commitments.

2. *Contingencies*

(1) ⊦ ⊦

As at the date of these financial statements, the claim cases against the Company by investors regarding false statements about securities have been entertained by the Jinan Intermediate People's Court, and the aggregate sum involved was RMB92,142,813.18. Currently, the total amount involved in cases that have been judged or closed through mediation is RMB86,760,269.86, with actual settlement amount of RMB45,300,629.75. For those closed cases, the Company is performing its obligations according to the judgment results. For those cases that have been heard but pending for judgment and those cases that have not been heard, estimated liabilities of RMB4,575,161.82 were provided at a rate of 85% with reference to the cases already closed. The Company has made cumulative total provisions for estimated liabilities of RMB49,875,791.57 in respect of this issue so far.

(2) ⊦ ⊦ ⊦ ⊦ ⊦

.

The Company had no significant contingencies that needs to be disclosed.

XV. Events subsequent to balance sheet date

1. Profit Distribution

Unit: RMB

Proposed distribution of profits and dividends	0.00
Considered and approved Distribution of profits and dividends declared after consideration and approval	0.00

2. Sales Returns

As at the date of the financial report, the Group had no significant sales returns.

3. Other events subsequent to balance sheet date

The Group had no other significant events subsequent to the balance sheet date.

XVI. Other important matters

1. Segment information

(1)

1) *Basis for determining reportable segments*

Based on its internal organisational structure, management requirements and internal reporting system, the Group's operating businesses are divided into six reportable segments. These reportable segments have been determined on the basis of internal organisational structure, management requirements and internal reporting system. Management of the Group regularly evaluates the operating results of these reportable segments to make decision about resources to be allocated to these segments and assess their performances. The main products of each of the Group's reportable segments include casing, three kinds of pumping units, petroleum machinery parts, tube blanks, high-end castings and forgings, and others.

2) *Accounting policies for the reportable segments*

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

(2)

Unit: RMB

Item	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	High-end castings and forgings	Others	Unallocated items	Inter-segment elimination	Total
Operating revenue									
Revenue from external sales	1,075,867,038.06	17,235,153.36	5,554,410.20	92,664,669.60	122,510,014.88	32,546,405.72	–	–	1,346,377,691.82
Revenue from inter-segment sales									
Total segment operating revenue	1,075,867,038.06	17,235,153.36	5,554,410.20	92,664,669.60	122,510,014.88	32,546,405.72	–	–	1,346,377,691.82
Total operating revenue as reported	1,075,867,038.06	17,235,153.36	5,554,410.20	92,664,669.60	122,510,014.88	32,546,405.72	–	–	1,346,377,691.82
Segment expenses	1,031,978,534.70	15,092,700.67	5,652,579.94	101,679,166.06	112,938,516.02	29,019,842.94	–	–	1,296,361,340.33
Segment operating profit	43,888,503.36	2,142,452.69	(98,169.74)	(9,014,496.46)	9,571,498.86	3,526,562.78	–	–	50,016,351.49
Adjusted for:									
Administrative expenses	–	–	–	–	–	–	86,163,288.05	–	86,163,288.05
Research and development expenses	–	–	–	–	–	–	11,480,131.03	–	11,480,131.03
Finance costs	–	–	–	–	–	–	73,135,285.58	–	73,135,285.58
Investment income	–	–	–	–	–	–	0.00	–	0.00
Gains on disposal of assets	–	–	–	–	–	–	(20,157.66)	–	(20,157.66)
Other income	–	–	–	–	–	–	601,950.96	–	601,950.96
Operating profit as reported	43,888,503.36	2,142,452.69	(98,169.74)	(9,014,496.46)	9,571,498.86	3,526,562.78	(170,196,911.36)		(120,180,559.87)
Non-operating income	–	–	–	–	–	–	1,086,698.16	–	1,086,698.16
Non-operating expenses	–	–	–	–	–	–	3,444,396.64	–	3,444,396.64
Total profit	43,888,503.36	2,142,452.69	(98,169.74)	(9,014,496.46)	9,571,498.86	3,526,562.78	(172,554,609.84)		(122,538,258.35)
Income tax	–	–	–	–	–	–	1,300,015.86	–	1,300,015.86
Net profit	43,888,503.36	2,142,452.69	(98,169.74)	(9,014,496.46)	9,571,498.86	3,526,562.78	(173,854,625.70)	–	(123,838,274.21)
Total segment assets	4,206,758,927.08	92,777,934.79	25,533,113.23	145,228,167.18	156,488,874.03	205,845,625.90	616,145,826.67	–	5,448,778,468.88
Total segment liabilities	2,049,501,691.06	18,972,472.54	13,913,228.07	62,813,313.34	111,266,875.38	23,916,960.24	1,503,536,809.38	–	3,783,921,350.01

2. *Other important transactions and matters affecting decision-making of investors*

In the interim period of 2020 and the interim period of 2019, the Group derived all revenue from external sales from the PRC and overseas. As all of its assets were located in the PRC, revenue from external sales by origin of revenue is disclosed as follows:

Unit: RMB

Revenue from external sales	**Amount for the current period**	Amount for the prior period
PRC (excluding Hong Kong)	**1,107,541,201.08**	2,101,112,092.50
Hong Kong	**—**	—
Other overseas regions	**238,836,490.74**	276,332,941.76
Total	**1,346,377,691.82**	2,377,445,034.26

XVII. Notes to principal line items in the financial statements of the parent Company

1. Accounts receivable

(1)

Unit: RMB

	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
Type	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Accounts receivable provided for bad debts on an individual basis	**18,965,734.73**	**2.71%**	**3,793,146.95**	**20.00%**	**15,172,587.78**	19,965,734.73	2.69%	3,993,146.95	20.00%	15,972,587.78
Including:										
Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk	**18,965,734.73**	**2.71%**	**3,793,146.95**	**20.00%**	**15,172,587.78**	19,965,734.73	2.69%	3,993,146.95	20.00%	15,972,587.78
Accounts receivable provided for bad debts on a collective basis	**682,097,412.06**	**97.29%**	**132,948,722.25**	**19.49%**	**549,148,689.81**	722,320,168.54	97.31%	123,822,853.21	17.14%	598,497,315.33
Including:										
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on aging characteristics	**523,201,561.56**	**74.63%**	**132,948,722.25**	**25.41%**	**390,252,839.31**	598,161,430.94	80.58%	123,822,853.21	20.70%	474,338,577.73
Accounts receivable provided for bad debts on a collective basis as grouped for expected credit loss based on related parties within the scope of consolidation	**158,895,850.50**	**22.66%**	**0.00**	**—**	**158,895,850.50**	124,158,737.60	16.73%	–	–	124,158,737.60
Total	**701,063,146.79**	**—**	**136,741,869.20**	**—**	**564,321,277.59**	742,285,903.27	100.00%	127,816,000.16	–	614,469,903.11

Provision for bad debts on an individual basis: Accounts receivable provided for bad debts on an individual basis due to significantly different credit risk

Unit: RMB

		Balance at the end of the period		
Name	**Book balance**	**Provision for bad debts**	**Provision rate**	**Reason for provision**
Hebei Zhongtai Steel Pipes Manufacturing Company Limited (河北中泰鋼管製造有限公司)	18,965,734.73	3,793,146.95	20.00%	Provision was made based on the amount of expected credit loss of the customer

Provision for bad debts on a collective basis: Accounts receivable provided for bad debts on a

(4) ⊢ ⊢

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Percentage of the total balance of accounts receivable at the end of the period	Balance of bad debts at the end of the period
Entity I	187,310,298.52	26.72%	5,004,702.88
Entity II	138,254,072.78	19.72%	0.00
Entity III	112,207,713.06	16.01%	1,122,077.13
Entity IV	50,620,394.01	7.22%	674,203.94
Entity V	49,560,887.02	7.07%	49,560,887.02
Total	537,953,365.39	76.74%	—

(5)

As at 30 June 2020, the Company had no accounts receivable derecognised on transfer of financial assets.

( )

As at 30 June 2020, the Company had no assets or liabilities arising from transfer of accounts receivable and continuous involvement.

( ) ⊢

As at 30 June 2020, the Company had no accounts receivable that have been used as a pledge.

2. *Other receivables*

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Interest receivables	—	2,308,030.91
Other receivables	**486,732,054.13**	739,726,291.37
Total	**486,732,054.13**	742,034,322.28

2) Provision for bad debts

Unit: RMB

Provision for bad debts	Stage 1 Next 12-month expected credit loss	Stage 2 Lifetime expected credit loss (non-credit impaired)	Stage 3 Lifetime expected credit loss (credit impaired)	Total
Balance at 1 January 2020	200,027.82	2,669,969.56	0.00	2,869,997.38
Balance at 1 January 2020 during the period	—	—	—	—
Charge for the period	(3,000.00)	435,900.00	—	432,900.00
Balance at 30 June 2020	197,027.82	3,105,869.56	—	3,302,897.38

Movements of book balance of significant changes in loss allowance for the current period

☐ Applicable ✓ Not applicable

Disclosure by age

Unit: RMB

Age	Balance at the end of the period

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	
Provisions for bad debts of other receivables	2,869,997.38	432,900.00	—	—	—	3,302,897.38
Total	2,869,997.38	432,900.00	—	—	—	3,302,897.38

4) Actual write-off of other receivables for the current period

There were no actual write-offs of other receivables for the current period.

5) Balance of five largest other receivables as at the end of the period 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 New Materials Technology Development Co., Ltd.	Amounts due from related parties	356,404,667.23	Within 3 years	72.73%	—
Shouguang Molong Logistic Co., Ltd.	Amounts due from related parties	112,812,005.30	1–5 years	23.02%	—
Shouguang City Yang Kou Town Office of Finance	Amounts due from the government	14,530,000.00	Over 5 years	2.97%	3,051,300.00
Sinopec International Business Co., Ltd., Nanjing Bidding Centre (中國石化國際事業有限公司南京招標中心)	Security deposits	1,782,555.36	Within 1 year	0.36%	—
Shaanxi Energy Chemical Industry Exchange Co., Ltd.	Security deposits	505,000.00	Within 1 year	0.10%	—
Total	—	486,034,227.89	—	99.18%	3,051,300.00

6) Accounts receivable related to government grants

Nil

7) Other receivables derecognised on transfer of financial assets

As at 30 June 2020, the Company had no other receivables derecognised on transfer of financial assets.

8) Amount of assets or liabilities arising from transfer of other receivables and continuous involvement

As at 30 June 2020, there were no assets or liabilities arising from transfer of other receivables and continuous involvement.

Other information:

As at 30 June 2020, there were no other receivables that have been used as a pledge.

3. Long-term equity investments

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Investment in subsidiaries	**1,352,019,921.73**	**208,000,000.00**	**1,144,019,921.73**	1,352,019,921.73	208,000,000.00	1,144,019,921.73
Total	**1,352,019,921.73**	**208,000,000.00**	**1,144,019,921.73**	1,352,019,921.73	208,000,000.00	1,144,019,921.73

(1)

Unit: RMB

Investee	**Balance at the beginning of the period (Book value)**	**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	—	—	—	—	1,006,743,691.73	—
Weihai Baolong	117,000,000.00	—	—	—	—	117,000,000.00	103,000,000.00
MPM	7,276,230.00	—	—	—	—	7,276,230.00	—
Shouguang Baolong	0.00	—	—	—	—	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	—
Total	1,144,019,921.73	—	—	—	—	1,144,019,921.73	208,000,000.00

4. *Operating revenue and operating costs*

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	**Costs**	Revenue	Costs
Principal operations	**1,059,645,050.86**	**960,345,338.85**	1,784,082,191.35	1,588,491,180.99
Other operations	**55,994,768.83**	**53,167,191.71**	79,684,580.84	77,861,336.45
Total	**1,115,639,819.69**	**1,013,512,530.56**	1,863,766,772.19	1,666,352,517.44

Details of revenue:

Unit: RMB

Contract category	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Others	Total
Type of goods					
Including:					
Pipe products	1,035,836,968.21	—	—	—	1,035,836,968.21
Three kinds of pumping units	—	17,235,153.36	—	—	17,235,153.36
Petroleum machinery parts	—	—	5,554,410.20	—	5,554,410.20
Others	—	—	—	57,013,287.92	57,013,287.92
By business location					
Including:					
Within China	804,673,198.71	15,160,780.06	—	57,012,990.68	876,846,969.45
Outside China	231,163,769.50	2,074,373.30	5,554,410.20	297.24	238,792,850.24
Type of contracts					
Revenue recognised at a point in time	1,035,836,968.21	17,235,153.36	5,554,410.20	57,013,287.92	1,115,639,819.69
Total	1,035,836,968.21	17,235,153.36	5,554,410.20	57,013,287.92	1,115,639,819.69

Information on performance obligations:

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

Information on transaction price allocated to remaining performance obligations:

The corresponding revenue from performance obligations that have been contracted but not yet performed or completed amounted to RMB429,000,000.00 as at the end of the reporting period, RMB429,000,000.00 of which were expected to be recognised as revenue in 2020.

XVIII. Supplementary information

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

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Description
Gain or loss on disposal of non-current assets	**(89,482.39)**	Mainly comprised of the loss on disposal of fixed assets in the current period.
Government grants included in the profit or loss for the current period (excluding those grants that are closely related to the Company's business and that were granted in accordance with the standard amount or volume prescribed by the State)	**569,548.00**	Mainly comprised of the stability subsidies received in the current period.
Gains or losses arising from contingencies unrelated to the normal operation of the Company	**(3,216,057.10)**	Mainly comprised of the provision for loss on compensations for claims related to investors' litigations in the current period.
Non-operating income and expenses other than the above items	**927,683.35**	Mainly comprised of the damages received pursuant to an agreement in the current period.
Other gains or losses that meet the definition of extraordinary gains or losses	**32,402.96**	Mainly comprised of the refunds of handling fees for withholding and payment of individual income tax received in the current period.
Less: Effect on income tax	**(184,389.92)**	—
Effect on minority interests	**53,529.21**	—
Total	**(1,645,044.47)**	—

Reasons should be given if the Company has classified any extraordinary profit or loss items (as defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss) as recurring gain and loss items.

☐ Applicable ✓ Not applicable

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)	Earnings per share: Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	–6.46%	(0.137)	(0.137)
Net profit after extraordinary gains or losses attributable to shareholders of the Company	–6.36%	(0.1349)	(0.1349)

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) Ի
Ի

☐ Applicable ✓ Not applicable

(2) Ի Ի

☐ Applicable ✓ Not applicable

4. *Miscellaneous*

SECTION XII LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

(1) The financial statements which have been signed and sealed by the responsible person, chief accounting officer and head of accounting department (person in charge of accounting matters) of the Company;

(2) A copy of the interim report which has been signed by the chairman of the board of directors of the Company;

(3) All of the originals of documents and master copies of announcements of the Company disclosed on the information disclosure media as designated by CSRC during the reporting period;

(4) The above documents available for inspection are kept at the office of the board of directors of the Company.