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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)

ANNOUNCEMENT

UNAUDITED 2020 THIRD QUARTERLY REPORT

This report is published simultaneously in the People's Republic of China pursuant to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》) and in Hong Kong pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PART 1 IMPORTANT NOTICE

The board of directors (“**Board**”), supervisory committee and the directors (“**Directors**”), supervisors and senior management of the Company confirm that this quarterly report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

All directors attended the Board meeting for approving this quarterly report.

Liu Yun Long, person in charge of the Company, Liu Min, accounting officer in charge of the Company and Zhang Xue Mei, head of accounting section (accounting executive) of the Company, hereby confirm the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

PART 2 BASIC INFORMATION OF THE COMPANY

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Any necessary retrospective adjustment or restatement of the accounting data of the prior years

Yes No

	At the end of the reporting period		At the end of last year	Increase/decrease at the end of the current reporting period as compared to the end of last year
Total assets (RMB)	5,239,214,698.30		5,735,752,344.59	-8.66%
Net assets attributable to shareholders of listed company (RMB)	1,501,911,768.41		1,747,518,970.85	-14.05%
	The reporting period	Period- on-period increase/ decrease	From the beginning of the year to the end of the reporting period	Period- on-period increase/ decrease
Operating income (RMB)	875,271,364.45	-14.50%	2,221,649,056.27	-34.68%
Net profit attributable to shareholders of listed company (RMB)	-136,664,317.23	-166.98%	-245,989,810.24	-641.49%
Net profit after extraordinary gains or losses attributable to shareholders of listed company (RMB)	-119,999,165.37	-111.47%	-227,679,613.91	-445.33%
Net cash flows from operating activities (RMB)	27,666,911.37	-75.47%	90,134,212.67	-76.68%
Basic earnings per share (RMB per share)	-0.1713	-166.82%	-0.3083	-641.11%
Diluted earnings per share (RMB per share)	-0.1713	-166.82%	-0.3083	-641.11%
Weighted average rate of return on net assets	-8.71%	-6.07%	-15.14%	-13.42%

Extraordinary gain or loss items and amounts

✓ Applicable □ Not applicable

Unit: RMB

Item	From the beginning of the year to the end of the reporting period	Note
Profit or loss on disposal of non-current assets (including written-off of provisions for assets impairment)	1,921,516.41	Mainly due to loss on disposal of fixed assets.
Recorded into the profit or loss of the current government subsidies (except those closely associated with the enterprise business, in accordance with the unified national standard quota or quantity)	1,127,502.30	Mainly due to the receipt of employment stabilization subsidies and technology awards during the period.
Profit or loss arising from contingencies unrelated to the normal operation of the Company	-25,496,620.23	Mainly due to the provision for the loss of litigation claims of investors during the period.
Other non-operating income and expenses other than the above items	1,089,618.97	Mainly due to the damages received pursuant to an agreement during the period.
Other extraordinary profit and losses	32,402.96	Mainly due to the refunds of handling fees for withholding and payment of individual income tax received during the period.
Less: Effect of income tax	-3,013,634.06	—
Effect of minority interests (after tax)	-1,749.20	—
Total	-18,310,196.33	—

Explain the reasons for determination of the extraordinary profit or loss items defined by the Company in accordance with the definition set out in the Explanatory Announcement No. 1 on Information Disclosure by Public Issuers — Extraordinary Profit or Loss Items (《公開發行證券的公司信息披露解釋性公告第1號 — 非經常性損益》), and of the recurring profit or loss items that are in conformity with the definition of “extraordinary profit or loss items” as set out in the above-mentioned document

Applicable Not applicable

No extraordinary profit or loss items as defined and illustrated in the Explanatory Announcement No. 1 on Information Disclosure by Public Issuers — Extraordinary Profit or Loss Items was deemed to be recurring profit or loss items for the reporting period.

II. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

1. Total number of ordinary shareholders and preferred shareholders restored by voting rights and shareholdings of top ten shareholders

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	30,868 (including A shares: 30,821; H shares: 47)	Total number of preferred shareholders restored by voting rights as at the end of the reporting period (if any)	0
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Shareholdings of top ten shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares held	Number of shares held subject to lock-up	Pledged or frozen condition	
					Status of shares	Quantity
Hong Kong Securities Clearing Company Limited	Overseas legal person	30.93%	246,764,990	0	–	–
Zhang En Rong (張恩榮)	Domestic natural person	29.53%	235,617,000	0	Pledged	187,617,000
Zhang Yun San (張雲三)	Domestic natural person	4.03%	32,168,400	0	–	–
Lin Fu Long (林福龍)	Domestic natural person	3.08%	24,602,700	0	–	–
Central Huijin Asset Management Co., Ltd (中央匯金資產管理有限責任公司)	State-owned legal person	1.70%	13,536,100	0	–	–
SZ Qianhai Jing Wei Rong He Asset Management Co., Ltd (深圳前海經緯融和資產管理有限公司) — Rong He Private Securities Investment Fund II	Domestic non-state-owned legal person	0.46%	3,709,552	0	–	–
Guo Li Min (郭麗敏)	Domestic natural person	0.32%	2,588,700	0	–	–
Wang Jian Sen (王建森)	Domestic natural person	0.26%	2,098,200	0	–	–
Xie Kun (謝錕)	Domestic natural person	0.24%	1,892,100	0	–	–
Sun Xiao Ou (孫小鷗)	Domestic natural person	0.22%	1,729,000	0	–	–

Shareholdings of top ten shareholders not subject to lock-up

Name of shareholder	Number of shares not subject to lock-up	Class	Stock categories	Quantity
Hong Kong Securities Clearing Company Limited	246,764,990		Overseas listed foreign shares	246,764,990
Zhang En Rong (張恩榮)	235,617,000		RMB ordinary shares	235,617,000
Zhang Yun San (張雲三)	32,168,400		RMB ordinary shares	23,108,000
			Overseas listed foreign shares	9,060,400
Lin Fu Long (林福龍)	24,602,700		RMB ordinary shares	24,602,700
Central Huijin Asset Management Co., Ltd (中央匯金資產管理有限責任公司)	13,536,100		RMB ordinary shares	13,536,100
SZ Qianhai Jing Wei Rong He Asset Management Co., Ltd (深圳前海經緯 融和資產管理有限公司) — Rong He Private Securities Investment Fund II	3,709,552		RMB ordinary shares	3,709,552
Guo Li Min (郭麗敏)	2,588,700		RMB ordinary shares	2,588,700
Wang Jian Sen (王建森)	2,098,200		RMB ordinary shares	2,098,200
Xie Kun (謝錕)	1,892,100		RMB ordinary shares	1,892,100
Sun Xiao Ou (孫小鷗)	1,729,000		RMB ordinary shares	1,729,000

Description of connected relationship or concertedness among the above shareholders Mr. Zhang En Rong (張恩榮) is the father of Mr. Zhang Yun San (張雲三). The Company has no knowledge of whether the other shareholders have connected relationships or are acting in concert.

Description of the top ten shareholders participating in margin trading business (if any) Not applicable

Whether the top ten ordinary shareholders and the top ten ordinary shareholders not subject to lock-up have undertaken by repurchase transactions during the reporting period

Yes No

The top ten ordinary shareholders and the top ten ordinary shareholders not subject to lock-up did not undertake any repurchase transaction during the reporting period.

2. Total number of preferred shareholders and shareholdings of top ten preferred shareholders

Applicable Not applicable

PART 3 MATERIAL MATTERS

I. CHANGES IN MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS DURING THE REPORTING PERIOD AND THE REASONS THEREOF

✓ Applicable □ Not Applicable

(I) The explanation for major changes of the Company's assets and liabilities structure year on year during the reporting period

Unit: RMB

Items	30 September 2020 (Unaudited)	31 December 2019 (Audited)	Change (%)	Reason for the difference
Bills receivable	121,877,204.60	257,635,279.11	-52.69%	(1)
Accounts receivable	334,020,532.94	507,559,024.95	-34.19%	(2)
Financing receivables	20,283,739.42	96,155,523.75	-78.91%	(3)
Loans and advances				
disbursements	9,030,525.97	17,046,915.97	-47.03%	(4)
Prepayments	79,183,937.02	41,184,464.45	92.27%	(5)
Other current assets	14,858,061.01	35,206,341.97	-57.80%	(6)
Construction in progress	29,496,743.51	55,034,853.27	-46.40%	(7)
Other non-current assets	4,261,983.62	9,621,036.29	-55.70%	(8)
Bills payable	122,085,459.33	281,588,603.88	-56.64%	(9)
Contract liabilities	50,316,892.09	32,463,654.22	54.99%	(10)
Other current liabilities	25,364,776.37	87,557,572.20	-71.03%	(11)
Estimated liabilities	18,221,690.58	5,734,176.25	217.77%	(12)
Long-term payables	8,919,365.86	58,045,884.69	-84.63%	(13)

The reasons for the differences:

- (1) Bills receivable decreased by 52.69% as compared with the beginning of the year, mainly due to the decline in operating income for the period and the corresponding decrease in commercial bills acceptance received.
- (2) Accounts receivable decreased by 34.19% as compared with the beginning of the year, mainly due to the decline in operating income for the period.
- (3) Financing receivables decreased by 78.91% as compared with the beginning of the year, mainly due to the decline in operating income for the period and the corresponding decrease in bank's acceptance bills received.

- (4) Loans and advances disbursements decreased by 47.03% as compared with the beginning of the year, mainly due to the recovery of loans granted by subsidiaries in the previous period.
- (5) Prepayments increased by 92.27% as compared to the beginning of the year, mainly due to the increase in prepayments for materials during the period.
- (6) Other current assets decreased by 57.80% as compared to the beginning of the year, mainly due to the decrease in value-added tax retained at the end of the reporting period.
- (7) Construction in progress decreased by 46.40% as compared to the beginning of the year, mainly due to the transfer of fixed assets from some projects under construction during the period.
- (8) Other non-current assets decreased by 55.70% as compared to the beginning of the year, mainly due to the arrival of certain equipment items during the current period which were purchased by prepayments in the previous period.
- (9) Bills payable decreased by 56.64% as compared to the beginning of the year, mainly due to the reduction in bill payments as the procurement volume decreased during the current period.
- (10) Contract liabilities increased by 54.99% compared to the beginning of the year, mainly due to the increase in payments received in advance in the period.
- (11) Other current liabilities decreased by 71.03% as compared with the beginning of the year, mainly due to the decrease in commercial acceptance bills transferred by the Company undue.
- (12) Estimated liabilities increased by 217.77% as compared with the beginning of the year, mainly due to the increase in the provision for loss of litigation claims of investors with unjudgment during the current period.
- (13) Long-term payables decreased by 84.63% as compared with the beginning of the year, mainly due to the Company's return of financing in accordance with the agreement during the current period.

(II) The explanation for major changes of profit or loss indicators year-on-year during the reporting period

Unit: RMB

Item	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)	Change (%)	Reason for the difference
Operating income	2,221,649,056.27	3,401,134,829.18	-34.68%	(1)
Operating cost	2,104,728,610.67	3,102,001,757.61	-32.15%	(2)
Selling expense	40,500,872.47	63,192,922.94	-35.91%	(3)
Assets impairment losses (loss expressed with “-”)	-7,107,757.05	–	–	(4)
Credit impairment losses (loss expressed with “-”)	-4,534,820.75	-2,197,221.45	106.39%	(5)
Other income	1,159,905.26	13,296,278.90	-91.28%	(6)
Investment income	146,947.67	3,421,019.92	-95.70%	(7)
Gain on disposal of assets	263,179.42	5,499,629.48	-95.21%	(8)
Non-operating income	1,460,633.78	6,672,974.74	-78.11%	(9)
Non-operating expenses	28,052,330.87	16,763,647.13	67.34%	(10)
Income tax expenses	664,432.69	3,933,491.12	-83.11%	(11)

The reasons for the differences:

- (1) The operating income decreased by 34.68% compared with the same period of last year, mainly due to 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.
- (2) Operating costs decreased by 32.15% compared with the same period of last year, mainly due to the decrease in operating income during the current period.
- (3) Selling expenses decreased by 35.91% compared with the same period of last year, mainly due to the decrease in shipments, resulting in a decrease in transportation fees.
- (4) The asset impairment loss increased as compared with the same period last year, mainly due to the increase in the provision for inventory impairment loss for the period.
- (5) Credit impairment losses increased by 106.39% as compared with the same period last year, mainly due to the increase in the provision for credit impairment losses of trade receivables for the period.
- (6) Other income has decreased by 91.28% compared with the same period last year, mainly due to subsidies and grants for recycling resource enterprises received in the same period last year.

- (7) Investment income has decreased by 95.70% compared with the same period last year, mainly due to the decrease in income generated by wealth management business of bank for the period.
- (8) The gain on disposal of assets decreased by 95.21% compared with the same period of last year, mainly due to the decrease in disposal of assets for the period.
- (9) Non-operating income decreased by 78.11% compared with the same period of last year, mainly due to the decrease in the income of breach of contract claim received in the same period of last year
- (10) Non-operating expenses increased by 67.34% compared with the same period of last year, mainly due to the provision for the loss of litigation claims of investors in the period.
- (11) Income tax expenses decreased by 83.11% compared with the same period last year, mainly due to the decrease in deferred income tax expense recognised for the period.

(III) The explanation for changes of cash flow statement year on year during the reporting period

Unit: RMB

Items	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)	Change (%)	Reason for the difference
Net cash flow from operating activities	90,134,212.67	386,518,038.08	-76.68%	(1)
Net cash flows from investing activities	-22,900,369.23	40,007,689.18	-157.24%	(2)
Net cash flow from financing activities	-109,079,834.38	-457,538,433.29	76.16%	(3)

The reasons for the differences:

- (1) Net cash flows from operating activities have decreased by 76.68% compared with the same period last year, mainly due to the decrease in operating income for the period and the recovery of security deposit for the bank acceptance with the maturity over 3 months compared with the same period last year.
- (2) Net cash flow from investing activities decreased by 157.24% compared with the same period of last year, mainly due to the due redemption of the bank financial products purchased by subsidiaries in the same period of last year.

- (3) The net cash flow from financing activities increased by 76.16% compared with the same period of last year, mainly due to the decrease in cash repayments for due debts during the current period.

II. PROGRESS OF SIGNIFICANT EVENTS AND ANALYSIS OF THEIR IMPACTS AND SOLUTIONS

✓ Applicable Not Applicable

1. Litigations brought by investors

As of the financial statement reporting date, the cases against the Company brought by investors regarding false statements about securities have been entertained by the intermediate people's court of Jinan, and the aggregate sum involved was RMB118,845,388.86. Currently, the total amount involved in cases that have been adjudicated or concluded through mediation was RMB97,408,105.83, with actual settlement amount of RMB53,934,664.12. For concluded cases, the Company is performing its obligations according to the judgment results; and the provisions made for the estimated liabilities was RMB18,221,690.58 based on 85% for those cases that have been heard but pending for judgment and those cases have not been heard with reference to the previous case. The Company has made a total of provisions of RMB72,156,354.70 for estimated liabilities for such matter.

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 this report, the liquidation and deregistration of the subsidiary have not been completed.

3. Change of control of the Company

On 28 September 2020, Mr. Zhang Enrong entered into the “Voting Rights Nomination Agreement of Shandong Shouguang Jinxin Investment Development Holdings Group Limited and Zhang Enrong in relation to 29.53% Shares of Shandong Molong Petroleum Machinery Company Limited” (“Voting Rights Nomination Agreement”) with Shandong Shouguang Jinxin Investment Development Holdings Group Limited* (“Shouguang Jinxin”). According to the terms of the Voting Rights Nomination Agreement, Mr. Zhang Enrong nominated Shouguang Jinxin to exercise all the voting rights corresponding to 235,617,000 shares of the Company (representing 29.53% of the total share capital of the listed company) held by him. The controlling shareholder of the Company changed from Mr. Zhang Enrong to Shouguang Jinxin, and the ultimate controller of the Company will be changed to State-owned Assets Supervision and Administration Bureau of Shouguang City.

Summary of major events	Date of disclosure	Search index of the interim report disclosure website
<p>On 11 September 2020, Mr. Zhang Enrong, the Group’s controlling shareholder, and Shouguang Jinxin entered into the “Letter of Intent”. The parties reached a preliminary cooperation intention on the transfer of control of the listed company. The specific cooperation methods include but are not limited to voting rights nomination, agreement acquisition, etc.</p>	12 September 2020	<p>announcement no.: 2020-040 http://www.cninfo.com.cn</p>
<p>On 28 September 2020, Mr. Zhang Enrong and Shouguang Jinxin entered into the Voting Rights Nomination Agreement, and the Company’s controlling shareholder and ultimate controller have changed.</p>	29 September 2020	<p>announcement no.: 2020-042 http://www.cninfo.com.cn</p>

The implementation of share repurchase

Applicable Not Applicable

The implementation of reducing shareholdings in share repurchase through centralized bidding

Applicable Not Applicable

III. OBLIGATED PARTIES SUCH AS ACTUAL CONTROLLERS, SHAREHOLDERS, RELATED PARTIES, ACQUIRER AND THE COMPANY WHO HAVE NOT FULFILLED THEIR OBLIGATIONS DURING THE REPORTING PERIOD AS SCHEDULED

Applicable Not Applicable

There were no obligations in the reporting period that the obligated parties such as actual controllers, shareholders, related parties, acquirer and the Company who have not fulfilled their obligations during the reporting period as scheduled.

IV. INVESTMENTS IN FINANCIAL ASSETS

1. Investments in securities

Applicable Not Applicable

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

2. Investments in derivatives

Applicable Not Applicable

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

V. PROGRESS OF FUND-RAISING INVESTMENT PROJECTS FUNDED BY SUCH PROCEEDS

Applicable Not Applicable

VI. FORECAST OF THE OPERATING RESULTS FOR THE YEAR 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

VII. IMPORTANT CONTRACTS IN ORDINARY COURSE OF BUSINESS

Applicable Not Applicable

VIII. ENTRUSTED WEALTH MANAGEMENT

Applicable Not Applicable

Unit: RMB ten thousand

Type	Source of funds for entrusted wealth management	Amount for entrusted wealth management	Outstanding balance	Amount due but not received
Bank financial products	Internal funds	9,920	0	0
Total		9,920	0	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

IX. ILLEGAL EXTERNAL GUARANTEES

Applicable Not applicable

There were no illegal external guarantees during the reporting period.

X. 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.

XI. ACTIVITY REGISTRATION FORM OF RECEPTION OF INVESTIGATION, COMMUNICATION, INTERVIEWS AND OTHER ACTIVITIES DURING THE REPORTING PERIOD

Applicable Not applicable

There was no reception of investigation, communication, interviews or other activities during the reporting period.

PART 4 FINANCIAL STATEMENT

I. FINANCIAL STATEMENT

1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Current assets:		
Monetary funds	655,137,271.21	539,942,128.18
Settlement deposits	-	-
Lending funds	-	-
Financial assets held for trading	-	-
Derivative financial assets	-	-
Bills receivable	121,877,204.60	257,635,279.11
Accounts receivable	334,020,532.94	507,559,024.95
Financing receivables	20,283,739.42	96,155,523.75
Loans and advances disbursements	9,030,525.97	17,046,915.97
Prepayments	79,183,937.02	41,184,464.45
Premiums receivable	-	-
Reinsurance accounts receivable	-	-
Reinsurance contract reserves receivables	-	-
Other receivables	23,293,265.45	29,289,226.01
Among which: Interest receivable	-	2,308,030.91
Dividends receivables	-	-
Purchases of sell-back financial assets	-	-
Inventories	863,838,408.97	934,907,320.58
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within one year	-	-
Other non-current assets	14,858,061.01	35,206,341.97
Total current assets	<u>2,121,522,946.59</u>	<u>2,458,926,224.97</u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Non-current assets:		
Loans and advances disbursements	–	–
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	–	–
Long-term equity investment	2,557,061.01	2,557,061.01
Other investments in equity instruments	–	–
Other non-current financial assets	–	–
Investment properties	–	–
Fixed assets	2,596,986,571.75	2,726,157,716.13
Construction in progress	29,496,743.51	55,034,853.27
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use asset	–	–
Intangible assets	433,000,292.72	443,223,548.01
Development expenses	11,965,824.65	–
Goodwill	–	–
Long-term deferred expenses	–	–
Deferred income tax assets	39,423,274.45	40,231,904.91
Other non-current assets	4,261,983.62	9,621,036.29
	<hr/>	<hr/>
Total non-current assets	<u>3,117,691,751.71</u>	<u>3,276,826,119.62</u>
	<hr/>	<hr/>
Total assets	<u>5,239,214,698.30</u>	<u>5,735,752,344.59</u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Current liabilities:		
Short-term borrowings	2,015,121,391.38	1,929,510,883.39
Loans from central bank	–	–
Placements	–	–
Financial liabilities held for trading	–	–
Derivative financial liabilities	–	–
Bills payable	122,085,459.33	281,588,603.88
Accounts payable	744,533,569.95	924,020,613.80
Receipts in advance	–	–
Contract liabilities	50,316,892.09	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	57,864,619.00	57,276,942.10
Taxes payable	11,003,672.28	13,393,461.51
Other payables	46,990,584.24	61,423,531.25
Among which: Interests payable	–	6,389,751.57
Dividends payable	–	–
Brokerage and commission payable	–	–
Reinsurance payable	–	–
Liabilities held for sale	–	–
Non-current liabilities due within one year	480,855,892.08	482,636,906.78
Other current liabilities	25,364,776.37	87,557,572.20
Total current liabilities	<u>3,554,136,856.72</u>	<u>3,869,872,169.13</u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Non-current liabilities:		
Insurance contract reserves	–	–
Long-term borrowings	115,945,712.07	–
Bonds payable	–	–
Among which: Preferred shares	–	–
Perpetual bonds	–	–
Lease liabilities	–	–
Long-term payables	8,919,365.86	58,045,884.69
Long-term salaries payable	–	–
Estimated liabilities	18,221,690.58	5,734,176.25
Deferred income	7,350,352.24	7,386,306.54
Deferred income tax liabilities	5,610,101.61	5,754,299.38
Other non-current liabilities	–	–
	<hr/>	<hr/>
Total non-current liabilities	156,047,222.36	76,920,666.86
	<hr/>	<hr/>
Total liabilities	3,710,184,079.08	3,946,792,835.99
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Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	–	–
Among which: Preferred shares	–	–
Perpetual bonds	–	–
Capital reserve	863,169,158.42	863,169,158.42
Less: Treasury shares	–	–
Other comprehensive income	-2,672,452.77	-3,055,060.57
Special reserve	–	–
Surplus reserve	187,753,923.88	187,753,923.88
General risk provision	11,236.91	11,236.91
Undistributed profits	-344,198,498.03	-98,208,687.79
	<hr/>	<hr/>
Total equity attributable to owners of the parent company	1,501,911,768.41	1,747,518,970.85
Minority interests	27,118,850.81	41,440,537.75
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Total owners' equity	<u>1,529,030,619.22</u>	<u>1,788,959,508.60</u>
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Total liabilities and owners' equity	<u>5,239,214,698.30</u>	<u>5,735,752,344.59</u>

Legal representative:
Liu Yun Long

Accounting officer-in-charge:
Liu Min

Head of accounting section:
Zhang Xue Mei

2. Balance sheet of the parent company

Unit: RMB

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Current assets:		
Monetary funds	638,332,841.42	515,419,364.09
Financial assets held for trading	–	–
Derivative financial assets	–	–
Bills receivable	121,877,204.60	257,635,279.11
Accounts receivable	495,068,925.50	614,469,903.11
Financing receivables	2,312,078.62	13,745,135.20
Prepayments	525,346,462.81	466,070,802.57
Other receivables	571,054,557.99	742,034,322.28
Among which: Interests receivable	–	2,308,030.91
Dividends receivable	–	–
Inventories	600,090,079.49	627,068,241.69
Contract assets	–	–
Assets held-for-sale	–	–
Non-current assets due within one year	–	–
Other non-current assets	–	–
Total current assets	<u><u>2,954,082,150.43</u></u>	<u><u>3,236,443,048.05</u></u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Non-current assets:		
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	–	–
Long-term equity investment	1,144,019,921.73	1,144,019,921.73
Other investments in equity instruments	–	–
Other non-current financial assets	–	–
Investment properties	–	–
Fixed assets	979,213,812.09	1,056,055,848.38
Construction in progress	691,206.70	486,984.53
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use asset	–	–
Intangible assets	128,436,179.94	132,088,784.23
Development expenses	11,965,824.65	–
Goodwill	–	–
Long-term deferred expenses	–	–
Deferred income tax assets	37,209,761.20	37,883,413.51
Other non-current assets	–	–
	<hr/>	<hr/>
Total non-current asset	<u><u>2,301,536,706.31</u></u>	<u><u>2,370,534,952.38</u></u>
Total assets	<u><u>5,255,618,856.74</u></u>	<u><u>5,606,978,000.43</u></u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Current liabilities:		
Short-term borrowings	1,504,687,900.58	1,765,910,883.39
Financial liabilities held for trading	–	–
Derivative financial liabilities	–	–
Bills payable	477,494,653.99	456,088,603.88
Accounts payable	241,183,253.74	318,744,403.11
Receipts in advance	–	–
Contract liabilities	45,468,625.68	28,059,132.72
Salaries payable	37,785,469.76	37,751,734.57
Taxes payable	8,623,921.13	10,297,524.70
Other payables	333,758,361.71	151,446,321.31
Among which: Interests payable	–	5,214,764.95
Dividends payable	–	–
Liabilities held for sale	–	–
Non-current liabilities due within one year	324,715,774.78	329,697,408.24
Other current liabilities	25,364,776.37	87,557,572.20
	<hr/>	<hr/>
Total current liabilities	<u>2,999,082,737.74</u>	<u>3,185,553,584.12</u>

Item	30 September 2020 (unaudited)	31 December 2019 (audited)
Non-current liabilities:		
Long-term borrowings	–	–
Bonds payable	–	–
Among which: Preferred shares	–	–
Perpetual bonds	–	–
Lease liabilities	–	–
Long-term payables	8,919,365.86	58,045,884.69
Long-term salaries payable	–	–
Estimated liabilities	18,221,690.58	5,734,176.25
Deferred income	–	–
Deferred income tax liabilities	–	–
Other non-current liabilities	–	–
	<hr/>	<hr/>
Total non-current liabilities	27,141,056.44	63,780,060.94
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities	3,026,223,794.18	3,249,333,645.06
	<hr/> <hr/>	<hr/> <hr/>
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	–	–
Among which: 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	380,642,247.76	508,891,540.57
	<hr/>	<hr/>
Total owners' equity	2,229,395,062.56	2,357,644,355.37
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and owners' equity	5,255,618,856.74	5,606,978,000.43
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3. Consolidated income statement for the reporting period

Item	<i>Unit: RMB</i>	
	Amount for the period	Amount for the previous period
I. Total operating income	875,271,364.45	1,023,689,794.92
Among which: Operating income	875,271,364.45	1,023,689,794.92
Interest income	-	-
Insurance premium earned	-	-
Brokerage and commission	-	-
	-	-
II. Total operating costs	992,084,376.80	1,082,126,080.03
Among which: Operating cost	860,472,071.99	945,342,875.58
Interest expenses	-	-
Brokerage and commission expenses	-	-
Surrender payment	-	-
Net expenditure for compensation payments	-	-
Withdrawal of insurance liabilities reserve	-	-
Insurance policy dividend expenses	-	-
Reinsurance costs	-	-
Taxes and surcharges	3,724,935.09	5,849,250.39
Selling expenses	13,178,333.05	23,208,122.36
Administrative expenses	43,505,422.08	68,164,792.64
R&D expenses	21,912,838.64	17,936,525.05
Finance costs	49,290,775.95	21,624,514.01
Among which: Interest expenses	39,428,637.71	23,161,209.25
Interest income	1,749,333.37	1,506,493.55
Add: Other income	557,954.30	1,092,226.00
Investment income (“-” indicating loss)	146,947.67	2,250,855.51
Among which: Gains from investment in associates and joint ventures	-	-
Gains on derecognition of financial assets measured at amortised cost	-	-
Gains from foreign currencies exchange (“-” indicating loss)	-	-
Net gain on exposure hedging (“-” indicating loss)	-	-
Gain on change in fair value (“-” indicating loss)	-	-
Credit impairment loss (“-” indicating loss)	3,583,243.11	-155,699.92
Asset impairment losses (“-” indicating loss)	-675,789.32	0.00
Gains on disposal of assets (“-” indicating loss)	283,337.08	5,729,263.53

Item	Amount for the period	Amount for the previous period
III. Operating profit (“-” indicating loss)	-112,917,319.51	-49,519,639.99
Add: Non-operating income	373,935.62	594,361.62
Less: Non-operating expenses	24,607,934.23	9,435,600.33
	-	-
IV. Total profit (“-” indicating total loss)	-137,151,318.12	-58,360,878.70
Less: Income tax expenses	-635,583.17	523,115.44
V. Net profit (“-” indicating net loss)	-136,515,734.95	-58,883,994.14
(i) By continuity of operations	-	-
1. Net profit from continuing operations (“-” indicating net loss)	-136,515,734.95	-58,883,994.14
2. Net profit from discontinued operations (“-” indicating net loss)	-	-
(ii) By ownership	-	-
1. Net profit attributable to owners of the parent company	-136,664,317.23	-51,188,088.71
2. Minority interests	148,582.28	-7,695,905.43
VI. Other comprehensive income, net of tax	689,235.30	-510,440.76
Other comprehensive income attributable to owners of the parent company, net of tax	620,311.78	-459,396.69
(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 method	-	-
3. Change in fair value of investments in other equity instruments	-	-
4. Change in fair value of own credit risk	-	-
5. Others	-	-

Item	Amount for the period	Amount for the previous period
(ii) Other comprehensive income that will be reclassified to profit or loss	620,311.78	-459,396.69
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-	-
2. Change in fair value of other debt investments	-	-
3. Amount included in other comprehensive income on reclassification of financial assets	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Cash flows hedging reserve	-	-
6. Exchange differences arising from translation of foreign currency financial statements	620,311.78	-459,396.69
7. Others	-	-
Other comprehensive income attributable to the minority shareholders, net of tax	68,923.52	-51,044.07
VII. Total comprehensive income	-135,826,499.65	-59,394,434.90
Total comprehensive income attributable to owners of the parent company	-136,044,005.45	-51,647,485.40
Total comprehensive income attributable to the minority shareholders	217,505.80	-7,746,949.50
VIII. Earnings per share:		
(i) Basic earnings per share	-0.1713	-0.0642
(ii) Diluted earnings per share	-0.1713	-0.0642

For the business combination under common control in the current period, the net profit achieved by the combined party before the combination was RMB0, the net profit of the previous period achieved by the combined party was RMB0.

<i>Legal representative:</i> Liu Yun Long	<i>Accounting officer-in-charge:</i> Liu Min	<i>Head of accounting section:</i> Zhang Xue Mei
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4. Income statement of the parent company for the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Operating income	720,756,467.99	892,568,514.60
Less: Operating cost	707,041,521.85	777,246,829.38
Taxes and surcharges	2,602,056.42	3,912,036.92
Selling expenses	8,805,483.86	19,496,260.05
Administrative expenses	10,480,832.66	13,350,031.92
R&D expenses	21,912,838.64	17,936,525.05
Finance costs	36,251,883.27	16,041,611.20
Among which: Interest expenses	26,441,014.19	28,505,105.46
Interest income	1,747,905.68	1,671,157.91
Add: Other income	522,000.00	0.00
Investment income (“-” indicating loss)	-	-
Among which: Gains from investment in associates and joint ventures	-	-
Gains on derecognition of financial assets measured at amortised cost	-	-
Net gain on exposure hedging (“-” indicating loss)	-	-
Gain on change in fair value (“-” indicating loss)	-	-
Credit impairment loss (“-” indicating loss)	3,806,858.94	-462,237.25
Asset impairment losses (“-” indicating loss)	-675,789.32	0.00
Gains on disposal of assets (“-” indicating loss)	118,789.77	5,832,130.45
II. Operating profit (“-” indicating loss)	-62,566,289.32	49,955,113.28
Add: Non-operating income	120,004.12	192,665.81
Less: Non-operating expenses	23,585,261.92	9,349,062.34
	-	-
III. Total profit (“-” indicating total loss)	-86,031,547.12	40,798,716.75
Less: Income tax expenses	-665,847.68	376,231.14
	-	-
IV. Net profit (“-” indicating net loss)	-85,365,699.44	40,422,485.61
(i) Net profit from continuing operations (“-” indicating net loss)	-85,365,699.44	40,422,485.61
(ii) Net profit from discontinued operations (“-” indicating net loss)	-	-

V. Other comprehensive income, net of tax		
(i) Changes on remeasurement of defined benefit plans	-	-
1. Other comprehensive income that may not be reclassified to profit or loss	-	-
2. Other comprehensive income that may not be transferred to profit or loss under equity method	-	-
3. Change in fair value of investments in other equity instruments	-	-
4. Change in fair value of own credit risk	-	-
5. Others	-	-
(ii) Other comprehensive income that will be reclassified to profit or loss	-	-
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-	-
2. Change in fair value of other debt investments	-	-
3. Amount included in other comprehensive income on reclassification of financial assets	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Cash flows hedging reserve	-	-
6. Exchange differences arising from translation of foreign currency financial statements	-	-
7. Others	-	-
VI. Total comprehensive income	-85,365,699.44	40,422,485.61
VII. Earnings per share:		
(i) Basic earnings per share	-	-
(ii) Diluted earnings per share	-	-

5. Consolidated income statement from the beginning of the year to the end of the reporting period

	<i>Unit: RMB</i>	
Item	Amount for the period	Amount for the previous period
I. Total operating income	2,221,649,056.27	3,401,134,829.18
Among which: Operating income	2,221,649,056.27	3,401,134,829.18
Interest income	-	-
Insurance premium earned	-	-
Brokerage and commission	-	-
II. Total operating costs	2,444,674,390.20	3,447,398,180.73
Among which: Operating cost	2,104,728,610.67	3,102,001,757.61
Interest expenses	-	-
Brokerage and commission expenses	-	-
Surrender payment	-	-
Net expenditure for compensation payments	-	-
Withdrawal of insurance liabilities reserve	-	-
Insurance policy dividend expenses	-	-
Reinsurance costs	-	-
Taxes and surcharges	13,957,165.73	18,273,873.44
Selling expenses	40,500,872.47	63,192,922.94
Administrative expenses	129,668,710.13	123,458,403.45
R&D expenses	33,392,969.67	38,953,081.33
Finance costs	122,426,061.53	101,518,141.96
Among which: Interest expenses	113,673,230.19	105,712,470.81
Interest income	4,449,845.35	5,889,879.85
Add: Other income	1,159,905.26	13,296,278.90
Investment income (“-” indicating loss)	146,947.67	3,421,019.92
Among which: Gains from investment in associates and joint ventures	-	-
Gains on derecognition of financial assets measured at amortised cost	-	-
Gains from foreign currencies exchange (“-” indicating loss)	-	-
Net gain on exposure hedging (“-” indicating loss)	-	-
Gain on change in fair value (“-” indicating loss)	-	-
Credit impairment loss (“-” indicating loss)	-4,534,820.75	-2,197,221.45
Asset impairment losses (“-” indicating loss)	-7,107,757.05	-
Gains on disposal of assets (“-” indicating loss)	263,179.42	5,499,629.48

Item	Amount for the period	Amount for the previous period
III. Operating profit (“-” indicating loss)	-233,097,879.38	-26,243,644.70
Add: Non-operating income	1,460,633.78	6,672,974.74
Less: Non-operating expenses	28,052,330.87	16,763,647.13
IV. Total profit (“-” indicating total loss)	-259,689,576.47	-36,334,317.09
Less: Income tax expenses	664,432.69	3,933,491.12
V. Net profit (“-” indicating net loss)	-260,354,009.16	-40,267,808.21
(i) By continuity of operations		
1. Net profit from continuing operations (“-” indicating net loss)	-260,354,009.16	-40,267,808.21
2. Net profit from discontinued operations (“-” indicating net loss)	-	-
(ii) By ownership		
1. Net profit attributable to owners of the parent company	-245,989,810.24	-33,175,165.35
2. Minority interests	-14,364,198.92	-7,092,642.86
VI. Other comprehensive income, net of tax	425,119.78	-540,114.85
Other comprehensive income attributable to owners of the parent company, net of tax	382,607.80	-486,103.37
(i) Other comprehensive income that may not be reclassified to profit or loss	-	-
1. Changes or remeasurement of defined benefit plans	-	-
2. Other comprehensive income that may not be transferred to profit or loss under equity method	-	-
3. Change in fair value of investments in other equity instruments	-	-
4. Change in fair value of own credit risk	-	-
5. Others	-	-

Item	Amount for the period	Amount for the previous period
(ii) Other comprehensive income that will be reclassified to profit or loss	382,607.80	-486,103.37
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-	-
2. Change in fair value of other debt investments	-	-
3. Amount included in other comprehensive income on reclassification of financial assets	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Cash flows hedging reserve	-	-
6. Exchange differences arising from translation of foreign currency financial statements	382,607.80	-486,103.37
7. Others	-	-
Other comprehensive income attributable to the minority shareholders, net of tax	42,511.98	-54,011.48
VII. Total comprehensive income	-259,928,889.38	-40,807,923.06
Total comprehensive income attributable to owners of the parent company	-245,607,202.44	-33,661,268.72
Total comprehensive income attributable to the minority shareholders	-14,321,686.94	-7,146,654.34
VIII. Earnings per share:		
(i) Basic earnings per share	-0.3083	-0.0416
(ii) Diluted earnings per share	-0.3083	-0.0416

For the business combination under common control in this period, the net profit achieved by the combined party before the combination is RMB0, the net profit of the of the previous period achieved by the combined party is RMB0.

<i>Legal representative:</i> Liu Yun Long	<i>Accounting officer-in-charge:</i> Liu Min	<i>Head of accounting section:</i> Zhang Xue Mei
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6. Income statement of the parent company from the beginning of the year to the end of the reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Operating income	1,836,396,287.68	2,756,335,286.79
Less: Operating cost	1,720,554,052.41	2,443,599,346.82
Taxes and surcharges	10,041,393.26	10,413,990.61
Selling expenses	28,651,441.87	52,813,073.74
Administrative expenses	44,380,679.08	37,669,301.35
R&D expenses	33,392,969.67	38,953,081.33
Finance costs	91,272,155.13	70,766,575.86
Among which: Interest expenses	82,217,519.84	87,243,865.72
Interest income	4,346,182.54	5,822,566.86
Add: Other income	935,426.64	135,700.00
Investment income (“-” indicating loss)	-	-
Among which: Gains from investment in associates and joint ventures	-	-
Gains on derecognition of financial assets measured at amortised costs	-	-
Net gain on exposure hedging (“-” indicating loss)	-	-
Gain on change in fair value (“-” indicating loss)	-	-
Credit impairment loss (“-” indicating loss)	-4,266,940.60	-3,341,708.14
Asset impairment losses (“-” indicating loss)	-5,991,964.36	-
Gains on disposal of assets (“-” indicating loss)	120,488.89	5,329,564.40
II. Operating profit (“-” indicating loss)	-101,099,393.17	104,243,473.34
Add: Non-operating income	495,249.32	2,317,358.80
Less: Non-operating expenses	26,971,496.65	16,582,013.64
III. Total profit (“-” indicating total loss)	-127,575,640.50	89,978,818.50
Less: Income tax expenses	673,652.31	2,411,388.77
IV. Net profit (“-” indicating net loss)	-128,249,292.81	87,567,429.73
(i) Net profit from continuing operations (“-” indicating net loss)	-128,249,292.81	87,567,429.73
(ii) Net profit from discontinued operations (“-” indicating net loss)	-	-

Item	Amount for the period	Amount for the previous period
V. Other comprehensive income, net of tax	-	-
(i) Changes on measurement of defined benefit plans	-	-
1. Other comprehensive income that may not be reclassified to profit or loss	-	-
2. Other comprehensive income that may not be transferred to profit or loss under equity method	-	-
3. Change in fair value of investments in other equity instruments	-	-
4. Change in fair value of own credit risk	-	-
5. Others	-	-
(ii) Other comprehensive income that will be reclassified to profit or loss	-	-
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-	-
2. Change in fair value of other debt investments	-	-
3. Amount included in other comprehensive income on reclassification of financial assets	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Cash flows hedging reserve	-	-
6. Exchange differences arising from translation of foreign currency financial statements	-	-
7. Others	-	-
VI. Total comprehensive income	-128,249,292.81	87,567,429.73
VII. Earnings per share:		
(i) Basic earnings per share	-	-
(ii) Diluted earnings per share	-	-

7. Consolidated cash flows statement from the beginning of the year to the end of reporting period

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering services	2,401,888,020.60	3,432,920,872.40
Net increase in deposits from customers and placements from banks and other financial institutions	-	-
Net increase in borrowings from central bank	-	-
Net increase in placements from other financial institutions	-	-
Cash received from premium of original insurance contract	-	-
Net cash received from reinsurance business	-	-
Net increase in deposits from policyholders and investments	-	-
Cash received from interest, fees and commissions	-	73,700.00
Net increase in placements from banks and other financial institutions	-	-
Net increase in repurchases business fund	-	-
Net cash received from securities brokerage deposits	-	-
Tax rebate received	11,484,131.39	6,788,458.86
Other cash received relating to operating activities	11,355,149.20	201,824,499.03
Sub-total of cash inflow from operating activities	2,424,727,301.19	3,641,607,530.29

Item	Amount for the period	Amount for the previous period
Cash paid for purchasing goods and receiving services	2,019,771,790.85	2,770,872,747.59
Net increase in loans and advances to customers	-1,150,331.07	-6,526,191.65
Net increase in deposits with central bank and other financial institutions	-	-
Cash paid for claims on original insurance contract	-	-
Net increase in placements with banks and other financial institution	-	-
Cash payment for interests, fees and commissions	-	-
Cash payment for policyholder dividend	-	-
Cash paid to and on behalf of employees	159,342,491.30	213,911,857.46
Cash paid for taxes	19,807,791.81	127,084,982.76
Other cash paid relating to operating activities	136,821,345.63	149,746,096.05
Sub-total of cash outflow from operating activities	2,334,593,088.52	3,255,089,492.21
Net cash flows from operating activities	90,134,212.67	386,518,038.08
 II. Cash flows from investing activities:		
Cash received from disposal of investments	-	103,000,000.00
Cash received from return on investments	146,947.67	3,421,019.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	9,358,248.43	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 inflow from investing activities	9,505,196.10	106,697,686.27
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	32,405,565.33	66,689,997.09
Cash paid for investments	-	-
Net increase in pledged loans	-	-
Net cash paid for acquisition of subsidiaries and other business units	-	-
Other cash paid relating to investing activities	-	-
Sub-total of cash outflow from investing activities	32,405,565.33	66,689,997.09
Net cash flows from investing activities	-22,900,369.23	40,007,689.18

Item	Amount for the period	Amount for the previous period
III. Cash flows from financing activities:	–	–
Cash received from investments	–	–
Among which: Cash received by subsidiaries from minority shareholders' investment	–	–
Cash received from borrowings	2,390,576,904.24	2,857,031,000.00
Other cash received relating to financing activities	–	–
Sub-total of cash inflow from financing activities	2,390,576,904.24	2,857,031,000.00
Cash paid for repayments of liabilities	2,250,731,603.38	3,196,191,485.49
Cash paid for dividends, profits distribution or interest repayment	103,839,927.24	113,277,947.80
Among which: Dividend and profit paid by subsidiaries to minority shareholders	–	–
Other cash paid relating to financing activities	145,085,208.00	5,100,000.00
Sub-total of cash outflow from financing activities	2,499,656,738.62	3,314,569,433.29
Net cash flows from financing activities	-109,079,834.38	-457,538,433.29
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	9,555,925.97	-15,155,254.28
V. Net increase in cash and cash equivalents	-32,290,064.97	-46,167,960.31
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	463,966,771.21	532,756,521.89

8. Cash flow statement of the parent company from the beginning of the year to the end of reporting period

Unit: RMB

Item	Amount for current period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering services	2,277,818,336.44	2,634,848,973.14
Tax rebate received	11,386,191.32	2,996,285.79
Other cash received relating to operating activities	17,075,227.94	228,995,334.22
Sub-total of cash inflow from operating activities	2,306,279,755.70	2,866,840,593.15
Cash paid for purchasing goods and receiving services	1,590,136,948.23	2,509,070,832.94
Cash paid to and on behalf of employees	101,152,996.01	134,371,252.85
Cash paid for taxes	14,342,005.81	51,896,823.86
Other cash paid relating to operating activities	235,124,426.34	96,838,010.17
Sub-total of cash outflow from operating activities	1,940,756,376.39	2,792,176,919.82
Net cash flows from operating activities	365,523,379.31	74,663,673.33
II. Cash flows from investing activities:		
Cash received from disposal of investments	-	-
Cash received from return on investments	-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	-
Net cash received from disposal of subsidiaries and other business units	-	-
Other cash received relating to investing activities	-	-
Sub-total of cash inflow from investing activities	-	-
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	561,320.00	12,402,057.09
Cash paid for investments	-	-
Net cash paid for acquisition of subsidiaries and other business units	-	-
Other cash paid relating to investing activities	-	-
Sub-total of cash outflow from investing activities	561,320.00	12,402,057.09
Net cash flows from investing activities	-561,320.00	-12,402,057.09

Item	Amount for current period	Amount for the previous period
III. Cash flows from financing activities:		
Cash received from investments	–	–
Cash received from borrowings	1,641,545,948.90	2,363,431,000.00
Other cash received relating to financing activities	–	–
Sub-total of cash inflow from financing activities	1,641,545,948.90	2,363,431,000.00
Cash paid for repayments of liabilities	1,962,418,324.00	2,419,034,209.59
Cash paid for dividends, profits distribution or interest repayment	78,262,192.29	88,384,926.46
Other cash paid relating to financing activities	–	5,100,000.00
Sub-total of cash outflow from financing activities	2,040,680,516.29	2,512,519,136.05
Net cash flows from financing activities	-399,134,567.39	-149,088,136.05
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		
	9,600,777.41	-15,103,586.37
V. Net increase in cash and cash equivalents		
	-24,571,730.67	-101,930,106.18
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		
	447,162,341.42	461,325,781.16

II. DESCRIPTION OF FINANCIAL STATEMENT ADJUSTMENTS

- Financial Statements line items at the beginning of the year when the New Revenue Standard and the amendments to the New Lease Standard are implemented for the first time since 2020**

Applicable Not applicable

- Retrospective adjustments to the comparative figures for prior period upon implementation of the New Revenue Standard and the New Lease Standard for the first time since 2020**

Applicable Not applicable

III. AUDITORS' REPORT

Whether the 2020 third quarterly report has been audited

Yes No

The 2020 third quarterly report of the Company is unaudited.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Liu Yun Long
Chairman

Shandong, the PRC
30 October 2020

As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Liu Yun Long, Mr. Liu Min, Mr. Zhang Yu Zhi and Mr. Li Zhi Xin; the non-executive Directors, namely Mr. Yao You Ling and Mr. Wang Quan Hong; and the independent non-executive Directors, namely Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.

* *For identification purposes only*