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## 山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited\*

*(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 568)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

#### HIGHLIGHTS

- For the year ended 31 December 2023 in consolidated financial statements, the total revenue from operations of the Group amounted to RMB1,317,495,782.20, which represents a decrease of approximately 52.36% year-on-year as compared with last year of RMB2,765,645,281.40.
- Net loss attributable to the owners of the Company in consolidated financial statement amounted to RMB566,861,510.82, which represents an increase of approximately 33.39% year-on-year as compared with that of RMB424,969,725.59 last year.
- Loss per share of the Company in consolidated financial statements amounted to RMB0.71, which represents an increase of approximately 33.96% as compared with earnings per share of RMB0.53 last year.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

The board of directors (the “**Board**”) of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023.

The financial information set out in this announcement below does not constitute the Group’s statutory financial statements for the year ended 31 December 2023, but represents an extract from those financial statements. The financial information has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and agreed by the Group’s external auditors, Shinewing Certified Public Accountants Ltd. (Special General Partnership).

Unless otherwise indicated, the financial information of the Company are stated in RMB.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	2023	2022
<b>I. Total operating income</b>	<b>1,317,495,782.20</b>	2,765,645,281.40
Including: Operating revenue	<b>1,317,495,782.20</b>	2,765,645,281.40
Interest income		
Insurance premium earned		
Brokerage and commission income		
<b>II. Total operating cost</b>	<b>1,627,990,434.22</b>	3,129,597,158.90
Including: Operating costs	<b>1,215,719,694.55</b>	2,675,212,319.74
Interest expenses		
Brokerage and commission expenses		
Surrenders		
Net compensation expenses		
Net amount of insurance contract reserves provided		
Policyholder dividend expenses		
Reinsurance premiums		
Tax and surcharges	<b>15,858,832.98</b>	14,382,252.20
Selling expenses	<b>18,657,986.37</b>	17,580,244.46
Administrative expenses	<b>228,139,393.15</b>	274,947,866.01
Research and development expenditures	<b>35,480,208.21</b>	41,651,730.15
Finance expenses	<b>114,134,318.96</b>	105,822,746.34
Including: Interest expenses	<b>118,712,577.92</b>	117,884,825.33
Interest income	<b>4,550,168.10</b>	8,379,526.72
Add: Other gains	<b>380,410.90</b>	973,231.66
Return on investment	<b>(102,690.47)</b>	(287,370.63)
Including: Gains on investment in associates and joint ventures	<b>(102,690.47)</b>	(287,370.63)
Gains on derecognition of financial assets measured at amortised cost		
Gains on exchange		
Gains on net exposure hedging		
Gain on change of fair value		
Credit impairment loss	<b>(9,717,389.11)</b>	(61,267,202.09)
Asset impairment loss	<b>(231,188,456.56)</b>	(16,980,412.51)
Return on asset disposition	<b>1,941,021.83</b>	1,123.89
<b>III. Operating profit</b>	<b>(549,181,755.43)</b>	(441,512,507.18)
Add: Non-operating income	<b>3,644,165.08</b>	6,672,878.46
Less: Non-operating expenses	<b>4,543,363.00</b>	11,202,613.91
<b>IV. Total profit</b>	<b>(550,080,953.35)</b>	(446,042,242.63)
Less: Income tax expenses	<b>28,453,497.81</b>	2,893,204.74

<b>V. Net profit</b>	<b>(578,534,451.16)</b>	(448,935,447.37)
(i) Classified by continued operation		
1. Net profit of continuous operation	<b>(578,534,451.16)</b>	(448,935,447.37)
2. Net profit of terminated operation		
(ii) By attributable ownership		
1. Net profit attributable to the shareholders of the parent company	<b>(566,861,510.82)</b>	(424,969,725.59)
2. Loss or profit attributable to minority interests	<b>(11,672,940.34)</b>	(23,965,721.78)
<b>VI. Net after-tax amount of other consolidated income</b>	<b>(302,689.03)</b>	(1,508,123.84)
Other comprehensive income attributable to owners of the parent company, net of tax	<b>(272,420.13)</b>	(1,357,311.46)
(i) Other comprehensive income that may not be reclassified to profit or loss		
1. Changes on remeasurement of defined benefit plans		
2. Other comprehensive income that may not be transferred to profit or loss under equity accounting		
3. Fair value changes in investments in other equity instruments		
4. Fair value changes in credit risk of the Company		
5. Others		
(ii) Other comprehensive income that will be reclassified to profit or loss	<b>(272,420.13)</b>	(1,357,311.46)
1. Other comprehensive income that may be transferred to profit or loss under equity accounting		
2. Fair value changes in other debt investments		
3. Reclassification of financial assets to other comprehensive income		
4. Credit-impaired provision for other debt investments		
5. Cash flow hedge reserve		
6. Exchange differences on translation of foreign financial statements	<b>(272,420.13)</b>	(1,357,311.46)
7. Others		
Other comprehensive income attributable to minority shareholders, net of tax	<b>(30,268.90)</b>	(150,812.38)
<b>VII. Total comprehensive income</b>	<b>(578,837,140.19)</b>	(450,443,571.21)
Total comprehensive income attributable to owners of the parent company	<b>(567,133,930.95)</b>	(426,327,037.05)
Total comprehensive income attributable to minority interests	<b>(11,703,209.24)</b>	(24,116,534.16)
<b>VIII. Earnings per share (EPS):</b>		
(i) Basic earnings per share	<b>(0.71)</b>	(0.53)
(ii) Diluted earnings per share	<b>(0.71)</b>	(0.53)

**CONSOLIDATED BALANCE SHEET***As at 31 December 2023*

<b>Items</b>	<b>31 December 2023</b>	31 December 2022
<b>Current assets:</b>		
Monetary funds	<b>99,072,876.12</b>	459,657,822.57
Settlement deposits		
Lending funds		
Financial assets held for trading		
Derivative financial assets		
Bills receivables	<b>78,005,897.66</b>	171,547,752.98
Accounts receivables	<b>253,264,672.00</b>	294,399,562.75
Financing receivables	<b>2,485,020.78</b>	5,371,855.71
Loans and advances to customers		
Advances	<b>30,163,124.55</b>	35,450,700.83
Insurance receivables		
Reinsurance receivables		
Reinsurance contract reserves receivable		
Other receivables	<b>4,675,103.22</b>	5,626,830.61
Including: Interests receivable		
Dividends receivable		
Purchases of sell-back financial assets		
Inventories	<b>454,882,307.24</b>	670,217,844.40
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	<b>858,918.49</b>	5,790,675.91
<b>Total current assets</b>	<b>923,407,920.06</b>	1,648,063,045.76
<b>Non-current assets:</b>		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	<b>1,754,772.59</b>	1,857,463.06
Investments in other equity instruments		
Other non-current financial assets		
Investment properties	<b>16,874,595.83</b>	
Fixed assets	<b>1,577,594,066.22</b>	2,003,871,030.19
Construction-in-progress	<b>2,192,776.49</b>	298,971.19

Productive biological assets		
Oil and gas assets		
Right-of-use assets	<b>21,377,297.83</b>	
Intangible assets	<b>341,873,447.91</b>	357,278,042.57
Development expenditures		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	<b>1,628,607.92</b>	26,108,899.14
Other non-current assets	<b>1,378,503.95</b>	1,128,107.60
<b>Total non-current assets</b>	<b>1,964,674,068.74</b>	2,390,542,513.75
<b>Total assets</b>	<b>2,888,081,988.80</b>	4,038,605,559.51
<b>Current liabilities:</b>		
Short-term borrowings	<b>1,633,111,107.94</b>	1,962,936,789.90
Borrowings from the central bank		
Borrowing funds		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		64,855,401.04
Accounts payable	<b>509,647,241.72</b>	611,264,285.51
Receipts in advance		
Contract liabilities	<b>54,732,615.40</b>	107,582,152.10
Proceeds from disposal of buy-back financial assets		
Deposits from customers and banks and other financial institutions		
Securities brokerage deposits		
Securities underwriting brokerage deposits		
Salaries payable	<b>75,699,078.02</b>	42,790,646.48
Taxes payable	<b>19,595,319.94</b>	11,279,406.47
Other payables	<b>34,143,155.71</b>	36,765,356.32
Including: Interests payable		
Dividends payable		
Brokerage and commission payables		
Reinsurance payables		
Liabilities held for sale		
Non-current liabilities due within one year	<b>52,797,378.40</b>	87,329,367.25
Other current assets	<b>43,395,150.74</b>	48,192,008.81
<b>Total current liabilities</b>	<b>2,423,121,047.87</b>	2,972,995,413.88
<b>Non-current liabilities:</b>		
Insurance contract reserves		

Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	<b>14,615,767.79</b>	
Long-term payables	<b>19,854,583.39</b>	65,461,963.55
Long-term salaries payable		
Estimated liabilities	<b>80,929,994.11</b>	77,771,212.05
Deferred revenue	<b>6,547,003.82</b>	6,756,829.50
Deferred income tax liabilities	<b>8,311,071.27</b>	5,266,932.29
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>130,258,420.38</b>	155,256,937.39
<b>Total liabilities</b>	<b>2,553,379,468.25</b>	3,128,252,351.27
<b>Owners' equity:</b>		
Share capital	<b>797,848,400.00</b>	797,848,400.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	<b>867,591,781.76</b>	864,405,329.26
Less: Treasury shares		
Other comprehensive income	<b>(3,301,679.88)</b>	(3,029,259.75)
Special reserve		
Surplus reserve	<b>187,753,923.88</b>	187,753,923.88
General risk reserve		
Undistributed profits	<b>(1,425,879,061.33)</b>	(859,017,550.51)
Total equity attributable to owners of the parent company	<b>424,013,364.43</b>	987,960,842.88
Minority interests	<b>(89,310,843.88)</b>	(77,607,634.64)
<b>Total owners' equity</b>	<b>334,702,520.55</b>	910,353,208.24
<b>Total liabilities and owners' equity</b>	<b>2,888,081,988.80</b>	4,038,605,559.51

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2023

2023										
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
I. Balance at the end of last year	797,848,400.00	864,405,329.26	(3,029,259.75)		187,753,923.88		(859,017,550.51)	987,960,842.88	(77,607,634.64)	910,353,208.24
Add: Changes in accounting policies										
Correction of prior errors										
Business combination under common control										
Others										
II. Balance at the beginning of the current year	797,848,400.00	864,405,329.26	(3,029,259.75)		187,753,923.88		(859,017,550.51)	987,960,842.88	(77,607,634.64)	910,353,208.24
III. Changes during the current period (reduction by "-")		3,186,452.50	(272,420.13)				(566,861,510.82)	(563,947,478.45)	(11,703,209.24)	(575,650,687.69)
(i) Total comprehensive income		3,186,452.50	(272,420.13)				(566,861,510.82)	(567,133,930.95)	(11,703,209.24)	(578,837,140.19)
(ii) Owners' capital contribution and capital reduction		3,186,452.50						3,186,452.50		3,186,452.50
1. Ordinary shares contributed by owners										
2. Capital contributed by other equity instruments holders										
3. Amounts of share-based payments recognised in owners' equity										
4. Others		3,186,452.50						3,186,452.50		3,186,452.50
(iii) Profit distribution										
1. Appropriations to surplus reserve										
2. Appropriations to general risk reserve										
3. Distributions to owners (or shareholders)										
4. 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				11,068,845.03				11,068,845.03		11,068,845.03
2. Utilised during the period				11,068,845.03				11,068,845.03		11,068,845.03
(vi) Others										
IV. Balance at the end of this year	797,848,400.00	867,591,781.76	(3,301,679.88)		187,753,923.88		(1,425,879,061.33)	424,013,364.43	(89,310,843.88)	334,702,520.55

2022										
Item	Share capita	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
I. Balance at the end of last year	797,848,400.00	863,356,311.20	(1,671,948.29)		187,753,923.88		(434,047,824.92)	1,413,238,861.87	(53,491,100.48)	1,359,747,761.39
Add: Changes in accounting policies										
Correction of prior errors										
Business combination under common control										
Others										
II. Balance at the beginning of the current year	797,848,400.00	863,356,311.20	(1,671,948.29)		187,753,923.88		(434,047,824.92)	1,413,238,861.87	(53,491,100.48)	1,359,747,761.39
III. Changes during the current period (reduction by "-")		1,049,018.06	(1,357,311.46)				(424,969,725.59)	(425,278,018.99)	(24,116,534.16)	(449,394,553.15)
(i) Total comprehensive income			(1,357,311.46)				(424,969,725.59)	(426,327,037.05)	(24,116,534.16)	(450,443,571.21)
(ii) Owners' capital contribution and capital reduction		1,049,018.06						1,049,018.06		1,049,018.06
1. Ordinary shares contributed by owners										
2. Capital contributed by other equity instruments holders										
3. Amounts of share-based payments recognised in owners' equity										
4. Others		1,049,018.06						1,049,018.06		1,049,018.06
(iii) Profit distribution										
1. Appropriations to surplus reserve										
2. Appropriations to general risk reserve										
3. Distributions to owners (or shareholders)										
4. 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. Change for the period				20,412,158.71				20,412,158.71		20,412,158.71
2. Utilised during the period				20,412,158.71				20,412,158.71		20,412,158.71
(vi) Others										
IV. Balance at the end of this year	797,848,400.00	864,405,329.26	(3,029,259.75)		187,753,923.88		(859,017,550.51)	987,960,842.88	(77,607,634.64)	910,353,208.24

## NOTES TO THE FINANCIAL STATEMENTS:

### 1. GENERAL

The Company was established in the PRC with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Main Board of Shenzhen Stock Exchange (the “**Shenzhen Stock Exchange**”). The registered address of the Company is at No. 99 Xing Shang Road, Gucheng Subdistrict, Shouguang City, Shandong Province, PRC and the principal place of business in Hong Kong is 5/F., Kam Sang Building, 257 Des Voeux Road, Hong Kong.

The financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

During the year, the Group was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and high-end castings, etc. The products were mainly used in the manufacture of equipment for oil and gas drilling, machinery processing, urban pipeline network and wind turbine castings.

### 2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

### 3. OPERATING REVENUE

Total operating revenue consists of operating revenue and revenue from other operations. Operating revenue solely represents the net amount received and receivable for goods sold and services rendered to external by the Group during the year, excluding any trade discounts.

The following is an analysis of the Group's operating revenue for the year of 2023:

Item	2023	2022
Pipe products	<b>1,141,475,324.31</b>	1,612,040,161.32
Three kinds of pumping units	<b>35,884,827.68</b>	34,259,710.39
Petroleum machinery parts	<b>18,345,313.86</b>	22,586,988.18
Castings and forgings	<b>28,540,437.13</b>	982,447,617.23
Others	<b>93,249,879.22</b>	114,310,804.28
Total	<b>1,317,495,782.20</b>	2,765,645,281.40

### 4. SEGMENT INFORMATION

According to the internal organisational structure, management requirements and internal reporting system of the Group, the Group classified its operating segments into six reportable segments based on the internal organization structure, management requirements and internal reporting system. The Group's management regularly evaluates the operating results of these reportable segments to determine the resources to be allocated and to evaluate its results.

#### (1) Segment Reporting

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 the financial statements.

## Segment reporting information – 2023

Item	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	Castings and forgings	Others	Unallocated items	Total
Operating revenue								
External transaction revenue	1,141,475,324.31	35,884,827.68	18,345,313.86	0	28,540,437.13	93,249,879.22		1,317,495,782.20
Inter-segment transaction revenue								
Total segment operating revenue	1,141,475,324.31	35,884,827.68	18,345,313.86		28,540,437.13	93,249,879.22		1,317,495,782.20
Total operating revenue in financial statements	1,141,475,324.31	35,884,827.68	18,345,313.86		28,540,437.13	93,249,879.22		1,317,495,782.20
Segment expenses	1,331,009,981.95	30,903,148.05	13,530,755.92	0	29,332,135.06	76,648,949.48	9,717,389.11	1,491,142,359.57
Segment operating (loss)/profit	(189,534,657.64)	4,981,679.63	4,814,557.94		(791,697.93)	16,600,929.74	(9,717,389.11)	(173,646,577.37)
Adjusted by:								0.00
Administrative expenses							228,139,393.15	228,139,393.15
Research and development expenses							35,480,208.21	35,480,208.21
Finance costs							114,134,318.96	114,134,318.96
Investment income							(102,690.47)	(102,690.47)
Gain on disposal of assets							1,941,021.83	1,941,021.83
Other income							380,410.90	380,410.90
Operating profit/(loss) in financial statements	(189,534,657.64)	4,981,679.63	4,814,557.94		(791,697.93)	16,600,929.74	(385,252,567.17)	(549,181,755.43)
Non-operating income							3,644,165.08	3,644,165.08
Non-operating expenses							4,543,363.00	4,543,363.00
Total (loss)/profits	(189,534,657.64)	4,981,679.63	4,814,557.94		(791,697.93)	16,600,929.74	(386,151,765.09)	(550,080,953.35)
Income tax							28,453,497.81	28,453,497.81
Net (loss)/profit	(189,534,657.64)	4,981,679.63	4,814,557.94		(791,697.93)	16,600,929.74	(414,605,262.90)	(578,534,451.16)
Total segment assets	1,161,936,652.14	92,182,074.27	37,737,719.22	314,258,092.93	943,760,235.52	293,617,109.90	44,590,104.82	2,888,081,988.80
Total segment liabilities	543,830,934.13	22,146,782.21	16,552,809.86	127,670,278.68	782,134,723.86	21,816,764.67	1,039,227,174.84	2,553,379,468.25

## Segment reporting information-2022

Item	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Tube blanks	Castings and forgings	Others	Unallocated items	Total
Operating revenue								
External transaction revenue	1,612,040,161.32	34,259,710.39	22,586,988.18		982,447,617.23	114,310,804.28		2,765,645,281.40
Inter-segment transaction revenue								
Total segment operating revenue	1,612,040,161.32	34,259,710.39	22,586,988.18		982,447,617.23	114,310,804.28		2,765,645,281.40
Total operating revenue in financial statements	1,612,040,161.32	34,259,710.39	22,586,988.18		982,447,617.23	114,310,804.28		2,765,645,281.40
Segment expenses	1,554,523,315.06	31,894,330.98	22,159,723.65		1,002,344,610.06	113,233,249.16	61,267,202.09	2,785,422,431.00
Segment operating profit	57,516,846.26	2,365,379.41	427,264.53		(19,896,992.83)	1,077,555.12	(61,267,202.09)	(19,777,149.60)
Adjusted by:								
Administrative expenses							274,947,866.01	274,947,866.01
Research and development expenses							41,651,730.15	41,651,730.15
Finance costs							105,822,746.34	105,822,746.34
Investment income							(287,370.63)	(287,370.63)
Gain on disposal of assets							1,123.89	1,123.89
Other income							973,231.66	973,231.66
Operating profit in financial statements	57,516,846.26	2,365,379.41	427,264.53		(19,896,992.83)	1,077,555.12	(483,002,559.67)	(441,512,507.18)
Non-operating income							6,672,878.46	6,672,878.46
Non-operating expenses							11,202,613.91	11,202,613.91
Total profits	57,516,846.26	2,365,379.41	427,264.53		(19,896,992.83)	1,077,555.12	(487,532,295.12)	(446,042,242.63)
Income tax							2,893,204.74	2,893,204.74
Net profit	57,516,846.26	2,365,379.41	427,264.53		(19,896,992.83)	1,077,555.12	(490,425,499.86)	(448,935,447.37)
Total segment assets	2,437,943,105.49	86,426,227.49	44,267,577.33	312,178,273.71	477,427,227.97	285,827,813.09	394,535,334.43	4,038,605,559.51
Total segment liabilities	529,420,290.06	23,304,919.19	20,778,466.19	493,664,298.21	450,658,293.38	45,498,404.53	1,564,927,679.71	3,128,252,351.27

### (2) External transaction income by origin of income sources and non-current assets by location of assets

In the years of 2023 and 2022, the Group derived all external transaction income from the PRC and overseas but all of its assets were located in the PRC. Therefore, external transaction income by origin of income sources is disclosed as follows:

Item	2023	2022
External transaction income derived from the PRC	<b>990,219,379.24</b>	2,359,717,382.90
External transaction income derived from other countries	<b>327,276,402.96</b>	405,927,898.50
Total	<b>1,317,495,782.20</b>	2,765,645,281.40

## 5. FINANCE COSTS

Item	2023	2022
Interest expenses (bank borrowings due within one year)	<b>118,712,577.92</b>	117,884,825.33
Less: Interest expenses capitalized		
Less: Interest income	<b>4,550,168.10</b>	8,379,526.72
Foreign exchange difference	<b>(575,180.61)</b>	(7,676,880.94)
Others	<b>547,089.75</b>	3,994,328.67
Total	<b>114,134,318.96</b>	105,822,746.34

There was no capitalized borrowing costs in the year of 2023 (2022: 0).

## 6. OTHER INCOME

Source of other income	Amount for the period	Amount for the last period
Incentives and subsidies for energy conservation and emission reduction		
Subsidies and grants for recycling resource enterprises		
Subsidies and grants for enterprises		
Stability subsidies and social insurance subsidies	<b>37,861.63</b>	714,277.31
Bonuses for technology upgrade and energy conversion		
Grants for defense basement construction	<b>35,954.30</b>	35,954.30
Special funds for external trade development		
Reward for technological innovation patents and acquisition of international brands		
Others	<b>306,594.97</b>	223,000.05
Total	<b>380,410.90</b>	973,231.66

**7. ASSETS IMPAIRMENT LOSSES**

<b>Item</b>	<b>2023</b>	<b>2022</b>
Loss on bad debts		
Including: Accounts receivable		
Other receivables		
Loss on impairment of inventories	<b>(13,566,613.73)</b>	(16,980,412.51)
Impairment loss on intangible assets		
Impairment loss of fixed assets	<b>(217,621,842.83)</b>	
Loss allowances for loans		
Impairment loss on goodwill		
<b>Total</b>	<b>(231,188,456.56)</b>	(16,980,412.51)

**8. CREDIT IMPAIRMENT LOSSES**

<b>Item</b>	<b>Amount for the period</b>	<b>Amount for the last period</b>
Loss on bad debts of bills receivable	<b>944,867.23</b>	640,985.10
Loss on bad debts of accounts receivable	<b>2,193,242.93</b>	4,646,594.01
Loss on bad debts of other receivables	<b>103,282.79</b>	1,416,430.85
Impairment loss on loans		
Creditor's Rights loss of Parent Company to Subsidiaries with Excess Loss	<b>(12,958,782.06)</b>	(67,971,212.05)
<b>Total</b>	<b>(9,717,389.11)</b>	(61,267,202.09)

**9. NON-OPERATING INCOME**

<b>Item</b>	<b>2023</b>	<b>2022</b>
Government grants		
Penalty income		
Others	<b>3,644,165.08</b>	6,672,878.46
<b>Total</b>	<b>3,644,165.08</b>	6,672,878.46

## 10. TOTAL (LOSS) PROFIT

Total (loss) profit has been arrived at after charging/(crediting):

Item	2023	2022
Staff costs (including directors' remuneration)	<b>193,620,108.47</b>	253,656,649.51
Amortisation of intangible assets	<b>15,404,594.66</b>	18,775,860.31
Auditor's remuneration (included in administrative expenses)	<b>1,367,924.49</b>	1,367,924.49
Cost of inventories recognised as expenses	<b>1,215,719,694.55</b>	2,675,212,319.74
Depreciation on fixed assets	<b>194,478,460.67</b>	199,175,368.21
Research and development expenses	<b>30,578,559.41</b>	33,412,376.94
Gain on disposal of fixed assets	<b>1,941,021.83</b>	1,123.89

## 11. INCOME TAX (CREDIT) EXPENSES

Item	2023	2022
Current income tax expenses	<b>929,067.61</b>	32,252.92
– Hong Kong		
– Mainland China	<b>929,067.61</b>	32,252.92
Deferred income tax expenses	<b>27,524,430.20</b>	2,860,951.82
Total	<b>28,453,497.81</b>	2,893,204.74

The Company has been listed as a new high-technology enterprise and was subject to the PRC enterprise income tax at a rate of 15% (2022: 15%) pursuant to the Enterprise Income Tax Law of the People's Republic of China.

The subsidiaries of the Company incorporated in Hong Kong were subject to the profits tax at the rate of 16.5%(2022:16.5%) in Hong Kong.

## 12. (LOSSES)/EARNINGS PER SHAR

Item	2023	2022
Net (loss)/profit attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	<b>(0.71)</b>	(0.53)
Diluted (losses)/earnings per share	<b>(0.71)</b>	(0.53)
Net (loss)/profit from continuing operations attributable to shareholders of the Company is calculated based on:		
Basic (losses)/earnings per share	<b>(0.71)</b>	(0.53)
Diluted (losses)/earnings per share	<b>(0.71)</b>	(0.53)

### 13. DIVIDENDS

Item	2023	2022
Dividends recognized and distributed during the year	0	0
2023 final dividend – RMB per ordinary share	0	0

The Board does not recommend any payment of final dividend in respect of the year ended 31 December 2023. It has been proposed by the Board but shall be subject to approval from shareholders at the general meeting.

### 14. BILLS RECEIVABLE

Item	2023			2022		
	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable
Bills receivable	78,793,836.02	787,938.36	78,005,897.66	173,280,558.57	1,732,805.59	171,547,752.98
Total	78,793,836.02	787,938.36	78,005,897.66	173,280,558.57	1,732,805.59	171,547,752.98

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

### 15. ACCOUNTS RECEIVABLE

Item	2023			2022		
	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable	Balance of accounts receivable	Provision for bad debt	Net amount of accounts receivable
Accounts receivable	302,629,749.21	49,365,077.21	253,264,672.00	397,062,652.41	102,663,089.66	294,399,562.75
Total	302,629,749.21	49,365,077.21	253,264,672.00	397,062,652.41	102,663,089.66	294,399,562.75

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: Customers of tubes of Mainland China are normally subject to payment in advance of distribution and customers of oil casing of Mainland China 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.

The following is an aging analysis of accounts receivable based on the date of invoice:

<b>Age</b>	<b>2023</b>	2022
Within 1 year	<b>254,044,663.47</b>	294,779,413.05
1 to 2 years	<b>2,631,436.65</b>	4,537,041.54
2 to 3 years	<b>707,219.17</b>	823.90
3 to 4 years		1,826,075.57
4 to 5 years	<b>1,786,213.66</b>	168,705.00
Over 5 years	<b>43,460,216.26</b>	95,750,593.35
Total	<b>302,629,749.21</b>	397,062,652.41

#### 16. **BILLS PAYABLE**

<b>Category</b>	<b>2023</b>	2022
Bills payable		64,855,401.04
Total		64,855,401.04

#### 17. **ACCOUNTS PAYABLE**

<b>Category</b>	<b>2023</b>	2022
Accounts payable	<b>509,647,241.72</b>	611,264,285.51
Total	<b>509,647,241.72</b>	611,264,285.51

The following is an aging analysis of accounts payables based on the date of invoice:

<b>Age</b>	<b>2023</b>	2022
Within 1 year	<b>208,805,209.31</b>	406,341,085.16
1 to 2 years	<b>139,263,306.85</b>	86,956,033.94
2 to 3 years	<b>55,147,105.45</b>	30,406,379.94
Over 3 years	<b>106,431,620.11</b>	87,560,786.47
Total	<b>509,647,241.72</b>	611,264,285.51

#### 18. **CAPITAL COMMITMENTS**

The Group did not have any capital commitments as at the end of the year.

#### 19. **CONTINGENT LIABILITIES**

The Group did not have significant contingent liabilities at the end of the year..

## **ANNUAL RESULTS**

For the year ended 31 December 2023, the Group recorded a revenue of RMB1,317,495,782.20, representing a decrease of approximately 52.36% as compared with last year. Loss attributable to equity owners of the Company and loss per share amounted to RMB566,861,510.82 and RMB0.71, respectively.

## **BUSINESS REVIEW**

### **(I) DESCRIPTIONS OF THE GROUP'S MAIN BUSINESSES DURING THE REPORTING PERIOD**

During the Reporting Period, the Company was mainly engaged in design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas transportation equipment, petroleum and natural gas exploitation equipment and casting products. These products were mainly used in the manufacture of equipment in connection with industries such as oil and gas drilling, machinery processing, urban pipe network and wind turbine castings.

The main business of the Company was production and sales of dedicated equipment. The Company's main products are oil pipes, casing, fluid and structural pipes, three pumping equipment, petroleum machinery parts and casting and forging products. For the pipe products, the Company adopted a "sales-based production" business model for production, i.e. the Sales Department coordinated with the production system of the Company for orderly production, inspection and delivery based on the marketing patterns and customer order plans. For the casting products, the Company adopted a "production-based sales" business model for production, i.e., the Company determined the production indicators and compiled the sales plans based on the production indicators. The Company adopted a centralized procurement model under which all raw materials, moulds and equipment were centrally purchased by the procurement department, which was also responsible for the signing of procurement contracts, procurement status follow-up, facilitating quality improvement of raw materials. The procurement department strictly controlled the selection of suppliers based on the comprehensive overall evaluation index system, fostered quality partners and developed long-term and stable strategic partnership. The Company had a relatively mature sales network and has established dedicated sales companies and professional import and export teams, responsible for domestic and international market research and study, development, product sales and post-sales services, respectively.

## **(II) BASIC INFORMATION OF THE GROUP'S INDUSTRY DURING THE REPORTING PERIOD**

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

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

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

### **(III) DISCUSSION AND ANALYSIS OF OPERATION OF THE GROUP DURING THE REPORTING PERIOD**

At the end of the Reporting Period, the Group's total assets were RMB2.888 billion, with a year-on-year decrease of 28.49%. The net assets attributable to shareholders of listed company were RMB424 million, with a year-on-year decrease of 57.08%. During the Reporting Period, the Group achieved an operating income of RMB1.317 billion, with a year-on-year decrease of 52.36%. Net loss attributable to shareholders of the listed company was RMB567 million.

During the reporting period, due to insufficient product orders, the Company's product sales declined year-on-year and its operating income decreased; due to insufficient operation of various production lines, related costs and expenses increased, resulting in a decrease in the comprehensive gross profit margin of the products. The Company regularly conducts comprehensive inspection of various assets. According to relevant accounting standards, a provision for asset impairment of RMB240,905,845.67 has been made for relevant assets with signs of impairment. The combination of the above factors resulted in losses in the Company's operating performance.

### **PROSPECTS**

#### **(I) Future development trend of the Group's industry:**

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

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

## **(II) Business plans of the Group for 2024**

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

### ***Strengthen marketing and optimize sales strategies***

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

### ***Strengthen the basic management to promote the quality and efficiency improvement***

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

### ***Promoting technological innovation and product innovation***

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

### ***Strengthen exchanges and cooperation to promote the application and popularization of HIs melt***

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

### ***Strengthen financing management to ensure the safety of funds***

Strengthen communication with banks, do a good job of contact and exchange with banks and other financial institutions, and strive to appropriately reduce financing cost and maintain or increase the scale of credit granting. Further strengthen the management of accounts receivable, enhance the turnover of accounts receivable, reduce the occurrence of bad debts and ensure the safety of funds.

### ***Reinforce the internal control management and reduce operation risks***

The Company will further perfect and complete the internal control management system, intensify internal audit, establish efficient monitoring and inspection mechanisms, regulate the specific business process and strengthen risk-resistance ability; continue to reinforce risk control and monitoring mechanisms at all levels, so as to lower the risks of corporate operation.

### ***Optimise the corporate governance and facilitate the standardised operation***

The Company will further complete the relevant rules and regulations according to actual needs and ensure their effective implementation; formulate a management framework that is flat in management, simplified in organization, and efficient in management; continue to optimise the corporate governance structure and improve the standardised operation, thereby providing fundamental guarantee for the Company's high-quality development and setting up a more regulated and transparent operating system as a listed company; optimise the internal control process and constantly perfect the risk prevention mechanisms, so as to guarantee healthy, stable and sustainable development of the Company.

### **(III) Major risk factors affecting future development strategy and business goals of the Group:**

#### ***(1) Market risk***

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

#### ***(2) Risk of raw material price fluctuation***

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

**(3) Policy risk**

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

**(4) Exchange rate risk**

Changes in the RMB exchange rate have impact on the Group's operating results. The Group will closely monitor the changes in exchange rates and will take timely measures to avoid any risks caused by changes in the RMB exchange rate.

**(5) Interest rate risk**

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market interest rate. Financial instruments bearing fixed interest rates expose the Group to fair value interest rate risk and financial instruments bearing floating interest rates expose the Group to cash flow interest rate risk. The Group determines the relative proportions of financial instruments between fixed and floating interest rates depending on the market conditions, maintains an appropriate portfolio of financial instruments through regular review and monitoring.

## MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Set out an extract of the report by Shinewing Certified Public Accountants Ltd. (Special General Partnership), the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

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

The Board believes that the auditor’s opinion on the Company’s 2023 financial report objectively and truly reflects the Company’s actual financial conditions and reveals the Company’s possible risks to continue as a going concern.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken by the Board to mitigate the liquidity position and to improve the Group’s financial position which include, but are not limited to, the followings:

1. Disposal of inefficient assets and optimize the asset-liability structure. Selling the equity interest in two inefficient subsidiaries, optimize the Company’s asset allocation, recover funds, enhance the liquidity of assets, and improve the Company’s profitability, which will have a positive impact on the Company’s production, operations and financial position, and are in line with the long-term development plan. As at 13 March 2024, changes in industrial and commercial registration were completed in respect of the two subsidiaries and renewed business licenses issued by the Market Supervision Administration have been obtained.

2. Strengthen marketing work and optimize sales strategies, to adjust sales strategies in a timely manner based on market conditions. In 2024, the marketing company to carry out a good job in the market, especially new markets and new customer development, sales and customer service, and adhere to the business strategy of “export first, oil pipelines as the focus, and general management as strong”, continue to optimize product and customer structure. Business marketing shall focus on key markets, focusing on large customers, and doing a good job in bidding and tendering in major oilfield markets; giving full play to industry advantages, actively expanding marketing channels, increasing the order volume and production capacity of high value-added products, and promoting the formation of a diversified product structure. Effectively increase market share, gradually restore market confidence, boost performance growth, and strive to improve operating conditions
3. Consolidate basic management and promote quality and efficiency improvement. Strengthen production management and seek benefits from the production site. Effectively control the production process and improve various economic and technical indicators; consolidate basic management, pay attention to product quality, and continuously improve product quality; improve cost control awareness, reduce costs in many aspects, tap potential, effectively do a good job in cost reduction and efficiency improvement, and strive to derive efficiency in positions, machineries, every ton of products, so as to improve profitability
4. Enhance financing efforts and ensure fund security. Strengthening communication between banks and us, enhance communication and exchanges with banks and other financial institutions to ensure the safety and continuity of the capital chain. The security of the capital chain is related to the survival and development of enterprises. To focus on the five major banks, use commercial banks as support, and quasi-financial institutions as the supplementation to ensure stable corporate financing and normal production and operations, strive to optimize the liability structure, vigorously reduce high-interest debt ratios, and reduce corporate financial costs. Further strengthen the management of accounts receivable, speed up the turnover rate of accounts receivable, reduce the occurrence of bad debts, and ensure the safety of funds
5. Strengthen exchanges and cooperation and continue to promote the application and promotion of HIsmelt. According to the Company’s technology promotion plan, we will use our full effort to complete all preparatory work. Strengthen communication and exchanges with design institutes and user companies to ensure that all work is implemented accurately and timely; maintain close contact with units in the same industry, keep up with the forefront of technological development, and continuously improve work efficiency and service levels. The promotion of HIsmelt technology and project implementation will become the Company’s new focal point of profit growth and help to continuously improve the Company’s operating capabilities

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to meet its future working capital and financing requirements.

## **EVENTS AFTER THE REPORTING PERIOD**

On 9 January 2024, the Group (as vendor) and Wuhu Zhiying Project Investment Partnership (Limited Partnership)\*(蕪湖智贏項目投資合夥企業(有限合夥)) (the “**Purchaser**”) entered into two sales and purchase agreements related to (i) the disposal of 70% equity interest in Shouguang Baolong Petroleum Equipment Co., Ltd.\* (“**Shouguang Baolong**”) at the consideration of RMB1; and (ii) the disposal of 98.0769% equity interest in Weihai City Baolong Petroleum Equipment Co., Ltd.\* (威海市寶隆石油專材有限公司) (“**Weihai Baolong**”) at the consideration of RMB141,606,708.94 (the “**Disposals**”). On the same day, the Company (as creditor) entered the Repayment Agreement each with Shouguang Baolong and Weihai Baolong, respectively, pursuant to which, Shouguang Baolong agreed to repay the Indebtedness in the sum of RMB461,709,466.37 to the Company, and Weihai Baolong agreed to repay the Indebtedness in the sum of RMB14,345,726.40 to the Company. The disposals were completed in March 2024.

In view of the revision of relevant laws and regulations, such as the amendments to Administrative Measures for Independent Directors of Listed Companies and the Rules for Share Repurchase of Listed Companies by the China Securities Regulatory Commission, and the amendments to the Listing Rules by the Stock Exchange, the Board proposed to amend the Articles of Association of the Company (the “**Articles of Association**”). As not more than two thirds of the votes were cast in favour of resolution on the amendment of the Articles of Association at the extraordinary general meeting held on 25 January 2024, such resolution was not passed. Accordingly, the proposed amendments to the Articles of Association will not take effect.

Save as the above-mentioned, no major events of the Group required to be disclosed after the reporting period and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS**

During the year ended 31 December 2023, the Group did not have any significant investments

## **MATERIAL ACQUISITION AND DISPOSAL DURING THE YEAR AND FUTURE INVESTMENT PLAN**

During the year ended 31 December 2023, the Group did not have any acquisitions, disposals or future significant investment plans.

## **DIVIDEND**

The Board does not recommend any payment of final dividend in respect of the year ended 31 December 2023. It has been proposed by the Board but shall be subject to approval by shareholders at the general meeting.

## **CORPORATE GOVERNANCE**

The Company is committed to the achieving a high standard of corporate governance. The principles of corporate governance adopted by the Company emphasize a high-quality board of directors, sound internal control, and transparency and accountability to all shareholders. For the year ended 31 December 2023, the Company has complied with all the code provisions and most of the recommended best practices contained in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. 本 The Company has introduced and will continue to adopt measures to comply with the changes to the Listing Rules regarding corporate governance. Details of the corporate governance of the Company are set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2023. In addition, during the year, external independent consultants were engaged to review the internal control and financial reporting of the Company.

## **CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD**

On 24 February 2023, Mr. Yang Yun Long resigned as the Chairman, executive Director and member of relevant board committees of the Company for personal work arrangements.

On 24 February 2023, Mr. Yuan Rui was appointed as the Chairman of the Company.

On 7 April 2023, Mr. Liu Ji Lu resigned as a non-executive director of the Company for personal work arrangements.

The resolution on by-election of Mr. Zhao Xiao Tong, Ms. Zhang Min as directors of the seventh session of the Board was approved by shareholders at the annual general meeting of the Company convened on 19 May 2023 for a term ending on the date on which the term of the seventh session of the Board expires. The tenure of directors, namely Mr. Zhao Xiao Tong, Ms. Zhang Min, commenced from the date on which the resolution passed at this annual general meeting.

On 26 September 2023, Mr. Wang Quan Hong resigned as a non-executive director of the Company for personal work arrangements.

The resolution on by-election of Mr. Ding Yi as a non-executive director of the seventh session of the Board was approved by shareholders at the extraordinary general meeting of the Company convened on 26 September 2023 for a term ending on the date on which the term of the seventh session of the Board expires. The tenure of director, Mr. Ding Yi, commenced from the date on which the resolution passed at this extraordinary general meeting.

On 8 October 2023, Mr. Li Zhi Xin resigned as general manager of the Company for position adjustment, and was appointed as deputy general manager on the same day.

On 8 October 2023, Mr. Yao You Ling was appointed as general manager by the Board.

On 13 November 2023, Mr. Hao Yun Feng resigned as deputy general manager and chief financial officer of the Company for personal reasons.

## **AUDIT COMMITTEE**

The Company's audit committee (its members consist of three independent non-executive directors of the Company) held six meetings in 2023 to discuss matters regarding the accounting standards and practices adopted by the Group, internal control and risk management and financial reporting, and they have reviewed the audited results for the year ended 31 December 2023.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules requiring the directors of the Company to follow the Model Code while conducting securities transactions. The Model Code is also applicable to the Company's senior management. Having made specific enquiries by the Company, all directors of the Company confirmed that they have fully complied with the Model Code throughout the year of 2023.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

## **CLOSURE OF REGISTER OF MEMBER**

The annual general meeting for the year of 2023 of the Company is expected to be held on 22 May 2024. A notice convening the annual general meeting will be published and dispatched to shareholders of the Company in due course.

The register of members of H shares of the Company (“**H Shares**”) will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 (both days inclusive), during which no transfer of the H Shares will be effected. In order to qualify to attend and vote at the forthcoming annual general meeting, all completed transfers accompanied by the relevant share certificates must be lodged with the H Shares registrar of the Company, Tricor Investor Services Limited, on Floor 17, Far East Financial Center 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 May 2024.

**PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.molonggroup.com). The annual report for the year ended 31 December 2023 will be dispatched to shareholders as soon as possible and will be available on the website of the Company and the websites of the Stock Exchange and Shenzhen Stock Exchange.

By order the Board of  
**Shandong Molong Petroleum Machinery Company Limited\***  
**Yuan Rui**  
*Chairman*

Shandong, the PRC  
28 March 2024

*As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Yuan Rui, Mr. Yao You Ling, Mr. Li Zhi Xin and Mr. Zhao Xiao Tong; the non-executive Directors, namely Mr. Ding Yi and Ms. Zhang Min; and the independent non-executive Directors, namely Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.*

\* *For identification purposes only*