



# 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)

## 2025 Interim Report



\*For identification purpose only

## SECTION I IMPORTANT NOTES, CONTENTS AND EXPLANATIONS

The Board of Directors, the Board of Supervisors, directors, supervisors and the senior executives of the Company guarantee the authenticity, accuracy, and completeness of the contents of the semi-annual report and there are no false representations, misleading statements or material omissions and assume individual and joint legal responsibilities.

Han Gaogui, the person in charge of the Company, Zhu Lin, the person in charge of accounting work, and Zhu Lin, the person in charge of the accounting department (accounting supervisor), declare: they guarantee the authenticity, accuracy and completeness of the financial reports in the semi-annual report.

All directors have attended the Board Meeting reviewing the Board of Directors.

The forward-looking statements (such as future plan) involved in this report do not constitute a substantive commitment of the Company to its investors. Investors and relevant parties shall maintain a sufficient awareness of the risks involved and understand the differences among plans, predictions and commitments. Investors are kindly reminded to pay attention to investment risks.

The Company has provided a detailed description of the possible risks in the part – “X. Risks Faced by the Company and countermeasures” of Section III “Discussion and analysis of the management” of this report. We kindly ask all investors to pay attention and review it.

The Company plans not to distribute cash bonus, issue bonus shares or convert housing provident fund into capital stock.

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## **List of Documents Available for Inspection**

- (I) Financial statements bearing the signatures and seals of the persons in charge of the Company, the person in charge of accounting work and the person in charge of the accounting department (accounting supervisor).
- (II) The original text of the 2025 semi-annual report bearing the Company's seal and the signature of the legal representative.
- (III) Official copies of all publicly disclosed documents of the Company and original announcements published on the designated website of China Securities Regulatory Commission during the reporting period.
- (IV) Locations for the preparation of above-mentioned reference documents: Board Office of the Company.



## Definitions

Term	Definition
Company, parent company and Shandong Molong	Shandong Molong Petroleum Machinery Co., Ltd.
The Group	The Company and its affiliated enterprises are collectively referred to as
Shouguang State-owned Assets Supervision and Administration Bureau	Shouguang State-owned Assets Supervision and Administration Bureau
Molong Holding	Shouguang Molong Holding Co., Ltd.
Shouguang Jinxin	Shandong Shouguang Jinxin Investment and Development Holding Group Co., Ltd.
Shouguang Maolong	Shouguang Maolong New Materials Technology Development Co., Ltd.
Shouguang Baolong	Shouguang Baolong Petroleum Equipment Co., Ltd.
Weihai Baolong	Weihai Baolong Petroleum Special Materials Co., Ltd.
Molong Import and Export	Shandong Molong Import and Export Co., Ltd.
MPM Company	MPM International Limited
Molong Logistics	Shouguang Molong Holding Co., Ltd.
Molong Electromechanical	Shouguang Molong Electromechanical Equipment Co., Ltd.
Molong Commerce and Trade	Shandong Molong Commerce and Trade Co., Ltd.
Molong E-commerce	Weifang Molong E-commerce Co., Ltd.
Molong (Hainan) Agricultural	Molong (Hainan) Agricultural Development Co., Ltd.
Shengrui Investment	Shouguang Shengrui Investment Co., Ltd.
Xiangrun Industrial	Shouguang Xiangrun Industrial Co., Ltd.
HKEX	Hong Kong Exchanges and Clearing Limited
China Securities Regulatory Commission	China Securities Regulatory Commission
Reporting period	From 1 January 2025 to 30 June 2025
Yuan (RMB), RMB'000 and RMB10,000.00	Yuan (RMB), RMB'000 and RMB10,000.00

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company profile

Stock abbreviation	Shandong Molong	Stock code	002490 and 00568
Abbreviation of shares after changes (if any)	ST Molong		
Stock exchange where the stock is listed	Shenzhen Stock Exchange and HKEX		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Chinese abbreviation of the Company (if any)	山東墨龍		
Foreign name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the Company's foreign name (if any)	Shandong Molong		
Legal representative of the Company	Han Gao Gui		

II. Contact and contact information

	Board Secretary	Securities Affairs Representative
Name	Zhao Xiaotong	Xiao Rui
Contact address	Floor 8–10, Building 19, Enterprise Headquarters Group, Shengcheng Street, Shouguang City, Shandong Province	Floor 8–10, Building 19, Enterprise Headquarters Group, Shengcheng Street, Shouguang City, Shandong Province
Tel.	0536-5100890	0536-5100890
Fax	0536-5100888	0536-5100888
E-mail	dsh@molonggroup.com	dsh@molonggroup.com

III. Other circumstances

1. Company contact information

Any changes in the Company's registered address, office address, postal code, website, e-mail address, etc. during the reporting period

☐ Applicable    ☒ Not applicable

The Company's registered address, office address, postal code, website, e-mail address, etc. remained unchanged during the reporting period. Refer to the Annual Report 2024 for the detail.

2. Information disclosure and keeping location

Any changes in the information disclosure and preparation locations during the reporting period

☐ Applicable    ☒ Not applicable

The website of the stock exchange and media name and website in the semi-annual report of the Company as well as the location where the Company's semi-annual report was prepared remained unchanged in the reporting period. Refer to the Annual Report 2024 for the detail.

3. Other relevant information

Any changes in other relevant information changed during the reporting period

☐ Applicable    ☒ Not applicable

#### IV. Main accounting data and financial indicators

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

☐ Yes ☒ No

	The reporting period	The same period of the previous year	Increase or decrease in the reporting period compared to the same period last year
Operating revenue (RMB)	<b>797,520,309.74</b>	604,627,930.88	31.90%
Net profits attributable to shareholders of the listed company (RMB)	<b>12,163,676.06</b>	170,134,914.07	(92.85)%
Net profits attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	<b>787,989.73</b>	(114,930,950.15)	100.69%
Net cash flow generated from operating activities (RMB)	<b>255,116,610.76</b>	121,341,347.40	110.25%
Basic earnings per share (RMB/share)	<b>0.0152</b>	0.2132	(92.87)%
Diluted EPS (RMB/share)	<b>0.0152</b>	0.2132	(92.87)%
Weighted average return on equity	<b>2.44%</b>	33.42%	(30.98)%

	End of the reporting period	End of the previous year	Increase or decrease at the end of the reporting period compared to the end of the previous year
Total assets (RMB)	<b>2,326,666,376.46</b>	2,420,182,877.14	(3.86)%
Net assets attributable to shareholders of listed companies (RMB)	<b>504,502,010.47</b>	492,269,498.07	2.48%

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#### V. Differences in accounting data under domestic and foreign accounting standards

- Differences between net profits and net assets in financial reports disclosed pursuant to International Accounting Standards ("IASs") and PRC Generally Accepted Accounting Principles ("PRC GAAP") at the same time*

☐ Applicable ☒ Not applicable

During the reporting period, the Company did not report any differences between net profits and net assets in financial reports disclosed under the IASs and PRC GAAP.

2. *Differences between net profits and net assets in financial reports disclosed pursuant to foreign accounting standards and those disclosed under PRC GAAP at the same time*

☐ Applicable ☒ Not applicable

During the reporting period, the Company did not report any differences between net profits and net assets in financial reports disclosed as per foreign accounting standards and those disclosed under PRC GAAP.

## VI. Extraordinary gain or loss items and amounts

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains or losses from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	4,083,646.35	Mainly refer to the income generated from the disposal and scrapping of some assets by the Company.
Government subsidies included into current profits and losses except for government subsidies closely related to the normal business operations of the Company, complying with national policies, enjoyed according to determined standards and having continuous influence on the profits and losses of the Company)	7,048.36	Mainly refer to the refund of individual income tax withholding and remittance handling fees received in the current period, etc.
Other non-operating income and expenses except for the above items	7,284,990.35	Mainly refer to the litigation compensation received in the current period.
Minus: Effect on income tax	(1.27)	
Total	11,375,686.33	

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

☐ Applicable ☒ Not applicable

The Company has no specific circumstances of other profit and loss items that conform to the definition of extraordinary gains and losses.

Explanation for defining the extraordinary gain or loss items listed in the *Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss* are classified as recurring profits and losses

☐ Applicable ☒ Not applicable

The Company did not define any extraordinary profits and losses listed in the *Interpretation No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss* are classified as recurring profits and losses.

## SECTION III DISCUSSION AND ANALYSIS OF THE MANAGEMENT

### I. Main business the company was engaged in during the reporting period

#### *(I) Overview of the main business the Company was engaged in during the reporting period*

The Company mainly engaged in the design and research and development, processing and manufacturing, sales service and export trade of products required by the energy equipment industry. Its main products included petroleum drilling and production machinery and equipment, petroleum and gas transportation equipment, oil and gas extraction equipment, etc. The products were mainly used for the manufacturing of related equipment in the fields of oil and gas energy drilling and production, machining, city pipe network, etc. During the reporting period, the Company's main products were oil tube, casing and other pipe products, accounting for nearly 95% of the Company's operating income.

The Company's production and operation model was "basing production on sales prospects", that is to say that the sales department connected with the Company's production system based on the market sales form and customer order plans to carry out orderly production, inspection and delivery. The Company's procurement model was that the Procurement Department was uniformly responsible for the centralized procurement of required raw materials, molds and equipment, including signing procurement contracts, tracking procurement progress and assisting in improving the quality of raw materials; the Procurement Department strictly controlled the selection of suppliers pursuant to a comprehensive evaluation index system, cultivated high-quality partners and established long-term and stable strategic cooperative relationships. The Company had a relatively mature sales network and established dedicated sales and import and export professional teams that were respectively responsible for the research and development of domestic and foreign markets, product sales and after-sales service.

During the reporting period, the net profit attributable to shareholders of the listed company decreased on year-on-year basis mainly due to the influence of investment income from the sale of equities of two subsidiaries in the corresponding period of the previous year. During the reporting period, the Company had a sufficient number of product orders, the production and sales volume increased significantly on year-on-year basis, the operating income increased, the rate of capacity utilization was enhanced and the gross profit rate of the products increased significantly on year-on-year basis. The Company strengthened its basic management, paid close attention to cost control and achieved remarkable results in cost decreasing and benefit increasing. The above factors led to the Company's operating performance turning from losses to profits after deducting non-recurring gains and losses synthetically.

At the end of the reporting period, the Company's total assets were approximately RMB2.327 billion, with a decrease of 3.86% compared to that at the beginning of the year; the net assets attributable to shareholders of the listed company were approximately RMB505 million, with an increase of 2.48% compared with that at the beginning of the year. During the reporting period, the Company achieved the operating income of approximately RMB798 million, with a year-on-year growth of 31.90%; the achieved net profit attributable to shareholders of the listed company was RMB12.1637 million and the net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses was RMB788,000.00.



## (II) *Basic information of the industry where the Company was during the reporting period*

The energy equipment industry where the Company was covered the manufacturing of specialized equipment for extraction of such energies as petroleum, natural gas, shale gas, coal and coalbed methane and fell within the scope of specialized equipment manufacturing and service industries for petroleum and natural gas. Therefore, the development and prosperity degree of the petroleum and gas extraction industry were directly related to the development status of the industry where the Company was. The global economic growth rate, the price trend and consumer demand of petroleum and gas, global expenditure on oil exploration and development and the scale of oil and gas extraction are the decisive factors influencing the prosperity degree of the industry where the Company is in the long term. In recent years, international crude oil prices have remained at a relatively high level, providing support for global investment in oil and gas exploration and development and driving the continuous recovery of capital expenditure by oil and gas companies, the increase in the demand for oil and gas equipment and services and continuous recovery of industry prosperity.

According to data from National Bureau of Statistics, the oil and gas production grew steadily, both crude oil and natural gas production increased on year-on-year basis and the capacity for ensuring oil and gas supply continued to improve in the first half of 2025. In February 2025, the main goals of energy work in 2025 was proposed in the *Guiding Opinions on Energy Work in 2025* published by National Bureau of Statistics as follows: in terms of supply guarantee capacity, the total national energy production steadily increases. The crude output remains above 200 million tons, natural gas production maintains a relatively fast growth rate and the scale of oil and gas reserves continues to increase. Give play to the bottom-line guarantee role of fossil energy and firmly hold the bottom line of energy security. Lay a solid foundation for energy security guarantee, strengthen oil and gas exploration and development, make new breakthroughs in enhancing oil recovery in old oil fields, large-scale production construction in deep and deepwater geological regions and production increase of unconventional oil and gas, accelerate the construction of national-level shale oil demonstration zones, continuously enhance the capacity for oil and gas reserves and promote the construction of major projects, such as gas storage. Accelerate the building of a new development pattern, implement the new energy security strategy with higher standards, accelerate the planning and construction of a new energy system and continuously enhance the capacity for energy security guarantee. Intensify efforts to explore and develop oil and gas resources and increase reserves and production, accelerate the superposition and implementation of a series of domestic energy security policies (such as the integrated development of oil and gas exploration and development with new energy) and contribute to further enhancing the prosperity of the domestic oil and gas industry.

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## II. Analysis of core competitiveness

### 1. *Brand advantages*

The Company is a listed company specializing in the design, research, processing, manufacturing, sales, service and export trade of energy equipment and a qualified supplier for the four major petroleum group companies in China. Adhering to the tenet of “inspiring the collective will, pooling the collective wisdom, gathering the collective virtues and creating the collective enterprise”, the Company has established a good reputation and a stable position in the energy equipment market through scale expansion and extension of the production chain. The Company's “Molong” trademark is honored as a well-known trademark in Shandong Province and the Company's products become key export brands in Shandong Province that are cultivated and developed.

## **2. *Advantages in technological research and development and innovation***

The Company has a strong research and development ability in the field of special equipment for energy equipment, has undertaken more than 80 national and provincial-level scientific research projects, owns such innovation platforms as Shandong Provincial Enterprise Technology Center, Shandong Provincial Engineering Technology Research Center of Special Pipes for Petroleum, National Accredited Laboratory (CNAS) and Weifang Petroleum Machinery Engineering Technology Research Center and is a high-tech enterprise and a leading enterprise in China's energy equipment base; the Company has been rated as a National Intellectual Property Demonstration Enterprise and has been recognized as an "outstanding scenario of provincial-level intelligent manufacturing in Shandong Province", a "Green Factory" at the municipal level of Weifang and an "Intelligent Factory" at the municipal level of Weifang. The Company continued to intensify its efforts in new product research and development as well as school-enterprise cooperation organized the application for 15 patents and newly obtained 4 authorized patents in the first half of 2025. The Company actively promotes cooperation with well-known domestic universities and related institutions as well as has jointly completed the research on the related technologies of ultra-deep well casing and applied for the project of central government guiding local funds in Shandong Province with Beijing Jiaotong University and completed the application for the Guangdong Province technological innovation project on the research of anti-fouling technology of nano-coating for oil pipes with such institutions as Zhanjiang Bay Laboratory in the field of cutting-edge technologies (such as new materials).

During the reporting period, the Company continuously promoted the development of new products and the improvement of technological processes pursuant to market demands, achieved large-scale mass production of high grade steel anti-corrosion oil pipes by implementing the optimization of key process parameters and made pioneering breakthroughs in the field of high-end oil well tubing in harsh environments; successfully completed the bulk supply of six new-specification high gas seal special threaded connection oil casing products in line with the actual demands of overseas customers; developed a series of oil pumps with anti-corrosion performance and configured oil drain valves and air anchors, improving the air-proof performance of the oil pumps for the Central Asian market; developed an extended threaded anti-corrosion sucker rod to meet customers' requirements for large torque and anti-corrosion performance of sucker rod products for European and South American markets. The Company has been continuously increasing its investment in new product research and development, laying a solid foundation for expanding the market and enhancing the market competitiveness of its products.

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## **3. *Advantages of special products***

The Company has been deeply engaged in the field of energy equipment manufacturing and has developed a series of special-purpose products with independent intellectual property rights, such as: Molong series high sealing performance special oil-retaining casing, direct connection type casing and stepped threaded oil pipe; quick connection structure casing suitable for marine drilling; high-performance, anti-collapse and special-specification casing suitable for harsh underground geological conditions; special sucker rods, anti-torsion sucker rod series products for screw pumps, intelligent sucker rod systems and series products of special-purpose oil pumps. They are widely applied in domestic and international oilfield markets. The research and development of special products and the improvement of technical processes contribute to enhancing the Company's comprehensive competitiveness in the industry.

#### **4. *Product quality advantage***

The Company attaches importance to product quality management and has established an independent Quality Management Department. The inspection, testing and other monitoring and measurement equipment are well equipped. The Company has passed the ISO9001 international quality system certification, ISO14001 environmental management system certification and ISO45001 occupational health and safety management system certification relatively early. The leading products (including oil casing, pipeline tubes and sucker rods) have passed the American Petroleum Institute logo certification and been awarded with API Q1 certificate (refer to the certificate content for the coverage scope), with a pass obtained for the Company to smoothly enter the domestic and international oilfield markets. The Company's experimental center has also passed the CNAS national laboratory accreditation. The scope of accreditation covers such inspection items as corrosion testing, metallographic test, tensile test and impact test. The inspection and testing capabilities can meet the current product inspection and testing needs of the Company. The Company's perfect quality assurance system effectively guarantees the product quality. At present, the Company's products are sold well in main oil-producing areas around the world (such as Africa, South America, the Middle East, Central Asia and Southeast Asia) and highly praised by domestic and foreign merchants.

#### **5. *Market advantages***

Based in China and facing the world, the Company has established a long-term, stable, fast and effective sales service network and established a loyal, lasting and win-win cooperative relationship with a large number of customers after many years of development. The Company's main domestic market customers are oil and gas companies (such as China National Petroleum Corporation (CNPC), SINOPEC, China National Offshore Oil Corporation (CNOOC) and Shaanxi Yanchang Petroleum (Group) Co., Ltd.) and the customer base is relatively stable; the overseas market covers more than 50 countries and regions (such as the Middle East, Southeast Asia, Central Asia, Africa and South America). In 2025, the Company has passed the qualification certification of relevant oil or gas companies in such countries as Qatar, Kuwait, Chile and Turkey and developed 5 new market regions and 22 new customers in terms of overseas market; has passed the product certification of NCS Research Institute and developed 1 new market area and 8 new customers in terms of domestic oilfield market; passed the certification of China Classification Society and obtained the type test certificate for 5312 standard boiler tubes and developed 3 new market regions and 16 new customers in terms of general pipe market. The Company's marketing team is constituted by professionals in international trade and marketing with rich experience and strong business capabilities. It has certain advantages in the marketing of energy equipment products.

### III. Analysis of principal business

#### Overview

Refer to relevant contents of “I. Main business the Company was engaged in during the reporting period”.

#### Year-on-year changes in key financial data

Unit: RMB

	The reporting period	The same period of the previous year	Year-on-year increase or decrease	Reason for change
Operating revenue	<b>797,520,309.74</b>	604,627,930.88	31.90%	Mainly due to the increase in product sales in the current period.
Operating cost	<b>719,465,857.46</b>	587,194,131.69	22.53%	Mainly due to the increase in product sales in the current period.
Selling expenses	<b>6,242,978.05</b>	6,823,207.62	(8.50)%	Mainly due to the fact that the subsidiaries sold in 2024 are no longer included into the consolidation scope for business accounting in the current period and the Company has strengthened its cost control.
Administration expenses	<b>18,546,581.79</b>	66,070,521.83	(71.93)%	
Financial expenses	<b>43,063,810.74</b>	41,320,640.79	4.22%	Mainly due to the increase in income tax realized by the subsidiary in the current period.
Income tax expenses	<b>73,847.69</b>	(394,994.52)	118.70%	
R&D investment	<b>18,817,802.57</b>	14,106,548.95	33.40%	Mainly due to the increased investment in the research and development of new products in the current period.
Net cash flow generated from operating activities	<b>255,116,610.76</b>	121,341,347.40	110.25%	Mainly due to the passive financial assistance funds received in the current period from the sale of subsidiaries in 2024.
Net cash flows from investing activities	<b>(29,357,979.13)</b>	141,666,674.80	(120.72)%	Mainly due to the purchase of assets and foreign investments in the current period.
Net cash flows from financing activities	<b>(157,235,634.43)</b>	(262,942,491.49)	40.20%	Mainly due to the decrease in the repayment of matured debts in the current period.
Net increase in cash and cash equivalents	<b>66,084,701.72</b>	(4,756,921.44)	1,489.23%	Mainly due to the combined influence of net cash flows generated from operating activities, investment activities and financial activities.

### Significant changes in profit composition or sources

☐ Applicable ☒ Not applicable

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

### Composition of operating revenue

Unit: RMB

	The reporting period		The same period of the previous year		Year-on-year increase or decrease
	Amount	Proportion in operating incomes	Amount	Proportion in operating incomes	
Total operating revenue	797,520,309.74	100%	604,627,930.88	100%	31.90%
By industry					
Manufacturing of special equipment	797,520,309.74	100.00%	604,627,930.88	100.00%	31.90%
By product					
Pipe products	755,173,945.20	94.69%	542,742,258.39	89.76%	39.14%
Castings and forgings	—	—	5,724,946.04	0.95%	(100.00)%
Oil well pumps, sucker rods and oil pumps	13,830,858.84	1.73%	14,317,014.33	2.37%	(3.40)%
Petroleum machinery components	12,976.43	0.00%	1,061,486.64	0.17%	(98.78)%
Others	28,502,529.27	3.58%	40,782,225.48	6.75%	(30.11)%
By region					
Domestic regions	540,724,609.12	67.80%	372,373,974.21	61.59%	45.21%
Foreign regions	256,795,700.62	32.20%	232,253,956.67	38.41%	10.57%

During the reporting period, there was no operating income from the “casting and forging” products mainly because the products were the main products of the divested subsidiary – Shouguang Maolong and the Company had no operating income from the products after the divestment.

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

☒ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	Increase/decrease of operating income in comparison with the same period of the previous year	Increase/decrease of operating cost in comparison with the same period of the previous year	Increase/decrease of gross margin in comparison with the same period of the previous year
By industry						
Manufacturing of special equipment	797,520,309.74	719,465,857.46	9.79%	31.90%	22.53%	Increase by 6.91%
By product						
Tubular products	755,173,945.20	680,571,659.97	9.88%	39.14%	28.83%	Increase by 7.21%
By region						
Domestic regions	540,724,609.12	493,691,823.71	8.70%	45.21%	31.77%	Increase by 9.32%
Foreign regions	256,795,700.62	225,774,033.75	12.08%	10.57%	6.23%	Increase by 3.59%



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

☐ Applicable ☒ Not applicable

#### IV. Analysis of non-principal business

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s) for the incurrence	Is it recurring
Investment income	(96,433.34)	(0.80)%	Mainly refer to bank discount charges in the current period	No
Non-operating income	8,411,353.29	69.89%	Mainly refer to the litigation compensation received in the current period.	No
Non-operating expenditures	1,156,954.87	9.61%	Mainly refer to relevant overdue fine paid in the current period.	No
Losses from asset impairment (the loss is expressed with “-”)	116,035.70	0.96%	Mainly due to the fact that the inventory impairment test was conducted as per the requirements of the enterprise accounting standards in the current period and the impairment loss of inventory was accrued.	No
Losses from credit impairment (the loss is expressed with “-”)	2,989,050.80	24.84%	Mainly due to the fact that the impairment test of accounts receivables was conducted as per the requirements of the enterprise accounting standards in the current period and the impairment loss of credit was accrued.	No
Other incomes	1,368,676.13	11.37%	Mainly due to the income arising from the impact of the additional deduction policy for value-added tax in the current period.	No

## V. Analysis of assets and liabilities

### 1. Significant changes in assets composition

Unit: RMB

	End of the reporting period		End of previous year		Increase/ decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	153,155,876.51	6.58%	86,788,890.12	3.59%	2.99%	Mainly due to the passive financial assistance funds received in the current period from the sale of subsidiaries in 2024.
Accounts receivable	318,057,006.39	13.67%	220,326,415.43	9.10%	4.57%	Mainly due to the increase in shipment volume in the current period and the collection period having not yet arrived.
Inventories	435,425,997.98	18.71%	397,733,225.95	16.43%	2.28%	
Long-term equity investments	41,666,457.34	1.79%	1,666,457.34	0.07%	1.72%	Mainly due to the foreign investment in the current period.
Fixed assets	324,515,398.73	13.95%	327,402,077.12	13.53%	0.42%	
Project under construction	96,116.50	0.00%	—	—	0.00%	
Right-of-use assets	4,579,036.97	0.20%	8,256,248.21	0.34%	(0.14)%	Mainly due to the amortization of the right-of-use assets in the current period.
Short-term borrowings	1,355,564,076.98	58.26%	1,425,765,913.39	58.91%	(0.65)%	
Contract liabilities	61,755,648.26	2.65%	35,099,585.13	1.45%	1.20%	Mainly due to the increase in advances from customers in the current period.
Long-term borrowings	—	—	153,809.38	0.01%	(0.01)%	
Lease liabilities	256,036.15	0.01%	178,746.58	0.01%	0.00%	
Receivables financing	27,184,802.41	1.17%	40,000.00	0.00%	1.17%	Mainly due to the increase in the number of outstanding bank acceptances received at the end of the current period compared with the same period last year.
Advance payments	51,152,704.42	2.20%	25,073,201.17	1.04%	1.16%	Mainly due to the increase in the advance payment for materials in the current period.
Other receivables	646,067,597.02	27.77%	1,177,001,129.72	48.63%	(20.86)%	Mainly due to the passive financial assistance funds received in the current period from the sale of subsidiaries in 2024.
Other current assets	4,377,188.62	0.19%	368,914.64	0.02%	0.17%	Mainly due to the increase in the carry-forward value-added tax at the end of the current period.
Intangible assets	193,431,753.79	8.31%	143,873,622.76	5.94%	2.37%	Mainly due to the purchase of 1,200 land in the current period with the creditor's rights of Shouguang Baolong.
R&D expenditures	8,595,847.36	0.37%	—	—	0.37%	Mainly due to the fact that the current R&D project has not been completed.

	End of the reporting period		End of previous year		Increase/ decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Other non-current assets	83,741,000.00	3.60%	259,900.00	0.01%	3.59%	Mainly due to the payment of funds for purchasing real estate in the current period.
Employee remuneration payable	31,518,257.75	1.35%	57,404,024.93	2.37%	(1.02)%	Mainly due to the payment of employee compensation in the current period
Taxes payable	6,511,035.57	0.28%	15,106,998.95	0.62%	(0.34)%	Mainly due to the decrease in value-added tax achieved at the end of the current period.
Other accounts payable	25,344,902.72	1.09%	40,123,921.92	1.66%	(0.57)%	Mainly due to the payment of the lease payment in the current period.
Non-current liabilities due within one year	13,859,800.05	0.60%	30,042,081.68	1.24%	(0.64)%	Mainly due to the repayment of the financial lease payment and long-term loans due within one year in the current period.
Other current liabilities	12,524,866.09	0.54%	19,147,733.93	0.79%	(0.25)%	Mainly due to the decrease in the undue acceptance bills transferred in the current period.

## 2. Major overseas assets

☐ Applicable ☒ Not applicable

## 3. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included into equity	Impairment accrued in the current period	Purchase during the current period	Disposals during the current period	Other changes	Amount at the end of the period
Financial assets								
Other equity instrument								
investments	3,316,677.33	—	—	—	—	—	—	3,316,677.33
Receivables financing	40,000.00	—	—	—	—	—	27,144,802.41	27,184,802.41
Total of the above	3,356,677.33	—	—	—	—	—	27,144,802.41	30,501,479.74
Financial liabilities	0.00	—	—	—	—	—	—	0.00

### Other changes

Other changes in receivables financing are the net amount of newly added and matured or endorsed and transferred bank acceptance drafts in the current period.

Any material changes in the measurement attributes of the Company's major assets during the reporting period

☐ Yes ☒ No

#### 4. *Restriction on asset right by the end of the reporting period*

Unit: RMB

Item	Book balance	End of the period		Restricted situation
		Book value	Restricted type	
Monetary funds	70,017,707.78	70,017,707.78	Bill deposit/platform deposit	Pledge
Monetary funds	1,725,345.22	1,725,345.22	Litigation freeze	Freeze
Bills receivable	10,000,000.00	10,000,000.00	Bill pledge/factoring financing	Pledge
Accounts receivable	10,924,988.50	10,815,738.62	Factoring financing	Pledge
Fixed assets	289,672,410.97	82,349,745.20	Mortgage financing/litigation seizure	Pledge/seizure
Intangible assets	138,640,410.88	106,455,274.61	Mortgage financing/litigation seizure	Pledge/seizure
Total	520,980,863.35	281,363,811.43		

## VI. Analysis of investment status

### 1. *General*

☒ Applicable ☐ Not applicable

Investment amount during the reporting period (RMB)	Investment amount in the same period of previous year (RMB)	Amount of variation
40,000,000.00	0.00	100.00%

### 2. *Significant equity investment acquired during the reporting period*

☐ Applicable ☒ Not applicable

### 3. *On-going significant non-equity investment within the reporting period*

☐ Applicable ☒ Not applicable

### 4. *Investments in financial assets*

#### (1) *Investments in securities*

☐ Applicable ☒ Not applicable

The Company involved no securities investment in the reporting period.

#### (2) *Investments in derivatives*

☐ Applicable ☒ Not applicable

The Company had no derivative investments during the reporting period.

## 5. Use of the raised funds

☐ Applicable ☒ Not applicable

The Company does not use the raised funds during the reporting period.

## VII. Sale of significant assets and equity

### 1. Sale of significant assets

☐ Applicable ☒ Not applicable

The Company did not sell significant assets in the reporting period.

### 2. Sale of significant equity

☐ Applicable ☒ Not applicable

## VIII. Analysis of main controlling and shareholding companies

☒ Applicable ☐ Not applicable

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

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total assets	Net asset	Operating income	Operating profits	Net profit
Molong Logistics	Subsidiaries	Transportation business:	3,000,000.00	100,604,643.71	(504,936.69)	0.00	(1,332,967.77)	(1,332,967.75)

Acquisition and disposal of subsidiaries during the reporting period

☐ Applicable ☒ Not applicable

Information on major controlled and invested companies

## IX. Structured entities controlled by the company

☐ Applicable ☒ Not applicable

## X. Risks faced by the Company and countermeasures

### (1) Market risk

The Company falls into the energy equipment manufacturing industry. The development and prosperity of the energy industry directly pertain to the development status of the industry the Company is. The fluctuation of crude oil prices is affected by many factors (such as global economic growth rate, region, politics, finance and supply and demand), and they're of strong periodicity and volatility. During the period of low oil prices, oil and gas companies will accordingly reduce capital expenditures and investment in exploration and development, with the demand for equipment and services in the oil and gas industry weakened. The Company will adjust its product structure and market layout timely as per market changes.



## **(2) Risk of fluctuations in raw material prices**

Fluctuations in raw material prices will directly influence the manufacturing cost of products and have a direct impact on product prices. The Company will pay close attention to the fluctuations in raw material prices, control the manufacturing costs of products by locking in raw material prices and other means and adjust product prices and product structures timely as the circumstances may require.

## **(3) Policy risks**

In recent years, the state has continuously raised the requirements for safety and environmental protection and safety and environmental protection policies have been frequently introduced and become increasingly strict, with continuing to carry out safety and environmental protection supervision and inspection. The increase in emission standards is bound to increase the Company's environmental protection investment costs. The Company hammers at building a safe, economical, efficient, advanced and environmentally friendly energy equipment manufacturing industrial chain, intensifies safety and environmental protection education, deepens the investigation and governance of potential safety hazards, insists on the concepts of green, innovative and sustainable development, vigorously develops a circular economy, maximizes the utilization rate of resources, increases the investment in environmental protection and ensures that all kinds of waste of the Company are of up-to-standard discharge.

## **(4) Exchange rate risk**

The changes in the RMB exchange rate have an impact on the Company's operating performance. The Company will keep an eye on exchange rate fluctuations and take measures timely to avoid 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 financial instruments fluctuates due to changes in market interest rates. The interest-bearing financial instruments with fixed interest rates expose the Company to interest rate risk for fair value and interest-bearing financial instruments with floating interest rates expose the Company to interest rate risk for cash flow. The Company determines the proportion of fixed interest rate to floating interest rate financial instruments based on market circumstances and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

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## **XI. Formulation and implementation of the market value management system and the valuation increase plan**

Has the Company established a market value management system?

☐ Yes ☒ No

Has the Company disclosed its valuation increase plan?

☐ Yes ☒ No

## **XII. Implementation of the "Improvement in Quality and Return" Action Plan**

Whether the Company disclosed the Announcement of "Improvement in Quality and Return" action plan.

☐ Yes ☒ No

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

I. Changes in the company’s directors, supervisors and senior executives

✓ Applicable    ☐ Not applicable

Name	Position held	Type	Date	Reason
Song Guangjie	Director	Elected	27 June 2025	Job transfer
Huang Bingde	Director	Elected	27 June 2025	Job transfer
Wang Zhongwen	Vice General Manager	Appointment	13 June 2025	Job transfer
Zhang Zhiyong	Director	Resignation	4 June 2025	Personal reason
Ma Qingwen	Director	Resignation	4 June 2025	Personal reason

II. Profit distribution and conversion of capital reserve to capital stock during the reporting period

☐ Applicable    ✓ Not applicable

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

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

☐ Applicable    ✓ Not applicable

During the reporting period, the company had no equity incentive plans, employee stock ownership plans or other employee incentive measures and their implementation status.

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

IV. Environmental information disclosure

Are the listed company and its major subsidiaries included in the list of enterprises that disclose environmental information according to law

✓ Yes    ☐ No

Number of enterprises included into the list of enterprises subject to legal disclosure of environmental information

1

S/N	Enterprise name	Query index for environmental information disclosure reports according to law
1	Shandong Molong	Not applicable

## V. Social responsibility

During the reporting period, the Company paid high attention to the fulfillment of social responsibilities and was courageous in undertaking the social responsibilities it should bear, which was mainly reflected in the following aspects:

### 1. *Protection of shareholders' rights and interests*

The Company has established a relatively complete governance structure and a comprehensive internal control management system. These measures ensure the perfection and controllability of the Company's decision-making mechanism on major matters; the Company's Shareholders' Meeting is conducted through a combination of on-site voting and online voting, which enhances the participation of shareholders. The convening and voting procedures of the meeting comply with the provisions of laws, regulations and the Company's *Articles of Association*. The Company builds multiple forms of investor communication platforms and channels through various means and discloses regular information in a timely, true, accurate and complete manner in strict accordance with the requirements of relevant laws, regulations, the Company's *Articles of Association* and the Company's related systems, ensuring that all shareholders of the Company have fair, just, open and sufficient opportunities to obtain the Company information and guaranteeing that all shareholders equally enjoy all the lawful rights and interests stipulated by laws, regulations and rules.

### 2. *Protecting the rights and interests of employees*

The company attaches importance to talent cultivation, optimizes the integrated mechanism of "examination, learning and application", promotes all employees to advance from "meeting the standard of competence" to "outstanding performance", continuously improves the quality of employee and achieves the common growth of employees and the enterprise. The company has established a hardship assistance fund to care for and support employees in difficulty and create a harmonious working atmosphere. During the reporting period, the company distributed hardship assistance funds of RMB13,000.00 totally to be used for providing assistance and support to employees with family difficulties.

### 3. *Actively participating in social public welfare undertakings*

The company lays emphasis on the creation of social value, consciously places the focus of fulfilling social responsibilities on actively participating in social public welfare activities, actively engages in social public welfare and charity undertakings and gives back to society within its capacity. The company has established a solid bridge of cooperation with community organizations and donated materials worth RMB12,000.00 to Shouguang Mental Health Center, with passing on warmth with little care; The company actively contacts Weifang Central Blood Station, launches an initiative and organizes voluntary blood donation public welfare activities and actively participates in social public welfare undertakings to demonstrate the social responsibility and commitment of the enterprise.

## SECTION V MATERIAL MATTERS

### **I. Commitments made by the Company's actual controllers, shareholders, related parties, acquirers, the company and other relevant parties that had been fulfilled during the reporting period and those that had not been fulfilled at the end of the reporting period**

☐ Applicable ☒ Not applicable

There were no commitments made by the Company's actual controllers, shareholders, related parties, acquirers, the company and other relevant parties that had been fulfilled during the reporting period and those that had not been fulfilled at the end of the reporting period during the reporting period.

### **II. By controlling shareholders and related parties**

☐ Applicable ☒ Not applicable

During the reporting period, the Company had no on-operating fund appropriation by controlling shareholders and related parties during the reporting period.

### **III. Illegal external guarantee**

☐ Applicable ☒ Not applicable

The Company had no illegal external guarantees during the reporting period.

### **IV. Appointment and dismissal of accounting firm**

Has the semi-annual financial report been audited?

☐ Yes ☒ No

The Company's semi-annual report has not been audited.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### **VII. Bankruptcy and reorganization matters**

☐ Applicable ☒ Not applicable

The Company did not have any bankruptcy reorganization-related matters during the reporting period.

## VIII. Litigation matters

Material litigation and arbitration matters

☐ Applicable ☒ Not applicable

During the reporting period, the company had no major litigation or arbitration matters.

Other litigation matters

☒ Applicable ☐ Not applicable

Basic information on litigation (arbitration)	Amount involved (RMB10,000.00)	Recognized as provision for liability	Litigation (arbitration) progress	Outcome and impact of litigation (arbitration) hearings	Implementation of litigation (arbitration) judgments	Disclosure date	Disclosure index
Other litigation and arbitration matters that do not meet the disclosure standards	2,499.78	No	Stage of case filing, review or enforcement	No significant impact on the company	Some lawsuit (arbitration) judgments have been fully executed, some lawsuit (arbitration) judgments are under execution or have not yet been executed, and some lawsuit (arbitration) judgments are under trial or have not yet been heard in court.	Not applicable	Not applicable

## IX. Penalties and rectifications

☒ Applicable ☐ Not applicable

Designation/ name	Type	Cause	Types of investigations and penalties	Conclusion (if any)	Disclosure date	Disclosure index
Shandong Molong	Others	The information disclosure in the 2024 Annual Performance Forecast is inaccurate.	China Securities Regulatory Commission has taken administrative regulatory measures	Administrative regulatory measures (such as issuing a warning letter) shall be taken and recorded into the securities and futures market integrity file database.	25 April 2025	cninfo (www.cninfo.com.cn) Announcement on the Company and Relevant Responsible Personnel Receiving the Warning Letter from Shandong Securities Regulatory Bureau (Announcement No.: 2025-021)
Han Gaogui	Director	The information disclosure in the 2024 Annual Performance Forecast is inaccurate.	China Securities Regulatory Commission has taken administrative regulatory measures	Administrative regulatory measures (such as issuing a warning letter) shall be taken and recorded into the securities and futures market integrity file database.	25 April 2025	cninfo (www.cninfo.com.cn) Announcement on the Company and Relevant Responsible Personnel Receiving the Warning Letter from Shandong Securities Regulatory Bureau (Announcement No.: 2025-021)
Zhao Xiaotong	Senior executives	The information disclosure in the 2024 Annual Performance Forecast is inaccurate.	China Securities Regulatory Commission has taken administrative regulatory measures	Administrative regulatory measures (such as issuing a warning letter) shall be taken and recorded into the securities and futures market integrity file database.	25 April 2025	cninfo (www.cninfo.com.cn) Announcement on the Company and Relevant Responsible Personnel Receiving the Warning Letter from Shandong Securities Regulatory Bureau (Announcement No.: 2025-021)
Zhu Lin	Senior executives	The information disclosure in the 2024 Annual Performance Forecast is inaccurate.	China Securities Regulatory Commission has taken administrative regulatory measures	Administrative regulatory measures (such as issuing a warning letter) shall be taken and recorded into the securities and futures market integrity file database.	25 April 2025	cninfo (www.cninfo.com.cn) Announcement on the Company and Relevant Responsible Personnel Receiving the Warning Letter from Shandong Securities Regulatory Bureau (Announcement No.: 2025-021)



Explanation of rectification situation

✓ Applicable    ☐ Not applicable

Shandong Molong has received the *Decision on Taking the Measure of Issuing a Warning Letter To Shandong Molong Petroleum Machinery Co., Ltd. and Relevant Responsible Personnel* ([2025] No. 19) (hereinafter referred to as *Warning Letter*) issued by China Securities Regulatory Commission Shandong Regulatory Bureau (hereinafter referred to as “Shandong Regulatory Bureau”). After the company received the *Warning Letter*, the company's Board of Directors and relevant departments paid high attention to it, conducted comprehensive review and in-depth analysis of the matters involved in the *Warning Letter* to identify the causes of the problems and formulated rectification plans and implemented them one by one. The company submitted the *Rectification Report on the Issues Involved in the Warning Letter Issued by the Shandong Securities Regulatory Bureau To the Company and Relevant Personnel* to Shandong Securities Regulatory Bureau within 30 days from the date of receiving the *Warning Letter*.

**Rectification measures:**

1. The company and relevant personnel pay high attention, draw profound lessons and will enhance the level of financial management from the perspective of system construction, financial supervision and internal control inspection and information communication. As for the undetermined matters, the company will strengthen communication with relevant units or departments and fully obtain information to accurately reflect the essence of business and improve the accuracy and timeliness of financial accounting. Subsequently, the company will strengthen the internal management of the Finance Department, improve the business proficiency and communication efficiency, strengthen communication with all relevant parties, make timely predictions, arrangements and deployments on important accounting matters in the work, carry out accounting treatment in strict accordance with the requirements of relevant rules, report problems found timely and formulate handling plans and strive to eliminate the uncertainties as soon as possible to prevent similar situations from occurring again.
2. The directors, supervisors, senior executives and relevant personnel of the company will take the rectification as an opportunity to learn a lesson, enhance the awareness of standardized operation, improve the level of control and actively fulfill the obligation of information disclosure. The company will strictly abide by the provisions of laws and regulations (such as *Company Law*, *Securities Law*, *Administrative Measures for Information Disclosure of Listed Companies*, *Stock Listing Rules of Shenzhen Stock Exchange and Self-regulatory Guideline No. 1 for Listed Companies of Shenzhen Stock Exchange – Main-Board Market Listed Companies Operating in a Standardized Manner*) to timely and accurately disclose information; intensify the learning and training of the company's management, relevant business departments and key position business personnel on relevant regulations, management systems and approval procedures, strengthen the awareness of standardized operation among key personnel and key positions, improve the professional level and financial accounting level of relevant business personnel, ensure the effective implementation of internal control systems and promote the healthy, stable and sustainable development of the company.

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**Person responsible for rectification:** Chairman, Chief Financial Officer and Secretary of Board of Directors

**Completion situation:** The rectification has been completed. Subsequently, strict implementation will be conducted pursuant to relevant standards and regulations.

## **X. Integrity status of the Company and its controlling shareholders and actual controllers**

☐ Applicable   ☒ Not applicable

## **XI. Material related party transactions**

### **1. *Related party transactions related to daily operations***

☐ Applicable   ☒ Not applicable

No related party transaction related to its daily operations occurred to the company during the reporting period.

### **2. *Related party transactions in connection with the acquisition or sale of assets or equity***

☐ Applicable   ☒ Not applicable

During the reporting period, no related party transactions involving the acquisition or sale of assets or equity happened to the company.

### **3. *Related party transactions in connection with joint foreign investment***

☐ Applicable   ☒ Not applicable

No related party transactions of joint external investment happened to the company during the reporting period.

### **4. *Amounts due from/to related parties***

☒ Applicable   ☐ Not applicable

Any non-trade amounts due from/to related parties

☒ Yes   ☐ No

## Debts due to related parties

Related party	Related relationship	Formation reason	Balance at the beginning of the period (RMB10,000.00)	Newly added amount in the current period (RMB10,000.00)	Repayment amount in the current period (RMB10,000.00)	Interest rate	Interest for the current period (RMB10,000.00)	Ending balance (RMB10,000.00)
Shouguang Jinxin	Controlling shareholder of controlling shareholder	Accepting financial assistance	2,663.89	4,000	6,555.49	3.10%	5.26	108.4
Xiangrun Industrial	Company that is also controlled by the parent company of the controlling shareholder	Rental expenses	198.55	11.29	—	—	—	209.84

Impact of related debts on the company's operating results and financial position

(1) On 24 February 2025, the third extraordinary meeting of the eighth Board of Directors of the company approved that the company accepted the financial assistance of no more than RMB300 million provided by the related party – Shouguang Jinxin to the company, with a term not exceeding one year and an interest rate on borrowings not higher than the one-year loan prime rate (LPR). During the reporting period, the highest daily balance of borrowing was RMB41.084 million, which was within the above-mentioned limit.

(2) In October 2024, the company signed a lease contract with Xiangrun Industrial for the company to lease the office building for business office use. As of the end of the reporting period, the total lease fee of RMB2.0984 million had not been paid due to the lease change during the reporting period.

## 5. Amounts due from/to related financial companies

☐ Applicable ☒ Not applicable

There is no deposit, loan, credit granting or other financial business between the company and the finance company with which it has an affiliated relationship and the related party.

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

☐ Applicable ☒ Not applicable

There is no deposit, loan, credit granting or other financial business between the finance company controlled by the company and its related parties.

## 7. Other material related party transactions

☐ Applicable ☒ Not applicable

The Company had no other significant related party transactions during the reporting period.

## XII. Material contracts and their performance

### 1. Entrustment, contracting and leasing

#### (1) Entrustment

☐ Applicable ☒ Not applicable

There was no entrustment of the Company during the reporting period.

#### (2) Contracting

☐ Applicable ☒ Not applicable

The Company had no contracting during the reporting period.

#### (3) Leasing

☒ Applicable ☐ Not applicable

Lease description

- (1) On 17 August 2022, the company used some of its production equipment as the lease subject matter and carried out leaseback financing business with Zhejiang Zhongda Yuantong Financial Leasing Co., Ltd. to further expand financing channels upon deliberation at the second extraordinary meeting of the seventh Board of Directors of the company. The financing amount did not exceed RMB85 million, and the term did not exceed 36 months. During the lease term, the company will continue to use such production equipment through leaseback until the end of the lease term stipulated in the lease contract. Refer to the *Announcement on the Conduct of Financial Leasing Business* (Announcement No.: 2022-021) disclosed by the company for the specific content.
- (2) In October 2024, the company signed a lease contract with Xiangrun Industrial for the company to lease the office building for business office use. As of the end of the reporting period, the total lease fee of RMB2.0984 million had not been paid due to the lease change during the reporting period.
- (3) Pursuant to the lease agreement and related documents signed by the Company and Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (hereinafter referred to as "Vegetable Wholesale Company") in 2025, the Company leased the factory area (factory buildings and supporting facilities) located in Shouguang Science and Technology Industrial Park for production and operation. The lease term ends on 31 December 2025; the Company leased the factory area (factory buildings and supporting facilities) on the east side of Xingshang Road, Shouguang City for production and operation. The lease term ended on 31 March 2025.

Lease with profits or losses of more than 10% of the company's total profit during the reporting period to the Company

☐ Applicable ☒ Not applicable

During the reporting period, the Company did not have any leasing projects that brought profits or losses of more than 10% of the company's total profit during the reporting period to the Company.

## 2. *Material guarantees*

☐ Applicable ☒ Not applicable

The company had no significant guarantee situations during the reporting period.

## 3. *Entrusted wealth management*

☐ Applicable ☒ Not applicable

The company did not have any entrusted wealth management during the reporting period.

## 4. *Other material contracts*

☐ Applicable ☒ Not applicable

During the reporting period, the Company had no other major contracts.

# XIII. Description of other material matters

☒ Applicable ☐ Not applicable

## 1. *Progress of creditor's right transfer and debt restructuring*

On 12 February 2025, the Company held the second extraordinary meeting of the eighth Board of Directors which reviewed and approved the *Proposal on Implementing the Transfer of Creditor's Rights and Debt Restructuring* as well as agreed that the Company would sign the *Tripartite Agreement* with Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (hereinafter referred to as "Vegetable Wholesale Company") and Shouguang Baolong which specified that the company would transfer the creditor's rights of RMB169.1198 million of Shouguang Baolong to Vegetable Wholesale Company and Vegetable Wholesale Company would pay the consideration with RMB84 million in cash and the land and buildings (structures) it held with an appraisal value of RMB85.1198 million. As of the disclosure date of this report, the Company had received all the cash considerations, and the procedures for the transfer of real estate rights of the land and the buildings (structures) had been completed.

## 2. *Progress on the recovery of passive financial assistance*

On 9 January 2024, the Company held the seventh extraordinary meeting of the seventh Board of Directors. On 25 January 2024, the first extraordinary Shareholders' Meeting in 2024 was held, and the *Proposal on Passively Forming Financial Assistance after Selling the Equity of the Subsidiary* was reviewed and approved. The amount of the company's claim against Shouguang Baolong was RMB461.7095 million, and the amount of the company's claim against Weihai Baolong was RMB14.3457 million. The amount was the amount of fund intercourse between the Company and its subsidiary during the period when the aforementioned companies were subsidiaries of the Company. As of the disclosure date of this report, the balance of financial assistance of Shouguang Baolong was RMB292 million and the financial assistance of Weihai Baolong had been fully repaid. Shouguang Baolong's financial assistance balance is RMB292 million; the financial assistance of Weihai Baolong has been fully repaid.

On 14 October 2024, the company held the 14th extraordinary meeting of the 7th Board of Directors. On 21 November 2024, the 5th extraordinary Shareholders' Meeting in 2024 was held, and the *Proposal Regarding the Passive Formation of Financial Assistance after the Sale of Assets* was reviewed and approved. The amount of the company's claim against Shouguang Maolong was RMB714.1417 million. The amount was the amount of capital transaction between the company and its subsidiaries during the period when Shouguang Maolong was a subsidiary of the company. As of the disclosure date of this report, the balance of the above-mentioned financial assistance is RMB352 million.



## XIV. Major matters of the Company's subsidiaries

✓ Applicable    ☐ Not applicable

In October 2024, the company's subsidiary, Molong Trading, and Qingdao Zidong Network Technology Co., Ltd. (hereinafter referred to as "Zidong Network") jointly established Molong E-commerce with a registered capital of RMB1 million. The company's subscribed capital contribution was RMB660,000.00. As of 31 December 2024, it had actually made the investment, with a shareholding ratio: 66.00%.

In June 2025, Molong Commerce and Trade signed an *Equity Transfer Agreement* with Zidong Network. Zidong Network transferred 34% of its equity in Molong E-commerce to Molong Commerce and Trade free of charge, and Molong Commerce and Trade held 100% of the equity in Molong E-commerce. As of the disclosure date of this report, Molong E-commerce had completed the industrial and commercial change registration.

## XV. Disclosure in accordance with the SEHK Listing Rules

### 1. Performance

The revenue of the Group and the financial situation of the Group and the Company in the first half of 2025 are set out in the financial statements under the "Financial Report" Section of the interim report.

### 2. Financial summary

The interim results and balance sheet summary of the Group for the past two financial years are as follows:

#### Performance

Item	Half a year ending on 30 June	
	2025 RMB'000	2024 RMB'000
Total operating income	797,520	604,628
Operating (loss)/profit	4,781	165,775
Total (losses)/profits	12,035	168,956
Net profit/(loss)	11,961	169,351
Profits and losses of minority shareholders	(202)	(784)
Net (loss)/profit attributable to the shareholder of the parent company	12,164	170,135
Basic (loss)/profit per share (RMB)	0.0152	0.2132

#### Assets and liabilities

Item	On 30 June 2025 RMB'000	On 30 June 2024 RMB'000
Total assets	2,326,666	2,785,816
Total liabilities	1,822,516	2,191,364
Net assets	504,150	594,452

### 3. Change in capital stock

Refer to "Share Change and Shareholder Information" Section for the details of changes in capital stock of the Company in the first half of 2025.

#### **4. *Reserves and distributable reserves***

Details of the changes in the Group's reserves and distributable reserves in the first half of 2025 are set out in the "Undistributed Profits" Section of the Notes to Consolidated Financial Statement Items of the financial report.

#### **5. *Property, plant and equipment***

Details of the changes in the Group's properties, plants and equipment in the first half of 2025 are set out in the "Financial Report" Section.

#### **6. *Capitalised interests***

The capitalised interests of the Group was RMB zero in the first half of 2025.

#### **7. *Service contracts or letter of appointment for directors and supervisors***

All directors and supervisors (including independent non-executive directors and supervisors) have respectively entered into service contracts or letters of appointment with the company. No director or supervisor has entered into any service contract with the Company which restricts the Company cannot terminate within one year without making any compensation (except for statutory compensation).

#### **8. *Employees and salary policies***

##### **Employees**

As of 30 June 2025, the Group had 1,242 employees totally.

##### **Remuneration policy**

- (1) To standardize the company's salary administration, give play to the incentive effect of salary and clarify the responsibilities of each department, the company has gradually established and improved a relatively reasonable salary system and formulated corresponding salary systems and work processes according to the current actual situation;
- (2) Under the premise of stabilizing employees' income and encouraging them to get more pay for more work done the company guarantees a stable income from the basic salary of its employees, links salary distribution to performance levels, fully mobilizes the enthusiasm and sense of responsibility of employees and makes employee salaries in line with the salary levels of the same industry and type of work in society, making it more attractive externally and more motivating internally based on the principle of fairness and reasonableness;
- (3) To encourage new employees to work stably for a long time and encourage veteran employees to continue to dedicate themselves to the company and make greater contributions to the company, the company implements a seniority calculation method without setting a fixed number of years, but a decreasing amount which is more humanized, reasonable and attractive than that of surrounding enterprises. At the same time, it provides a guarantee for the company's employees to work for a long time to fully mobilize the subjective initiative and creativity of employees and continuously enhance their satisfaction and loyalty;
- (4) Pursuant to the demands of domestic and international markets, the company has vigorously promoted the development of new products and formulated incentive measures for the development of new products and new markets, further enhancing the enthusiasm of employees to improve performance and increase income and enabling employees to share the benefits with the enterprise.

## Decision process, basis of determination and actual payment of the remuneration of directors, supervisors and senior executives

### (1) *Decision-making procedure*

The company's Board of Directors has established a Compensation and Appraisal Committee to be responsible for formulating compensation plans. The Remuneration and Appraisal Committee puts forward the remuneration plans for directors, supervisors and senior executives. After being approved by the Board of Directors, the compensation plans shall be submitted to the Shareholders' Meeting for deliberation and approval before implementation.

### (2) *Determination basis*

The annual remuneration of directors, supervisors and senior executives is determined in light of such factors as main scope of responsibilities and importance of their positions.

### (3) *Actual payment*

During the reporting period, there were 18 directors, supervisors and senior executives totally, and the actual remuneration paid was RMB1.2105 million.

## 9. *Interest in securities of directors, supervisors and key administrative personnel pursuant to Securities and Futures Ordinance of Hong Kong*

As of 30 June 2025, to the knowledge of the directors, supervisors and key administrative personnel, none of the directors, supervisors or key administrative personnel held any shares, related shares or bonds (as defined in Part XV of Securities and Futures Ordinance) of the Company and any of its associated corporations, it's required to notify the Company and HKEX of rights and interests or short positions (including rights and interests and short positions deemed or regarded to be owned as per the provisions of *Securities and Futures Ordinance*, etc.) or rights and interests or short positions recorded in the register kept in line with Article 352 of *Securities and Futures Ordinance* pursuant to Part 7 and 8 of Part XV of *Securities and Futures Ordinance* or the rights and interests or short positions of the Company and HKEX shall be informed based on the Standard Code of Practice for securities transactions by directors of listed companies set out in Appendix C3 of the Listing Rules of HKEX.

## 10. *Right of directors and supervisors to purchase shares or bonds*

Neither the Company nor its subsidiary companies granted any rights that would enable the directors and supervisors of the Company or their respective contacts (as defined in Article 1.01 of the Listing Rules of HKEX) to benefit from the purchase of the shares or bonds of the Company and they also did not exercise any of these rights in the first half of 2025.

## 11. *Share scheme*

Since the establishment date of the Company, the Company has not adopted or implemented any share scheme, including share incentive plan or share right plan.

## 12. *Substantial shareholders*

Details are recorded in the "Number of Company Shareholders and Shareholding Situation" Section of the "Share Changes and Shareholder Information" Section in the interim report.

### **13. *Rights and interests of directors and supervisors in the contract***

The directors or supervisors or any entities related to any director of the Company have no direct or indirect material rights and interests in any transaction, arrangement or contract with the Company or any of its subsidiary companies as a contracting party which was or was still in effect in the first half of 2025 or as of 30 June 2025 and is materially related to the business of the Group.

### **14. *Material contracts***

There are no significant contracts concluded between the Company (or any of its subsidiary companies) and the controlling shareholder of the Company (or any of its subsidiary companies) or important contracts under which the controlling shareholder of the Company (or any of its subsidiary companies) provides services to the Company (or any of its subsidiary companies).

### **15. *Purchase, sales or redemption of securities***

As of the first half of 2025, neither the Company nor any of its subsidiary companies had repurchased, sold or redeemed any of the Company's listed securities.

### **16. *Pre-emptive rights***

The Articles of Association of the Company or the Chinese laws and regulations do not stipulate the provisions of the pre-emptive right for the Company to issue new shares to existing shareholders in proportion.

### **17. *Corporate governance***

Since its establishment, the Company has constantly improved the level of corporate governance in strict accordance with the requirements of laws, regulations and regulatory documents (such as *Company Law*, *Securities Law*, *the Code of Corporate Governance for Listed Companies* and *Guidelines for Articles of Association of Listed Companies*). During the reporting period, the Company continuously improved its governance system and operation processes pursuant to the work arrangements of the supervision departments and the latest regulatory system. The actual governance status of the Company does not differ from the requirements of the relevant laws and regulations of the China Securities Regulatory Commission and all the rules and regulations of the *Corporate Governance Code* ("Corporate Governance Code") set out in Appendix C1 of the Listing Rules of HKEX have been fully adopted.

During the reporting period, the Company has consistently abided by the rules and regulations of the *Corporate Governance Code* without any deviation. The directors of the Company were not aware of any information that could reasonably show that the Company failed to comply with the provisions of the rules and regulations at any time during the reporting period.

### **18. *Directors' securities transactions***

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Companies* set out in Appendix C3 of the Listing Rules of HKEX ("Standard Code"), requiring directors to conduct securities transactions in terms of the Standard Code which is also applicable to the senior executives of the Company. After the Company made a special query to all directors, all directors had confirmed that they had fully complied with the Standard Code of Practice for the six months ending on 30 June 2025.

### **19. *Sufficiency of public float***

In accordance with the public information of the Company and to the knowledge of the directors of the Company, the Company maintained the public float specified in the Listing Rules of HKEX for the first half of 2025 and as of the date of this semi-annual report

## 20. Substantial shareholders' interests in securities

On 30 June 2025, to the knowledge of the directors, supervisors or key administrative personnel of the Company and as shown in the register of interests in shares and/or short positions required to be kept under Subsection 2 and 3 of Securities and Futures Ordinance or the registration that has been maintained pursuant to Article 336 of Securities and Futures Ordinance, the rights and interests and/or short positions of the shares or related shares of the Company held by major shareholders and other persons (except for directors, supervisors or the top administrative personnel of the Company) were as follows:

### Long position in the Company's shares

Substantial shareholders	Nature of equity	Number of A shares/ H shares	Approximate shareholding percentage of A shares/ H shares	Total registered capital and approximate shareholding percentage
Shouguang Molong Holdings Co., Ltd.	Beneficial interest	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd.	Rights and interests in a controlled corporation <sup>(1)</sup>	235,617,000 A shares	43.49% (A shares)	29.53%

Notes:

- (1) Shouguang Molong Holdings Co., Ltd. is a wholly-owned subsidiary of Shandong Shouguang Jinxin Investment and Development Holding Group Co., Ltd. Therefore, in accordance with Part XV of *Securities and Futures Ordinance*, Shandong Shouguang Jinxin Investment and Development Holding Group Co., Ltd. is regarded as having rights and interests in 235,617,000 A shares in which Shouguang Molong Holding Co., Ltd. has rights and interests.
- (2) The approximate percentage is calculated in line with 541,722,000 A shares, 256,126,400 H shares and a total of 797,848,400 shares issued as of 30 June 2025.

Except as disclosed above, as of 30 June 2025, no person other than the directors, supervisors or key administrative personnel of the Company owned the rights and interests or short positions in the shares, related shares and bonds of the Company that would be required to be disclosed to the Company and HKEX as per the provisions of Part 2 and 3 of Part XV of Securities and Futures Ordinance and must be recorded in the register maintained based on Article 336 of Securities and Futures Ordinance.

## 21. Working capital and financial resources

On 30 June 2025, the current ratio of the Group was 92.02%, the quick ratio was 67.98%, the turnover rate of accounts receivable was 592.52% and the inventory turnover ratio was 345.42%. The main sources of funds for the Group are cash inflows generated from operating activities and borrowing from financial institutions. There is no obvious seasonal pattern in the capital demand of the Group.

On 30 June 2025, the total borrowings of the Group were RMB1.362 billion (the total borrowings of the Group were RMB1.446 billion at the end of the previous year). On 30 June 2025, the total currency funds of the Group reached to RMB153.1559 million (the currency funds at the end of the previous year were RMB86.7889 million).

## 22. Gearing ratio

On 30 June 2025, the gearing ratio of the Group was approximately 78.33% (2024: approximately 79.68%) which was calculated based on the total liabilities of the Group: RMB1,822,516 thousand (approximately RMB1,928,289 thousand at the end of the previous year) and the total assets: approximately RMB2,326,666 thousand (approximately RMB2,420,183 thousand at the end of the previous year).

## 23. Treasury policy

The Group has established and improved a strict internal control system in terms of cash and fund management and strengthened the financial management. Most of the revenue of the Group is settled in RMB. The capital liquidity and debt paying ability of the Group are both in a good state.

## 24. Assets with restricted ownership

On 30 June 2025, the assets of the Group with restricted ownership are as follows:

Unit: RMB

Item	Book balance	End of the period		Restricted situation
		Book value	Restricted type	
Monetary capital	70,017,707.78	70,017,707.78	Bill deposit/ platform deposit	Pledge
Notes receivable	10,000,000.00	10,000,000.00	Bill pledge/ factoring financing	Pledge
Fixed assets	289,672,410.97	82,349,745.20	Mortgage financing/ litigation seizure	Pledge/seizure
Intangible assets	138,640,410.88	106,455,274.61	Mortgage financing/ litigation seizure	Pledge/seizure
Monetary capital	1,725,345.22	1,725,345.22	Litigation freeze	Freeze
Accounts receivable	10,924,988.50	10,815,738.62	Factoring financing	Pledge
Total	520,980,863.35	281,363,811.43		

## 25. Contingent liabilities

On 30 June 2025, except for those disclosed in the "Commitments and Contingencies" of this report, the Group had no contingent liabilities.

## 26. Plans for major investments, major acquisitions and sales and major investments or purchases of capital assets

For the half year ending on 30 June 2025, except for those disclosed in this report, the Group did not conduct any material acquisitions or sales of subsidiary companies, associated companies and affiliated companies or any material investments or have any plans for future material investments or purchase of capital assets.

## 27. Tax relief and exemption

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

## 28. Equity-linked agreement

The Company did not enter into any equity-linked agreements on the end date of the half year ending on 30 June 2025 or at any time within half a year.

## 29. Business review

### Key financial and performance indicators

Key financial and performance indicators include profit growth, return on equity and debt ratio. Details of the analysis are recorded in the "Management Discussion and Analysis" Section of the semi-annual report.

## Risk management

The development strategy of the Group is to establish a risk management system covering all business segments to monitor, evaluate and manage multiple risks in the Group's activities. The management has identified the main risks of the Group and conducts regular review of industry, policy, business and currency risks.

## Sustainable development plan

The Group has always been committed to contributing to the sustainable development of the environment and maintaining a high level of corporate governance, has established a good framework to encourage employees and promote maintaining sustainable relationships with customers, suppliers, service providers, regulators and shareholders and has also contributed to community development in its business processes to continuously bring returns for the Group. The Group has implemented energy-saving arrangements in its offices and other operating locations where appropriate.

The Group establishes compliance and risk management policies and procedures, and senior management personnel are authorized to be responsible for continuously monitoring the compliance with major legal and regulatory requirements. The relevant policies and procedures will be reviewed regularly. As far as the Company currently knows, the Company has materially complied with relevant laws and regulations that can have a significant impact on the business and operation of the Company and its subsidiary companies.

### 30. *Interim dividend*

The Board of Directors does not recommend the payment of any interim dividend during the six-month period ending on 30 June 2025.

### 31. *Audit Committee and review of interim results*

The Company has established an Audit Committee according to the provisions of Article 3.21 of the Listing Rules of HKEX and Article D.3 of rules and regulations of *Corporate Governance Code* to be responsible for reviewing and supervising the financial reporting procedures, risk management and internal audit and control of the Group. The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company, including reviewing the interim results and financial statements of the Group for the six months ending on 30 June 2025. However, the unaudited consolidated financial statements of the Group for the six months ending on 30 June 2025 were not audited by the Company's auditors.

### 32. *Changes in the information of the directors*

There are no changes in the information of directors or supervisors that need to be disclosed as per Article 13.51B(1) of the Listing Rules of HKEX.

### 33. *Disclosure matters based on Rule 13.20 of the Listing Rules of HKEX*

As of 30 June 2025, (i) Shouguang Baolong owed the Company RMB292,136,695.13; and (ii) Weihai Baolong owed the Company RMB3,510,738.92. They're included into the Company's receivables (collectively referred to as "such debts"). The sale of all the shares of Shouguang Baolong and Weihai Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) was completed in March 2024 ("sale completion"), and Weihai Baolong and Shouguang Baolong were no longer subsidiary companies of the Company. As of 30 June 2025, Shouguang Maolong owed the Company RMB352,414,892.51. The sale of all the shares of Shouguang Maolong to Shouguang Huarong Agriculture Science and Technology Co., Ltd. was completed in December 2024 ("sale completion of Shouguang Maolong"), and Shouguang Maolong was no longer a subsidiary company of the Company.



On 9 January 2024: (i) The Company (as the creditor) and Shouguang Baolong (as the debtor) had entered into a repayment agreement (“Shouguang Baolong Repayment Agreement”), and accordingly, (among them) Shouguang Baolong agreed to repay such debts of RMB461,709,466.37 (such debts did not bear interest) to the Company; and (ii) The Company (as the creditor) and Weihai Baolong (as the debtor) had entered into a repayment agreement (Weihai Baolong Repayment Agreement), and accordingly, (among them) Weihai Baolong agreed to repay such debts of RMB14,345,726.40 (such debts did not bear interest) to the Company. On 14 October 2024: (i) The Company (as the creditor) has signed a repayment agreement (Huarong Agriculture Repayment Agreement) with Shouguang Huarong Agriculture Science and Technology Co., Ltd. (as the debtor) and Shouguang Maolong. According to this agreement, Shouguang Huarong Agriculture Science and Technology Co., Ltd. shall bear the debts of RMB714,141,700.00 that Shouguang Maolong is required to repay to the Company (such debts do not accrue interest).

In terms of the repayment agreement of Shouguang Baolong, Shouguang Baolong shall repay such debts in the following manner: (1) Repay 40% of such debts (namely RMB184,683,786.55) within the first year after the completion date of the sale; (2) Repay 30% of such debts (namely RMB138,512,839.91) within the second year after the completion date of the sale; and (3) Repay 30% of such debts (namely RMB138,512,839.91) within three years after the completion date of the sale.

In terms of the repayment agreement of Weihai Baolong, Weihai Baolong shall repay such debts in the following manner: (1) Repay 50% of such debts (namely RMB7,172,863.20) within the first year after the completion date of the sale; and (2) Repay 50% of such debts (namely RMB7,172,863.20) within the second year after the completion date of the sale.

Pursuant to the repayment agreement of Huarong Agriculture, Huarong Agriculture shall repay such debts in the following manner: Repay all payments within 12 months from the date of completion of the industrial and commercial change registration.

Shouguang Baolong has mortgaged its fixed assets and intangible assets (including land, properties and equipment, etc.) to the Company as the collateral for repaying such debts under the repayment agreement of Shouguang Baolong.

Shouguang Maolong has mortgaged its fixed assets (including fixed assets and intangible assets (including plant, machine and use right of sea area)) to the Company as the collateral for repaying such debts under the repayment agreement of Huarong Agriculture.

On 13 February 2025, the Company and Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (hereinafter referred to as “Vegetable Wholesale Company”) signed a *Tripartite Agreement* with Shouguang Baolong, prescribing that the Company would transfer its creditor’s rights of RMB169.1198 million against Shouguang Baolong to the Vegetable Wholesale Company, and Vegetable Wholesale Company paid the consideration with RMB84 million in cash and the land and buildings (structures) it held with an estimated value of RMB85.1198 million (the aforementioned land and buildings (structures) are hereinafter referred to as the “underlying assets”). After the completion of the transaction, Shouguang Baolong owed the Company an outstanding balance of approximately RMB292 million.

As disclosed in the Company’s announcement on 10 March 2025, the Company has received a creditor’s announcement issued by Shouguang City People’s Court, Shandong Province (“the Court”), and the court has ruled to accept the bankruptcy liquidation case of Shouguang Baolong. The Company has submitted the creditor’s right declaration materials within the prescribed time limit on the basis of the relevant regulations of the court.

## SECTION VI CHANGES IN SHARES AND SHAREHOLDERS

### I. Changes in shares

#### 1. Changes in shares

Unit: Share

	Before this change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion	New share issuance	Share donation	Conversion of housing provident fund into share	Others	Subtotal	Quantity	Proportion
I. Shares with limited sale conditions	108,375	0.01%	—	—	—	(108,375)	(108,375)	0	0.00%
1. Shares held by the state	—	—	—	—	—	—	—	—	—
2. Shares held by stated-owned legal person	—	—	—	—	—	—	—	—	—
3. Shares held by other domestic capitals	108,375	0.01%	—	—	—	(108,375)	(108,375)	0	0.00%
Wherein: Shareholding by domestic legal persons	—	—	—	—	—	—	—	—	—
Shares held by domestic natural person	108,375	0.01%	—	—	—	(108,375)	(108,375)	0	0.00%
4. Shares held by foreign capitals	—	—	—	—	—	—	—	—	—
Wherein: Shares held by overseas legal person	—	—	—	—	—	—	—	—	—
Shares held by overseas natural person	—	—	—	—	—	—	—	—	—
II. Shares with no restricted sale conditions	797,740,025	99.99%	—	—	—	108,375	108,375	797,848,400	100.00%
1. RMB ordinary share	541,613,625	67.88%	—	—	—	108,375	108,375	541,722,000	67.90%
2. Foreign capital shares listed domestically	—	—	—	—	—	—	—	—	—
3. Foreign capital shares listed overseas	256,126,400	32.10%	—	—	—	—	—	256,126,400	32.10%
4. Others	—	—	—	—	—	—	—	—	—
III. Sum of shares	797,848,400	100.00%	—	—	—	—	—	797,848,400	100.00%

Reasons for the changes in shares

☒ Applicable   ☐ Not applicable

In the light of the provisions of *Management Rules for the Shares of the Company Held by Directors and Senior Executives of Listed Companies and Their Changes*, the RMB ordinary shares (A shares) held by the original directors became unrestricted shares six months after the end of the original term of office. The number of shares released from the lock-up in the current period was 108,375.

Approval status of share changes

☐ Applicable ☒ Not applicable

Transfer situation of share changes

☐ Applicable ☒ Not applicable

Progress of the implementation of share repurchase

☐ Applicable ☒ Not applicable

Progress of the implementation of the reduction and repurchase of shares through centralized bidding

☐ Applicable ☒ Not applicable

Effects of changes in shares on financial indicators, such as basic earnings per share and diluted EPS as well as net assets per share attributable to the Company's common shareholders, for the most recent year and the most recent period

☐ Applicable ☒ Not applicable

Other disclosures that the Company deems necessary or required by the securities regulatory authority

☐ Applicable ☒ Not applicable

## 2. *Changes in locked-up shares*

☒ Applicable ☐ Not applicable

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Unit: Share

Shareholder name	Number of restricted shares at the beginning of the period	Number of shares to be released from restrictions in the current period	Number of restricted shares that are increased in the current period	Number of restricted shares at the end of the period	Reason for restriction on sales	Date of lifting the sales restriction
Wang Quanhong	104,625	104,625	0	0	Executive lock-up shares	2025-5-25
Liu Jilu	3,750	3,750	0	0	Executive lock-up shares	2025-5-25
Total	108,375	108,375	0	0	—	—

## II. Issuance and listing of Securities

☐ Applicable ☒ Not applicable

### III. Number of shareholders of the Company and their shareholdings

Unit: Share

Total number of ordinary share shareholders at the end of the reporting period	84,808 (including 84,766 A share shareholders and 42 H share shareholders)	Total number of Preferred stock shareholders recovering voting rights at the end of reporting period (if any)	0
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#### Shareholding situation of shareholders with more than 5% of the shares or the top 10 shareholders (excluding shares lent through securities lending and borrowing)

Shareholder name	Nature of shareholder	Shareholding ratio	Shareholding quantity at the end of the reporting period	Increase or decrease change during the reporting period	Number of shares held with restricted sale conditions	Number of shares held without restricted sale conditions	Pledge, marking or freezing Share status	Quantity
HKSCC Nominees Limited	Foreign legal person	32.08%	255,950,980	150,732,800	0	255,950,980	Not applicable	0
Shouguang Molong Holding Co., Ltd.	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledge	114,355,556
Zhang Yunsan	Domestic natural person	2.02%	16,108,000	(2,000,000)	0	16,108,000	Not applicable	0
J.P. Morgan Securities PLC-self-owned funds	Foreign legal person	0.37%	2,974,646	0	0	2,974,646	Not applicable	0
HKSCC	Foreign legal person	0.32%	2,519,602	1,986,917	0	2,519,602	Not applicable	0
BARCLAYS BANK PLC	Foreign legal person	0.29%	2,343,901	2,037,561	0	2,343,901	Not applicable	0
UBS AG	Foreign legal person	0.25%	1,988,866	0	0	1,988,866	Not applicable	0
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign legal person	0.24%	1,945,359	1,654,537	0	1,945,359	Not applicable	0
Zhang Li	Domestic natural person	0.22%	1,723,900	0	0	1,723,900	Not applicable	0
Chen Peixin	Domestic natural person	0.17%	1,339,300	0	0	1,339,300	Not applicable	0

Strategic investors or general corporations that became top 10 shareholders due to placement of new shares (if any) Not applicable

Description of incidence relations or concerted actions of the above shareholders Not applicable

Description of entrusted/proxy voting rights and waived voting rights among the above shareholders Not applicable

Special note on repurchase accounts among the top 10 shareholders (if any) Not applicable

**Shareholdings of the top 10 non-locked up ordinary shareholders  
(excluding shares lent through refinancing, executive officers lock-in stock)**

Shareholder name	Number of unrestricted shares held at the end of the reporting period		Type of shares	Quantity
			Type of shares	
HKSCC Nominees Limited	255,950,980	Foreign capital shares listed overseas		255,950,980
Shouguang Molong Holding Co., Ltd.	235,617,000	RMB ordinary shares		235,617,000
Zhang Yunsan	16,108,000	RMB ordinary shares		16,108,000
J.P. Morgan Securities PLC-self-owned funds	2,974,646	RMB ordinary shares		2,974,646
HKSCC	2,519,602	RMB ordinary shares		2,519,602
BARCLAYS BANK PLC	2,343,901	RMB ordinary shares		2,343,901
UBS AG	1,988,866	RMB ordinary shares		1,988,866
MORGAN STANLEY & CO. INTERNATIONAL PLC.	1,945,359	RMB ordinary shares		1,945,359
Zhang Li	1,723,900	RMB ordinary shares		1,723,900
Chen Peixin	1,339,300	RMB ordinary shares		1,339,300

Description of incidence relations or concerted actions among the top 10 shareholders without restricted sale conditions and between the top 10 shareholders without restricted sale conditions and the top 10 shareholders Not applicable

Description of the top 10 ordinary share shareholders participating in financing and securities loan business (if any) Not applicable

Shareholders with more than 5% of shares, the top 10 shareholders and the top 10 shareholders without restricted tradable shares participating in the lending shares through securities lending and borrowing)

☐ Applicable ☒ Not applicable

Top 10 shareholders and top 10 shareholders without restricted tradable shares changed from the previous period due to lending/returning of securities lending and borrowing

☐ Applicable ☒ Not applicable

Whether the top 10 ordinary share shareholders and the top 10 ordinary share shareholders without restricted sale conditions of the Company engaged in any agreed repurchase transactions during the reporting period

☐ Yes ☒ No

Whether the top 10 ordinary share shareholders and the top 10 ordinary share shareholders without restricted sale conditions of the Company did not engage in agreed repurchase transactions during the reporting period.

#### **IV. Changes in shareholding of directors, supervisors and senior executives**

☐ Applicable ☒ Not applicable

The shareholding situation of the Company's directors, supervisors and senior executives remained unchanged during the reporting period. Refer to the 2024 annual report for the detail.

## **V. Changes in controlling shareholders and actual controllers**

Change in controlling shareholder during the reporting period

☐ Applicable   ☒ Not applicable

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

Change in actual controller during the reporting period

☐ Applicable   ☒ Not applicable

The actual controller of the Company did not change during the reporting period.

## **VI. Preferred shares**

☐ Applicable   ☒ Not applicable

The Company had no preferred shares during the reporting period.

**SECTION VII    RELEVANT SITUATION OF BONDS**

☐ Applicable    ☒ Not applicable



## SECTION VIII FINANCIAL REPORT

### I. Audit report

Has the semi-annual report been audited

☐ Yes ☒ No

The Company's semi-annual financial report has not been audited.

### II. Financial statements

The unit of the statements in the financial notes is: RMB

#### 1. Consolidated balance sheet

Prepared by: Shandong Molong Petroleum Machinery Co., Ltd.

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current asset:</b>		
Monetary capital	153,155,876.51	86,788,890.12
Settlement reserve fund	—	—
Lending funds	—	—
Trading financial assets	—	—
Derivative financial assets	—	—
Notes receivable	31,302,915.09	28,076,117.35
Accounts receivable	318,057,006.39	220,326,415.43
Receivables financing	27,184,802.41	40,000.00
Advance payments	51,152,704.42	25,073,201.17
Premium receivable	—	—
Reinsurance accounts receivable	—	—
Provision of cession receivable	—	—
Other receivables	646,067,597.02	1,177,001,129.72
Wherein: Interests receivable	—	—
Dividends receivable	—	—
Redemptory monetary capital for sale	—	—
Inventories	435,425,997.98	397,733,225.95
Wherein: Data resource	—	—
Contract assets	—	—
Held-for-sale assets	—	—
Non-current assets due within one year	—	—
Other current assets	4,377,188.62	368,914.64
<b>Total current assets</b>	<b>1,666,724,088.44</b>	<b>1,935,407,894.38</b>

Unit: RMB

Item	Ending balance	Beginning balance
<b>Non-current assets:</b>		
Offering loans and monies advanced	—	—
Creditor's right investments	—	—
Other creditor's right investments	—	—
Long-term receivables	—	—
Long-term equity investments	41,666,457.34	1,666,457.34
Other equity instrument investments	3,316,677.33	3,316,677.33
Other non-current financial assets	—	—
Investment real estate	—	—
Fixed assets	324,515,398.73	327,402,077.12
Project under construction	96,116.50	—
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	4,579,036.97	8,256,248.21
Intangible assets	193,431,753.79	143,873,622.76
Wherein: Data resource	—	—
Development expenditures	8,595,847.36	—
Wherein: Data resource	—	—
Goodwill	—	—
Long-term unamortized expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	83,741,000.00	259,900.00
<b>Total non-current assets</b>	<b>659,942,288.02</b>	<b>484,774,982.76</b>
<b>Total assets</b>	<b>2,326,666,376.46</b>	<b>2,420,182,877.14</b>

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current liabilities:</b>		
Short-term borrowings	1,355,564,076.98	1,425,765,913.39
Borrowings from the central bank	—	—
Loans from other banks and other financial institutions	—	—
Trading financial liabilities	—	—
Derivative financial liabilities	—	—
Notes payable	0.00	7,128.75
Accounts payable	304,130,361.51	294,207,878.68
Account collected in advance	—	—
Contract liabilities	61,755,648.26	35,099,585.13
Proceeds from the sale of repurchased financial assets	—	—
Deposits from customers and interbank	—	—
Acting trading securities	—	—
Acting underwriting securities	—	—
Employee remuneration payable	31,518,257.75	57,404,024.93
Taxes payable	6,511,035.57	15,106,998.95
Other accounts payable	25,344,902.72	40,123,921.92
Wherein: Interest payable	—	—
Dividends payable	—	—
Service charges and commissions payable	—	—
Dividend payable for reinsurance	—	—
Held-for-sale liabilities	—	—
Non-current liabilities due within one year	13,859,800.05	30,042,081.68
Other current liabilities	12,524,866.09	19,147,733.93
<b>Total current liabilities</b>	<b>1,811,208,948.93</b>	<b>1,916,905,267.36</b>
<b>Non-current liabilities:</b>		
Reserve fund for insurance contracts	—	—
Long-term borrowings	—	153,809.38
Bonds payable	—	—
Wherein: Preferred stocks	—	—
Perpetual bonds	—	—
Lease liabilities	256,036.15	178,746.58
Long-term payables	—	—
Long-term employee compensation payable	—	—
Estimated liabilities	4,960,656.25	4,960,656.25
Deferred income	6,085,498.10	6,085,498.10
Deferred income tax liabilities	4,834.38	4,834.38
Other non-current liabilities	—	—
<b>Total non-current liabilities</b>	<b>11,307,024.88</b>	<b>11,383,544.69</b>
<b>Total liabilities</b>	<b>1,822,515,973.81</b>	<b>1,928,288,812.05</b>

Unit: RMB

Item	Ending balance	Beginning balance
<b>Owners' equities:</b>		
Capital stock	<b>797,848,400.00</b>	797,848,400.00
Other equity instruments	—	—
Wherein: Preferred stocks	—	—
Perpetual bonds	—	—
Capital reserve	<b>979,777,355.57</b>	979,777,355.57
Minus: Treasury stock	—	—
Other comprehensive incomes	<b>(3,462,450.32)</b>	(3,531,286.66)
Special reserves	—	—
Surplus reserves	<b>187,753,923.88</b>	187,753,923.88
General risk provision	—	—
Undistributed profits	<b>(1,457,415,218.66)</b>	(1,469,578,894.72)
<b>Total owners' equities attributable to the parent company</b>	<b>504,502,010.47</b>	492,269,498.07
Minority stockholder's interest	<b>(351,607.82)</b>	(375,432.98)
<b>Total owners' equity</b>	<b>504,150,402.65</b>	491,894,065.09
<b>Total liabilities and owner's equities</b>	<b>2,326,666,376.46</b>	2,420,182,877.14

Legal representative:

Han Gaogui

Person in charge of  
accounting work:

Zhu Lin

Person in charge of the  
accounting department:

Zhu Lin

## 2. Balance sheet of parent company

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current asset:</b>		
Monetary capital	148,021,440.73	83,692,639.89
Trading financial assets	—	—
Derivative financial assets	—	—
Notes receivable	16,217,940.04	28,097,694.69
Accounts receivable	338,899,653.51	241,194,777.56
Receivables financing	27,184,802.41	40,000.00
Advance payments	105,823,659.28	23,894,774.97
Other receivables	740,894,209.86	1,271,310,029.86
Wherein: Interests receivable	—	—
Dividends receivable	—	—
Inventories	431,180,316.67	393,796,744.51
Wherein: Data resource	—	—
Contract assets	—	—
Held-for-sale assets	—	—
Non-current assets due within one year	—	—
Other current assets	2,807,118.50	276,739.73
<b>Total current assets</b>	<b>1,811,029,141.00</b>	<b>2,042,303,401.21</b>
<b>Non-current assets:</b>		
Creditor's right investments	—	—
Other creditor's right investments	—	—
Long-term receivables	—	—
Long-term equity investments	72,280,516.44	72,280,516.44
Other equity instrument investments	—	—
Other non-current financial assets	—	—
Investment real estate	—	—
Fixed assets	304,496,600.96	306,931,692.39
Project under construction	96,116.50	—
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	4,579,036.97	8,256,248.21
Intangible assets	112,559,295.54	61,974,775.05
Wherein: Data resource	—	—
Development expenditures	8,595,847.36	—
Wherein: Data resource	—	—
Goodwill	—	—
Long-term unamortized expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	83,741,000.00	259,900.00
<b>Total non-current assets</b>	<b>586,348,413.77</b>	<b>449,703,132.09</b>
<b>Total assets</b>	<b>2,397,377,554.77</b>	<b>2,492,006,533.30</b>

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current liabilities:</b>		
Short-term borrowings	1,200,228,981.10	1,279,870,927.48
Trading financial liabilities	—	—
Derivative financial liabilities	—	—
Notes payable	150,000,000.00	150,007,128.75
Accounts payable	356,532,264.43	332,569,367.84
Account collected in advance	—	—
Contract liabilities	59,852,266.56	32,447,483.69
Employee remuneration payable	31,357,669.74	57,024,741.69
Taxes payable	6,374,566.93	14,623,584.41
Other accounts payable	42,916,517.89	61,388,378.27
Wherein: Interest payable	—	—
Dividends payable	—	—
Held-for-sale liabilities	—	—
Non-current liabilities due within one year	13,859,800.05	28,186,417.81
Other current liabilities	12,277,426.48	24,714,702.11
<b>Total current liabilities</b>	<b>1,873,399,493.18</b>	<b>1,980,832,732.05</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	—	—
Bonds payable	—	—
Wherein: Preferred stocks	—	—
Perpetual bonds	—	—
Lease liabilities	256,036.15	178,746.58
Long-term payables	—	—
Long-term employee compensation payable	—	—
Estimated liabilities	4,960,656.25	4,960,656.25
Deferred income	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
<b>Total non-current liabilities</b>	<b>5,216,692.40</b>	<b>5,139,402.83</b>
<b>Total liabilities</b>	<b>1,878,616,185.58</b>	<b>1,985,972,134.88</b>

Unit: RMB

Item	Ending balance	Beginning balance
<b>Owners' equities:</b>		
Capital stock	<b>797,848,400.00</b>	797,848,400.00
Other equity instruments	—	—
Wherein: Preferred stocks	—	—
Perpetual bonds	—	—
Capital reserve	<b>778,253,775.98</b>	778,253,775.98
Minus: Treasury stock	—	—
Other comprehensive incomes	—	—
Special reserves	—	—
Surplus reserves	<b>187,753,923.88</b>	187,753,923.88
Undistributed profits	<b>(1,245,094,730.67)</b>	(1,257,821,701.44)
<b>Total owners' equity</b>	<b>518,761,369.19</b>	506,034,398.42
<b>Total liabilities and owner's equities</b>	<b>2,397,377,554.77</b>	2,492,006,533.30

### 3. Consolidated profit statement

Unit: RMB		
Item	Half a year of 2025	Half a year of 2024
<b>I. Total operating incomes</b>	<b>797,520,309.74</b>	604,627,930.88
Wherein: Operating income	<b>797,520,309.74</b>	604,627,930.88
Interest income	—	—
Earned premium	—	—
Incomes from service charges and commissions	—	—
<b>II. Total operating costs</b>	<b>801,231,181.44</b>	717,966,442.45
Wherein: Operating cost	<b>719,465,857.46</b>	587,194,131.69
Interest expenditure	—	—
Expenditure of service charges and commissions	—	—
Surrender value	—	—
Net amount of compensation expenses	—	—
Withdrawal of net amount of insurance liability reserve	—	—
Policy dividend expenditure	—	—
Reinsurance fee	—	—
Taxes and surcharges	<b>2,818,845.59</b>	4,472,142.12
Selling expenses	<b>6,242,978.05</b>	6,823,207.62
Administration expenses	<b>18,546,581.79</b>	66,070,521.83
R&D expenses	<b>11,093,107.81</b>	12,085,798.40
Financial expenses	<b>43,063,810.74</b>	41,320,640.79
Wherein: Interest expenses	<b>45,322,629.95</b>	46,674,510.32
Interest income	<b>799,536.45</b>	568,696.72
Plus: Other incomes	<b>1,368,676.13</b>	6,555,082.59
Income from investment (the loss is expressed with “—”)	<b>(96,433.34)</b>	282,091,477.58
Wherein: Incomes from investment for associated enterprises and a joint ventures	—	—
Income from derecognition of financial assets measured at amortized cost	—	—
Exchange earning (the loss is expressed with “—”)	—	—
Incomes from net exposure hedging (loss is expressed with “—”)	—	—
Gains from changes in fair value (loss is expressed with “—”)	—	—
Losses from credit impairment (the loss is expressed with “—”)	<b>2,989,050.80</b>	(741,269.32)
Losses from asset impairment (the loss is expressed with “—”)	<b>116,035.70</b>	(8,955,173.29)
Gains from asset disposal (the loss is expressed with “—”)	<b>4,114,238.28</b>	163,084.71
<b>III. Operating profit (the loss is expressed with “—”)</b>	<b>4,780,695.87</b>	165,774,690.70
Plus: Non-operating income	<b>8,411,353.29</b>	3,592,336.79
Minus: Non-operating expenditures	<b>1,156,954.87</b>	410,913.24
<b>IV. Total profits (the total loss is expressed with “—”)</b>	<b>12,035,094.29</b>	168,956,114.25
Minus: Income tax expenses	<b>73,847.69</b>	(394,994.52)
<b>V. Net profit (the net loss is expressed with “—”)</b>	<b>11,961,246.60</b>	169,351,108.77
(I) Classification by operation continuity	—	—
1. Net profit from going concern (the net loss is expressed with “—”)	<b>11,961,246.60</b>	169,351,108.77
2. Net profit from discontinuing operation (the net loss is expressed with “—”)	—	—
(II) Classification by ownership	—	—
1. Net profit attributable to the shareholders of parent company (the net loss is expressed with “—”)	<b>12,163,676.06</b>	170,134,914.07
2. Minority shareholders’ profit and loss (the net loss is expressed with “—”)	<b>(202,429.46)</b>	(783,805.30)



Unit: RMB		
Item	Half a year of 2025	Half a year of 2024
<b>VI. After-tax net amount of other comprehensive incomes</b>	<b>76,484.82</b>	(113,111.93)
After-tax net amount of other comprehensive revenues attributable to the owners of the parent company	<b>68,836.34</b>	(101,800.93)
(I) Other comprehensive incomes that cannot be reclassified into profits and losses	—	—
1. Re-measurement of the changed amount in the defined benefit plan	—	—
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method	—	—
3. Changes in fair value of investments in other equity instruments	—	—
4. Changes in fair value of enterprise's own credit risk	—	—
5. Others	—	—
(II) Other comprehensive incomes to be re-classified into the profit and loss	<b>68,836.34</b>	(101,800.93)
1. Other comprehensive income that can be converted to profit or loss under the equity method	—	—
2. Changes in the fair value of other creditor's right investment	—	—
3. Amount of financial assets reclassified to other comprehensive income	—	—
4. Other creditor's right investment credit impairment reserve	—	—
5. Cash flow hedging reserve	—	—
6. Conversion difference in foreign currency financial statements	<b>68,836.34</b>	(101,800.93)
7. Others	—	—
Net after-tax amount of other comprehensive income attributable to minority shareholders	<b>7,648.48</b>	(11,311.00)
<b>VII. Total comprehensive incomes</b>	<b>12,037,731.42</b>	169,237,996.84
Total comprehensive incomes attributable to the owners of the parent company	<b>12,232,512.40</b>	170,033,113.14
Total comprehensive incomes attributable to minority shareholders	<b>(194,780.98)</b>	(795,116.30)
<b>VIII. Earnings per share:</b>	—	—
(I) Basic earnings per share	<b>0.0152</b>	0.2132
(II) Diluted EPS	<b>0.0152</b>	0.2132

Legal representative:

Han Gaogui

Person in charge of  
accounting work:

Zhu Lin

Person in charge of the  
accounting department:

Zhu Lin

#### 4. Profit statement of parent company

Unit: RMB		
Item	Half a year of 2025	Half a year of 2024
<b>I. Operating income</b>	<b>794,458,637.77</b>	592,524,965.24
Minus: Operating cost	<b>718,960,424.13</b>	568,912,561.11
Taxes and surcharges	<b>2,725,506.22</b>	3,851,722.05
Selling expenses	<b>6,143,019.39</b>	6,502,193.67
Administration expenses	<b>16,600,562.51</b>	19,868,024.31
R&D expenses	<b>11,093,107.81</b>	12,085,798.40
Financial expenses	<b>41,946,413.21</b>	39,349,607.89
Wherein: Interest expenses	<b>43,912,826.96</b>	44,454,572.36
Interest income	<b>471,358.49</b>	525,917.89
Plus: Other incomes	<b>1,368,676.13</b>	6,477,140.10
Income from investment (the loss is expressed with “-”)	—	(38,042,746.82)
Wherein: Incomes from investment for associated enterprises and joint ventures	—	—
Revenues from derecognition of financial assets measured at amortized cost (the loss is expressed with “-”)	—	—
Incomes from net exposure hedging (loss is expressed with “-”)	—	—
Gains from changes in fair value (loss is expressed with “-”)	—	—
Losses from credit impairment (the loss is expressed with “-”)	<b>2,966,855.55</b>	(680,863.84)
Losses from asset impairment (the loss is expressed with “-”)	<b>116,035.70</b>	(8,955,173.29)
Gains from asset disposal (the loss is expressed with “-”)	<b>4,114,238.28</b>	517,556.11
<b>II. Operating profit (the loss is expressed with “-”)</b>	<b>5,555,410.16</b>	(98,729,029.93)
Plus: Non-operating income	<b>8,343,734.26</b>	2,462,128.64
Minus: Non-operating expenditures	<b>1,140,405.49</b>	294,216.53
<b>III. Total profits (the total loss is expressed with “-”)</b>	<b>12,758,738.93</b>	(96,561,117.82)
Minus: Income tax expenses	<b>31,768.16</b>	(547,916.67)
<b>IV. Net profit (the net loss is expressed with “-”)</b>	<b>12,726,970.77</b>	(96,013,201.15)
(I) Net profit from going concern (the net loss is expressed with “-”)	<b>12,726,970.77</b>	(96,013,201.15)
(II) Net profit from discontinuing operation (the net loss is expressed with “-”)	—	—

Unit: RMB

Item	Half a year of 2025	Half a year of 2024
<b>V. After-tax net amount of other comprehensive incomes</b>	—	—
(I) Other comprehensive incomes that cannot be reclassified into profits and losses	—	—
1. Re-measurement of the changed amount in the defined benefit plan	—	—
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method	—	—
3. Changes in fair value of investments in other equity instruments	—	—
4. Changes in fair value of enterprise's own credit risk	—	—
5. Others	—	—
(II) Other comprehensive incomes to be re-classified into the profit and loss	—	—
1. Other comprehensive income that can be converted to profit or loss under the equity method	—	—
2. Changes in the fair value of other creditor's right investment	—	—
3. Amount of financial assets reclassified to other comprehensive income	—	—
4. Other creditor's right investment credit impairment reserve	—	—
5. Cash flow hedging reserve	—	—
6. Conversion difference in foreign currency financial statements	—	—
7. Others	—	—
<b>VI. Total comprehensive incomes</b>	<b>12,726,970.77</b>	(96,013,201.15)
<b>VII. Earnings per share</b>	—	—
(I) Basic earnings per share	—	—
(II) Diluted EPS	—	—

## 5. Consolidated cash flow statement

Unit: RMB

Item	Half a year of 2025	Half a year of 2024
<b>I. Cash flows generated from operating activities</b>		
Cash received from the sales of goods or providing labor services	<b>861,151,904.79</b>	603,953,778.12
Net increase amount in customer deposits and interbank deposits	—	—
Net increase amount in borrowings from the central bank	—	—
Net increase amount in borrowing funds from other financial institutions	—	—
Cash received from the original insurance contract premium	—	—
Net amount of cash received from reinsurance business	—	—
Net increase amount in insured savings and investment	—	—
Cash for collecting interests, handling fees and commissions	—	—
Net increase in borrowed funds	—	—
Net increase amount in repurchase business funds	—	—
Net cash received from vicariously traded securities	—	—
Refund of tax refund received	<b>109,063.43</b>	29,948,077.38
Other cash received related to operating activities	<b>374,965,362.70</b>	14,260,388.95
<b>Subtotal of cash inflows from operating activities</b>	<b>1,236,226,330.92</b>	648,162,244.45
Cash paid for the purchase of commodities and the reception of services	<b>854,338,885.91</b>	388,434,882.46
Net increase amount in customer loans and monies advanced	—	—
Net increase amount in deposit in the central bank and interbank payments	—	—
Cash paid for the compensation payment of the original insurance contract	—	—
Net increase amount in lending funds	—	—
Cash paid for interests, service charges and commissions	—	—
Cash paid for policy dividends	—	—
Cash paid to and for employees	<b>86,348,635.21</b>	85,100,183.82
Taxes and dues paid	<b>20,087,867.31</b>	37,431,202.55
Payment of other cash related to operating activities	<b>20,334,331.73</b>	15,854,628.22
<b>Subtotal of cash outflow from operating activities</b>	<b>981,109,720.16</b>	526,820,897.05
<b>Net cash flow generated from operating activities</b>	<b>255,116,610.76</b>	121,341,347.40

Unit: RMB		
Item	Half a year of 2025	Half a year of 2024
<b>II. Cash flow generated from investing activities</b>	—	—
Cash received from recouping investment	—	—
Cash received from obtaining a return on investment	—	—
Net amount of cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	<b>97,175,176.87</b>	517,556.11
Net cash received from the disposal of subsidiaries and other business entities	—	141,552,345.00
Other cash received related to investing activities	—	—
<b>Subtotal of cash inflows from investing activities</b>	<b>97,175,176.87</b>	142,069,901.11
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	<b>86,533,156.00</b>	403,226.31
Cash paid for investments	<b>40,000,000.00</b>	—
Net increase in pledge loans	—	—
Net cash received from subsidiaries and other business units	—	—
Other cash paid related to investing activities	—	—
<b>Subtotal of cash outflows from investing activities</b>	<b>126,533,156.00</b>	403,226.31
<b>Net cash flows from investing activities</b>	<b>(29,357,979.13)</b>	141,666,674.80
<b>III. Cash flows generated from financing activities</b>	—	—
Cash received from absorbing investments	<b>240,000.00</b>	—
Wherein: Cash received from subsidiaries absorbing minority shareholders' investments	—	—
Cash received from obtaining loans	<b>1,441,072,390.25</b>	1,544,600,275.44
Other cash received related to financing activities	—	1,800,000.00
<b>Subtotal of cash inflows from financing activities</b>	<b>1,441,312,390.25</b>	1,546,400,275.44
Cash paid for repaying debts	<b>1,546,992,090.28</b>	1,662,575,221.42
Cash paid for distributing dividend profits or paying interest	<b>51,555,934.40</b>	146,767,545.51
Wherein: Dividends and profits paid by subsidiaries to minority shareholders	—	—
Other cash paid related to financial activities	—	—
<b>Subtotal of cash outflows from financing activities</b>	<b>1,598,548,024.68</b>	1,809,342,766.93
<b>Net cash flows from financing activities</b>	<b>(157,235,634.43)</b>	(262,942,491.49)
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>	<b>(2,438,295.48)</b>	(4,822,452.15)
<b>V. Net increase in cash and cash equivalents</b>	<b>66,084,701.72</b>	(4,756,921.44)
Plus: Balance of cash and cash equivalents at the beginning of the period	<b>85,328,121.79</b>	87,640,771.80
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>151,412,823.51</b>	82,883,850.36

## 6. Cash flow statement of parent company

Unit: RMB

Item	Half a year of 2025	Half a year of 2024
<b>I. Cash flows generated from operating activities</b>		
Cash received from the sales of goods or providing labor services	782,867,850.54	585,802,777.77
Refund of tax refund received	95,764.09	9,977,054.24
Other cash received related to operating activities	370,300,002.01	8,418,199.57
<b>Subtotal of cash inflows from operating activities</b>	<b>1,153,263,616.64</b>	604,198,031.58
Cash paid for the purchase of commodities and the reception of services	817,143,795.73	315,091,577.10
Cash paid to and for employees	85,670,187.54	71,635,738.35
Taxes and dues paid	19,463,533.99	33,421,349.80
Payment of other cash related to operating activities	19,515,519.95	13,842,543.61
<b>Subtotal of cash outflow from operating activities</b>	<b>941,793,037.21</b>	433,991,208.86
<b>Net cash flow generated from operating activities</b>	<b>211,470,579.43</b>	170,206,822.72
<b>II. Cash flow generated from investing activities</b>		
Cash received from recouping investment	—	—
Cash received from obtaining a return on investment	—	—
Net amount of cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	97,175,176.87	517,556.11
Net cash received from the disposal of subsidiaries and other business entities	—	88,851,255.20
Other cash received related to investing activities	—	—
<b>Subtotal of cash inflows from investing activities</b>	<b>97,175,176.87</b>	89,368,811.31
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	86,519,464.00	403,226.31
Cash paid for investments	—	—
Net cash received from subsidiaries and other business units	—	—
Other cash paid related to investing activities	—	—
<b>Subtotal of cash outflows from investing activities</b>	<b>86,519,464.00</b>	403,226.31
<b>Net cash flows from investing activities</b>	<b>10,655,712.87</b>	88,965,585.00
<b>III. Cash flows generated from financing activities</b>		
Cash received from absorbing investments	—	—
Cash received from obtaining loans	1,298,981,077.96	1,372,820,275.44
Other cashes received related to financing activities	—	—
<b>Subtotal of cash inflows from financing activities</b>	<b>1,298,981,077.96</b>	1,372,820,275.44
Cash paid for the repayment of debts	1,403,151,254.25	1,487,386,649.95
Cash paid for the distribution of dividends and profits or repayment of interests	51,460,119.35	144,292,305.87
Other cash paid related to financial activities	—	—
<b>Subtotal of cash outflows from financing activities</b>	<b>1,454,611,373.60</b>	1,631,678,955.82
<b>Net cash flows from financing activities</b>	<b>(155,630,295.64)</b>	(258,858,680.38)
<b>IV. Impact of exchange rate fluctuations on cash and cash equivalents</b>	<b>(2,434,143.30)</b>	(4,692,147.39)
<b>V. Net increase in cash and cash equivalents</b>	<b>64,061,853.36</b>	(4,378,420.05)
Plus: Balance of cash and cash equivalents at the beginning of the period	82,265,307.09	84,573,471.51
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>146,327,160.45</b>	80,195,051.46

## 7. Consolidated statement of changes in owners' equities

Amount in the current period

Unit: RMB

Item	Half a year of 2025												
	Owners' equities attributable to the parent company												Total owners' equity
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Others	
		Preferred stocks	Perpetual bonds	Others									
<b>I. Balance at the end of the previous year</b>	797,848,400.00	—	—	—	978,777,355.57	—	(3,531,286.66)	—	187,753,923.88	—	(1,469,578,894.72)	—	491,894,065.09
Plus: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of this year</b>	797,848,400.00	—	—	—	978,777,355.57	—	(3,531,286.66)	—	187,753,923.88	—	(1,469,578,894.72)	—	491,894,065.09
<b>III. Increase/decrease amount of the current period (the decrease is expressed with "-")</b>	—	—	—	—	—	—	68,836.34	—	—	—	12,163,676.06	—	12,256,337.56
(I) Total comprehensive incomes	—	—	—	—	—	—	68,836.34	—	—	—	12,163,676.06	—	12,256,337.56
(II) Capital invested and reduced by the owners	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Ordinary shares invested by the owners	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Invested capital of other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included into owners' equities	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(III) Distribution of profits	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal surplus reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Withdrawal of general risk reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(IV) Internal carry-over of owners' equities	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Paid-in capital (or capital stock) transferred from capital reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Paid-in capital (or capital stock) transferred from surplus reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves covering the deficit	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Retained incomes of the changed amount carry-over in the defined benefit plan	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Retained earnings of the carry-over in other comprehensive incomes	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in the current period	—	—	—	—	—	—	4,036,068.36	—	—	—	—	4,036,068.36	4,036,068.36
2. Use in the current period	—	—	—	—	—	—	4,036,068.36	—	—	—	—	4,036,068.36	4,036,068.36
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Ending balance in the current period</b>	797,848,400.00	—	—	—	978,777,355.57	—	(3,462,450.32)	—	187,753,923.88	—	(1,457,415,218.66)	—	504,150,402.65

## Amount of the previous year

Unit: RMB

Item	Half a year of 2024													
	Owners' equities attributable to the parent company													Total owners' equity
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Others	Subtotal	
		Preferred stocks	Perpetual bonds	Others										
<b>I. Balance at the end of the previous year</b>	797,848,400.00	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,679,061.33)	—	424,013,364.43	334,702,520.55
Plus: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of this year</b>	797,848,400.00	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,679,061.33)	—	424,013,364.43	334,702,520.55
<b>III. Increase/decrease amount of the current period (the decrease is expressed with "-")</b>	—	—	—	—	712,165.19	—	(101,800.93)	—	—	—	170,134,914.07	—	170,745,278.33	259,749,541.57
(I) Total comprehensive incomes	—	—	—	—	—	—	(101,800.93)	—	—	—	170,134,914.07	—	170,033,113.14	169,237,996.84
(II) Capital invested and reduced by the owners	—	—	—	—	712,165.19	—	—	—	—	—	—	—	712,165.19	90,511,544.73
1. Ordinary shares invested by the owners	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Invested capital of other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included into owners' equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	712,165.19	—	—	—	—	—	—	—	712,165.19	90,511,544.73
(III) Distribution of profits	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal surplus reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Withdrawal of general risk reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(IV) Internal carry-over of owners' equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Paid-in capital (or capital stock) transferred from capital reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Paid-in capital (or capital stock) transferred from surplus reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves covering the deficit	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Retained incomes of the changed amount carry-over in the defined benefit plan	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Retained earnings of the carry-over in other comprehensive incomes	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in the current period	—	—	—	—	—	—	3,782,113.84	—	—	—	—	—	3,782,113.84	3,782,113.84
2. Use in the current period	—	—	—	—	—	—	3,782,113.84	—	—	—	—	—	3,782,113.84	3,782,113.84
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Ending balance in the current period</b>	797,848,400.00	—	—	—	868,303,946.95	—	(3,403,480.81)	—	187,753,923.88	—	(1,255,744,147.26)	—	594,758,642.76	594,452,082.12



## 8. Statement of changes in owners' equities of parent company

Amount in the current period

Unit: RMB

Item	Half a year of 2025										
	Other equity instruments				Capital reserve	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others
	Capital stock	Preferred stocks	Perpetual bonds	Others							
I. Balance at the end of the previous year	797,848,400.00	—	—	—	778,253,775.98	—	—	—	187,753,923.88	(1,257,821,701.44)	—
Plus: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of this year	797,848,400.00	—	—	—	778,253,775.98	—	—	—	187,753,923.88	(1,257,821,701.44)	—
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	—	—	—	—	—	—	—	—	—	12,726,970.77	—
(I) Total comprehensive incomes	—	—	—	—	—	—	—	—	—	12,726,970.77	—
(II) Capital invested and reduced by the owners	—	—	—	—	—	—	—	—	—	—	—
1. Ordinary shares invested by the owners	—	—	—	—	—	—	—	—	—	—	—
2. Invested capital of other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included into owners' equities	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—
(III) Distribution of profits	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal surplus reserves	—	—	—	—	—	—	—	—	—	—	—
2. Distribution to owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—	—
(IV) Internal carry-over of owners' equities	—	—	—	—	—	—	—	—	—	—	—
1. Paid-in capital (or capital stock) transferred from capital reserves	—	—	—	—	—	—	—	—	—	—	—
2. Paid-in capital (or capital stock) transferred from surplus reserves	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves covering the deficit	—	—	—	—	—	—	—	—	—	—	—
4. Retained incomes of the changed amount carry-over in the defined benefit plan	—	—	—	—	—	—	—	—	—	—	—
5. Retained earnings of the carry-over in other comprehensive incomes	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in the current period	—	—	—	—	—	—	—	4,036,068.36	—	—	—
2. Use in the current period	—	—	—	—	—	—	—	4,036,068.36	—	—	—
(VI) Others	—	—	—	—	—	—	—	—	—	—	—
IV. Ending balance in the current period	797,848,400.00	—	—	—	778,253,775.98	—	—	—	187,753,923.88	(1,245,094,730.67)	—

## Amount of the previous year

Unit: RMB

Item	Half a year of 2024										
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
<b>I. Balance at the end of the previous year</b>	797,848,400.00	—	—	—	867,573,114.26	—	—	—	187,753,923.88	(1,043,232,746.28)	809,942,691.86
Plus: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of this year</b>	797,848,400.00	—	—	—	867,573,114.26	—	—	—	187,753,923.88	(1,043,232,746.28)	809,942,691.86
<b>III. Increase/decrease amount of the current period (the decrease is expressed with "-")</b>	—	—	—	—	719,404.56	—	—	—	—	(96,013,201.15)	(95,293,796.59)
(I) Total comprehensive incomes	—	—	—	—	—	—	—	—	—	(96,013,201.15)	(96,013,201.15)
(II) Capital invested and reduced by the owners	—	—	—	—	719,404.56	—	—	—	—	—	719,404.56
1. Ordinary shares invested by the owners	—	—	—	—	—	—	—	—	—	—	—
2. Invested capital of other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included into owners' equities	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	719,404.56	—	—	—	—	—	719,404.56
(III) Distribution of profits	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal surplus reserves	—	—	—	—	—	—	—	—	—	—	—
2. Distribution to owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—	—
(IV) Internal carry-over of owners' equities	—	—	—	—	—	—	—	—	—	—	—
1. Paid-in capital (or capital stock) transferred from capital reserves	—	—	—	—	—	—	—	—	—	—	—
2. Paid-in capital (or capital stock) transferred from surplus reserves	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves covering the deficit	—	—	—	—	—	—	—	—	—	—	—
4. Retained incomes of the changed amount carry-over in the defined benefit plan	—	—	—	—	—	—	—	—	—	—	—
5. Retained earnings of the carry-over in other comprehensive incomes	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in the current period	—	—	—	—	—	—	—	3,509,813.29	—	—	3,509,813.29
2. Use in the current period	—	—	—	—	—	—	—	3,509,813.29	—	—	3,509,813.29
(VI) Others	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Ending balance in the current period</b>	797,848,400.00	—	—	—	868,292,518.82	—	—	—	187,753,923.88	(1,139,245,947.43)	714,648,895.27

### III. Basic information of the Company

Shandong Molong is a limited liability company registered in Shandong Province as well as was approved by Shandong Provincial Office for Economic System Reform on 27 December 2001, with the document of LTGH Zi [2001] No. 53 and jointly initiated and established by Zhang Enrong, Lin Fulong, Zhang Yunsan, Xie Xincang, Liu Yunlong, Cui Huanyou, Liang Yongqiang, Shengli Oilfield Kaiyuan Petroleum Development Co., Ltd. and Gansu University of Technology Alloy Material General Factory.

Approved by China Securities Regulatory Commission with the document of Zheng Jian Guo He Zi (證監國合字[2005]13號文) [2003] No. 50, the Company issued additional 134,998,000 foreign shares (H shares) listed overseas at an issue price of HKD0.70 per share on 15 April 2004, with a par value per share of RMB0.10, and they were listed via the GEM of HKEX.

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

Approved by the document of Zheng Jian Guo He Zi (證監國合字[2005]13號文) [2007] No. 2 issued by China Securities Regulatory Commission on 26 January 2007 and the approval document issued by HKEX on 6 February 2007, the listing status of the Company's foreign shares (H shares) listed overseas via the GEM of HKEX was revoked on 7 February 2007 and they're transferred to be listed via the Main-Board Market of HKEX.

Approved by China Securities Regulatory Commission with the document of Zheng Jian Xu Ke (證監許可[2010]1285號文) [2010] No. 1285, the Company issued 70,000,000 RMB ordinary shares (A shares) at an issue price of RMB18 per share on 11 October 2010, with a par value per share: RMB1 and the transaction started via Shenzhen Stock Exchange from 21 October 2010. The registered capital of the Company was changed to RMB398,924,200.00, and the total number of shares was changed to 398,924,200.

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According to the resolution of the 2011 Annual Shareholders' Meeting held on 25 May 2012, the Company, based on the total shares: 398,924,200 shares on 31 December 2011, increased the capital stock from the capital reserve at a ratio of one share for each additional share, 398,924,200 shares were increased from the capital reserve totally, and the date of increasing the capital stock from the capital reserve was 19 July 2012. After increasing the capital stock from the capital reserve, the registered capital of the Company was changed to RMB797,848,400.00, and the total number of shares was changed to 797,848,400.

Mr. Zhang Enrong, the former controlling shareholder and actual controller of the Company, signed a *Share Transfer Agreement* with Molong Holding on 23 February 2021. Mr. Zhang Enrong transferred 235,617,000 A shares (accounting for 29.53% of the Company's total capital stock) he held in the company to Molong Holding by the agreement transfer, and Molong Holding became the controlling shareholder of the Company.

On 31 December 2024, the registered capital of the Company was RMB797,848,400.00, and the total number of shares was 797,848,400.

Registered address: No. 99, Xingshang Road, Gucheng Street, Shouguang City, Shandong Province

Office address: Building 19, Enterprise Headquarters, Shouguang City, Shandong Province

Main operating activities: The Company falls into the specialized equipment manufacturing industry and mainly engages in the production and sale of products required by the energy equipment industry. The Company's main products are tubular products and mainly used in the fields of oil and gas energy drilling and production, machining, etc.

The financial statement and the notes to the financial statement were approved by the third meeting of the eighth Board of Directors of the Company on 22 August 2025.

## IV. Preparation basis of the financial statements

### 1. Preparation basis

The financial statement is prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance and their application guidelines and explanations as well as other relevant regulations (collectively referred to as: “Accounting Standards for Business Enterprises”). In addition, the Company discloses relevant financial information in accordance with the *Rules for the Preparation and Reporting of Information Disclosure by Companies Offering Securities To the Public No. 15 – General Provisions on Financial Reports* (revised in 2023) issued by China Securities Regulatory Commission.

The financial statement is presented on a going concern basis.

The financial accounting of the Company is based on the accrual basis. Except for some financial instruments, the financial statement is based on historical cost for measurement. In case of the asset impairments, corresponding impairment reserves shall be calculated and withdrawn in accordance with relevant provisions.

### 2. Going concern

To improve the company's liquidity and cash flow and maintain its going concern ability, the Company has implemented or is about to implement the following measures:

#### (1) Receive the financial assistance from the related party shareholder – Shouguang Jinxin

At the third extraordinary meeting of the eighth Board of Directors of the Company on 24 February 2025, it was approved that Shouguang Jinxin would provide the Company with financial assistance of no more than RMB300 million based on the Company's needs (such as production and operation as well as the repayment of matured debts). The loan term would not exceed one year, and the loan interest rate would be the one-year loan prime rate (LPR) announced by The People's Bank of China. Shouguang Jinxin can provide the financial assistance in installments pursuant to the actual situation, the interest is calculated as per the actual number of days the loan used, and the Company can repay the loan in advance. The financial assistance does not require the Company to provide any form of guarantee, such as guarantee, mortgage or pledge.

#### (2) Obtain the support of financial institution creditors

On 12 December 2024, the People's Government of Shouguang City organized relevant financial institutions to hold a symposium regarding the Company's credit granting situation for coordinating with all banks to promise to keep the current loan limit unchanged with no withdrawal of loans, interruption of loans or reduction in loans, but jointly defusing the Company's financial risks.

#### (3) Strengthen the recovery of the equity transfer proceeds and financial assistance funds of the divested subsidiaries

As of the date of issuance of the financial report, the Company had received RMB444 million in cash from previous passive financial assistance fund. The Company will, in accordance with the agreement, strive to recover the remaining funds timely and in full in the form of monetary capital to ensure timely performance and compensation.

#### **(4) Deepen market development**

The Company will further optimize its product and customer structure, actively expand marketing channels, increase the order volume and production capacity of high value-added products and effectively enhance its market share in 2025. The Company will do a good job in the bidding and tendering work of major oilfield markets and actively strive for the number of high value-added products shortlisted in the domestic market; The company will actively explore foreign markets with high gross profit margins for product sales, increase product sales orders, expand the production scale and increase the market share in foreign markets.

#### **(5) Actively expand financing channels**

At present, the Company is actively cooperating with various relevant financial institutions and supply chain enterprises. On the basis of maintaining the existing financing channels and quotas, the Company conducts business cooperation with strong financial institutions and supply chain enterprises through such means as financial lease, accounts receivable factoring, integration of materials and trade and supply chain finance and actively expands financing channels to ensure the stability of raw material supply and alleviate financial pressure.

#### **(6) The company has sufficient sales orders**

At present, the company has a relatively sufficient number of sales orders. As of the end of June 2025, the Company had approximately 130,000 tons of unfinished orders, with a value of RMB725 million.

#### **(7) Strengthen internal control management**

Continue to strengthen basic management, reduce various expenses and comprehensively promote quality improvement and efficiency enhancement; strengthen the financial management, optimize the liability structure, actively reduce high-interest liabilities and reduce the Company's financial costs; strengthen the management of accounts receivable, reduce bad debt losses and ensure the safety of funds; strengthen technological innovation and process improvement, further increase the added value and gross profit margin of products and enhance the enterprise's profitability; strengthen the human resource management, optimize incentive measures, motivate employees' enthusiasm, implement fixed positions and personnel quota, reduce idle personnel, and comprehensively lower labor costs.

The Company's management believes that the Company's operating conditions in the first half of 2025 have improved significantly through the implementation of the above measures. The Company has the ability and confidence to repay the due debts, and the enterprise's operation and development will remain stable. It is reasonable to prepare the 2025 semi-annual financial statements on the basis of going concern.

The Board of Directors of the Company has carried out thorough and detailed assessment of the Company's going concern ability, including reviewing the working capital forecast of the Company for the next 12 months prepared by the management. It is believed that the Company can obtain sufficient financing sources within the next 12 months to meet the needs of working capital and debt repayment, and it is agreed that the management has prepared the financial statement based on the assumption of going concern.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimation prompt:

Pursuant to its own production and operation characteristics, the Company determines the conditions for depreciation of fixed assets, amortization of intangible assets and capitalization of research and development expenses and revenue recognition policies. For specific accounting policies, please refer to V. 20. Fixed assets, V. 23. Intangible assets and V. 31. Revenue of this Section.

1. Declaration of complying with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the financial situation of the Company and the Group on 30 June 2025, the semi-annual operating results and cash flows of 2025 and other relevant information.

2. Accounting period

The accounting period of the Company is of calendar year (namely from 1 January to 31 December every year).

3. Operating cycle

The Company's operating cycle is 12 months.

4. Recording currency

The Company and its domestic subsidiaries choose RMB as recording currency. The currency adopted by the Company when preparing the financial statements is RMB.

5. Method for determining importance criteria and selection bases

✓ Applicable    ☐ Not applicable

Item	Importance criteria
Important accounts receivable with single provision for bad-debt reserves	Accounts receivable exceeding RMB10 million and other accounts receivable exceeding RMB3 million
Important accounts receivable write-off	The amount exceeds RMB5 million
Important accounts payable with aging: more than 1 year	The amount exceeds RMB500 million
Important contract liabilities with aging: more than 1 year	The amount exceeds RMB500 million
Important other payables with aging: more than 1 year	The amount exceeds RMB300 million

6. Accounting treatment methods for business merger under the same control and not under the same control

(1) Business merger under the same control

For the business merger under common control, the assets and liabilities of the merged party obtained by the merging party in the merger shall be measured at the book value of the merged party in the consolidated financial statements of the ultimate controlling party on the merger date. In case of any difference between the book value of the consolidated consideration and the book value of the net assets obtained in the merger, the capital reserve shall be adjusted. If the capital reserves are not enough to offset, retained revenues shall be adjusted.

Achieve the business merger under the same control step by step through multiple transactions

The assets and liabilities of the merged party obtained by the merging party in the merger shall be measured at the book value in the consolidated financial statements of the ultimate controlling party on the merger date. In case of any difference between the sum of the book value of the investment held before the merger plus the book value of the consideration newly paid on the merger date and the book value of the net assets acquired in the merger, the capital reserves shall be adjusted. If the capital reserves are insufficient to offset, the retained earnings shall be adjusted. The long-term equity investments that are held by the merging party before the control right of the merged party is obtained, related profits and losses, other comprehensive incomes and changes in other owner's equities that are confirmed within the period from acquisition date of original stock right and the date when the merging party and the merged party are under the final control of the same party (whichever is later) to the merger date shall be used to offset the beginning retained earnings during the comparative statement or current profits and losses.

## **(II) Business merger not under the same control**

For the business merger not under the same control, the merger cost refers to the fair value of assets, liabilities incurred or undertaken and issued equity securities paid for obtaining the control over the acquiree on the acquisition date. On the acquisition date, the acquiree's assets and liabilities as well as contingent liabilities obtained shall be recognized at the fair value.

For the difference between the merger cost and the acquiree's shares of the fair value of identifiable net assets acquired in the merger, it can be recognized as the goodwill. The subsequent measurement shall be carried out after the cost deducted with the accumulative impairment reserves; The difference between the merger cost and the shares of the fair value of the acquiree's net identifiable assets obtained in the merger shall be included into the current profits and losses after review.

The business merger not under the same control can be realized through multiple transactions step by step.

The merger cost is the sum of the consideration paid on the acquisition date and the fair value of the equity of the acquiree held before the acquisition date on the acquisition date. The equity of the acquiree that was already held before the acquisition date shall be re-measured at the fair value of such equity on the acquisition date, and the difference between fair value and book value shall be included into the current income from investment; The equity of the acquiree held before the acquisition date that involves other comprehensive income and changes in other owners' equity shall be converted into income for the current period on the purchase date, except for other comprehensive income arising from the re-measurement of changes in net liabilities or net assets of the defined benefit plan by the investee and other comprehensive income related to non-trading equity instrument investments and originally designated to be measured at fair value with changes included in other comprehensive income.

## **(III) Treatment of transaction costs in the business merger**

Audit, legal service, evaluation, consulting and other intermediary fees as well as related administrative expenses incurred for the business merger are included into current profits and losses when occurring. The transaction costs of equity securities or debt securities issued as the merger consideration are included into the initial recognition amount of the equity securities or debt securities.

## **7. Judgment criteria for control and preparation methods for consolidated financial statements**

### **(1) Judgment criteria for control**

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control refers to the company having the right to the invested unit, enjoying the variable return by participating in related activities of the invested unit and having the ability to influence its return amount through the right to the invested unit. When changes in relevant facts and circumstances lead to changes in the relevant elements involved in the control definition, the Company will conduct re-evaluation.

At the moment of determining whether to include a structured entity into the scope of consolidation, the Company assesses whether to control the structured entity based on all facts and circumstances, including evaluating the establishment purpose and design of the structured entity, identifying the types of variable returns, and whether part or all of the return variability has been assumed through participation in its relevant activities.

### **(2) Preparation method of consolidated financial statements**

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When preparing the consolidated financial statements, the accounting policies and reporting periods of the Company and its subsidiaries are required to be consistent, and significant intercompany transactions and balances shall be offset.

Subsidiaries and businesses increased during the reporting period due to business mergers under the same control are treated to be included into the consolidation scope of the Company as of the date when they are under the control of the ultimate controlling party and the operating results and cash flows from the date when they're both controlled by the ultimate controlling party shall be respectively included into the consolidated income statement and the consolidated cash flow statement.

The income, expenses and profits from the acquisition date to the end of the reporting period of subsidiaries and businesses added during the reporting period due to business merger not under the same control shall be included into the consolidated income statement and their cash flows shall be included into the consolidated statement of cash flow.

The part of shareholders' equity of a subsidiary that does not belong to the company shall be presented separately under shareholders' equity in the consolidated balance sheet as minority shareholders' equity: The share of minority shareholders' equity in the current net profit or loss of the subsidiary shall be presented as the "Minority Shareholders' Profit or Loss" item under the net profit item in the consolidated income statement. When the losses of the subsidiary borne by minority shareholders exceed their share in the initial owner's equity of the subsidiary, the balance will be still used to offset the minority shareholders' equity.

### **(3) Acquisition of minority shareholders' equity of subsidiaries**

In case of the difference between the cost of the newly acquired long-term equity investment due to the purchase of minority equity and the share of the net assets of the subsidiary to be enjoyed based on the newly added shareholding ratio which is continuously calculated from the purchase date or the merger date as well as the difference between the disposal price obtained from the partial disposal of equity investment in the subsidiary without losing control right and the share of net assets of the subsidiary continuously calculated from the acquisition date or the merger date that is enjoyed accordingly due to disposal of long-term equity investments, the capital reserve in the consolidated balance sheet shall be adjusted. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.



#### **(4) Disposal of losing the control right of subsidiaries**

In case that the original control right of subsidiaries has been lost due to the disposal of partial equity investments or other reasons, the residual stock rights shall be re-measured at the fair value on the day of losing the control right; The difference formed by the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the sum of the share of the book value of the net assets of the original subsidiary continuously calculated from the acquisition date that shall be enjoyed according to the original shareholding ratio and the goodwill shall be included into the investment income of the period when control right is lost.

Other comprehensive income pertaining to equity investment in the original subsidiary is subject to accounting treatment on the same basis as the direct disposal of relevant assets or liabilities by the original subsidiary when the control right is lost, and other changes in owner's equity calculated under the equity method related to the original subsidiaries are transferred to the current profit and loss when the control right is lost.

### **8. *Classification of joint-operation arrangement and accounting treatment of joint management***

The joint venture arrangement refers to the arrangement jointly controlled by two or more participants. The Company classifies joint venture arrangement into joint operation and joint venture.

#### **(1) Joint operation**

Joint operation refers to the joint venture arrangement that the Company can arrange related assets and assume the liabilities related to such arrangement.

The Company recognizes the following items related to its share of interests in the joint operation and performs accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises:

- A. Recognize the assets held independently and assets recognized to be jointly held assets by its shares;
- B. Recognize the liabilities held independently and the liabilities recognized to be held jointly by its shares;
- C. Recognize the incomes from selling the output shares involved in the enjoyed joint operation;
- D. Recognize the income arising from the sale of the output of the joint operation by its shares;
- E. Recognize the expenses incurred independently and the expenses incurred in joint operation by its shares.

#### **(2) Joint venture**

Joint venture refers to the joint venture arrangement that the Company enjoys the right of the net assets in such arrangement.

The Company carries out accounting treatment for the investment of joint venture in accordance with the provisions of the equity method business accounting of long-term equity investments.

## **9. *Determination standards of cash and cash equivalents***

Cash refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to investments held by the Company that are short-term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

## **10. *Foreign currency operations and translation of foreign currency statements***

### **(1) Foreign currency transaction**

The Company's foreign currency transaction shall be converted into recording currency amount in accordance with the spot exchange rate on the transaction day.

For foreign currency monetary items on the balance sheet date, the spot exchange rate on the balance sheet date shall be used for conversion. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or on the date of previous balance sheet shall be included into the current profits and losses; Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the transaction occurrence date; Foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rate on the date when the fair value is determined. The difference between the converted amount of the recording currency and the original amount of the recording currency shall be included in the current profits and losses and other comprehensive incomes.

### **(2) Conversion of financial statements of foreign currency**

On the balance sheet date, when converting the foreign currency financial statements of overseas subsidiaries, the assets and liability items in the balance sheets shall be converted at the spot exchange rate on the balance sheet date; for the shareholder equity items, except for the "undistributed profits", the other items shall be converted at the spot exchange rate on the occurrence day.

Income and expense items in the income statement are converted at the spot exchange rates on the first day of each month.

All items in the cash flow statement are converted via the average exchange rate for the whole year. The impact of exchange rate movements on cash is regarded as the adjustment item and separately presented in the cash flow statement under the item "impact of exchange rate fluctuations on cash and cash equivalents" for reflection.

The differences arising from the conversion of financial statements are reflected in the "other comprehensive income" item under the shareholders' equity item of the balance sheet.

At the moment of disposing an overseas operation and losing the control right, the foreign currency statement conversion differences related to the overseas operation listed under the shareholders' equity item in the balance sheet shall be transferred in full or in proportion to the disposal of the overseas operation to the disposal of current profits and losses.

## 11. Financial instruments

Financial instruments refer to the contracts of forming the financial assets of one party and the financial liabilities or equity instruments of other parties.

### (1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Financial assets that meet one of the following conditions shall be derecognized:

- ① The contractual right to receive the cash flow of the financial asset has terminated.
- ② The financial asset has been transferred and meets the following conditions for the derecognition of the transfer of financial assets.

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it shall be derecognized. Where the Company (the debtor) enters into an agreement with a creditor to substitute the existing financial liabilities by assuming new financial liabilities, and the contract terms regarding the new financial liabilities are substantially different from those regarding the existing financial liabilities, the existing financial liabilities shall be de-recognized and the new financial liabilities shall be recognized at the same time.

If the financial assets are traded in the conventional manner, the accounting recognition and the derecognition shall be conducted on the transaction date.

### (2) Classification and measurement of financial assets

The Company divided the financial assets into three categories below at the moment of initial recognition according to the business mode for managing financial assets and contract cash flow characteristics of financial assets: Financial assets measured by amortized cost, financial assets measured by the fair value with changes included into other comprehensive incomes and financial assets measured at the fair value with changes included into the current profits and losses.

Financial assets shall be measured at the fair value at the initial recognition. For financial assets measured at the fair value with changes included into the current profits and losses, the related transaction expenses shall be directly included in current profits and losses; for other financial assets, the related transaction expenses shall be included into the initial recognition amount. For receivables arising from the sale of products or providing labor services that do not contain or take into account significant financing components, the Company shall take the amount of consideration expected to be entitled to receive as the initial recognition amount.

#### *Financial assets measured at amortized cost*

The Company classifies financial assets that meet the following conditions simultaneously and have not been designated as financial assets measured at fair value with changes included into the current profits and losses as financial assets measured at amortized cost:

The business model of the Company for managing the financial asset is aimed at collecting contractual cash flows.

In accordance with the contract terms of the financial assets, the cash flow generated on the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount.

After the initial recognition, the effective interest method is used for amortized cost measurement of such financial assets. The gain or loss generated from part of financial assets subject to the amortized cost measurement and not belonging to any hedging relationship is included into current profits and losses at the moment of derecognition or amortization or recognition of impairment as per effective interest method.

*Financial assets measured at the fair value with their changes included into other comprehensive incomes*

The Company classifies financial assets that simultaneously meet the following conditions and have not been designated as financial assets measured at fair value with changes included into current profits and losses as the financial assets measured at fair value with changes included into other comprehensive income:

The business model of the Company for managing such financial assets is aimed at collecting contractual cash flows and selling the financial assets;

In accordance with the contract terms of the financial assets, the cash flow generated on the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount.

After the initial recognition, such financial assets shall be subsequently measured at fair value. The interest, impairment loss or gain and exchange gains or losses calculated pursuant to the effective interest method is included in current profits and losses and other gains or losses are included in other comprehensive incomes. Upon derecognition, the accumulated gains or losses previously included into other comprehensive incomes are transferred from other comprehensive incomes and included in current profits and losses.

*Financial asset measured at the fair value with changes included into the current profits and losses*

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Except for the said financial assets measured at amortized cost and measured at the fair value with changes included into other comprehensive incomes, the Company classifies all the other financial assets as those financial assets measured at the fair value with changes included into the current profits and losses. At the time of initial recognition, to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that shall have be measured at amortized cost or at fair value with changes included into other comprehensive income as financial assets measured at fair value with changes included into current profits and losses.

After initial recognition, such financial assets are subsequently measured at fair value, and gains or losses (including interest and dividend income) generated are included in the current profits and losses unless the financial asset is part of a hedging relationship.

The business model for managing financial assets refers to how the Company manages these assets to generate cash flows. The business model determines whether the cash flows of the financial assets managed by the Company come from receiving contractual cash flows, selling financial assets, or both. The Company, based on the objective fact and specific business objective of financial asset management determined by key management personnel, makes decision on the business model for managing financial assets.

The Company assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely payments of principal and interest based on the outstanding principal amount. Wherein, the principal refers to the fair value of financial assets at initial recognition; interest includes consideration of the time value of money, the credit risk related to the outstanding principal amount for a specific period and other basic borrowing risks, costs and profits. Furthermore, the Company evaluates the contract terms that are likely to cause changes in distribution of time or amount of the contractual cash flow of financial assets to determine whether the terms satisfy the requirements of the above contractual cash flow characteristics.

All related financial assets influenced is reclassified on the first day of the first reporting period after the business mode changes only when the Company changes the business model for managing financial assets, or the financial assets shall not be reclassified after the initial recognition.

### (3) Classification and measurement of financial liabilities

The financial liabilities of the Company at the initial recognition are classified as: Financial liabilities measured at the fair value with changes included into the current profits and losses and those measured at amortized cost. For financial liabilities that are not classified as those measured at fair value with changes included into current profits and losses, the related transaction costs are included in their initial recognition amount.

#### *Financial liabilities measured at the fair value with changes included into the current profits and losses*

Financial liabilities measured at the fair value with changes included into the current profits and losses include trading financial liabilities and financial liabilities measured at fair value with changes included into the current profits and losses at the time of initial recognition. For such financial liabilities, subsequent measurements are made at fair value, and the profits or losses formed by change of fair value and the dividends and interest expenses related to the financial liabilities are included in current profits and losses.

#### *Financial liabilities measured at the amortized cost*

Other financial liabilities are subsequently measured at amortized cost by the effective interest method and the profits or losses caused by the derecognition or amortization shall be included in the current profits and losses.

#### *Distinction between financial liabilities and equity instruments*

Financial liabilities refer to the liabilities meeting one of the following conditions:

- ① Contractual obligation of paying cash or other financial assets to other parties.
- ② Contractual obligations of the exchange of financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- ③ Non-derivative instrument contract which must or may be settled by the enterprise with its own equity instruments in the future, and the enterprise will deliver its own equity instruments with varied amount according to the contract.
- ④ Derivative instrument contract which must or may be settled by the enterprise with its own equity instruments in the future, except for derivative instrument contracts that exchange fixed-amount cash or other financial assets with its own equity instruments with fixed amounts.

Equity instrument refers to the contract which can prove that an enterprise's residual equity in the assets after deducting all liabilities.

The contractual obligations shall be in line with the definition of financial liabilities if the Company cannot unconditionally avoid the delivery of the cash or other financial assets for fulfilling a contractual obligation.

If a financial instrument must be or may be settled by the Company's own equity instruments, it is necessary to consider whether the equity instrument of the Company used for settlement is used as a substitute for cash or other financial assets or is intended to enable the holder of the instrument to enjoy a residual equity in the issuer's assets after deducting all liabilities. In case of the former one, the instrument is the Company's financial liabilities; In case of the latter one, the instrument is the Company's equity instrument.

#### **(4) Derivative financial instruments and embedded derivative instruments**

The initial measurement is based on the fair value on the date when the derivative transaction contract is signed and subsequent measurements are based on its fair value. Derivative financial instruments with a positive fair value are recognized as an asset, and derivative financial instruments with a negative fair value are recognized as a liability. Any profits or losses that fail to comply with hedge accounting provisions generated from the change of fair value shall be directly included into current profits and losses.

For blender instrument including the embedded derivative instrument, if the master contract is financial assets, the blender instrument applies to relevant regulations of the classification of financial assets as a whole. The embedded derivative instruments will be split from the blender instrument that will be treated as independent derivative financial instruments if the master contract is non-financial assets, the blender instrument is not measured at the fair value with the changes included in the current profits and losses for accounting treatment, the embedded derivative instrument does not have close relationship with master contract in terms of economic characteristics and risks, conditions are the same as those for embedded derivative instruments and instruments that exist independently conform to the definition of derivative instruments. The blender instrument will be assigned as financial assets or financial liabilities measured at the fair value with changes included into current profits and losses as a whole where it is impossible to conduct separate measurement of the embedded derivative instruments at the time of acquisition or on the subsequent balance sheet date.

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#### **(5) Fair values of financial instruments**

The fair value is a price received by the market participants from selling an asset or paid due to transferring a liability in the orderly transaction at the measurement date.

When the Company measures relevant assets or liabilities in the fair value, it is assumed that the orderly transaction of selling assets or transferring liabilities is conducted in the major market of relevant assets or liabilities; if there is no major market, the Company assumes that the transaction is conducted in the most favorable market of relevant assets or liabilities. The major market (or the most favorable market) is the trading market that the Company has access to on the measurement date. The Company adopts the assumptions used by market participants to maximize their economic benefits when pricing such assets or liabilities.

As for financial assets or financial liabilities with an active market, the Company adopts the offer in the active market to determine their fair value. For the financial instruments where active market doesn't exist, the Company recognizes the fair value by the valuation technique.

If the non-financial assets are measured at the fair value, the capacity of the market participants to use the assets for the best purpose to produce economic benefits, or sell the assets to other market participants who can use such assets for the best purpose to produce economic benefits is considered.

The Company adopts the valuation technique applicable in the current situation and supported by sufficient available data and other information, gives priority to the use of relevant observable input values and uses unobservable input values only when observable input values cannot be obtained or it is impractical to obtain them.

For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value level is determined based on the lowest level inputs that is significant to the fair value measurement as a whole: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date without adjustment. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities directly or indirectly. Level 3 inputs are unobservable inputs for the assets or liabilities.

On each balance sheet date, the Company re-evaluates the assets and liabilities that are recognized in the financial statements and continue to be measured at fair value to determine whether a conversion occurs between the fair value measurement levels.

## **(6) Impairment of financial assets**

The Company performs impairment accounting treatment and recognizes loss provisions for the following items based on expected credit losses:

### *Financial assets measured at amortized cost*

Receivables and debt instrument investments measured at fair value with changes included in other comprehensive income;

Contractual assets as defined in *Accounting Standard for Business Enterprises No. 14 – Revenue*;

Lease receivables;

Financial guarantee contracts (excluding those measured at fair value with changes included into current profits and losses with transfer of financial assets failing to meet the conditions for derecognition or continuing to involve the transferred financial assets).

### *Measurement of the expected credit losses*

Expected credit losses refer to the weighted average of the financial instrument credit losses weighed by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable by the Company as per the contract and discounted pursuant to the original effective interest rate and all expected cash flows to be received, namely the present value of all cash shortages.

The Company considers reasonable and well-founded information on past events, current conditions and forecasts of future economic conditions and calculates the probability-weighted amount of the present value of the difference between the cash flow receivable under the contract and the cash flow expected to be received with the risk of default as the weight to confirm expected credit losses.

The Company measures expected credit losses separately for financial instruments at different stages. Financial instruments that have not experienced a significant increase in credit risk after initial recognition are in the first stage. The Company measures the loss provision based on the expected credit losses within the next 12 months; financial instruments whose credit risk has significantly increased after initial recognition but no credit impairment has occurred are in the second stage, and the Company measures the loss provision based on the expected credit losses throughout the entire lifespan of the instrument; if the financial instrument suffers credit impairment after initial recognition, it is in the third stage. The Company measures the loss provision based on the expected credit loss over the entire lifespan of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that their credit risk has not increased significantly after initial recognition and measures loss provisions based on the expected credit losses over the next 12 months.

Expected credit losses throughout the entire duration refer to the expected credit losses resulting from all possible default events that may occur throughout the entire expected duration of a financial instrument. Expected credit losses within the next 12 months refer to the expected credit losses arising from potential default events of a financial instrument within 12 months after the balance sheet date (expected duration if the expected duration of a financial instrument is less than 12 months), which represent a portion of the expected credit losses over the entire duration.

When measuring expected credit losses, the maximum period that the Company needs to consider is the longest contractual term of the credit risk faced by the enterprise (including consideration of renewal options).

For financial instruments in the first stage and second stage as well as those with low credit risk, the Company calculates interest income based on their book balance without deducting impairment provisions and the actual interest rate. For financial instruments in the third stage, the interest income is calculated based on the book balance minus the amortized cost after impairment provisions have been made and the effective interest rate.

For accounts receivables (such as notes receivable, accounts receivable, financing of receivables and other receivables), if the credit risk characteristics of a customer are significantly different from those of other customers in the portfolio or the credit risk characteristics of the customer change significantly, the Company will carry out provision for bad debts for individual receivables. Except for the receivables for which the provision for bad debts is performed individually, the Company classifies the receivables into portfolios in line with the credit risk characteristics and calculates the bad debt provisions on the basis of the portfolios.

Notes receivable and accounts receivable

For notes receivable and accounts receivable, regardless of whether there are significant financing components, the Company always measures their loss provisions based on amounts equivalent to the expected credit losses during the entire duration.

When the information on expected credit losses of a single financial asset cannot be evaluated at a reasonable cost, the Company shall divide the notes receivable, accounts receivable and contract assets according to the credit risk characteristics and calculate the expected credit losses based on the combination. The basis to determine the combination is as follows:

A. Notes receivable

Portfolio of notes receivable 1: Bank acceptance

Portfolio of notes receivable 2: Commercial acceptance bill

B. Accounts receivable

Portfolio of accounts receivable 1: Receivables from customers

Portfolio of accounts receivable 2: Related party payments within the scope of consolidation

For notes receivable classified into portfolios, the Company calculates expected credit losses by considering historical credit loss experience and based on current conditions, forecasts of future economic conditions, exposure at default and expected credit loss rates during the entire duration.



For accounts receivable classified into portfolios, the Company prepares a comparison table of the aging of accounts receivable and the expected credit loss rate during the entire duration and calculates expected credit losses by considering historical credit loss experience and based on current conditions and forecasts of future economic conditions.

#### Other receivables

The Company categorizes other receivables into several portfolios based on the credit risk characteristics and calculates expected credit losses on a portfolio basis. The basis for determining these portfolios is as follows:

Portfolio of other receivables 1:	Employee revolving fund
Portfolio of other receivables 2:	Deposit and security deposit
Portfolio of other receivables 3:	Receivables and payables of administrative institutions and public institutions
Portfolio of other receivables 4:	Export drawback receivable
Portfolio of other receivables 5:	Other unit receivables and payables
Portfolio of other receivables 6:	Related party payments within the scope of consolidation

For other receivables classified into portfolios, the Company calculates the expected credit loss through the exposure at default and the expected credit loss rate for the next 12 months or the entire duration. For other receivables with the portfolio classified by aging, the aging is calculated from the date of recognition.

#### Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses based on the nature of the investments and various types of counterparties and risk exposures by default exposure and expected credit loss rates within the next 12 months or over the entire duration.

#### *Assessment of the significant increase of the credit risks*

The Company compares the risk of default of the financial instruments on the balance sheet date with the risk of default on the initial recognition date to determine the relative change in the risk of default during the expected duration of the financial instruments to assess whether the credit risk of the financial instruments has increased significantly after initial recognition.

At the time of confirming whether the credit risk has obviously increased after initial recognition, the Company considers that it is unnecessary to pay unnecessary extra costs or make efforts to get the reasonable and evidence-based information, including forward-looking information. The information considered by the Company includes:

The situation that the debtor failing to pay the principal and interest pursuant to the due date in the contract;

Significant deterioration that has occurred or is expected to occur in the external or internal credit rating of the financial instrument (if any);

Serious deterioration of debtor operating results incurred or expected;

Existing or expected changes in technological, market, economic or legal environments that will have a material adverse impact on the debtor's repayment ability to the Company.

The Company will assess whether the credit risk significantly increases on the basis of single financial instrument or financial instrument portfolio pursuant to financial instrument nature. When assessing based on the portfolio of financial instruments, the Company may categorize financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

If the overdue period exceeds 30 days, the Company will determine that the credit risk of the financial instrument has significantly increased.

#### *Financial assets with incurred credit impairment*

On the balance sheet date, the Company assesses whether financial assets measured at amortized cost and debt investments measured at fair value with changes included into other comprehensive income have undergone credit impairment. When one or more events that have an adverse impact on the expected future cash flows of a financial asset occur, the financial asset will become a financial asset that has suffered credit impairment. Evidence that a financial asset has undergone credit impairment includes the following observable information:

The issuer or the debtor has experienced significant financial difficulties;

The debtor violates the contract, such as defaulting or being overdue in paying interest or principal;

The Company, for economic or contractual considerations related to the debtor's financial difficulties, makes concessions to the debtor that it would not make under any other circumstances;

The debtor is likely to go bankrupt or undergo other financial restructuring;

The financial difficulties of the issuer or debtor lead to the disappearance of the active market for the financial asset.

#### *Presentation of expected credit loss provisions*

To reflect changes in the credit risk of financial instruments after initial recognition, the Company re-measures expected credit losses on each balance sheet date. Any increase or reversal amount of the loss provisions resulting from the re-measurement shall be included into the current profits and losses as impairment loss or gain. For financial assets measured at amortized cost, the loss provision is used to offset the book value of the financial asset presented in the balance sheet; for debt investments measured at fair value with changes included into other comprehensive income, the Company recognizes the loss provision in other comprehensive income, which isn't used to offset the book value of the financial asset.

#### *Write-off*

If the Company no longer reasonably expects to recover all or part of the contractual cash flows of a financial asset, the book balance of the financial asset is directly written down. Such write-down constitutes the derecognition of the relevant financial assets. The situation usually occurs when the Company determines that the debtor has no assets or sources of income to generate sufficient cash flows to repay the amount to be written down. However, the written-off financial asset may still be subject to enforcement activities in accordance with the Company's procedures for recovering due payments.

Financial assets that have been written down and are later recovered shall be included into the profit or loss of the period of recovery as the reversal of impairment losses.

## **(7) Transfer of financial assets**

Transfer of financial assets refers to the transfer or delivery of financial asset to a party other than the issuer of the financial asset (the transferee).

The Company derecognizes the financial asset when it has transferred almost all the risks and rewards of ownership of the financial asset to the transferee; where almost all risks and rewards of the ownership of financial assets have been reserved, such financial assets will not be derecognized.

Where the Company doesn't transfer or retain almost all the risks and rewards of the ownership of financial assets, the disposal shall be conducted as per the following situations respectively: If the control over the financial asset is waived, the financial asset shall be derecognized and the assets and liabilities produced shall be recognized; if the control over the financial asset is not waived, relevant financial assets shall be recognized in accordance with the extent to which they continue to be involved in the transferred financial assets and the relevant liabilities shall be confirmed accordingly.

## **(8) Offset of financial assets and financial liabilities**

When the Company has a legal right to offset recognized financial assets and financial liabilities, such legal right is currently enforceable and the Company plans to settle the financial asset on a net basis or realize the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities shall be presented in the balance sheet based on the amount after mutual offset. Besides, the financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

## **12. Notes receivable**

For the determination method and accounting treatment method for expected credit losses of notes receivable, refer to "Note V. 11. Financial instruments".

## **13. Accounts receivable**

For the determination method and accounting treatment method for expected credit losses of accounts receivable, refer to "Note V. 11. Financial instruments".

## **14. Receivables financing**

For the determination method and accounting treatment method for expected credit losses of receivables financing, refer to "Note V. 11. Financial instruments".

## **15. Other receivables**

For the determination method and accounting treatment method for expected credit losses of other receivables, refer to "Note V. 11. Financial instruments".

## **16. Contract assets**

For the determination method and accounting treatment method for expected credit losses of contract assets, refer to "Note V. 11. Financial instruments".

## **17. Inventory**

### **(1) Classification of inventories**

The inventory of the Company is classified into raw materials, unfinished products, semi-finished products, finished goods, goods shipped in transit and materials for consigned processing.

### **(2) Valuation method of inventory delivered**

The inventory of the Company is valued at actual cost upon acquisition. Raw materials, finished goods, etc. are valued by the weighted average method once at the end of the month when they are shipped.

### **(3) Basis for determining inventory falling price reserves and calculation and withdrawing method**

On the balance sheet date, the inventory is measured based on cost or net realizable value, whichever is lower. When the net realizable value is lower than cost, inventory falling price reserves will be calculated and withdrawn.

The net realizable value is the amount after subtracting the estimated costs to be incurred at the time of completion, estimated selling expenses and related taxes and fees from the estimated selling price of the inventory. When the net realizable value of inventory is recognized, based on the conclusive evidence obtained, the purpose of holding inventory and the impact of events after the balance sheet date shall be considered.

The Company usually calculate and withdraw the inventory falling price reserves on an individual inventory item basis. For inventories with large quantity and low unit price, the inventory falling price reserves are calculated and withdrawn based on the category of inventory.

On the balance sheet date, if the influencing factors of the previous write-down of inventory value have disappeared, the inventory falling price reserves shall be reversed within the amount originally accrued.

### **(4) Inventory system**

The Company adopts a perpetual inventory system as the inventory system.

### **(5) Amortization method for low-value consumables and packaging materials**

Low-value consumables and packaging materials are amortized by the one-time write-off method.

## **18. Long-term equity investment**

Long-term equity investments cover the equity investment in subsidiaries, joint ventures and associated enterprises. If the Company can impose significant influence on the invested unit, it will be the associated enterprises of the Company.

### **(1) Determination of initial investment cost**

Long-term equity investments formed by business merger: For long-term equity investments acquired through a business merger under the same control, the investment cost is determined as the share of the book value of the merged party owner's equities in the consolidated financial statements of the ultimate controlling party as of the merger date; for the long-term equity investments obtained by business merger not under the same control, the consolidation cost is used as the investment cost of long-term equity investment.

Long-term equity investments acquired through other means: For long-term equity investments acquired by paying cash, the purchasing price actually paid shall be counted as the initial investment cost; for long-term equity investment obtained through the issuance of equity securities, the fair value of the issued equity securities is used as the initial investment cost.

## (2) Subsequent measurement and recognition method of profits and losses

Investments of subsidiaries are calculated by the cost method unless the investment meets the held-for-sales conditions; the investment for associated enterprises and joint ventures is calculated with the equity method.

The long-term equity investment is calculated by cost method, except for the price actually paid when obtaining investment or cash dividends or profits that have been declared but not yet distributed, cash dividends or profit declared to distribute by the invested unit are confirmed as incomes from investment and included in the current profits and losses.

As for the long-term equity investments accounted for using the equity method, when the initial investment cost is greater than the fair value share of the identifiable net assets of the invested unit that shall be enjoyed at the time of investment, the investment cost of the long-term equity investment shall not be adjusted; when the initial investment cost is less than the fair value share of the identifiable net assets of the invested unit that shall be enjoyed at the time of investment, the book value of long-term equity investments shall be adjusted and the difference shall be included into in current profits and losses of investment.

When the equity method is used for accounting, the incomes from investment and other comprehensive incomes shall be recognized respectively according to the share of net profits and losses and other comprehensive incomes realized by the invested unit that shall be enjoyed or borne, and the book value of long-term equity investments shall be adjusted; for the part to be enjoyed that shall be calculated based on the profits or cash dividends declared to be distributed by the invested unit, the book value of the long-term equity investment shall be reduced accordingly; for other changes of owner's equities of the invested unit other than the net profits and losses, other comprehensive incomes and profits distribution, the book value of long-term equity investments shall be adjusted and included in the capital reserves (other capital reserves). When confirming the share of the net profit or loss of the invested unit that shall be enjoyed, the fair value of various identifiable assets of the invested unit when gaining the investment shall be taken as basis and the net profit of the invested unit shall be confirmed after adjustment in accordance with the Company's accounting policies and accounting periods.

If significant influence or joint control over the invested unit can be exerted due to additional investment or other reasons, but no control is constituted, the sum of the fair value of the original equity and the new investment cost shall be taken as the initial investment cost for accounting under the equity method on the conversion date. If the original equity is classified as a non-trading equity instrument investment measured at fair value with changes included into other comprehensive income, the cumulative fair value changes originally included into other comprehensive income that are related to it are transferred to retained earnings when changing to the accounting under the equity method.

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the residual equity after disposition shall change to undergo accounting treatment from the date of loss of joint control or significant influence according to the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*. The difference between the fair value and book value shall be included into current profits and losses. For other comprehensive income recognized from the original equity investment due to the use of the equity method for accounting, accounting treatment shall be carried out on the same basis as the direct disposal of relevant assets or liabilities by the invested unit when the equity method is discontinued for accounting purposes; the variation of other owner's equities related to the original equity investment is transferred in the current profits and losses.

If the control over the invested unit is lost due to the disposal of part of the equity investment, and the remaining equity after disposal is capable of exercising joint control over the invested unit or exerting significant influence, the equity method will be adopted for calculation, and the remaining equity will be adjusted as if the equity method is applied at the time of acquisition. If the remaining equity after disposal cannot implement joint control or exert significant influence over the invested unit, accounting treatment shall be carried out for in accordance with the relevant provisions of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*. The difference between the fair value and the book value at the date when the control is lost will be included into the current profits and losses.

If the Company's shareholding ratio decreases due to additional investment by other investors, resulting in the loss of control power but the ability to implement joint control or exert significant influence over the invested unit, the share of the invested unit's increased net assets from the capital increase will be recognized according to the new shareholding ratio. The difference between the original book value of the long-term equity investment corresponding to the decreased portion of the shareholding ratio that shall be carried forward shall be included in the current profits and losses. then, it is deemed that the equity method is for accounting and adjustment from the time of the acquisition of the investment in accordance with the new shareholding ratio.

For the unrealized profits and losses on internal transaction incurred between the Company and the associated enterprises and joint ventures, the portion belonging to the company in accordance with the shareholding ratio shall be calculated, and the investment gains or losses shall be recognized on the basis of offsetting. However, for the unrealized loss arising from the internal transaction between the Company and the invested unit, in case of falling into the impairment loss of the transferred asset, the offset shall be not made.

### **(3) Basis of determining the common control of and significant influence on the invested unit**

Joint control refers to the control that is common to an arrangement in accordance with the relevant agreement and the relevant activities of the arrangement needing to be agreed by the parties sharing the control right before making a decision. When judging whether the joint control exists, it's necessary to firstly judge whether the arrangement is controlled by all participants or participant combinations collectively, and then judge whether the decision-making related to the activities of the arrangement must be unanimously agreed by these participants who collectively control the arrangement. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, all participants or a group of participants will be deemed to collectively control the arrangement; In case of existing two or more participant groups jointly control a certain arrangement, it does not constitute a joint control. When determining whether there is joint control or not, protective rights are not considered.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the invested unit, but the investor failing to control or jointly control the formulation of these policies with other parties. When recognizing whether significant influences can be exerted on the invested unit, it's necessary to consider that the influence produced after the voting shares of invested unit held by the investor directly or indirectly as well as the potential voting rights currently enforceable held by the investor and other parties after being assumed to be converted into equity in the invested unit, including the current convertible warrants, stock options and convertible company bonds issued by the invested unit.

When the Company, directly or indirectly through subsidiaries, holds 20% (inclusive) or more but less than 50% of the voting shares in an invested unit, it is generally believed that the Company has significant influence over the invested unit unless there is clear evidence that the Company cannot participate in the invested unit's production and operational decisions without having significant influence; when the Company holds less than 20% (exclusive) of the voting shares in an invested unit, it is generally presumed that the Company does not have significant influence over the invested unit unless there is clear evidence that the Company can participate in the invested unit's production and operational decisions with having significant influence.

#### (4) Impairment test methods and calculation and withdrawal methods of impairment reserves

Refer to V. 24. Long-term asset impairment of this Section for the method for provision for impairment of assets in subsidiaries, associated enterprises and joint ventures.

### 19. Investment real estate

#### Investment real estate measurement model

##### *Cost method measurement*

##### Depreciation or amortization method

Investment real estate refers to the real estate held for the purpose of earning rent or capital appreciation, or both. The investment real estate of the Company includes rented land usage right, land usage right held and intended for transfer after appreciation and rented buildings.

The investment real estate of the Company is initially measured based on the cost at the time of acquisition, with depreciation or amortization accrued on a regular basis as per the relevant regulations for fixed assets or intangible assets.

Refer to V. 24. Long-term asset impairment of this Section for the method of provision for asset impairment for the investment real estate that are subsequently measured by the cost model.

The difference between the income from the sale, transfer, scrapping or damage of investment real estate and its book value and related taxes and fees is included in the current profits and losses.

The Company uses the straight-line depreciation to calculate and distill depreciation. The annual depreciation rates of various fixed assets determined by the Company are as follows:

Type	Service life (year)	Residuals ratio (%)	Annual depreciation rate (%)
Houses and buildings	20	5	4.75

### 20. Fixed assets

#### (1) Recognition condition

The Company's fixed assets refer to tangible assets held for producing products, rendering labor services, renting or operating management, with the service life of exceeding one accounting year.

The fixed asset can be recognized only when the economic benefits associated with it are likely to flow into the enterprise and the cost of the fixed asset can be reliably measured.

Fixed assets of the Company shall be initially measured at actual cost when obtained.

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets when it is highly likely that the economic benefits associated with them will flow into the Company and their costs can be reliably measured. Routine repair expenses for fixed assets that do not meet the criteria for capitalizing subsequent expenditures on fixed assets are included in the current profits and losses or in the cost of related assets according to the beneficiary when occurring. The book value of any replaced parts is derecognized.

## (2) Depreciation method

Type	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20	5	4.75
Machinery and equipment	Straight-line method	5–20	5	19.00–4.75
Electronic equipment	Straight-line method	3–5	5	31.67–19.00
Transportation equipment	Straight-line method	5	5	19.00
Others	Straight-line method	5	5	19.00

At the end of each year, the Company shall review the service life of the fixed assets, the estimated residual value and depreciation method. If there is any difference between the expected service life and the previously estimated service life, the expected service life of the fixed assets shall be adjusted; if there is any difference between the amount of estimated residual value and the original estimate, the estimated residual value shall be adjusted.

When the fixed assets are disposed or it is expected that no economic benefits can be generated through their use or disposal, the fixed asset shall be derecognized. The amount of income from the sale, transfer, scrapping or damage of fixed assets after deducting their book value and related taxes and fees is included in the current profits and losses.

## 21. Project under construction

The cost of project under construction of the Company shall be confirmed as per actual engineering expenditures, including various necessary engineering expenditures in the construction process, capitalized borrowing costs for making the engineering reach the expected serviceable condition and other relevant costs, etc.

The project under construction shall be transferred to the fixed assets when it reaches the expected serviceable condition.

Refer to V. 24. Long-term asset impairment of this Section for the method of provision for asset impairment of the project under construction.

## 22. Borrowing costs

### (1) Confirmation principles of capitalization of borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized and included into the costs of relevant assets; other borrowing costs are recognized as expenses based on their amounts when occurring and included in the current profits and losses. If the borrowing costs meet the following conditions, the capitalization shall be started:

- ① The expenditures on assets have already incurred, and expenditures on assets include expenditures incurred in the form of paying cash, transferring non-cash assets or undertaking interest-bearing debts for the purchase, construction or production of assets that meet the capitalization conditions.
- ② Borrowing costs have occurred.
- ③ The acquisition and construction or production activities that are necessary to bring the assets to a predetermined usable or saleable state have started.



## **(2) Capitalization period of borrowing costs**

Capitalization of borrowing costs is stopped when the assets purchased, constructed or produced by the Company that meet the capitalization conditions reach the intended usable or salable state. After an asset meeting the capitalization criteria reaches its intended usable or saleable condition, any borrowing costs incurred are recognized as expenses when incurred and included in the current profits and losses.

If any abnormal interruption appears during acquisition and construction or production of assets meeting capitalization conditions and the interruption exceeds 3 consecutive months, capitalization of borrowing costs shall be suspended; the borrowing costs during normal interruption continues to be capitalized.

## **(3) Calculation method of capitalization rate and capitalization amount of borrowing costs**

The actual interest expense incurred in the current period of a special loan, after subtracting the interest income obtained from depositing the unused loan funds in the bank or the investment income obtained from making temporary investments, shall be capitalized; for general borrowings, the capitalized amount is determined by multiplying the weighted average of the expenditures on assets exceeding the specific borrowings by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

In the capitalization period, all exchange differences of special foreign currency borrowings shall be capitalized; the exchange difference of general foreign currency borrowings shall be included into the current profits and losses.

## **23. *Intangible assets***

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### **(1) Service life and its basis for determination, estimation, amortization method or review procedure**

The intangible assets of the Company include land usage right, use right of sea area, patented technology, non-patent technology, software, etc.

The Company measures the intangible assets initially as per the cost as well as analyzes and determines the service life at the time of acquiring the intangible assets. If the service life is limited, the amortization method that reflects the expected realization mode of the economic benefits related to the intangible asset shall be adopted from the time when the asset is available for use, and amortization shall be carried out over the expected useful life; if the expected realization method cannot be reliably determined, the straight-line method of amortization shall be adopted; intangible assets with an uncertain service life are not amortized.

The amortization method for intangible assets with a limited service life is as follows:

Type	Service life (year)	Basis for determining the service life	Amortization method	Remark
Land usage right	50	Term stipulated in the property right certificate	Straight-line method amortization	
Use right of sea area	50	Term stipulated in the property right certificate	Straight-line method amortization	
Patented technology	5	The shortest one among the estimated service life, the benefit period stipulated in the contract and the effective period prescribed by laws	Straight-line method amortization	
Non-patent technology	5	The shortest one among the estimated service life, the benefit period stipulated in the contract and the effective period prescribed by laws	Straight-line method amortization	
Others	3-5	The shortest one among the estimated service life, the benefit period stipulated in the contract and the effective period prescribed by laws	Straight-line method amortization	

The Company reviews the service life and amortization method of intangible assets with a limited service life at the end of each year. If the estimate is different from the previous one, the original estimate shall be adjusted, with disposal as an accounting estimate change.

If it is expected that a certain intangible asset can no longer bring future economic benefits to the enterprise on the balance sheet date, the book value of the intangible asset shall be fully transferred to the current profits and losses.

Refer to V. 24. Long-term asset impairment of this Section for the method of impairment provision for intangible assets.

## (2) Scope of collection of research and development expenditures and related accounting treatment methods

The research and development expenses of the Company refer to the expenditures directly related to the Company's research and development activities, including employee compensation for R&D personnel, direct material input costs, amortization expenses of intangible assets and other expenses. The salaries of R&D personnel are allocated to R&D expenditures according to project man-hours. The equipment, production lines and sites shared by R&D activities and other production and operation activities are allocated and included into R&D expenditures according to the weight ratio of the material input.

The Company classifies the expenditures on internal research and development projects into expenditures during the research stage and expenditures during the development stage.

The expenditures in the research stage shall be included in the current profits and losses at the time of occurrence.

Expenditures at the development stage can only be capitalized if they simultaneously meet the following conditions, namely: it is technically feasible to complete the intangible asset so that they can be used or sold; the intention to complete the intangible asset and use or sell them exists; the methods for intangible assets generating the economic benefits include the method to prove that there is a market for the products produced by the intangible assets or there is the market of intangible assets; the usefulness of the intangible assets shall be demonstrated if they are used internally; where it has sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets; expenditures attributable to the development stage of the intangible assets can be reliably measured. Development expenditures that do not meet the above conditions are included in the current profits and losses.

After the research and development projects of the Company meet the above conditions and pass the technical feasibility and economic feasibility studies to form project approval, they will enter the development stage.

Expenditures at the capitalized development stage are presented as development expenditures on the balance sheet and are converted into intangible assets from the date when the project reaches its intended use.

## **24. Impairment of long-term assets**

The impairment of asset of long-term equity investments, investment real estates, fixed assets, projects under construction, right-of-use assets, intangible assets, goodwill, etc. that are subsequently measured through the cost model (except for inventories, investment real estates measured at fair value, deferred income tax assets and financial assets) in subsidiaries, associated enterprises and joint ventures shall be determined as per the following method:

On the balance sheet date, the Company will determine whether there are any indications that the assets may be impaired. If there are such indications, the Company will estimate the recoverable amount and conduct impairment test. Goodwill arising from business merger, intangible assets with an indefinite service life and intangible assets that are not yet available for use are tested for impairment annually regardless of whether impairment signs exist.

The recoverable amount shall be determined by the higher one between the net amount by deducting the disposal expenses from the asset fair value and the current value of the expected future cash flow of the assets. The Company estimates its recoverable amount based on the single asset; as for the single asset whose recoverable amount is difficult to be estimated, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs. The identification of an asset group is based on whether the main cash inflow generated by the asset group is independent of the cash inflow of other assets or asset group.

When the recoverable amount of the assets and the asset group is lower than the book value, the Company will write down the book value to the recoverable amount, and the write-down amount is included into the current profits and losses, with making corresponding provisions for impairment of assets at the same time.

As for goodwill impairment test, the book value of goodwill arising from business merger is allocated to the relevant asset groups from the acquisition date by a reasonable method; those difficult to be amortized to relevant asset groups shall be amortized to relevant asset group portfolios. The relevant asset group or asset group portfolio refers to the group or portfolio that benefits from the synergies of the business merger and is no larger than the reportable segments identified by the Company.

At the time of impairment test, if there are signs of impairment in the asset group or asset group portfolio related to goodwill, the Company shall first test the asset group or asset group portfolio excluding goodwill for impairment, calculate the recoverable amount and recognize the corresponding impairment loss. Then, the Company shall test the asset group or asset group portfolio including goodwill for impairment and compare the book value with the recoverable amount. If the recoverable amount is lower than the book value, the impairment loss of goodwill shall be recognized.

Once impairment losses on assets are recognized, they will not be reversed in subsequent accounting periods.

## **25. Long-term unamortized expenses**

The Company measures long-term unamortized expenses occurring at actual cost and amortizes them evenly over the expected benefit period. The amortized value of long-term deferred expense items that do not benefit future accounting periods is fully included in current profits and losses.

## **26. Contract liabilities**

Contract liabilities reflect the obligation of the Group to transfer goods to customers for consideration received or receivable from them. Before the Group transfers goods to a customer, the customer has paid the contract consideration or the Group has obtained the right of unconditional collection of the contract consideration and the contract liability is recognized based on the amount received or receivable at the earlier point of time between the actual payment made by the customer and the due payment.

## **27. Employee remuneration**

### **(1) Accounting treatment method for short-term remuneration**

During the accounting period of the employee providing the service, the Company recognizes the actual wages and bonuses of its employees as well as the social insurance premiums (such as medical insurance premiums, work-related injury insurance premiums and maternity insurance premiums) paid for employees in accordance with the prescribed standards and proportions and the housing provident fund as liabilities and includes them in the current profits and losses or the cost of related assets.

### **(2) Accounting treatment method for post-employment benefit**

Plan of post-employment benefits can be divided into the defined contribution plan and the defined benefit plan. Wherein, the defined contribution plan refers to a post-employment benefit plan where the enterprise no longer bears further payment obligations after the fixed fee is deposited into an independent fund; the defined benefit plan refers to the post-employment benefit plan other than the set contribution plan.

#### *Defined contribution plan*

The defined contribution plan include basic endowment insurance and unemployment insurance.

In the accounting period when the employee provides services, the amount to be contributed calculated based on the set contribution plan is recognized as a liability and included in the current profits and losses or the cost of related assets.

#### *Defined benefit plan*

As for defined benefit plan, on the annual balance sheet date, an independent actuary conducts actuarial valuation and the cost of providing benefits is determined by the expected cumulative benefit unit method. Employee remuneration cost incurred by defined benefit plan set by the Company includes the following parts:

- ① Service cost, including current service cost, past service cost and gains or losses on settlement. Current service cost refers to the increase in the present value of the defined benefit plan obligation resulting from the services provided by the employee in the current period; past service cost refers to increase or decrease in present value of defined benefit plan obligations related to employee service during the previous period which is caused by modification of defined benefit plan.
- ② Net interest on the net liability or net assets of a defined benefit plan, including the interest income from plan assets, the interest expense on defined benefit plan obligations and the interest affected by the asset ceiling.
- ③ Change resulting from re-measuring the net liability or net assets of a defined benefit plan.

Unless other accounting standards require or allow employee welfare costs to be included into asset cost, the Company includes the above-mentioned Item ① and ② into current profits and losses; Item ③ is included in other comprehensive incomes but will not be returned to the profits and losses during follow-up accounting period. At the termination of the originally defined benefit plan, the part originally included into other comprehensive income shall be fully transferred to undistributed profits within the scope of equity.

#### **(3) Accounting treatment methods for severance benefits**

When the Company provides severance benefits to employees, the employee compensation liability arising from severance benefits shall be recognized and included in the current profits and losses earlier of the following two: when the Company cannot unilaterally withdraw the severance benefits provided due to the plan for terminating the labor relationship or the layoff proposal; when the Company recognizes the costs or expenses related to the restructuring involving the payment of severance benefits.

If the internal employee retirement plan is implemented, economic compensation before the normal retirement date will fall into the demission welfare, and the salaries and social insurance charges to be paid to the early retirement employees during the period from the date when employees stop providing services to the date of normal retirement will be included in the current profits and losses in a lump. Economic compensation after the official retirement date (such as normal pension) shall be handled as post-employment benefits.

#### **(4) Accounting treatment methods for other long-term employee benefits**

Other long-term employee benefits provided by the Company to its employees that meet the conditions for the defined contribution plan shall be handled in accordance with the relevant regulations on the defined contribution plan as mentioned above. In case of falling into defined benefit plan, the disposal shall be conducted according to the above relevant regulations about defined benefit plan. However, the "change resulting from re-measuring the net liability or net assets of a defined benefit plan" in relevant costs of employee remuneration is included into the current profits and losses or the cost of related assets.

## **28. *Estimated liabilities***

If the obligations related to contingent matters simultaneously meet the following conditions, the Company recognizes them as estimated liabilities:

- (1) The obligation is the current obligation undertaken by the Company;
- (2) The performance of the obligation is very likely to cause the outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

Estimated liabilities are initially measured according to the best estimate of the expenditure required to fulfill the relevant current obligations, with comprehensive considerations of risks related to contingencies, uncertainty, time value of money and other factors. If the time value of money has a significant impact, the best estimate shall be determined by discounting the relevant future cash outflows. The Company reviews the book value of the estimated liabilities on the balance sheet date and adjusts the book value to reflect the current best estimate.

If all or parts of the expenses that are necessary for paying off the confirmed estimated liability are compensated by a third party or other party, the compensation amount can only be recognized separately as an asset when it is basically certain that it can be received. The recognized compensation amount shall not exceed the book value of the recognized liabilities.

## **29. *Share-based payment***

### **(1) Share-based payment type**

The share-based payments of the Company are divided into equity-settled share-based payments and cash-settled share-based payments.

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### **(2) Determination method of fair value of equity instruments**

The Company determines the fair value of equity instruments (such as options) granted in an active market based on the quotations in the active market. For granted equity instruments (such as options) that do not have an active market, the fair value is determined by option pricing models, etc. As for the selected option pricing model, the following factors are considered: A. Exercise price of the option; B. Option valid period; C. Current price of target share; D. Expected volatility of share price; E. Expected dividend of shares; F. Risk-free interest rate within valid period of option.

### **(3) Recognition basis for the optimum estimation of exercisable equity instruments**

As for each balance sheet date in waiting period, based on the latest obtained subsequent information (such as changes in the number of exercisable employees), the Company makes the best estimate and revises the estimated number of exercisable equity instruments. On the exercisable date, the final estimated number of exercisable equity instruments shall be consistent with the actual number of exercisable ones.

**(4) Accounting treatments related to the implementation, modification and termination of share-based payment plans**

The equity-settled share-based payment shall be measured based on the fair value of equity instruments granted to the employees. If the equity instrument becomes exercisable immediately after grant, the fair value of the equity instrument shall be included in the relevant cost or expense on the grant date, and the capital reserve shall be increased accordingly. If the service is completed during the waiting period or the specified performance conditions are met before exercising the right, on each balance sheet date within the vesting period, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserves based on the best estimate of the number of exercisable equity instruments and the fair value of the equity instrument on the grant date. After the exercisable date, no adjustments will be made to the confirmed relevant costs or expenses and the total amount of owner's equity.

Share-based payments settled in cash are measured at the fair value of the liabilities assumed by the Company based on shares or other equity instruments. If the right can be exercised immediately after granting, on the grant date, the fair value of the liabilities assumed by the Company will be included in the relevant costs or expenses and the liabilities will be increased accordingly. For cash-settled share-based payments that become exercisable after the completion of services within the vesting period or meeting the prescribed performance conditions, on each balance sheet date within the vesting period, based on the best estimate of exercisability situation, the services obtained in the current period are included in the cost or expense and the corresponding liability as per the fair value amount of the liabilities incurred by the Company. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is re-measured, and the changes are included in the current profits and losses.

When the Company modifies the share-based payment plan, if the modification increases the fair value of equity instrument granted, the increase in service obtained shall be recognized according to the increase of fair value of equity instrument accordingly; if the number of equity instrument granted is modified to increase, the fair value of the increased equity instruments shall be recognized accordingly as an increase in the services obtained. The increase of the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification on the date of modification. If the modification decreases the total amount of share-based payment fair value or other ways which are adverse to the employees are used to modify terms and conditions of share-based payment plan, the accounting treatment for the acquired services shall continue as if the change had never occurred unless the Company cancels some or all of the equity instruments granted.

During the waiting period, if the granted equity instrument is cancelled (except for those cancelled due to non-market conditions that do not meet the exercisable conditions), the Company will treat the cancellation of the granted equity instruments as an accelerated exercise, immediately include the amount that shall be recognized during the remaining waiting period into the current profits and losses and simultaneously recognize the capital reserve. If the employee or other party can choose to meet the non-exercisable condition but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

**30. Preferred stock, perpetual bonds and other financial instruments**

**(1) Distinction between financial liabilities and equity instruments**

The Company classifies the financial instrument or its components as a financial asset, financial liability or equity instrument at initial recognition pursuant to the contractual terms of the issued financial instrument and the economic substance it reflects rather than merely in legal form and pursuant to the definitions of financial assets, financial liabilities and equity instruments.

## **(2) Accounting treatment of other financial instruments, such as preferred stocks and perpetual bonds**

The financial instruments issued by the Company are initially recognized and measured pursuant to the financial instrument standards; subsequently, the interest is accrued or dividends are distributed on each balance sheet date as per the relevant specific accounting standards for business enterprises, namely confirming the instrument interest expenditure or dividend distribution of the instrument and other accounting treatment based on the classification of the issued financial instruments. For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as profit distributions of the Company, and their repurchases and cancellations are handled as changes in equity; as for financial instruments which are classified into financial liabilities, their interest expenses or dividend distributions are, in principle, treated as borrowing costs, and the gains or losses arising from their repurchases or redemptions are included in the current profits and losses.

When the Company issues financial instruments, the transaction costs (such as handling fees and commissions) incurred, if classified as debt instruments and measured at amortized cost, shall be included in the initial measurement amount of the issued instruments; in case of being classified as equity instruments, they shall be deducted from the equity.

## **31. Income**

Disclosure of the accounting policies adopted for revenue recognition and measurement according to the type of business.

### **(1) General principle**

The Company recognizes revenue when it has fulfilled its performance obligations under the contract, namely recognizing revenue when the customer acquires control of the relevant goods or services.

Where the contract contains two or more performance obligations, on the contract commencement date, the Company allocates the transaction price to each individual performance obligation in proportion to the individual selling prices of the goods or services promised for each individual performance obligation, and measures the revenue based on the transaction price allocated to each individual performance obligation.

When any of the following conditions is met, the performance obligation within a certain period of time will be deemed; otherwise, the performance obligation at a point in time will be deemed:

- ① The customer obtains and consumes the economic benefits while contract fulfillment by the Company.
- ② The customers can control the goods under construction during the performance process of the Company.
- ③ The goods produced in the process of contract fulfillment have irreplaceable purposes and the Company is entitled to receive payment for the cumulative performance portion that has been completed up to now within the whole contract period.

For any performance obligations fulfilled within a specific period, the Company recognizes revenue during the period in accordance with the progress of performance. If the performance progress cannot be determined reasonably and the costs already incurred by the Company are expected to be compensated, the revenues shall be recognized according to the costs incurred until the performance progress is determined reasonably.



If performance obligations are fulfilled at a certain point in time, the Company shall recognize the revenue at the point when the customer acquires control of the relevant goods or services. To determine whether a customer has acquired the control right of any goods or services, the Company will consider the following conditions:

- ① The Company has the right to receive payment for the goods or services at present, that's to say that the customer is obligated to make payment for the goods at present.
- ② The Company has transferred the legal ownership of the commodity to the customer, that's to say that that the customer now holds the legal ownership of the commodity.
- ③ The Company has transferred the physical goods of the product to the customer, that's to say that the customer has physically occupied the product.
- ④ The Company has transferred the main risks and rewards of ownership of the commodity to the customer, that's to say that the customer has obtained the main risks and rewards of ownership of the commodity.
- ⑤ The customers have accepted the goods or services.
- ⑥ Other indications demonstrating that the customer has obtained control of the goods.

## (2) Specific methods

The company recognizes revenue when it has fulfilled its performance obligations under the contract (namely when the customer acquires control of the relevant goods or services). Obtaining control over a relevant commodity or service means being able to lead the use of the commodity or the provision of the service and gain almost all the economic benefits from it.

The Company's operating income is mainly the income from the sale of goods.

### (1) *Income from the sale of goods*

The Company's sale of tubular products, oil well pumps, sucker rods and oil pumps to customers falls into the fulfillment of the performance obligation at a certain time point, and the income is recognized when the performance obligation is fulfilled.

- 1) Conditions for recognizing the income from domestic sales products: The goods are delivered to the customer as per the delivery method stipulated in the sales contract. After the customer signs for the goods upon receipt, the company will recognize the income when it obtains the customer's receipt of goods. After the oil casing sold through the consignment Stock method is received by the customer, the income shall be settled and recognized with the Company.
- 2) Conditions for recognizing revenue from export products: The export products are settled by FOB, CIF, C&R, EXW and other methods. The company recognizes the realization of revenue at the time of shipment, customs declaration for export and obtaining the bill of lading.

### 32. *Contract cost*

The contract cost includes incremental cost for being awarded the contract and contract performance cost.

Incremental cost resulted from obtaining the contract refers to any cost that the Company will not need to pay if no such contract is obtained (such as sales commissions). If the cost is expected to be recovered, the Company will recognize it as an asset as the cost of contract acquisition. Other costs incurred by the Company to obtain contracts other than incremental cost expected to be recovered shall be included in the current profits and losses when incurred.

If the costs incurred for the performance of a contract do not fall within the scope of other enterprise accounting standards (such as inventory) and simultaneously meet the following conditions, the Company will recognize them as contract performance costs as an asset:

- ① The costs are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract.
- ② The cost increases the resources that the Company will use in the future to fulfill its performance obligations.
- ③ The cost is expected to be recovered.

Assets recognized for contract acquisition cost and assets recognized for contract performance cost (hereinafter referred to as "assets related to contract cost") shall be amortized on the same basis as the revenue recognition of goods or services related to such assets and included into current profits and losses.

Where the book value of assets related to contract costs is higher than the difference between the following two items, the Company shall calculate and withdraw the impairment reserves of the excess part and recognize it as the asset impairment loss:

- ① The residual consideration is expected to be obtained arising from the transfer of goods or services related to the assets by the Company.
- ② Cost estimated to be incurred for the transfer of the related goods or services.

### 33. *Government subsidies*

The government subsidies shall be recognized when the conditions are met and the subsidies can be received.

Government subsidies related to monetary assets shall be measured based on received or receivable amount. Government subsidies related to non-monetary assets shall be measured according to the fair value; in case the fair value cannot be reliably acquired, they shall be measured in accordance with nominal amount of RMB1.

Government subsidies related to assets mean the governmental subsidies that are obtained by the Company for the purpose of purchasing, constructing or otherwise forming long-term assets; besides, they shall be taken as the government subsidies related to revenues.

If the government does not stipulate the subsidy object explicitly, the government subsidies that can form long-term assets and correspond to the asset value are taken as the asset-related government subsidies, and the remaining parts are taken as the revenue-related government subsidies; in case of being difficult to be differentiated, the overall government subsidies shall be taken as the income-related government subsidies.

Government subsidies related to assets are used to offset the book value of the relevant assets or recognized as being included into the profit or loss in installments within the service life in accordance with reasonable and systematic methods. In case the revenue-related government subsidies are used to compensate for the related cost expenses or losses that have occurred, they shall be included in the current profits and losses or used to offset the related costs; if the government subsidies are used to compensate for the related cost expenses or losses in the subsequent period, they shall be included in the deferred incomes, but included in the current profits and losses or used to offset the related costs during the period when related costs or losses are recognized. The governmental subsidies measured at the nominal amount shall be directly included in the current profits and losses. The Company adopts a consistent approach for the same or similar business of government subsidies.

The government subsidies related to daily operating activities shall be included in other incomes or used to offset related cost expenses according to the economic business nature. Government subsidies unrelated to daily activities are included into non-operating income or used to offset non-operating expenditures.

When the recognized governmental subsidies need to be returned, if the book value of relevant assets is used to offset during the initial recognition, the book value of assets shall be adjusted; if there is a balance of relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess portion shall be included in the current profits and losses; under other circumstances, it shall be directly included in the current profits and losses.

For policy-based preferential loan interest subsidies obtained, if the Finance Department allocates the interest subsidy funds to the lending bank, the actual amount of the loan received shall be taken as the entry value of the loan, and the borrowing costs shall be calculated based on the principal of the loan and the policy-based preferential interest rate. If the Finance Department directly allocates the interest subsidy funds to the Company, the interest subsidy funds shall be used to offset borrowing costs.

### **34. *Deferred income tax assets/deferred income tax liabilities***

The income tax comprises the current income tax and deferred income tax. Except for adjustment of goodwill arising from business merger or the deferred income taxes included in the owner's equities related to transaction or matters directly included owner's equities, others shall be included into current profits and losses regarded as the income tax.

The Company adopts the balance sheet liability method to recognize the deferred income tax in accordance with the temporary difference between the book values of assets and liabilities on the balance sheet date and the tax basis.

All kinds of taxable temporary differences shall be used for the recognition of relevant deferred income tax liabilities unless they are generated in the following transactions:

- (1) Initial recognition of goodwill, or initial recognition of assets and liabilities in the trades with following characteristics: The transaction is not a business merger and doesn't influence accounting profits or taxable income when happening (except for single transactions where initially recognized assets and liabilities result in equal taxable temporary differences and deductible temporary differences);
- (2) As for the taxable temporary difference related to the investment by the subsidiaries, joint venture and associated enterprise, its reversal time can be controlled and the temporary difference probably will not reverse in the foreseeable future.

As for the deductible temporary difference and the deductible losses and tax deductions that can be carried forward to future years, the company takes the future taxable income that is likely to be obtained to offset deductible temporary differences, deductible losses and tax payments as the limit to recognize the deferred income tax assets produced for this reason unless the deductible temporary difference arises in the following transactions:

- (1) The transaction is not a business merger and doesn't influence accounting profits or taxable income when happening (except for single transactions where the initially recognized assets and liabilities result in equal taxable temporary differences and deductible temporary differences);
- (2) For deductible temporary differences related to investments in subsidiaries, joint ventures and associated enterprises, the corresponding deferred income tax assets shall be recognized if the following conditions are simultaneously met: Temporary differences are likely to reverse in the foreseeable future, and it is highly likely that taxable income will be obtained in the future to offset deductible temporary differences.

As of the balance sheet date, the Company measures deferred income tax assets and deferred income tax liabilities at the applicable tax rates during the period when the assets are expected to be recovered or the liabilities to be settled and reflects the income tax impact of the expected recovery of assets or settlement of liabilities as of the balance sheet date.

On the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of deferred income tax assets, the book value of deferred income tax assets will be written down. When it is likely to obtain sufficient taxable income, the written-off amount shall be transferred back.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented as net amounts after offsetting when the following conditions are simultaneously:

- (1) The taxpayer within the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer within the Company.

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## 35. Lease

### (1) Accounting treatment method for leasing as a Lessee

#### (1) Identification of lease

On the commencement date of the contract, the Company, as the Lessee or Lessor, assesses whether the customer under the contract is entitled to almost all the economic benefits arising from the use of the identified assets during the period of use and has the right to lead the use of the identified assets during the period of use. If one party to a contract transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration, the Company will consider the contract to be a lease or to include a lease.

#### (2) The Company as the Lessee

On the lease commencement date, the Company recognizes right-of-use assets and lease liabilities for all leases, except for simplified short-term leases and leases of low-value assets.

Refer to V. 36. Right-of-use asset of this Section for the accounting policies for right-of-use assets.

The lease liabilities are initially measured at the present value calculated based on the lease payment amount that has not been paid on the lease commencement date by the lease internal interest rate. Where the internal interest rate of the lease cannot be determined, the incremental borrowing rate shall be used as the discount rate. Lease payment includes: As for fixed payment and substantial fixed payment, in case of lease incentives, the related amount of lease incentives shall be deducted; variable lease payment dependent on the index or ratio; executive price of buying the option is in the premise that the Lessee reasonably confirms it will exercise such option; funds to be paid for the exercise of the option to terminate the lease is in the premise that the lease term reflects that the Lessee will exercise the option to terminate the lease; and amount expected to be paid based on the residual value of the guarantee provided by the Lessee. Subsequently, the interest expense of the lease liability in each period of the lease term shall be calculated at a fixed periodic interest rate and included in current profits and losses. Variable lease payments not included into the measurement of lease liabilities are included in current profits and losses when actually incurred.

#### Short-term lease

A short-term lease refers to a lease with a term not exceeding 12 months on the lease commencement date, excluding leases that include the purchase option.

The Company includes the lease payments for short-term leases in the cost of the relevant assets or the current profits and losses in each period of the lease term by the straight-line method.

For short-term leases, the Company selects and adopts the above-mentioned simplified processing method for the items among the following asset types that meet the short-term lease conditions according to the category of the leased assets.

#### Low-value asset lease

Low-value asset lease refers to low-value lease with a value of less than RMB40,000.00 when a single lease asset is a new asset.

The Company includes the lease payments for low-value assets into the cost of the relevant assets or the current profits and losses during each period of the lease term by the straight-line method.

For the lease of low-value assets, the Company selects the above-mentioned simplified treatment method as per the specific circumstances of each lease.

#### Lease change

If a lease is changed and the following conditions are met simultaneously, the Company will carry out accounting treatment for the lease change as a separate lease: ① The lease change expands the lease scope by adding the right to use one or more leased assets. ② The increased consideration is equivalent to the individual price of the expanded part of the lease scope adjusted in accordance with the circumstances of the contract.

If the lease change isn't regarded as a separate lease for accounting treatment, the Company will reappoint the consideration for the revised contract, reconfirm the lease term as well as re-measure the lease liabilities according to the changed lease payment and the present value calculated with the revised discount rate on the date when the lease change takes effect.

If the lease modification leads to a reduction in the lease scope or a shortening of the lease term, the Company shall accordingly reduce the book value of the right-of-use asset and include the gains or losses related to the partial or complete termination of a lease in the current profits and losses.

Where other lease changes lead to the re-measurement of lease liabilities, the Company shall adjust the book value of the right-of-use asset accordingly.

## (2) Accounting treatment method for leasing as a Lessor

The Company, as the Lessor, recognizes the lease which actually transfers all risks and rewards related to the ownership of assets as financial lease and all leases other than financial lease as operating leases.

### *Financial lease*

In the financial lease, on the commencement of the lease term, the Company takes the net amount of lease investment as the entry value of the receivables from finance leases, and the net amount of lease investment is the sum of the unsecured residual value and the present value of the lease collection amount that have not been received on the lease commencement date and are discounted at the embedded interest rate of the lease. The Company, as the Lessor, calculates and confirms the interest revenue in each period within the lease term as per the fixed periodic interest rate. Variable lease payments obtained by the Company as the Lessor that are not included in the measurement of net lease investment are included into the current profits and losses when they actually occur.

The derecognition and impairment of receivables from financial lease are subject to accounting treatment in accordance with the provisions of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets*.

### *Operating lease*

As for the rent in operating leases, the Company recognizes current profits and losses in each period during the lease term by the straight-line method. The initial direct costs incurred in connection with operating leases shall be capitalized and allocated during the lease term on the same basis as the recognition of rental income and included in the current profits and losses in installments. Variable lease payments related to operating leases that are not included in the lease collection amount are included into the current profits and losses when they actually occur.

### *Lease change*

In case of any change in the operating lease, the Company shall treat it as a new lease for accounting treatment from the effective date of the change. The prepaid or receivable lease collection amount related to the lease before the change shall be regarded as the collected amount for the new lease.

If the financial lease changes and simultaneously meets the following conditions, the Company will treat such change as a separate lease for accounting treatment: ① The change expands the lease scope by adding the right to use one or more leased assets. ② The increased consideration is equivalent to the individual price of the expanded part of the lease scope adjusted in accordance with the circumstances of the contract.

If the financial lease is changed but doesn't undergo accounting treatment as a separate lease, the Company shall handle the changed lease in the following circumstances respectively: ① If the lease will be classified as an operating lease when the change takes effect on the lease commencement date, from the effective date of the lease change, the Company will carry out accounting treatment of it as a new lease and take the net amount of the lease investment as of the effective date of the lease change as the book value of the leased asset. ② If the lease will be classified as a financial lease when the change takes effect on the lease commencement date, the Company carry out accounting treatment in accordance with the provisions regarding the modification or renegotiation of contracts specified in the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

### (3) Leaseback

The Lessee and the Lessor shall, in accordance with the provisions of *Accounting Standard for Business Enterprises No. 14 – Revenue*, assess and determine whether the asset transfer in the leaseback transaction falls into sale.

If the transfer of assets in the leaseback transaction is considered a sale, the Lessee shall measure the right-of-use assets formed by the leaseback in line with the portion of the original asset book value related to the right to use obtained through leaseback and only recognize the relevant gains or losses from the rights transferred to the Lessor. The Lessor shall carry out accounting treatment for the purchase of assets as per other applicable accounting standards for business enterprises and for the lease of assets pursuant to the Standard.

If the asset transfer in the leaseback transaction doesn't fall into the sale, the Lessee will continue to recognize the transferred asset, recognize a financial liability equivalent to the transfer income and conduct accounting treatment for the financial liability in terms of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*; the Lessor does not recognize the transferred asset, but recognizes a financial asset equivalent to the transfer income and conducts accounting treatment for the financial asset on the basis of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

## 36. Right-of-use assets

### (1) Recognition condition of right-of-use assets

Right-of-use assets refer to the right of the Company, as the Lessee, to use the leased assets during the lease term.

On the commencement date of the lease term, the right-of-use assets are initially measured at cost. The cost includes: initially measured amount of lease liabilities; lease payments made on or before the commencement date. If there are lease incentives, the relevant amount of the lease incentives already enjoyed shall be deducted; Initial direct costs incurred by the Company as the Lessee; costs that the Company, as the Lessee, is expected to incur for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state stipulated in the lease term. The Company, as a Lessee, recognizes and measures the cost of dismantling and restoration, etc. in accordance with *Accounting Standard for Business Enterprises No. 13 – Contingencies*. Subsequent adjustments are made for any re-measurement of the lease liabilities.

### (2) Depreciation method of right-of-use assets

The Company uses the straight-line method to withdraw depreciation. If the Company, as a Lessee, can reasonably determine the acquisition of ownership of the leased asset upon the expiration of the lease term, the depreciation shall be accrued over the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained upon the expiration of the lease term, the depreciation shall be accrued over the shorter period between the lease term and the remaining service life of the leased asset.

### (3) Impairment test methods and impairment provision accrual methods for right-of-use assets

Refer to V. 24. Long-term asset impairment of this Section.

### 37. Other significant accounting policies and accounting estimates

#### (1) Judgment and estimation of significant accounting

The Company will conduct continuous assessments on the adopted significant accounting estimations and critical assumptions according to previous experience and other factors, including reasonable prediction of matters in the future. The significant accounting estimations and critical assumptions, which are likely to lead to risks of significant adjustment on the book value of assets and liabilities in the next fiscal year, are listed as follows:

##### *Classification of financial assets*

While the Company determines the classifications of the financial assets, the involved critical judgments include the analysis of the business mode and contractual cash flow characteristics.

The Company determines the business mode that manages the financial assets from the level of the financial asset portfolio, and the factors considered include the method to evaluate and report the financial asset performance to the key management personnel, risks affecting the financial asset performance and their management methods and the method of the relevant business management personnel to obtain the remunerations.

The Company mainly has the following judgments while evaluating whether the contractual cash flow of the financial assets is consistent with the basic lending arrangement: Whether the time distribution or amount of the principal may change during the duration due to the prepayment or other reasons; Whether the interest only includes the currency time value, credit risks, other basic lending risks and the considerations of the cost and profit. For example, whether the prepaid amount only reflects the unpaid principals and the interest based on the unpaid principals as well as the reasonable compensation paid due to the prior termination of the contract.

##### *Measurement of the expected credit loss of accounts receivable*

The expected credit loss of accounts receivable is calculated by the Company through its exposure at default and expected credit loss rate, and the expected loss rate is determined based on the probability of default and default loss rate. The Company uses the internal historical credit loss experiences and other data to adjust the historical data by combining with the current situations and forward-looking information while determining the expected credit loss rate. When considering forward-looking information, the indicators used by the Company include the risk of economic downturn, changes in the external market environment, technological environment and customer conditions. Assumptions related to the calculation of expected credit losses shall be regularly monitored and reviewed by the Company.

##### *Deferred income tax assets*

To the extent that it is highly likely that there will be sufficient taxable profits to offset losses, the deferred income tax assets shall be recognized for all unused tax losses. This requires the management to utilize a large number of judgments to estimate the time and amount of taxable profit in the future and determine the amount of deferred income tax assets which shall be confirmed pursuant to the tax planning strategy.

##### *Confirmation of the fair value of equity investment not listed*

The fair value of equity investment not listed is the forecast future cash flow discounted according to the current discount rate of the item with similar terms and risk characteristics. The valuation requires the Company to estimate expected future cash flow and discount rate, thus it is uncertain. If the information for confirming the fair value is insufficient or the distribution range of the possible estimated amount of the fair value is extensive in limited circumstances and the cost represents the best estimate of fair value within the range, such cost can represent an appropriate estimate of the fair value within the distribution range.



## (2) Fair value measurement

The fair value is a price received by the market participants from selling an asset or paid due to transferring a liability in the orderly transaction at the measurement date.

When the Company measures relevant assets or liabilities in the fair value, it is assumed that the orderly transaction of selling assets or transferring liabilities is conducted in the major market of relevant assets or liabilities; if there is no major market, the Company assumes that the transaction is conducted in the most favorable market of relevant assets or liabilities. The major market (or the most favorable market) is the trading market that the Company has access to on the measurement date. The Company adopts the assumptions used by market participants to maximize their economic benefits when pricing such assets or liabilities.

As for financial assets or financial liabilities with an active market, the Company adopts the offer in the active market to determine their fair value. For the financial instruments where active market doesn't exist, the Company recognizes the fair value by the valuation technique.

If the non-financial assets are measured at the fair value, the capacity of the market participants to use the assets for the best purpose to produce economic benefits, or sell the assets to other market participants who can use such assets for the best purpose to produce economic benefits is considered.

The Company adopts the valuation technique applicable in the current situation and supported by sufficient available data and other information, gives priority to the use of relevant observable input values and uses unobservable input values only when observable input values cannot be obtained or it is impractical to obtain them.

For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value level is determined based on the lowest level inputs that is significant to the fair value measurement as a whole: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date without adjustment. Level inputs are inputs other than quoted prices included within Level 2 that are observable for the assets or liabilities directly or indirectly. Level 3 inputs are unobservable inputs for the assets or liabilities.

On each balance sheet date, the Company re-evaluates the assets and liabilities that are recognized in the financial statements and continue to be measured at fair value to determine whether a conversion occurs between the fair value measurement levels.

## (3) Debt restructuring

*The Company acts as the debtor*

The debt is derecognized when the current obligation of the debt is released. Specifically, the gains or losses related to debt restructuring shall be recognized when the uncertainties in the execution process and result of the debt restructuring agreement are eliminated.

The debt restructuring is conducted by repaying debts with assets. The Company will carry out derecognition when the relevant assets and the debts settled meet the conditions for derecognition, and the difference between the book value of the debt settled and the book value of the transferred assets shall be included into the current profits and losses.

If the debts are converted into equity instruments for debt restructuring, the Company will conduct derecognition when debts settled meet the conditions for derecognition. When the Company initially recognizes equity instruments, the measurement shall be conducted in accordance with the fair value of equity instruments. If the fair value of an equity instrument cannot be reliably measured, the measurement shall be performed as per the fair value of the debt settled. The difference between the book value of the debt settled and the recognition amount of equity instruments is included into the current profits and losses.

If the debt restructuring is conducted by amending other terms, the Company shall recognize and measure restructured debts pursuant to the provisions of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments*.

If the debt restructuring is performed by using multiple assets to settle debts or by the combination method, the Company shall recognize and measure equity instruments and restructured debts as per the aforementioned methods and the difference between the book value of the debts settled as well as the sum of the book value of the transferred assets and the recognized amounts of equity instruments and restructured debts is included into the current profits and losses.

*The Company acts as the debtor*

The creditor's rights are derecognized when the contractual right to collect the cash flow of creditor's rights is terminated. Specifically speaking, the gains or losses related to debt restructuring shall be recognized when the uncertainties in the execution process and result of the debt restructuring agreement are eliminated.

If the debt restructuring is conducted by repaying debts with assets, measurement at cost shall be performed when the Company initially recognizes assets other than the financial assets it has acquired. The cost of inventory includes the fair value of waived creditor's rights and other costs that can be directly attributed to the asset (such as taxes, transportation fees, handling charges and premiums) whose occurrence brings the asset to its current position and state. The cost of investing in an associated enterprise or joint venture includes the fair value of waived creditor's rights and other costs that can be directly attributed to the asset (such as taxes). The cost of investment real estate includes the fair value of waived creditor's rights and other costs that can be directly attributed to the asset (such as taxes). The cost of fixed assets includes the fair value of waived creditor's rights and other costs that can be directly attributed to the asset before it reaches the predetermined usable state (such as taxes, transportation fees, handling charges, installation fees and professional service fee). The cost of intangible assets includes the fair value of waived creditor's rights and other costs (such as taxes) that can be directly attributed to bringing the asset to the intended use. The difference between the fair value and the book value of the waived creditor's rights is included into the current profits and losses.

If the debt restructuring by converting debts into equity instruments causes the Company to convert its creditor's rights into equity investments in associated enterprises or joint ventures, the Company shall measure its initial investment cost in line with the fair value of the waived creditor's rights and other costs (such as taxes) that can be directly attributed to the asset. The difference between the fair value and the book value of the waived creditor's rights is included into the current profits and losses.

If the debt restructuring is performed by amending other terms, the Company shall recognize and measure restructured creditor's rights pursuant to the provisions of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

If the debt restructuring is performed by using multiple assets to settle debts or by the combination method, the transferred financial assets and restructured claims shall be recognized and measured as per the provisions of *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and then the net amount of the fair value of the waived creditor's rights after deducting the recognized amounts of the acquired financial assets and the restructured claims shall be distributed in terms of the proportion of the fair value of all assets other than the acquired financial assets and the cost of each asset shall be recognized respectively according to the aforementioned method based on this. The difference between the fair value and the book value of the waived creditor's rights is included into the current profits and losses.

**(4) Safety production costs and maintenance costs**

Pursuant to relevant regulations, the Company extracts the expenses of safety production as per the *Management Method for the Extraction and Use of Enterprise Safety Production Costs* (CQ [2022] No. 136) jointly issued by Ministry of Finance and State Administration of Work Safety.

The safety production costs when used for withdrawal shall be included into the cost or current profits and losses of relevant products as well as the "special reserves" subject.

When the charged safety production expense is used within the specified range, it falls into expense-related expenditures, which shall be used to directly offset the special reserve; if fixed assets are formed, the expenditures incurred are collected through the "project under construction" subject firstly. When the safety project is completed and reaches the predetermined usable state, they shall be recognized as fixed assets. At the same time, the special reserve shall be offset at the cost of forming fixed assets and the accumulated depreciation of the same amount shall be recognized. As for the fixed asset, no depreciation will be accrued in subsequent periods.

**38. Significant changes in accounting policies and estimates**

**(1) Significant changes in accounting policies**

☐ Applicable    ☒ Not applicable

**(2) Significant changes in accounting estimates**

☐ Applicable    ☒ Not applicable

**(3) Initial implementation of new accounting standards to adjust the related items in the financial statements at the beginning of the year from 2025 onward**

☐ Applicable    ☒ Not applicable

## VI. Tax

### 1. Main tax types and tax rates

Tax type	Tax basis	Tax rate
Value-added tax	Taxable value-added amount	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax amount actually paid	7%
Enterprise income tax	Taxable income	25%
Extra charges of education funds	Turnover tax amount actually paid	3%
Local educational surcharges	Turnover tax amount actually paid	2%
Profits tax in Hong Kong, China	Taxable income	16.5%

Disclosure statement when there are different taxpayers subject to corporate income tax rates.

Names of the taxpayer	Income tax rate
Shandong Molong	15%
Molong Logistics	25%
MPM Company	16.5%
Molong Electromechanical	25%
Molong Import and Export	20%
Molong Commerce and Trade	20%
Molong Commerce and Trade	20%

### 2. Tax incentives

- (1) Pursuant to the document – *Announcement on the Filing of the Second Batch of High-tech Enterprises Recognized and Filed by the Certification Body of Shandong Province in 2023* issued by the Office of the National Leading Group for the Administration of High-tech Enterprise Certification, the Company has been recognized as a high-tech enterprise and obtained the high-tech enterprise certificate (No.: GR202337006967). The issuance date of the high-tech enterprise certificate is 7 December 2023, and its valid period is three years. In line with relevant regulations, the Company enjoyed the relevant preferential policies for high-tech enterprises issued by the state for three consecutive years from 2023 to 2025 and paid the enterprise income tax at a tax rate of 15%.
- (2) In line with the provisions of the Announcement No. 12 of 2023 issued by Ministry of Finance and State Administration of Taxation – *Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Businesses and Commercial Businesses*, the policy of calculating the taxable income at a reduced rate of 25% and paying the enterprise income tax at a rate of 20% for small and low-profit enterprises will be extended until 31 December 2027. The subsidiaries of the Group (namely Molong Import and Export, Molong Commerce and Trade and Molong E-commerce) meet the relevant standards and enjoy a preferential income tax rate of 20% for small and low-profit enterprises.
- (3) According to the *Announcement of Ministry of Finance and State Administration of Taxation on the Policy of Additional Deduction for Value-Added Tax of Advanced Manufacturing Enterprises* (Announcement No. 43 of 2023 by Ministry of Finance and State Administration of Taxation), from 1 January 2023 to 31 December 2027, it's allowed to add 5% to the deductible input tax amount in the current period to offset the amount of value-added tax payable for advanced manufacturing enterprises.

## VII. Explanatory Notes to consolidated financial statement items

### 1. Monetary funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	23,335.54	18,534.35
Bank deposit	82,938,851.80	16,757,431.46
Other monetary funds	70,193,689.17	70,012,924.31
Total	153,155,876.51	86,788,890.12
Wherein: Total amount of payments deposited overseas	2,498,896.17	2,509,631.03

#### Other descriptions

- (1) The funds deposited by the Company overseas are the monetary capitals of Hong Kong subsidiary – MPM Company.
- (2) At the end of the period, the amount of deposit in bank frozen due to litigation was RMB1,723,507.45. The restricted amount for the use of the bill deposit is RMB70,000,000.00, the amount frozen due to litigation is RMB1,837.77 and the e-commerce platform deposit is RMB17,707.78 in the other monetary funds.

### 2. Notes receivable

#### (1) Classified presentation of the notes receivable

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills	15,084,975.05	4,913,938.48
Commercial acceptance bills	16,217,940.04	23,162,178.87
Total	31,302,915.09	28,076,117.35

(2) Classified disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of accrual	Book value	Amount	Proportion	Amount	Proportion of accrual	Book value
Wherein:										
Notes receivable with the provision for bad debts by portfolio	31,466,732.67	100.00%	163,817.58	0.52%	31,302,915.09	28,310,078.75	100.00%	233,961.40	0.83%	28,076,117.35
Wherein:										
Bank acceptance	15,084,975.05	47.94%	—	—	15,084,975.05	4,913,938.48	17.36%	—	—	4,913,938.48
Commercial acceptance bill	16,381,757.62	52.06%	163,817.58	1.00%	16,217,940.04	23,396,140.27	82.64%	233,961.40	1.00%	23,162,178.87
Total	31,466,732.67	—	163,817.58	—	31,302,915.09	28,310,078.75	—	233,961.40	—	28,076,117.35

Category name of provision for bad debts by portfolio: Bank acceptance

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Bank acceptance	15,084,975.05	—	—
Total	15,084,975.05	—	—

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Descriptions for determining the portfolio basis:

Category name of provision for bad debts by portfolio: Commercial acceptance bill

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Commercial acceptance bill	16,381,757.62	163,817.58	1.00%
Total	16,381,757.62	163,817.58	—

Descriptions for determining the portfolio basis:

If the provision for bad debts on notes receivable is made based on the general model of expected credit losses:

☐ Applicable ☒ Not applicable

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

Calculation and withdrawal of provision for bad debts in the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Accrual	Withdrawal or reversal	Write-off	Others	
Provision for bad debts of notes receivable	233,961.40	—	70,143.82	—	—	163,817.58
Total	233,961.40	—	70,143.82	—	—	163,817.58

Thereinto, important amounts of the provision for bad debts recovered or reversed in the current period:

☐ Applicable ☒ Not applicable

(4) Notes receivable that the Company has endorsed or discounted at the end of the period and have not yet matured as of the balance sheet date

Unit: RMB

Item	Derecognized amount at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	—	15,084,975.05
Commercial acceptance bills	—	9,791,407.84
Total	—	24,876,382.89

(5) Actual situation of notes receivable written off in the current period

There are no actual notes receivable written off in the current period.

3. *Accounts receivable*

(1) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	321,081,364.46	221,427,518.61
1–2 years	372,911.15	2,226,344.02
More than 3 years	40,275,015.36	43,023,279.53
More than 5 years	40,275,015.36	43,023,279.53
Total	361,729,290.97	266,677,142.16

(2) Classified disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of accrual	Book value	Amount	Proportion	Amount	Proportion of accrual	Book value
Wherein:										
Accounts receivable with calculation and withdrawal of provision for bad debts by portfolio	361,729,290.97	100.00%	43,672,284.58	12.07%	318,057,006.39	266,677,142.16	100.00%	46,350,726.73	17.38%	220,326,415.43
Wherein:										
Portfolio of receivables from customers	361,729,290.97	100.00%	43,672,284.58	12.07%	318,057,006.39	266,677,142.16	100.00%	46,350,726.73	17.38%	220,326,415.43
Total	361,729,290.97	—	43,672,284.58	—	318,057,006.39	266,677,142.16	—	46,350,726.73	—	220,326,415.43

Category name of provision for bad debts by portfolio: Portfolio of receivables from customers

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Within 1 year	321,081,364.46	3,210,813.64	1.00%
1–2 years	372,911.15	186,455.58	50.00%
2–3 years	—	—	—
3–4 years	—	—	—
4–5 years	—	—	—
More than 5 years	40,275,015.36	40,275,015.36	100.00%
Total	361,729,290.97	43,672,284.58	—

Descriptions for determining the portfolio basis:

If the provision for bad debts for accounts receivable is made in accordance with the general model of expected credit losses:

☐ Applicable ☒ Not applicable



(3) Situation of provision for bad debts accrued, recovered or reversed in the current period

Calculation and withdrawal of provision for bad debts in the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Accrual	Withdrawal or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	46,350,726.73	—	2,678,442.15	—	—	43,672,284.58
Total	46,350,726.73	—	2,678,442.15	—	—	43,672,284.58

Wherein, important amounts of the provision for bad debts recovered or reversed in the current period:

There was no significant amount of the provision for bad debts recovered or reversed in the current period.

(4) Actual write-off accounts receivable in the current period

There are no actual write-offs of accounts receivables in the current period.

(5) Top five accounts receivable and contract assets based on the ending balance collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Provision for bad debts of accounts receivable and ending balance of contract asset impairment
China Petroleum & Chemical Corporation	93,912,187.89	—	93,912,187.89	25.96%	939,121.88
CNOOC (China) Co., Ltd.	78,045,579.13	—	78,045,579.13	21.58%	780,455.79
Shaanxi Yanchang Petroleum (Group) Co., Ltd.	59,742,496.33	—	59,742,496.33	16.52%	780,151.43
Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd.	40,760,511.30	—	40,760,511.30	11.27%	407,605.11
PetroChina Company Limited	19,411,178.65	—	19,411,178.65	5.37%	194,111.79
Total	291,871,953.30	—	291,871,953.30	80.70%	3,101,446.00

#### 4. Receivables financing

##### (1) Classified presentation of receivables financing

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance	27,184,802.41	40,000.00
Total	27,184,802.41	40,000.00

##### (2) Situation of provision for bad debts accrued, recovered or reversed in the current period

The acceptors of the bank acceptances held by the Group are all financial institutions with good credit standing. The risk of such bills not being honored upon maturity is very small, and the credit risk is low. The Company conducts derecognition at the time of endorsement or discounting, so no provision for impairment of assets is conducted.

##### (3) Financing of receivables that the company has endorsed or discounted at the end of the period and has not yet matured on the balance sheet date

Unit: RMB

Item	Derecognized amount at the end of the period	Amount not derecognized at the end of the period
Bank acceptance	23,286,564.89	—
Total	23,286,564.89	—

##### (4) Actual situation of receivables financing written off in the current period

There are no actual write-offs of receivables financing in the current period.

##### (5) Changes in increase or decrease and changes in fair value of receivables financing in the current period

The remaining term of the bank acceptances of the Group is relatively short, and the book balance is close to the fair value. Therefore, its book value is taken as the fair value.

##### (6) Other explanations

None

## 5. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	646,067,597.02	1,177,001,129.72
Total	646,067,597.02	1,177,001,129.72

### (1) Other receivables

#### 1) Classification of other receivables by the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Employee revolving fund	362,547.88	550,000.00
Deposit and security deposit	4,307,779.42	2,355,028.00
Export drawback receivable	—	13,299.35
Other unit receivables and payables	748,266,173.81	1,281,192,171.29
Minus: Provision for bad debts of other accounts receivable	(106,868,904.09)	(107,109,368.92)
Total	646,067,597.02	1,177,001,129.72

#### 2) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	456,890,139.87	850,184,477.54
1–2 years	296,035,677.63	433,905,337.49
More than 3 years	10,683.61	20,683.61
3–4 years	—	10,000.00
More than 5 years	10,683.61	10,683.61
Total	752,936,501.11	1,284,110,498.64

3) Classified disclosure by the bad debt provision method

✓ Applicable    ☐ Not applicable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of accrual		Amount	Proportion	Amount	Proportion of accrual	
Counting and withdrawing the provision for bad debts as per single item	748,100,826.56	99.36%	106,809,509.29	14.28%	641,291,317.27	1,281,028,523.99	99.76%	107,066,909.29	8.36%	1,173,961,614.70
Wherein:										
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	452,453,392.51	60.09%	0.00	0.00%	452,453,392.51	812,453,392.51	63.27%	—	—	812,453,392.51
Weihai Baolong	3,510,738.92	0.47%	210,644.34	6.00%	3,300,094.58	7,800,738.92	0.61%	468,044.34	6.00%	7,332,694.58
Shouguang Baolong	292,136,695.13	38.80%	106,598,864.95	36.49%	185,537,830.18	460,774,392.56	35.88%	106,598,864.95	23.13%	354,175,527.61
Counting and withdrawing the provision for bad debts as per combination	4,835,674.55	0.64%	59,394.80	1.23%	4,776,279.75	3,081,974.65	0.24%	42,459.63	1.38%	3,039,515.02
Wherein:										
Employee revolving fund	362,547.88	0.05%	—	—	362,547.88	550,000.00	0.04%	—	—	550,000.00
Deposit and security deposit	4,307,779.43	0.57%	—	—	4,307,779.43	2,355,028.00	0.18%	—	—	2,355,028.00
Export drawback receivable	—	—	—	—	—	13,299.35	0.00%	—	—	13,299.35
Combination of administrative institutions and public institutions	—	—	—	—	—	—	—	—	—	—
Other unit receivables and payables	165,347.24	0.02%	59,394.80	35.92%	105,952.44	163,647.30	0.01%	42,459.63	25.95%	121,187.67
Total	752,936,501.11		106,868,904.09		646,067,597.02	1,284,110,498.64		107,109,368.92		1,177,001,129.72

Category name of provision for bad debts as per single item: Shouguang Huarong Agriculture Science and Technology Co., Ltd.

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	812,453,392.51	—	452,453,392.51	—	—	—
Total	812,453,392.51	—	452,453,392.51	—	—	—

Category name of provision for bad debts as per single item: Weihai Baolong

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Weihai Baolong	7,800,738.92	468,044.34	3,510,738.92	210,644.34	6.00%	—
Total	7,800,738.92	468,044.34	3,510,738.92	210,644.34	—	—

Category name of provision for bad debts as per single item: Shouguang Baolong

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Shouguang Baolong	460,774,392.56	106,598,864.95	292,136,695.13	106,598,864.95	36.49%	—
Total	460,774,392.56	106,598,864.95	292,136,695.13	106,598,864.95	—	

Category name of provision for bad debts by portfolio: Employee revolving fund

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Employee revolving fund	362,547.88	—	—
Total	362,547.88	—	

Category name of provision for bad debts by portfolio: Deposit and security deposit

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Deposit and security deposit	4,307,779.43	—	—
Total	4,307,779.43	—	

Category name of provision for bad debts by portfolio: Other unit receivables and payables

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Other unit receivables and payables	165,347.24	59,394.80	35.92%
Total	165,347.24	59,394.80	

Calculation and withdrawal of provision for bad debts as per the general model of expected credit losses:

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (no credit impairment has not occurred)	Expected credit loss throughout the entire duration (the credit impairment has occurred)	
Balance on 1 January 2025	17,260.92	482,559.44	106,609,548.56	107,109,368.92
Balance on 1 January 2025 in the current period				
–Transferred to the second stage	(13,286.79)	13,286.79	—	0.00
Calculation and withdrawal for the current period	13,632.67	22,276.23	—	35,908.90
Reversal in the current period	3,974.13	272,399.60	—	276,373.73
Balance on 30 June 2025	13,632.67	245,722.86	106,609,548.56	106,868,904.09

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Basis for the division of each stage and the accrual proportion of provision for bad debts

Significant changes in the book balance of the loss provision for the current period

☐ Applicable ☒ Not applicable

4) *Situation of provision for bad debts accrued, recovered or reversed in the current period*

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Accrual	Withdrawal or reversal	Write-off or verification	Others	
Provision for bad debts of other accounts receivable	107,109,368.92	35,908.90	276,373.73	—	—	106,868,904.09
Total	107,109,368.92	35,908.90	276,373.73	—	—	106,868,904.09

5) *Other receivables actually written off in the current period*

There were no other receivables actually written off in the current period.

6) *Other receivables of top five ending balances collected by the debtor*

Unit: RMB

Unit name	Nature of payment	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period	Ending balance of provision for bad debts
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	Intercourse fund	452,453,392.51	Within 1 year	60.08%	—
Shouguang Baolong	Intercourse fund	292,136,695.13	Within 1 year, 1-2 years	38.79%	106,598,864.95
Weihai Baolong	Intercourse fund	3,510,738.92	1-2 years	0.47%	210,644.34
China Petrochemical International Co., Ltd. Nanjing Bidding Center	Bid bond	1,967,698.86	Within 1 year, 1-2 years	0.26%	—
Shaanxi Energy Chemical Exchange Co., Ltd.	Bid bond	1,487,800.00	Within 1 year	0.20%	—
Total		751,556,325.42		99.80%	106,809,509.29

7) *Presentation in other receivables due to centralized fund management*

The Group has no presentation in other receivables due to centralized management of funds.

## 6. Advance payment

### (1) Presentation of advance payment by aging

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	<b>48,981,679.25</b>	<b>95.76%</b>	23,063,085.60	91.98%
1-2 years	<b>2,170,909.60</b>	<b>4.24%</b>	2,010,000.00	8.02%
More than 3 years	<b>115.57</b>	<b>0.00%</b>	115.57	0.00%
Total	<b>51,152,704.42</b>	—	25,073,201.17	—

Description on reasons for failure in timely settlement of advance payment with over 1 year of aging and important amounts:

The Group had no important prepayments with an aging of more than one year at the end of the period.

(2) Balance of five largest accounts receivable and contract assets as at the end of the period by debtors

Unit: RMB

Unit name	Ending balance of advance payment	Proportion of the total ending balance of advance payments at the end of the period %
Shouguang Fangzhou Materials Co., Ltd.	16,576,201.40	32.41%
Shanghai Xianchi International Trade Co., Ltd.	10,000,000.00	19.55%
Shandong Shouguang Juneng Special Steel Co., Ltd.	7,272,641.09	14.22%
Henan Jigang Special Steel Sales Co., Ltd. Jinan Branch	3,861,960.00	7.55%
Shandong Desheng Robot Co., Ltd.	1,800,000.00	3.52%
Total	39,510,802.49	77.25%

## 7. Inventory

Does the Company need to comply with the disclosure requirements of the real estate industry

No

(1) Classification of inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value
Raw materials	99,161,588.69	8,324,646.02	90,836,942.67	128,018,796.52	8,455,922.57	119,562,873.95
Unfinished products	150,921,653.23	1,736,614.78	149,185,038.45	174,258,128.66	4,120,896.02	170,137,232.64
Finished goods	190,211,569.14	9,204,011.60	181,007,557.54	121,636,714.78	13,659,630.39	107,977,084.39
Materials for consigned processing	14,397,277.71	818.39	14,396,459.32	57,130.47	1,095.50	56,034.97
Total	454,692,088.77	19,266,090.79	435,425,997.98	423,970,770.43	26,237,544.48	397,733,225.95



(2) Inventory falling price reserves and provision for impairment of contract performance costs

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials	8,455,922.57	430,698.95	—	561,975.50	—	8,324,646.02
Unfinished products	4,120,896.02	809,846.34	—	3,194,127.58	—	1,736,614.78
Finished goods	13,659,630.39	2,343,101.51	—	6,798,720.30	—	9,204,011.60
Materials for consigned processing	1,095.50	818.39	—	1,095.50	—	818.39
Total	26,237,544.48	3,584,465.19	—	10,555,918.88	—	19,266,090.79

The amount of inventory falling price reserves of the Group that were reversed due to price changes in the current period was RMB3,700,500.88, and the write-off amount due to requisition or sale was RMB6,855,418.00.

*Standard for making provisions for inventory write-downs based on a combination*

Item	Specific basis for determining the net realizable value/ remaining consideration and the costs to be incurred	Reasons for the reversal or write-off of inventory falling price reserves/provision for impairment of contract performance costs in the current period
Raw materials	Estimated sale price minus the estimated costs to be incurred until completion, the estimated selling expenses and related taxes	Reversal: The previous write-down influencing factors had been eliminated, and the write-down amount had been reversed in the current period
Unfinished products and semi-finished products		
Materials for consigned processing		Write-off: The raw materials had been received or sold in the current period
Finished goods	Estimated selling price minus estimated selling expenses and related taxes	Reversal: The previous write-down influencing factors had been eliminated, and the write-down amount had been reversed in the current period  Write-off: The products of current period have achieved sales

- (3) Description of the capitalized amount of ending balance of inventory including borrowing costs

None

- (4) Description of amortization amount of contract performance costs for the current period

None

## 8. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Input tax to be deducted	4,087,983.14	368,914.64
Interest on the acceptance guarantee deposit receivable	289,205.48	—
Total	4,377,188.62	368,914.64

## 9. Other equity instrument investments

Unit: RMB

Item name	Beginning balance	Gains included into other comprehensive income for the current period	Losses included into other comprehensive income for the current period	Gains accumulated and included into other comprehensive income at the end of the current period	Losses accumulated and included into other comprehensive income at the end of the current period	Dividend income recognized in the current period	Ending balance	Reasons for being designated to be measured at the fair value with changes included in other comprehensive income
Weihai Baolong	3,316,677.33	—	—	—	—	—	3,316,677.33	
Total	3,316,677.33	—	—	—	—	—	3,316,677.33	

## 10. Long-term equity investment

Unit: RMB

Invested unit	Beginning balance (book value)	Beginning balance of impairment reserves	Increase and decrease changes in the current period							Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Negative investment	Investment gains or losses recognized under the equity method	Adjustments of other comprehensive incomes	Other changes in equity	Declaration of distributing cash dividends or profits	Accrual reduced-value allowance		
I. Joint venture											
II. Associated enterprise											
Karamay Yalong Petroleum Machinery Co., Ltd.	1,666,457.34	—	—	—	—	—	—	—	—	—	1,666,457.34
Shengrui Investment	—	—	40,000,000.00	—	—	—	—	—	—	—	40,000,000.00
Subtotal	1,666,457.34	—	40,000,000.00	—	—	—	—	—	—	—	41,666,457.34
Total	1,666,457.34	—	40,000,000.00	—	—	—	—	—	—	—	41,666,457.34

The recoverable amount is determined as the net amount after subtracting disposal expenses from the fair value

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Reasons for the significant inconsistency between the aforementioned information and the information used in impairment tests in previous years or external information

None

Reasons for the significant inconsistency between the information used in the impairment tests of the Company in previous years and the actual situation of that year

None

Other descriptions

None

## 11. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	324,515,398.73	327,402,077.12
Total	324,515,398.73	327,402,077.12

### (1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Transportation equipment	Electronics and others	Total
<b>I. Original book value:</b>					
1. Beginning balance	189,906,888.50	1,275,287,790.07	8,596,596.92	43,653,739.74	1,517,445,015.23
2. Increase amount in the current period	27,750,366.98	217,699.12	—	15,992.00	27,984,058.10
(1) Purchase	27,750,366.98	217,699.12	—	15,992.00	27,984,058.10
(2) Transfer-in from project under construction	—	—	—	—	—
(3) Increase in business merger	—	—	—	—	—
3. Decrease amount in the current period	6,999,522.02	54,387,240.27	—	111,945.25	61,498,707.54
(1) Disposal or scrapping	6,999,522.02	54,387,240.27	—	111,945.25	61,498,707.54
4. Ending balance	210,657,733.46	1,221,118,248.92	8,596,596.92	43,557,786.49	1,483,930,365.79
<b>II. Accumulated depreciation</b>					
1. Beginning balance	110,784,441.81	966,366,856.51	7,522,896.88	40,932,190.28	1,125,606,385.48
2. Increase amount in the current period	4,559,853.37	23,209,996.23	242,133.87	166,118.83	28,178,102.30
(1) Calculation and withdrawal	4,559,853.37	23,209,996.23	242,133.87	166,118.83	28,178,102.30
3. Decrease amount in the current period	4,389,228.88	41,516,053.34	—	105,772.52	46,011,054.74
(1) Disposal or scrapping	4,389,228.88	41,516,053.34	—	105,772.52	46,011,054.74
4. Ending balance	110,955,066.30	948,060,799.40	7,765,030.75	40,992,536.59	1,107,773,433.04
<b>III. Impairment reserves</b>					
1. Beginning balance	905,320.54	63,530,382.09	—	850.00	64,436,552.63
2. Increase amount in the current period	—	—	—	—	—
(1) Calculation and withdrawal	—	—	—	—	—
3. Decrease amount in the current period	905,320.54	11,888,848.07	—	850.00	12,795,018.61
(1) Disposal or scrapping	905,320.54	11,888,848.07	—	850.00	12,795,018.61
4. Ending balance	—	51,641,534.02	—	—	51,641,534.02
<b>IV. Book value</b>					
1. Book value at the end of the period	99,702,667.16	221,415,915.50	831,566.17	2,565,249.90	324,515,398.73
2. Book value at the beginning of the period	78,217,126.15	245,390,551.47	1,073,700.04	2,720,699.46	327,402,077.12

(2) Impairment test of fixed assets

☐ Applicable ☒ Not applicable

12. Project under construction

Unit: RMB

Item	Ending balance	Beginning balance
Project under construction	96,116.50	—
Total	96,116.50	—

(1) Project under construction

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Sporadic projects	96,116.50	—	96,116.50	—	—	—
Total	96,116.50	—	96,116.50	—	—	—

(2) Impairment test of project under construction

☐ Applicable ☒ Not applicable

### 13. Right-of-use assets

#### (1) Right-of-use assets

Unit: RMB

Item	Houses and buildings	Total
<b>I. Original book value</b>		
1. Beginning balance	16,038,761.35	16,038,761.35
2. Increase amount in the current period	—	—
Rent	—	—
3. Decrease amount in the current period	—	—
Transfer or held for sale	—	—
4. Ending balance	16,038,761.35	16,038,761.35
<b>II. Accumulated depreciation</b>		
1. Beginning balance	7,782,513.14	7,782,513.14
2. Increase amount in the current period	3,677,211.24	3,677,211.24
(1) Calculation and withdrawal	3,677,211.24	3,677,211.24
3. Decrease amount in the current period	—	—
(1) Disposition	—	—
4. Ending balance	11,459,724.38	11,459,724.38
<b>III. Impairment reserves</b>		
1. Beginning balance	—	—
2. Increase amount in the current period	—	—
(1) Calculation and withdrawal	—	—
3. Decrease amount in the current period	—	—
(1) Disposition	—	—
4. Ending balance	—	—
<b>IV. Book value</b>		
1. Book value at the end of the period	4,579,036.97	4,579,036.97
2. Book value at the beginning of the period	8,256,248.21	8,256,248.21

#### (2) Impairment test of right-of-use asset

☐ Applicable ☒ Not applicable

## 14. Intangible assets

### (1) Intangible assets

Unit: RMB

Item	Land usage right	Patent rights	Non-patent technology	Software	Total
<b>I. Original book value</b>					
1. Beginning balance	188,181,122.20	2,724,205.47	400,994,240.25	806,451.81	592,706,019.73
2. Increase amount in the current period	52,683,939.45	0.00	0.00	0.00	52,683,939.45
(1) Purchase	52,683,939.45	0.00	0.00	0.00	52,683,939.45
(2) Internal R&D	—	—	—	—	—
(3) Increase in business merger	—	—	—	—	—
3. Decrease amount in the current period	—	—	—	—	—
(1) Disposition	—	—	—	—	—
(2) Other decrease	—	—	—	—	—
4. Ending balance	240,865,061.65	2,724,205.47	400,994,240.25	806,451.81	645,389,959.18
<b>II. Accumulated amortization</b>					
1. Beginning balance	46,342,216.04	2,724,205.47	365,023,517.17	774,082.84	414,864,021.52
2. Increase amount in the current period	2,248,586.64	0.00	871,152.60	6,069.18	3,125,808.42
(1) Calculation and withdrawal	2,248,586.64	0.00	871,152.60	6,069.18	3,125,808.42
3. Decrease amount in the current period	—	—	—	—	—
(1) Disposition	—	—	—	—	—
4. Ending balance	48,590,802.68	2,724,205.47	365,894,669.77	780,152.02	417,989,829.94
<b>III. Impairment reserves</b>					
1. Beginning balance	—	—	33,968,375.45	—	33,968,375.45
2. Increase amount in the current period	—	—	—	—	—
(1) Calculation and withdrawal	—	—	—	—	—
3. Decrease amount in the current period	—	—	—	—	—
(1) Disposition	—	—	—	—	—
4. Ending balance	—	—	33,968,375.45	—	33,968,375.45
<b>IV. Book value</b>					
1. Book value at the end of the period	192,274,258.97	0.00	1,131,195.03	26,299.79	193,431,753.79
2. Book value at the beginning of the period	141,838,906.16	0.00	2,002,347.63	32,368.97	143,873,622.76

At the end of the current period, the proportion of intangible assets formed through internal research and development of the Company to the balance of intangible assets was 0.58%.

### (2) Impairment test of intangible assets

☐ Applicable    ☒ Not applicable

## 15. Deferred income tax assets/deferred income tax liabilities

### (1) Deferred income tax assets without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Lease liabilities	8,256,248.21	1,238,437.23	8,256,248.21	1,238,437.23
Total	8,256,248.21	1,238,437.23	8,256,248.21	1,238,437.23

### (2) Deferred income tax liabilities without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	8,256,248.21	1,238,437.23	8,256,248.21	1,238,437.23
Changes in the fair value of other debt investments included in other comprehensive income	19,337.50	4,834.38	19,337.50	4,834.38
Total	8,275,585.71	1,243,271.61	8,275,585.71	1,243,271.61

### (3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Unit: RMB

Item	Offset amount at the end of the period of deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after offsetting	Initial offset amount between deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	1,238,437.23	—	1,238,437.23	—
Deferred income tax liabilities	1,238,437.23	4,834.38	1,238,437.23	4,834.38



(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	221,612,631.06	278,336,529.61
Deductible losses	2,584,981,170.40	1,138,471,625.15
Total	2,806,593,801.46	1,416,808,154.76

(5) Deductible losses of unrecognized deferred income tax assets will mature in the following years

Unit: RMB

Year	Ending amount	Beginning amount	Remark
2025	—	—	—
2026	137,021,748.65	137,067,736.20	—
2027	2,214,314.72	2,231,156.38	—
2028	7,147,277.63	7,359,760.16	—
2029	80,558,884.20	81,308,983.78	—
2030	1,332,967.75	—	—
2031	273,110,646.67	273,110,646.67	—
2032	198,456,087.55	198,456,087.55	—
2033	210,481,054.24	210,481,054.24	—
2034	1,659,731,630.87	228,456,200.17	—
2035	14,926,558.12	—	—
Total	2,584,981,170.40	1,138,471,625.15	—

16. Other non-current assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Advance payment for equipment	38,500.00	—	38,500.00	259,900.00	—	259,900.00
Advance payment for assets, such as land	83,702,500.00	—	83,702,500.00	—	—	—
Total	83,741,000.00	—	83,741,000.00	259,900.00	—	259,900.00

## 17. Assets with restricted ownership or usage rights

Unit: RMB

Item	End of the period				Beginning of the period			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary capital	70,017,707.78	70,017,707.78	Bill deposit/ platform deposit	Pledge	70,000,000.00	70,000,000.00	Bill deposit	Pledge
Notes receivable	10,000,000.00	10,000,000.00	Bill pledge/ factoring financing	Pledge	10,000,000.00	10,000,000.00	Bill pledge/ factoring financing	Pledge
Fixed assets	289,672,410.97	82,349,745.20	Mortgage financing/ litigation seizure	Pledge/ seizure	350,036,111.78	108,445,903.44	Mortgage financing/ litigation seizure	Pledge/ seizure
Intangible assets	138,640,410.88	106,455,274.61	Mortgage financing/ litigation seizure	Pledge/ seizure	152,143,022.12	115,854,528.20	Mortgage financing/ litigation seizure	Pledge/ seizure
Monetary capital	1,725,345.22	1,725,345.22	Litigation freeze	Freeze	1,460,768.33	1,460,768.33	Litigation freeze	Freeze
Accounts receivable	10,924,988.50	10,815,738.62	Factoring financing	Pledge	16,910,160.84	16,741,059.23	Factoring financing	Pledge
Total	520,980,863.35	281,363,811.43			600,550,063.07	322,502,259.20		

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## 18. Short-term borrowings

### (1) Classification of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Pledge loan	18,059,827.50	25,460,572.85
Mortgage loan	289,403,222.22	289,433,913.33
Guaranteed loan	878,233,235.27	879,356,404.64
Credit loan	9,561,738.98	77,952,333.55
Bill discounting	160,306,053.01	153,562,689.02
Total	1,355,564,076.98	1,425,765,913.39

### (2) Situation of short-term loans that have been overdue and unpaid

There were short-term loans that had been overdue and unpaid at the end of the current period.

## 19. Notes payable

Unit: RMB

Type	Ending balance	Beginning balance
Bank acceptance	—	7,128.75
Total	<b>0.00</b>	7,128.75

## 20. Accounts payable

### (1) Presentation of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Payments payable to suppliers	<b>304,130,361.51</b>	294,207,878.68
Total	<b>304,130,361.51</b>	294,207,878.68

Other descriptions:

The aging analysis of accounts payable based on the transaction date is as follows:

Unit: RMB

Item	Ending amount	Beginning balance
Within 1 year	<b>249,026,100.98</b>	228,402,199.71
1–2 years	<b>12,206,802.68</b>	20,662,282.33
2–3 years	<b>11,187,530.51</b>	11,163,851.48
More than 3 years	<b>31,709,927.34</b>	33,979,545.16
Total	<b>304,130,361.51</b>	294,207,878.68

### (2) Important accounts payable with an aging exceeding one year or overdue

As of 30 June 2025, the company had no important accounts payable with an aging exceeding one year.

## 21. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Other accounts payable	<b>25,344,902.72</b>	40,123,921.92
Total	<b>25,344,902.72</b>	40,123,921.92

### (1) Other payables

#### 1) Listing other payables by the nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Rent	<b>1,624,105.24</b>	18,894,197.90
Withholding the expenditure on power	<b>17,081,018.18</b>	16,233,006.95
Deposit and security deposit	<b>6,498,430.48</b>	4,716,630.48
Others	<b>141,348.82</b>	280,086.59
Total	<b>25,344,902.72</b>	40,123,921.92

#### 2) Important other payables with aging of more than 1 year or overdue

At the end of the period, the Company had no important other payables with an aging exceeding one year.

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## 22. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales	<b>61,755,648.26</b>	35,099,585.13
Total	<b>61,755,648.26</b>	35,099,585.13

## 23. Employee remuneration payable

### (1) Presentation of employee remuneration payable

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term remuneration	50,249,839.63	53,474,641.70	72,206,223.58	31,518,257.75
II. Post-employment benefits – defined contribution plan	7,154,185.30	6,988,226.33	14,142,411.63	0.00
Total	57,404,024.93	60,462,868.03	86,348,635.21	31,518,257.75

### (2) Presentation of short-term remuneration

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Salary, bonus, allowance and subsidy	30,255,130.31	45,895,198.89	65,816,850.61	10,333,478.59
2. Employee welfare expenses	—	1,126,348.85	1,126,348.85	0.00
3. Social insurance charges	433,901.82	3,777,151.33	4,211,053.15	0.00
Wherein: Medical insurance premium	—	3,523,116.88	3,523,116.88	0.00
Work-related injury insurance premium	433,901.82	254,034.45	687,936.27	0.00
4. Housing provident fund	1,640,438.22	1,087,415.11	365,406.00	2,362,447.33
5. Labour union expenditure and employee education funds	17,920,369.28	1,588,527.52	686,564.97	18,822,331.83
Total	50,249,839.63	53,474,641.70	72,206,223.58	31,518,257.75

### (3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic pension insurance	6,833,552.22	6,716,073.86	13,549,626.08	—
2. Unemployment insurance premium	320,633.08	272,152.47	592,785.55	—
Total	7,154,185.30	6,988,226.33	14,142,411.63	0.00

#### Other descriptions

The Group participates in the social insurance plans established by government agencies as required. According to the plan, the Group deposits fees to such plans as per the relevant regulations of the local government. Except for the above-mentioned deposit fees, the Group will no longer undertake any further payment obligations. After the relevant fees are paid, the Company will have no right to dispose the above-mentioned funds. The corresponding expenditures are included into the current profits and losses or the costs of related assets when occurring.

The amount of employee pay payable by the Group at the end of the period includes the withdrawal of unpaid wages, bonuses, subsidies, etc. (amounting to RMB10,333,478.59) that are expected to be paid successively in the second half of 2025; the year-end amount of employee pay payable by the Group includes housing provident fund of RMB2,362,447.33 which is expected to be paid successively in the second half of 2025.

As of 2024 and 30 June 2025, the forfeited contributions under the Company's undefined contribution plan (the employer represented the employee who left the plan before the full attribution to the contribution) were available to the Group to reduce the existing contribution level.

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## 24. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
Value-added tax	70,685.78	7,920,879.40
Enterprise income tax	5,285,494.07	5,269,622.45
Individual income tax	40,454.52	107,385.57
Urban maintenance and construction tax	4,063.44	580,538.47
Property tax	430,114.97	367,762.57
Land use tax	302,950.20	230,150.20
Extra charges of education funds	1,729.31	414,649.70
Stamp duty	320,763.51	189,587.69
Others	54,779.77	26,422.90
Total	6,511,035.57	15,106,998.95

## 25. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term loans due within one year	—	1,855,663.87
Long-term payables due within one year	<b>6,773,393.74</b>	20,008,514.71
Lease liabilities due within one year	<b>7,086,406.31</b>	8,177,903.10
Total	<b>13,859,800.05</b>	30,042,081.68

## 26. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Output tax to be written off	<b>7,954,536.21</b>	4,400,344.20
Endorsed acceptance bill that has not been derecognized	<b>4,570,329.88</b>	14,747,389.73
Total	<b>12,524,866.09</b>	19,147,733.93

## 27. Long-term borrowings

### (1) Classification of long-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed loan	—	2,009,473.25
Minus: Long-term loans due within one year	—	(1,855,663.87)
Total	—	153,809.38

## 28. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payment amount	7,597,941.11	8,899,109.73
Minus: Unconfirmed financing expenses	(255,498.65)	(542,460.05)
Minus: Lease liabilities due within one year	(7,086,406.31)	(8,177,903.10)
Total	256,036.15	178,746.58

### Analysis of the maturity date of lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease liabilities	7,342,442.46	8,356,649.68
The book value of the aforesaid lease liabilities shall be repaid during the following period:		
Within one year	7,086,406.31	8,177,903.10
More than one year but not more than two years after the balance sheet date	256,036.15	178,746.58
More than two years but not more than five years after the balance sheet date	—	—
More than five years after the balance sheet date	—	—
Minus: Lease liability amounts due within one year as shown under current liabilities	7,086,406.31	8,177,903.10
Lease liability amount shown under non-current liabilities	256,036.15	178,746.58

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## 29. Long-term payables

### (1) Presentation of long-term payables by the nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Leaseback financing funds	6,773,393.74	20,008,514.71
Minus: Long-term payables due within one year	(6,773,393.74)	(20,008,514.71)
Total	0.00	0.00



### 30. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Formation reason
Pending action	4,960,656.25	4,960,656.25	Refer to XVI. 2. Contingencies of this Section for the detail
Total	4,960,656.25	4,960,656.25	

### 31. Deferred incomes

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Formation reason
Government subsidies	6,085,498.10	—	—	6,085,498.10	Government subsidies related to assets
Total	6,085,498.10	—	—	6,085,498.10	

#### Government subsidies project

Unit: RMB

Type	Beginning balance	New increase in the current period Amount of subsidies	Carry-over in the current period Amount included in profit or loss	Other changes	Ending balance	Related to assets/related to incomes
Subsidies for infrastructure construction	6,085,498.10	—	—	—	6,085,498.10	Related to assets
Subtotal	6,085,498.10	—	—	—	6,085,498.10	

Note: According to the *Notice on the Allocation of Infrastructure Supporting Subsidy Funds To Shouguang Molong Logistics Co., Ltd.* (SZF [2016] No. 3) issued by the People's Government of Shangkou Town, the Group received infrastructure supporting subsidy funds of RMB6,954,855.00 on 24 February 2016 and recognized the government subsidy as a government subsidy related to assets.

### 32. Share Capital

Unit: RMB

	Increase and decrease of this change (+, -)						Ending balance
	Beginning balance	New share issuance	Share donation	Conversion of housing provident fund into share	Others	Subtotal	
Total number of shares	797,848,400.00	—	—	—	—	—	797,848,400.00

### 33. Capital reserves

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (capital stock premium)	961,667,564.73	—	—	961,667,564.73
Other capital reserves	18,109,790.84	—	—	18,109,790.84
Total	979,777,355.57	—	—	979,777,355.57

### 34. Other comprehensive incomes

Unit: RMB

Item	Beginning balance	Occurrence amount in the current period						Ending balance
		Amount incurred before income tax in the current period	Minus: Previously included into other comprehensive income and transferred to profit or loss in the current period	Minus: Previously included into other comprehensive income and transferred to retained earnings in the current period	Minus: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive incomes that cannot be re-classified into profits and losses	14,503.12	—	—	—	—	—	—	14,503.12
Changes in fair value of investments in other equity instruments	14,503.12	—	—	—	—	—	—	14,503.12
II. Other comprehensive income to be re-classified into profit and loss	(3,545,789.78)	—	—	—	—	68,836.34	—	(3,476,953.44)
Conversion difference in foreign currency financial statements	(3,545,789.78)	—	—	—	—	68,836.34	—	(3,476,953.44)
Total other comprehensive income	(3,531,286.66)	—	—	—	—	68,836.34	—	(3,462,450.32)

### 35. Special reserves

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Safety production fees	—	4,036,068.36	4,036,068.36	—
Total	—	4,036,068.36	4,036,068.36	—

Other descriptions, including the increase and decrease in the current period and reasons:

The Group calculates and withdraws and uses the expenses of safety production as per the *Management Method for the Extraction and Use of Enterprise Safety Production Costs* (CQ [2022] No. 136) jointly issued by Ministry of Finance and State Administration of Work Safety.

### 36. Surplus reserves

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserves	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

### 37. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profits at the end of the previous period before adjustment	(1,469,578,894.72)	(1,425,879,061.33)
Undistributed profits at the beginning of the period after adjustment	(1,469,578,894.72)	(1,425,879,061.33)
Plus: Net profits attributable to the parent company owners in the current period	12,163,676.06	(43,699,833.39)
Undistributed profit at the ending of the period	(1,457,415,218.66)	(1,469,578,894.72)

Details of undistributed profit at the beginning of the period during adjustment period:

- (1) Due to the retroactive adjustment of the *Accounting Standards for Business Enterprises* and its related new regulations, the undistributed profit at the beginning of the period was affected by RMB0.00.
- (2) Due to changes in accounting policies, the undistributed profits at the beginning of this period were affected by RMB0.00.
- (3) Due to the correction of a significant accounting error, the undistributed profit at the beginning of the period was affected by RMB0.00.
- (4) Due to changes in the scope of consolidation due to the same control, the undistributed profit at the beginning of the period was affected by RMB0.00.
- (5) Other adjustments affect the undistributed profit at the beginning of the period by RMB0.00 totally.

### 38. Minority shareholders' equity

Minority stockholder's interest attributable to minority shareholders of each subsidiary

Unit: RMB

Subsidiary name	Minority equity ratio (%)	Ending balance	Beginning balance
Molong E-commerce	34	—	(15,060.14)
MPM Company	10	(351,607.82)	(360,372.84)
Total	—	(351,607.82)	(375,432.98)

### 39. Operating income and operating cost

Unit: RMB

Item	Occurrence amount in the current period		Occurrence amount in the previous period	
	Income	Cost	Income	Cost
Main business	770,336,854.87	693,580,969.61	565,349,400.52	548,882,498.25
Other businesses	27,183,454.87	25,884,887.85	39,278,530.36	38,311,633.44
Total	797,520,309.74	719,465,857.46	604,627,930.88	587,194,131.69

Breakdown information of operating income and operating cost:

Unit: RMB

Contract classification	Segment 1		Total	
	Operating income	Operating cost	Operating income	Operating cost
Business type				
Wherein:				
Tubular products	755,173,945.20	680,571,659.97	755,173,945.20	680,571,659.97
Oil well pumps, sucker rods and oil pumps	13,830,858.84	12,109,663.60	13,830,858.84	12,109,663.60
Petroleum machinery components	12,976.43	4,069.50	12,976.43	4,069.50
Others	28,502,529.27	26,780,464.39	28,502,529.27	26,780,464.39
Classification by operating area				
Wherein:				
Domestic	540,724,609.12	493,691,823.71	540,724,609.12	493,691,823.71
Abroad	256,795,700.62	225,774,033.75	256,795,700.62	225,774,033.75
Classification by the time of commodity transfer				
Wherein:				
Transfer at a certain time point	797,520,309.74	719,465,857.46	797,520,309.74	719,465,857.46
Classified by contract term				
Wherein:				
Short-term contract	797,520,309.74	719,465,857.46	797,520,309.74	719,465,857.46
Classification by sales channel				
Wherein:				
Direct sales	797,520,309.74	719,465,857.46	797,520,309.74	719,465,857.46
Total	797,520,309.74	719,465,857.46	797,520,309.74	719,465,857.46

Information related to performance obligations:

Item	Time to perform the performance obligation	Important payment terms	Nature of the goods promised by the Company to transfer	Is it the main responsible person	Funds expected to be refunded to customers borne by the Company	Types of quality assurance provided by the Company and related obligations
Export sales	The goods are loaded onto ships to leave the port.	The export business is mainly of cash collection. Most customers of oil casing products are of advances received. The final payment shall be paid in full before shipment or upon seeing a copy of the bill of lading.	Cargo	Yes	None	Product quality assurance
Domestic sales	After the customer receives the goods and signs for them, the Company shall obtain the customer's receipt. For the oil casing sold through the consignment stock method, the customer shall carry out settlement with the Company after getting them.	General pipe customers generally deliver goods after collection; Domestic oil casing customers generally conduct collection 3–6 months after billing and settlement.	Cargo	Yes	None	Product quality assurance

#### Other descriptions

Information related to the transaction price allocated to the remaining performance obligations:

The income amount corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB642 million, and it is expected that RMB642 million will be recognized as revenue in 2025.

#### 40. Taxes and surcharges

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Urban maintenance and construction tax	445,274.95	1,261,864.73
Extra charges of education funds	190,474.28	540,288.82
Resources tax	11,490.00	41,400.00
Property tax	797,877.54	735,526.34
Land use tax	533,100.40	460,300.40
Vehicle and vessel use tax	2,895.18	2,996.52
Stamp duty	578,354.51	604,641.69
Others	259,378.73	825,123.62
Total	2,818,845.59	4,472,142.12

#### 41. Administration expenses

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Amortization of intangible assets	2,254,655.82	4,014,149.81
Depreciation expense	895,984.04	38,787,854.31
Employee remuneration	9,583,171.78	18,039,080.49
Travel expense	173,649.07	168,498.92
Article of consumption	173,333.84	96,149.95
Business entertaining fees	647,924.40	459,356.38
Fees of Board of Directors	7,547.17	605,821.88
Water rate, electric charge and gas fee	733,821.91	1,605,727.25
Intermediary fee	2,151,801.69	702,375.21
Repair expenses	144,040.33	316,986.75
Others	1,780,651.74	1,274,520.88
Total	18,546,581.79	66,070,521.83

#### 42. Sales expenses

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Employee remuneration	4,328,479.30	4,140,596.91
Intermediary agency fee	138,397.25	591,938.01
Depreciation expense	5,569.18	98,953.20
Travel expense	410,509.89	309,170.31
Business entertaining fees	312,265.69	396,551.75
Transportation expense	949.25	11,827.10
Office expenses	103,290.48	139,379.10
Others	943,517.01	1,134,791.24
Total	6,242,978.05	6,823,207.62

#### 43. R&D expense

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
New product development for this year	10,221,955.21	10,750,438.75
Amortization of non-patented technology in the current year	871,152.60	1,335,359.65
Total	11,093,107.81	12,085,798.40

#### 44. Financial expenses

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
Interest expenditure	45,322,629.95	46,674,510.32
Minus: Interest income	(799,536.45)	(568,696.72)
Exchange losses or gains	(1,650,660.89)	(4,960,535.36)
Handling fee and others	191,378.13	175,362.55
Total	43,063,810.74	41,320,640.79

#### 45. Other incomes

Unit: RMB		
Source of other revenues	Occurrence amount in the current period	Occurrence amount in the previous period
Value-added tax input tax additional deduction	1,361,627.77	6,448,846.81
Refund of service charges for individual income tax	7,048.36	106,235.78
Total	1,368,676.13	6,555,082.59

#### 46. Investment income

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
Long-term equity investment income of business accounting by the equity method	—	(106,003.59)
Investment income generated from the disposal of long-term equity investments	—	281,430,276.74
Profits arising from re-measurement of residual stock rights based on fair value after losing of control right	—	767,204.43
Revenue from disposal of financial instruments	(96,433.34)	—
Total	(96,433.34)	282,091,477.58



#### 47. Credit impairment losses

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
Bad-debt losses of notes receivable	70,143.82	652,545.51
Bad debt losses of accounts receivable	2,678,442.15	656,707.39
Bad debt loss of other accounts receivable	240,464.83	(2,050,522.22)
Total	2,989,050.80	(741,269.32)

#### 48. Asset impairment loss

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
I. Loss on inventory falling price and impairment loss of contract performance cost	116,035.70	(8,955,173.29)
Total	116,035.70	(8,955,173.29)

#### 49. Asset disposal incomes

Unit: RMB		
Source of incomes from assets disposal	Occurrence amount in the current period	Occurrence amount in the previous period
Revenues from fixed asset disposal	4,114,238.28	163,084.71
Total	4,114,238.28	163,084.71

## 50. Non-operating income

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period	Amount included into the current non-recurring gains and losses
Litigation compensation	7,486,346.36	—	7,486,346.36
Others	925,006.93	3,592,336.79	925,006.93
Total	8,411,353.29	3,592,336.79	8,411,353.29

## 51. Non-operating expenditure

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period	Amount included into the current non-recurring gains and losses
Loss from the destruction and scrapping of non-current assets	30,591.93	69,829.69	30,591.93
Others	1,126,362.94	341,083.55	1,126,362.94
Total	1,156,954.87	410,913.24	1,156,954.87

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## 52. Income tax expenses

### (1) Table for income tax expenses

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Current income tax expenses	73,847.69	62,936.72
Deferred income tax expenses	—	(457,931.24)
Total	73,847.69	(394,994.52)

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Occurrence amount in the current period
Total profits	12,035,094.29
Income tax expenses calculated as per statutory/applicable tax rate	1,805,264.14
Effect of different tax rates applied to subsidiaries	(41,380.28)
Effect of non-taxable revenues	(1,896.99)
Effect of non-deductible costs, expenses and losses	57,509.59
Tax impact of additional deductions for research and development expenses	(2,651,323.32)
Tax influence of unrecognized deductible losses and deductible temporary differences	757,979.17
Income tax expenses	73,847.69

53. Other comprehensive income

Refer to "Note VII. 34. Other comprehensive income" for details.

54. Items of cash flow statement

(1) Cash related to operating activities

Other cash received related to operating activities

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Government subsidies	7,048.36	104,766.75
Interest income	786,738.61	569,818.86
Decrease of margin	—	1,800,000.00
Decrease of restricted deposits	—	894,632.32
Receiving the passive financial assistance funds for the disposal of subsidiaries in 2024	360,566,233.13	—
Others	13,605,342.60	10,891,171.02
Total	374,965,362.70	14,260,388.95

Description on other cash received related to operating activities:

*Payment of other cash related to operating activities*

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
New product development expenses	10,221,955.21	6,416,222.98
Consumables	173,333.84	351,099.50
Travel expense	584,158.96	472,147.72
Intermediary fee	2,290,198.94	1,598,515.93
Repair expenses	144,040.33	515,441.54
Water rate, electric charge and gas fee	723,821.91	1,556,946.15
Business entertaining fees	960,190.09	1,564,758.02
Service charges of financial institutions	149,353.96	334,210.66
Increase in the frozen bank deposit	232,901.06	511,940.38
Others	4,854,377.43	2,533,345.34
Total	20,334,331.73	15,854,628.22

## (2) Cash related to financing activities

*Other cash received related to financing activities*

Unit: RMB		
Item	Occurrence amount in the current period	Occurrence amount in the previous period
Reduction of financing margin	—	1,800,000.00
Total	—	1,800,000.00

Description of other cash paid relating to financing activities:

Changes in liabilities arising from financing activities

☐ Applicable ☒ Not applicable

## 55. Supplementary information of cash flow statement

### (1) Supplementary information of the cash flow statement

Unit: RMB

Supplementary information	Amount in the current period	Amount of the previous period
<b>1. Adjustment of net profit to cash flow from operating activities:</b>		
Net profit	11,961,246.60	169,351,108.77
Plus: Asset impairment reserve	(3,082,891.25)	10,688,743.58
Depreciation of fixed assets, waste of oil-gas assets and depreciation of productive biological assets	28,178,102.30	72,915,950.48
Depreciation of right-of-use assets	3,677,211.24	3,813,113.06
Amortization of intangible assets	3,125,808.42	5,189,174.26
Amortization of long-term unamortized expenses	—	—
Losses from disposal of fixed assets, intangible assets and other long-term assets (the revenue is expressed with “—”)	(4,114,238.28)	(762,888.96)
Losses from the abandonment of fixed assets (the revenue is expressed with “—”)	30,591.93	25,969.87
Losses from changes in fair value (the revenue is expressed with “—”)	—	—
Financial expenses (the revenue is expressed with “—”)	40,174,709.78	46,539,862.74
Investment losses (the revenue is expressed with “—”)	96,433.34	(282,197,481.17)
Decrease in deferred income tax assets (the increase is expressed with “—”)	—	—
Increase in deferred income tax liabilities (the decrease is expressed with “—”)	—	—
Decrease in inventories (the increase is expressed with “—”)	(30,898,742.85)	(52,940,051.54)
Decrease in operating receivables (the increase is expressed with “—”)	241,345,770.65	67,008,238.83
Increase in operating payables (the decrease is expressed with “—”)	(35,377,391.12)	81,709,607.48
Others	—	—
Net cash flow generated from operating activities	255,116,610.76	121,341,347.40
<b>2. Major investment and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under financing lease	—	—
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	151,412,823.51	82,883,850.36
Minus: Opening balance of cash	85,328,121.79	87,640,771.80
Plus: Ending balance of cash equivalents	—	—
Minus: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	66,084,701.72	(4,756,921.44)

(2) Net cash paid for the acquisition of subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business merger in the current period	40,000,000.00
Wherein:	
Shengrui Investment	40,000,000.00
Net cash paid for the acquisition of the subsidiary	40,000,000.00

(3) Net cash received for the disposal of subsidiaries in the current period

None

(4) Compositions of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	151,412,823.51	85,328,121.79
Wherein: Cash on hand	23,335.54	18,534.35
Bank deposit available for payment at any time	81,215,344.35	15,298,500.05
Other monetary fund that can be used for payment at any time	70,193,689.17	70,011,087.39
III. Balance of cash and cash equivalents at the end of the period	151,412,823.51	85,328,121.79

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(5) Monetary fund that does not fall into cash and cash equivalents

Unit: RMB

Item	Amount in the current period	Amount of the previous period	Reasons for not being classified as cash and cash equivalents
Monetary capital	1,743,053.00	5,191,512.37	Not available for payment at any time
Total	1,743,053.00	5,191,512.37	

## 56. Foreign currency monetary items

### (1) Foreign currency monetary items

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion exchange rate	RMB balance converted at the end of the period
Monetary capital			4,060,559.26
Wherein: USD	567,226.41	7.1586	4,060,546.98
EUR	0.37	8.4024	3.11
HKD	10.05	0.91195	9.17
Accounts receivable			37,784,239.90
Wherein: USD	5,278,160.52	7.1586	37,784,239.90
EUR	—	—	—
HKD	—	—	—
Accounts payable			13,259,743.85
Wherein: USD	1,852,281.71	7.1586	13,259,743.85
HKD	—	—	—
Contract liabilities			25,419,602.27
Wherein: USD	1,946,446.76	7.1586	13,933,833.77
EUR	1,366,962.83	8.4024	11,485,768.50
HKD	—	—	—

### (2) Description of overseas business entities. The main overseas business location, the recording currency and the basis for selection of significant overseas business entities shall be disclosed. If the recording currency changes, the reasons shall also be disclosed.

☒ Applicable ☐ Not applicable

As for the Company's holding subsidiary, MPM Company (shareholding ratio and voting right ratio: 90%), the place of registration and main business location are Hong Kong and the recording currency is USD.

## 57. Lease

### (1) The Company as the Lessee

☒ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☐ Applicable ☒ Not applicable

Lease expenses for short-term leases or low-value assets with simplified processing

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Occurrence amount in the current period
Short-term rental expenses	4,242,562.18
Low-value rental costs	—
Variable lease payments not included in the measurement of lease liabilities	—
Total	4,242,562.18

Short-term rental costs mainly involve the lease with a term of no more than 12 months.

Situations involving leaseback transactions

None

### (2) The Company as the Lessor

Operating lease as the Lessor

☐ Applicable ☒ Not applicable

Financial lease as the Lessor

☐ Applicable ☒ Not applicable

Annual undiscounted lease payments for the next five years

☐ Applicable ☒ Not applicable

Reconciliation table of undiscounted lease receipts and net lease investments

### (3) Recognition of the gains or losses from financial lease sales as a manufacturer or distributor

☐ Applicable ☒ Not applicable



## VIII. R&D expenditure

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Employee remuneration	<b>6,560,224.45</b>	6,355,281.77
Material fee	<b>8,510,208.42</b>	7,303,248.92
Depreciation and amortization	<b>871,152.60</b>	1,335,359.65
Others	<b>3,747,369.70</b>	448,018.26
Total	<b>19,688,955.17</b>	15,441,908.60
Wherein: Expensed R&D expenditures	<b>11,093,107.81</b>	12,085,798.40

## IX. Changes in consolidation scope

### 1. Disposal of subsidiaries

Were there any transactions or events that result in the loss of control right over a subsidiary in the current period

☐ Yes ☒ No

Is there any situation where the investment in the subsidiary was disposed step by step through multiple transactions and the control was lost in the current period

☐ Yes ☒ No

### 2. Changes in consolidation scope due to other reasons

Explain other reasons for changes in the consolidation scope (such as the establishment of new subsidiaries and liquidation of subsidiaries) and their related circumstances:

None

## X. Equity in other entities

### 1. Equity in other subsidiaries

#### (1) Constitution of enterprise group

Unit: RMB

Subsidiary name	Registered capital	Main place of business	Place of registration	Nature of business	Enterprise type	Shareholding ratio Direct	Indirect	Legal person category	Acquisition method
MPM Company	1,000,000.00	Hong Kong	Hong Kong	Trade industry	Limited company	90.00%	0.00%	Corporation for profit	Business merger not under the same control
Molong Electromechanical	1,000,000.00	Shouguang	Shouguang	Manufacturing industry	Limited company	75.00%	25.00%	Corporation for profit	Business merger not under the same control
Molong Logistics	3,000,000.00	Shouguang	Shouguang	Service industry	Limited company	100.00%	0.00%	Corporation for profit	Investment and establishment
Molong Import and Export	10,000,000.00	Shouguang	Shouguang	Import and export	Limited company	100.00%	0.00%	Corporation for profit	Investment and establishment
Molong Commerce and Trade	30,000,000.00	Shouguang	Shouguang	Trade industry	Limited company	100.00%	0.00%	Corporation for profit	Investment and establishment
Molong E-commerce	1,000,000.00	Shouguang	Shouguang	E-commerce	Limited company	0.00%	100.00%	Corporation for profit	Investment and establishment

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#### (2) Important non-wholly-owned subsidiary

None

#### (3) Significant restrictions on the use of assets of enterprise groups and the settlement of debts of enterprise groups

There are no significant restrictions on the use of the assets of the enterprise group and the settlement of the debts of the enterprise group in the Group.

#### (4) Financial support or other support provided to structured entities included in the consolidated financial statements

The Group has no structured entities included into the consolidated financial statements.

Other descriptions:

On 30 June 2025, none of the subsidiaries of the Company issued capital stocks or debt securities.

## 2. Equity in a joint venture or associated enterprise

### (1) Joint venture or associated enterprise

Name of joint venture or associated enterprise	Main place of business	Place of registration	Nature of business	Shareholding ratio		Accounting treatment methods for investments in joint ventures or associated enterprises
				Direct	Indirect	
Karamay Yalong Petroleum Machinery Co., Ltd.	Karamay	Karamay	Manufacturing industry	—	30.00%	Equity method
Shengrui Investment	Shouguang	Shouguang	Trade industry	—	40.00%	Equity method
Molong Agriculture	Danzhou	Danzhou	Wholesale industry	—	48.00%	Equity method

### (2) Consolidated financial information of unimportant joint ventures and associated enterprises

Unit: RMB

	Ending balance/ accrual in the current period	Opening balance/ accrual in the previous period
Associated enterprises:		
Total book value of investment	<b>1,666,457.34</b>	1,666,457.34
Total of the following items calculated based on the shareholding ratio		
– Net profit	<b>17,859.35</b>	(28,127.47)
– Total comprehensive income	<b>17,859.35</b>	(28,127.47)

### (3) Explanation of the significant limitations on the ability of joint ventures or associated enterprises to transfer funds to the company

There are no significant restrictions on the ability of associated enterprises to transfer funds to the Company.

### (4) Excess losses occurring to joint ventures or associated enterprises

The associated enterprise does not suffer any excess losses.

### (5) Unconfirmed commitments related to investment in joint ventures

None

### (6) Contingent liabilities related to investments in joint ventures or associated enterprises

The Company has no contingent liabilities related to its investment in associated enterprises.

## 3. Equity in the structured entities not incorporated in the consolidated financial statements

The Company has no structured entities that are not included in the consolidated financial statements.

## XI. Government subsidies

### 1. Government subsidies recognized based on the amount receivable at the end of the reporting period

☐ Applicable ☒ Not applicable

Reason for not receiving the expected amount of government subsidies at the expected time point

☐ Applicable ☒ Not applicable

### 2. Liability items involving government subsidies

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting subject	Beginning balance	Newly added amount of subsidy in the current period	Amounts included in non-operating incomes in the current period	Amount transferred into other incomes in the current period	Other changes in the current period	Ending balance	Related to assets/ earnings
Deferred income	6,085,498.10	—	—	—	—	6,085,498.10	Related to assets

### 3. Government subsidies included into the current profits and losses

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting subject	Occurrence amount in the current period	Occurrence amount in the previous period
Other incomes	1,368,676.13	6,555,082.59

## XII. Risks related to financial instruments

### 1. Various risks arising from financial instruments

The main financial instruments of the Company cover monetary capitals, notes receivable, accounts receivable, financing of receivables, other receivables, other current assets, trading financial assets, other equity instrument investments, other non-current financial assets, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. The detailed information of all financial instruments has been disclosed in the relevant notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described as follows. The Company management layer manages and monitors the risk exposure in order to ensure the above-mentioned risks are controlled within the prescribed range.

## (I) Risk management objectives and policies

The main risks caused by the financial instruments of the Company are credit risk, liquidity risk and market risk.

The objective of the Company's risk management is to strike an appropriate balance between risk and return, minimize the negative impact of risk on the Company's operating performance and maximize the interests of shareholders and other equity investors. Based on the risk management goal, the basic strategy of risk management of the Company is to identify and analyze various risks faced by the Company, establish an appropriate risk tolerance bottom line, carry out risk management and supervise various risks in a timely and reliable manner to keep risks within the limited range.

### ① *Credit risk*

Credit risk refers to the risk that a counterparty fails to fulfill its contractual obligations, resulting in financial losses for the Company.

The Company manages credit risks by portfolio classification. The credit risk mainly arises from bank deposits, notes receivable, accounts receivable, other receivables, etc.

The bank deposits of the Company are mainly placed in financial institutions with a good reputation and a high credit ratings. The Company expects that there is no significant credit risk in the bank deposits.

For notes receivable, accounts receivable, other receivables and long-term receivables, the Company has set relevant policies to control the credit risk exposure. The Company assesses the credit qualifications of customers based on their financial status, credit records and other factors (such as the current market situation) and sets corresponding credit periods. The Company will regularly monitor the credit records of customers. For customers with poor credit records, the Company will adopt such measures as written demand for payment, shortening the credit period or canceling the credit period to ensure that the overall credit risk of the Company remains within a controllable range.

The biggest credit risk exposure that the Company bears is the book amount of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose our company to credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 80.70% of the total accounts receivable of the Company (2024: 73.27%). Among the other receivables of the Company, the other receivables of the top five companies in terms of amount in arrear accounted for 99.80% of the total other receivables of the Company (2024: 99.92%).

### ② *Liquidity risk*

Liquidity risk refers to the risk that the Company encounters a shortage of funds when fulfilling its obligation to settle by delivering cash or other financial assets.

At the moment of managing the liquidity risk, the Company maintains cash and cash equivalents that the management deems sufficient and monitors them to meet the Company's operational needs and reduce the impact of cash flow fluctuations. The Company's management monitors the use of bank borrowings and ensures compliance with borrowing agreements. At the same time, commitments are obtained from major financial institutions to provide sufficient reserve funds to meet short-term and long-term capital demands.

The Company raises working capital through funds generated from business operations and loans from banks and other sources. At the end of the period, the Company had no unused bank loan quota.

The Company will also consider negotiating with suppliers and adopting supplier financing arrangements to extend the payment period so as to alleviate the Company's cash flow pressure.

At the end of the period, the financial liabilities and off-balance sheet guarantee items of the Company were analyzed in line with the term to maturity of the undiscounted remaining contractual cash flows as follows:

Unit: RMB

Item	Within 1 year	Ending balance		Total
		Within one to three years	More than 3 years	
Financial liabilities:				
Short-term borrowings	1,355,564,076.98	—	—	1,355,564,076.98
Accounts payable	304,130,361.51	—	—	304,130,361.51
Other accounts payable	25,802,902.72	—	—	25,802,902.72
Non-current liabilities due within one year	13,859,800.05	—	—	13,859,800.05
Other current liabilities	12,524,866.09	—	—	12,524,866.09
Lease liabilities	—	256,036.15	—	256,036.15

The amounts of financial liabilities disclosed in the above statement are undiscounted contractual cash flows, thus they may differ from the book amounts in the balance sheet.

The maximum guarantee amount of the signed guarantee contract does not represent the amount to be paid.

### ③ Market risks

Market risk of financial instruments refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices, including interest rate risk, exchange rate risk and other price risks.

#### Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market interest rates. The interest rate risk may originate from recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

The interest rate risk of the Company mainly arises from interest-bearing debts (such as loans) from financial institutions. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts as per the market environment at that time and maintains an appropriate combination of fixed and floating interest rate tools through regular review and monitoring.

The Company closely monitors the impact of interest rate changes on the Company's interest rate risk.

The interest-bearing financial instruments held by the Company are as follows:

Unit: RMB

Item	Current period amount	Amount in the previous period
Financial instruments of fixed interest rate		
Financial liabilities	—	—
Wherein: Short-term borrowings	<b>1,355,564,076.98</b>	1,425,765,913.39
Long-term borrowings	<b>0.00</b>	2,009,473.25
Total	<b>1,355,564,076.98</b>	1,427,775,386.64
Floating interest rate financial instruments		
Financial assets	—	—
Wherein: Monetary capital	<b>153,155,876.51</b>	86,788,890.12
Total	<b>1,508,719,953.49</b>	1,514,564,276.76

For financial instruments held on the balance sheet date that expose the Company to fair value interest rate risk, the impact of net profit and shareholders' equity in the above sensitivity analysis is the impact after re-measuring the above-mentioned financial instruments pursuant to the new interest rate supposing that the interest rate changes on the balance sheet date. For floating interest rate non-derivative instruments held on the balance sheet date that expose the Company to cash flow interest rate risk, the impact of net profit and shareholders' equity in the above sensitivity analysis is the impact of the above-mentioned interest rate changes on the annual estimated interest expense or income. The analysis of the previous year was based on the same assumptions and methods.

#### Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in foreign exchange rates. The exchange rate risk can derive from financial instruments valued in foreign currencies other than the recording currency.

The Company's main operation is within China, and main business is settled in RMB. However, the foreign currency assets and liabilities recognized by the Company and future foreign currency transactions (the currency in which foreign currency assets and liabilities and foreign currency transactions are denominated are mainly the USD and EUR) are still of foreign exchange risks.

At the end of the period, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB were presented as follows:

Unit: RMB

Item	Foreign currency liabilities		Foreign currency assets	
	Ending balance	Balance at the end of the previous year	Ending balance	Balance at the end of the previous year
USD	<b>27,193,577.62</b>	11,311,753.51	<b>41,844,786.88</b>	58,426,862.26
EUR	<b>11,485,768.50</b>	—	<b>3.11</b>	2,438,389.19
HKD	—	947,103.08	<b>9.17</b>	9.29
Total	<b>38,679,346.12</b>	12,258,856.59	<b>41,844,799.15</b>	60,865,260.74

The Company keeps an eye on the impact of exchange rate fluctuations on exchange rate risks. The Company has not taken any measures to hedge against exchange rate risks at present. However, the management shall be responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

Under the condition that other variables remain unchanged, the possible reasonable changes in the exchange rate of foreign currencies against the RMB this year may have the following after-tax impact on the Company's current profits and losses:

Unit: RMB

After-tax profit increase (decrease)	Current period amount		Year-end balance of the previous year	
Increase in dollar currency rate	5%	<b>622,676.39</b>	5%	2,000,509.90
Decrease in dollar currency rate	(5)%	<b>(622,676.39)</b>	(5)%	(2,000,509.90)
Increase in EUR currency rate	5%	<b>(488,145.03)</b>	5%	103,631.54
Decrease in EUR currency rate	(5)%	<b>488,145.03</b>	(5)%	(103,631.54)
Increase in Hong Kong dollar exchange rate	(5)%	<b>0.39</b>	5%	(40,251.49)
Decrease in Hong Kong dollar exchange rate	(5)%	<b>(0.39)</b>	(5)%	40,251.49



## 2. Financial assets

### (1) Classification of transfer methods

✓ Applicable    ☐ Not applicable

Unit: RMB

Transfer method	Nature of the financial assets has been transferred	Amount of financial assets that have been transferred	Derecognition situation	Basis for judging the derecognition situation
Endorsement of bills/ discounting of bills	Receivables financing	23,286,564.89	Derecognition	Almost all the risks and rewards have been transferred
Endorsement of bills/ discounting of bills	Notes receivable	24,876,382.89	Not derecognized	Almost all the risks and rewards (including relevant default risk) have been retained
Total		48,162,947.78		

### (2) Financial assets derecognized due to transfer

✓ Applicable    ☐ Not applicable

Unit: RMB

Item	Method of transferring financial assets	Amount of financial assets derecognized	Gains or losses related to derecognition
Receivables financing	Endorsement/discounting	23,286,564.89	—
Total		23,286,564.89	—

### (3) Continued involvement in asset transfer of financial assets

✓ Applicable    ☐ Not applicable

Unit: RMB

Item	Asset transfer method	Continued involvement in the amount of assets formed	Continued involvement in the amount of liabilities formed
Notes receivable	Endorsement/discounting	24,876,382.89	24,876,382.89
Total		24,876,382.89	24,876,382.89

### XIII. Disclosure of fair value

#### 1. Period-end fair value of assets and liabilities measured at the fair value

Unit: RMB

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement	—	—	—	—
Receivables financing	—	—	27,184,802.41	27,184,802.41
(III) Other equity instrument investments	—	—	3,316,677.33	3,316,677.33
Total assets continuously measured at the fair value	—	—	30,501,479.74	30,501,479.74
II. Non-continuous fair value measurement	—	—	—	—

#### 2. Basis of determining the market price of continuous and non-continuous Level 1 fair value measurement items

Level 1: Quotation of the same assets or liabilities in an active market (unadjusted).

#### 3. Qualitative and quantitative information of the valuation techniques and important parameters adopted for the continuous and non-continuous Level 2 fair value measurement items

Level 2: Use of observable input values other than the market quotations of assets or liabilities in the first level directly (namely price) or indirectly (namely derived from the price).

#### 4. Qualitative and quantitative information of the valuation techniques and important parameters adopted for the continuous and non-continuous Level 3 fair value measurement items

Level 3: Use of any input values that are not based on observable market data (unobservable input values) for assets or liabilities.

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### XIV. Related parties and related party transaction

#### 1. Information of the parent company of the Company

Parent company name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company to the enterprise	Proportion of voting rights of the parent company in the enterprise
Molong Holding	Shouguang	Other financial services	RMB1,500 million	29.53%	29.53%

#### Description on the parent company of the enterprise

Molong Holding is a wholly-owned subsidiary of Shouguang Jinxin which is a wholly-owned company of Shouguang Municipal Bureau of Land and Resources.

The ultimate controller of the enterprise is Shouguang Municipal Bureau of Land and Resources.

## 2. *Subsidiary of the enterprise*

Refer to Note X. 1. (1) Composition of an enterprise group for the situation of the subsidiaries of the enterprise.

## 3. *Joint ventures and associated enterprises of the enterprise*

For joint ventures or associated enterprise of the enterprise, refer to "Note X. 2. Equity in joint venture or associated enterprise".

The situation of other joint ventures or associated enterprises that had related party transactions with the Company in the current period or had formed balances from related party transactions with the Company in the previous period is as follows:

<b>Name of joint venture or associated enterprise</b>	<b>Relationship with the enterprise</b>
Karamay Yalong Petroleum Machinery Co., Ltd.	Associated enterprises of the Company

## 4. *Information on other related parties*

<b>Names of other related parties</b>	<b>Relationship between other related parties and the enterprise</b>
Shouguang State-owned Assets Supervision and Administration Bureau	Actual controller
Shouguang Molong Holding Co., Ltd.	Controlling shareholder of the Company
Shandong Shouguang Jinxin Investment and Development Holding Group Co., Ltd.	Controlling shareholder of the Company's controlling shareholder
Shouguang Jinxu Industrial Development Group Co., Ltd.	Legal person who indirectly controls a listed company
Shouguang Jinwei Investment, Development and Construction Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Yincheng New Energy Development Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Guangfa Power Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Education Development Group Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Desheng Education Information Service Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Dexin Commerce and Trade Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Deyuan Education Consulting Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Weifang Mimosa Personal Care Technology Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled

<b>Names of other related parties</b>	<b>Relationship between other related parties and the enterprise</b>
Shouguang Senyue Woodwork Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shandong Chengxin Biotechnology Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Hainan Jintou Chufeng Agriculture Science and Technology Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Fuyuan Salt Industry Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Jinxu Medical Service Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Weifang Jinwei Commerce and Trade Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Weifang Jinheng Pharmaceutical Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Weifang Jinyue Medical Equipment Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Zhongpukang Pharmaceutical Co., Ltd.	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Jincheng Venture Capital Partnership (Limited Partnership)	Company controlled by the legal person of a listed company which is also indirectly controlled
Shouguang Jindun Motor Vehicle Driver Training Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Rongyuan Agriculture Science and Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Chuangcai Asset Management Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jintou Medical Service Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Xiangrun Industrial Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Construction Project Quality Inspection Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Xinjing Tourism Development Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Fenghui Agriculture Science and Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder

<b>Names of other related parties</b>	<b>Relationship between other related parties and the enterprise</b>
Shouguang Xinhui Real Estate Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Weifang Huayuan Thermal Power Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang High-tech Zone Investment and Development Group Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Gaotou Huibang Construction and Installation Engineering Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Gaotou Shenghui Photovoltaic Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jinsheng Investment Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jinyunze Agriculture Science and Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Ronggeng Agriculture Science and Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Tianyi New Energy Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Qiyuan Operation Management Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shandong Qingtai Medical Equipment Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Chenghui Media Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shandong Chiming Salt Chemical Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shandong Bolan Biotechnology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Hengze Industrial Development Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jinrui Media Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jinhan Supply Chain Management Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder

<b>Names of other related parties</b>	<b>Relationship between other related parties and the enterprise</b>
Shouguang Jinshichen Media Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jinying Media Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shandong Longxing Plastic Film Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang High-tech Zone Infrastructure Development Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Jintou Thermal Power Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Guoyu New Energy Technology Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Kefa Investment Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Shouguang Fruit and Vegetable Variety Right Trading Center Co., Ltd.	Company that is also controlled by the parent company of the controlling shareholder
Weifang Xingchen Investment Co., Ltd.	Company where the directors of the Company are employed
Shouguang Industrial Investment Holding Group Co., Ltd.	Company where the directors of the Company are employed
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd.	Company where the directors of the Company are employed
Shouguang Jintou Equity Investment Fund Management Co., Ltd.	Company where the directors of the Company are employed
Shandong Univalsoft Co., Ltd.	Company where the directors of the Company are employed
Shouguang Shengcheng Limited Liability Accounting Firm	Company where the directors of the Company are employed
Shouguang Shengcheng Asset Appraisal Co., Ltd.	Company where the directors of the Company are employed
Shouguang Financial Investment Group Co., Ltd.	Company where an associated natural person is employed
Shouguang Haihengwei Real Estate Development Co., Ltd.	Company where an associated natural person is employed
Shouguang Jintou Investment Property Management Co., Ltd.	Company where an associated natural person is employed

<b>Names of other related parties</b>	<b>Relationship between other related parties and the enterprise</b>
Shouguang Jinkong Asset Management Co., Ltd.	Company where an associated natural person is employed
Shouguang Jintou Cultural Industry Development Co., Ltd.	Company where an associated natural person is employed
Shouguang Industrial Investment Education Technology Development Co., Ltd.	Company where an associated natural person is employed
Shouguang Jindu Engineering Management Co., Ltd.	Company where an associated natural person is employed
Kunpeng (Shandong) Asset Management Co., Ltd.	Company where an associated natural person is employed
Qingdao Jinxin Huijin Financial Leasing Co., Ltd.	Company where an associated natural person is employed
Weifang Huiyi Property Management Co., Ltd.	Company where an associated natural person is employed
Shouguang Chengsai Agriculture Science and Technology Co., Ltd.	Company where an associated natural person is employed
Shouguang Jincan Agriculture Science and Technology Co., Ltd.	Company where an associated natural person is employed
Shouguang Changxu Thermal Power Co., Ltd.	Company where an associated natural person is employed
Shouguang Xianglin Enterprise Management Co., Ltd.	Company where an associated natural person is employed
Shouguang Jintou Yudaxiang Agricultural Co., Ltd.	Company where an associated natural person is employed
Shandong Jiuan Insurance Brokerage Co., Ltd.	Company controlled by the Company directors within the past 12 months
Shandong Jiuan Investment Management Co., Ltd.	Company controlled by the Company directors within the past 12 months
Shandong Qi'an Health Management Co., Ltd.	Company controlled by the Company directors within the past 12 months
Subei Lujiang Mining Co., Ltd.	Companies where the Company's directors were employed in the past 12 months
Shandong Ju'an Siwei Risk Management Consulting Co., Ltd.	Company controlled by the Company directors within the past 12 months

## 5. Related party transaction

### (1) Related party transaction of purchase and sale of goods and provision and acceptance of services

Table of Commodity Procurement and Labor Acceptance

Unit: RMB

Related party	Content of related party transactions	Occurrence amount in the current period	Approved transaction quota	Whether the transaction quota is exceeded	Occurrence amount in the previous period
Weifang Huiyi Property Management Co., Ltd.	Property fees, etc.	80,364.17	—	No	60,776.00
Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pipes, couplings, oil pumps, etc.	4,445,980.55	—	No	414,077.26

Table of Selling Products/providing Labor Services

Unit: RMB

Related party	Content of related party transactions	Occurrence amount in the current period	Occurrence amount in the previous period
Karamay Yalong Petroleum Machinery Co., Ltd.	Oil pumps and pipes	605,330.00	582,452.54

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### (2) Associated lease

The Company acts as the Lessee:

Unit: RMB

Name of the Lessor	Type of the leased asset	Rental expenses for simplified short-term leases and leases of low-value assets (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenditures of lease liabilities undertaken		Right-of-use assets added	
		Occurrence amount in the current period	Occurrence amount in the previous period	Occurrence amount in the current period	Occurrence amount in the previous period	Occurrence amount in the current period	Occurrence amount in the previous period	Occurrence amount in the current period	Occurrence amount in the previous period	Occurrence amount in the current period	Occurrence amount in the previous period
Xiangrun Industrial	Houses and buildings	—	—	—	—	0.00	0.00	13,411.41	0.00	—	—

### (3) Related-party guarantee

None



(4) Related party fund lending

Unit: RMB

Related party	Loan amount	Start date	Expiry date	Description
Borrowing				
Shouguang Jinxin	30,000,000.00	18 November 2024	16 January 2025	—
Shouguang Jinxin	40,000,000.00	6 March 2025	7 March 2025	—
Lending	—	—	—	—

(5) Remuneration of key management personnel

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Total remunerations	1,210,489.76	1,023,813.34

(6) Other related party transactions

No other related party transactions or continuous related party transactions occur to the Company.

6. *Receivables and payables of related parties*

(1) Receivable items

Unit: RMB

Item name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Karamay Yalong Petroleum Machinery Co., Ltd.	781,708.60	7,817.09	1,395,150.60	13,951.51
Prepayment	Weifang Huiyi Property Management Co., Ltd.	160,909.60	—	160,909.60	—

(2) Payables

Unit: RMB

Item name	Related party	Ending book balance	Beginning book balance
Other accounts payable	Xiangrun Industrial	1,740,529.20	1,624,105.24
Non-current liabilities due within one year	Xiangrun Industrial	165,705.02	182,638.22
Lease liabilities	Xiangrun Industrial	192,157.99	178,746.58

## **7. *Commitment of related parties***

The company has continuously received the financial assistance and support from its related party shareholder – Shouguang Jinxin. At the third extraordinary meeting of the eighth Board of Directors of the Company on 24 February 2025, it was approved that Shouguang Jinxin would provide the Company with financial assistance of no more than RMB300 million based on the Company's needs (such as production and operation as well as the repayment of matured debts). The loan term would not exceed one year, and the loan interest rate would be the one-year loan prime rate (LPR) announced by The People's Bank of China. Shouguang Jinxin can provide the financial assistance in installments pursuant to the actual situation, the interest is calculated as per the actual number of days the loan used, and the Company can repay the loan in advance. The financial assistance does not require the Company to provide any form of guarantee, such as guarantee, mortgage or pledge.

## **XV. Share-based payment**

### **1. *Overall situation of share-based payment***

☐ Applicable    ☒ Not applicable

### **2. *Share-based payment settled by equity***

☐ Applicable    ☒ Not applicable

### **3. *Share-based payments settled in cash***

☐ Applicable    ☒ Not applicable

### **4. *Share-based payment expenses in the current period***

☐ Applicable    ☒ Not applicable

### **5. *Modification and termination of share-based payment***

None

### **6. *Others***

The company has no share-based payment situation in the current period.

## XVI. Commitments and contingencies

### 1. Important commitments

Important commitments existing on the balance sheet date

As of 30 June 2025, the Company had no commitments that shall be disclosed.

### 2. Contingencies

#### (1) Important contingencies existing on the balance sheet date

The former wholly-owned subsidiary of the Company, Shouguang Maolong, was sued by Shandong Yulong Environmental Protection Technology Co., Ltd. due to the dispute of the *Framework Agreement for the Renovation, Construction and Lease of the 600-ton Lime Production Line of Shouguang Maolong* as well as the *Cooperative Production Agreement of the 600-ton Lime Production Line of Shouguang Maolong* between the Company and Shouguang Maolong. As of the date of the financial report's release, the case was still under trial. The Company has already calculated and withdrawn an estimated liability of RMB4.9607 million for the litigation matter.

#### (2) Even if the Company has no important contingencies to disclose, an explanation shall be provided

The Company has no important contingencies to be disclosed.

## XVII. Events after the balance sheet date

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### 1. Profit distribution

Proposed distribution of dividends per 10 shares (RMB)	0
Proposed distribution of bonus shares per 10 shares (share)	0
Proposed distribution of additional shares per 10 shares (share)	0
Dividend per 10 shares announced and distributed after review and approval (RMB)	0
Bonus shares per 10 shares announced and distributed after review and approval (share)	0
Additional shares per 10 shares announced and distributed after review and approval (share)	0
Profit distribution plan	None

### 2. Sales return

As of the financial reporting date, the Company had not experienced any large-scale sales returns.

### 3. Explanation of other events after the balance sheet date

None

## XVIII. Other significant matters

### 1. Segment information

#### (1) Determination basis and accounting policies of report segment

Pursuant to the internal organizational structure, management requirements and internal reporting system of the Company, the Business Division Department reporting information of the Company is disclosed as per the accounting policies and measurement standards adopted by each division when reporting to the management. The accounting policies and measurement bases are consistent with those when preparing financial statement. There are four reporting segments that are determined based on the internal organizational structure, management requirements and internal reporting system.

The management of the Group regularly assesses the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance. The main products provided by each reporting segment of the Group cover oil casings, oil well pumps, sucker rods and oil pumps, petroleum machinery components, etc.

#### (2) Financial information of report segment

Unit: RMB

Item	Tubular products	Oil well pumps, sucker rods and oil pumps	Petroleum machinery components	Others	Unallocated items	Offset between segments	Total
Operating income	—	—	—	—	—	—	—
Foreign transaction income	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27	—	—	797,520,309.74
Transaction income between divisions	—	—	—	—	—	—	—
Total operating income of the divisions	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27	—	—	797,520,309.74
Total operating income of the statement	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27	—	—	797,520,309.74
Division expenses	689,036,287.39	12,266,816.72	4,216.94	27,104,324.35	(2,989,050.80)	—	725,422,594.60
Division operating profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	2,989,050.80	—	72,097,715.14
Adjustment items:	—	—	—	—	—	—	0.00
Administration expenses	—	—	—	—	18,546,581.79	—	18,546,581.79
R&D expenses	—	—	—	—	11,093,107.81	—	11,093,107.81
Financial expenses	—	—	—	—	43,063,810.74	—	43,063,810.74
Investment income	—	—	—	—	(96,433.34)	—	(96,433.34)
Revenues from asset disposal	—	—	—	—	4,114,238.28	—	4,114,238.28
Other incomes	—	—	—	—	1,368,676.13	—	1,368,676.13
Statement operating profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(64,327,968.47)	—	4,780,695.87
Non-operating income	—	—	—	—	8,411,353.29	—	8,411,353.29
Non-operating expenditures	—	—	—	—	1,156,954.87	—	1,156,954.87
Total profits	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(57,073,570.05)	—	12,035,094.29
Income taxes	—	—	—	—	73,847.69	—	73,847.69
Net profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(57,147,417.74)	—	11,961,246.60
Total assets of the division	1,971,921,392.48	58,966,007.73	4,710,921.98	151,199,288.03	139,868,766.24	—	2,326,666,376.46
Total liabilities of the division	632,431,929.65	13,307,198.48	5,366,212.41	8,394,827.04	1,163,015,806.23	—	1,822,515,973.81

#### (3) Other explanations

As of 30 June 2025, 114,355,556 shares of the Company held by the Company's controlling shareholder, Molong Holding, were in a pledged state, accounting for 14.33% of the Company's total shares.

## XIX. Notes to main items of financial statements of parent company

### 1. Accounts receivable

#### (1) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	321,051,300.46	221,335,663.51
1–2 years	372,911.15	2,226,344.02
More than 3 years	61,147,425.84	63,982,578.21
More than 5 years	61,147,425.84	63,982,578.21
Total	382,571,637.45	287,544,585.74

#### (2) Classified disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of accrual	Book value	Amount	Proportion	Amount	Proportion of accrual	Book value
Wherein: Accounts receivable with the provision for bad debts by portfolio	382,571,637.45	100.00%	43,671,983.94	11.42%	338,899,653.51	287,544,585.74	100.00%	46,349,808.18	16.12%	241,194,777.56
Wherein: Portfolio of receivables from customers	361,699,226.97	94.54%	43,671,983.94	12.07%	318,027,243.03	266,585,287.06	92.71%	46,349,808.18	17.39%	220,235,478.88
Related party payments within the scope of consolidation	20,872,410.48	5.46%	—	—	20,872,410.48	20,959,298.68	7.29%	—	—	20,959,298.68
Total	382,571,637.45	—	43,671,983.94	—	338,899,653.51	287,544,585.74	—	46,349,808.18	—	241,194,777.56

Category name of provision for bad debts by portfolio: Portfolio of receivables from customers

Unit: RMB

Name	Book balance	Ending balance Provision for bad debts	Proportion of accrual
Within 1 year	321,051,300.46	3,210,513.00	1.00%
1-2 years	372,911.15	186,455.58	50.00%
2-3 years	—	—	—
3-4 years	—	—	—
4-5 years	—	—	—
More than 5 years	40,275,015.36	40,275,015.36	100.00%
Total	361,699,226.97	43,671,983.94	—

Category name of provision for bad debts by portfolio: Related party payments within the scope of consolidation

Unit: RMB

Name	Book balance	Ending balance Provision for bad debts	Proportion of accrual
Within 1 year	—	—	—
1-2 years	—	—	—
2-3 years	—	—	—
3-4 years	—	—	—
4-5 years	—	—	—
More than 5 years	20,872,410.48	—	—
Total	20,872,410.48	—	—

If the provision for bad debts of accounts receivable is calculated and withdrawn in accordance with the general model of expected credit losses

☐ Applicable ☒ Not applicable

(3) Situation of provision for bad debts accrued, recovered or reversed in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Accrual	Withdrawal or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	46,349,808.18	—	2,677,824.24	—	—	43,671,983.94
Total	46,349,808.18	—	2,677,824.24	—	—	43,671,983.94

(4) Actual situation of accounts receivable written off in the current period

There are no actual write-offs of accounts receivables in the current period.

(5) Balance of five largest accounts receivable and contract assets as at the end of the period by debtors

Unit: RMB

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Provision for bad debts of accounts receivable and contract asset impairment
China Petroleum & Chemical Corporation	93,912,187.89	—	93,912,187.89	24.55%	939,121.88
CNOOC (China) Co., Ltd.	78,045,579.13	—	78,045,579.13	20.40%	780,455.79
Shaanxi Yanchang Petroleum (Group) Co., Ltd.	59,742,496.33	—	59,742,496.33	15.62%	780,151.43
Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd.	40,760,511.30	—	40,760,511.30	10.65%	407,605.11
MPM Company	20,872,410.48	—	20,872,410.48	5.46%	—
Total	293,333,185.13	—	293,333,185.13	76.68%	2,907,334.21

## 2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	740,894,209.86	1,271,310,029.86
Total	740,894,209.86	1,271,310,029.86

### (1) Other receivables

#### 1) Classification of other receivables by the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Employee revolving fund	362,547.88	530,000.00
Deposit and security deposit	4,286,274.42	2,214,528.00
Other unit receivables and payables	748,266,173.80	1,281,156,752.93
Related parties within the scope of consolidation	94,848,117.85	94,518,117.85
Minus: Provision for bad debts of other accounts receivable	(106,868,904.09)	(107,109,368.92)
Total	740,894,209.86	1,271,310,029.86

#### 2) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	551,716,752.71	944,493,377.68
1-2 years	296,035,677.63	433,905,337.49
More than 3 years	10,683.61	20,683.61
3-4 years	—	10,000.00
More than 5 years	10,683.61	10,683.61
Total	847,763,113.95	1,378,419,398.78



3) Classification and disclosure according to the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of accrual		Amount	Proportion	Amount	Proportion of accrual	
Counting and withdrawing the provision for bad debts as per single item	748,100,826.56	88.24%	106,809,509.29	14.28%	641,291,317.27	1,281,028,523.99	92.93%	107,066,909.29	8.36%	1,173,961,614.70
Wherein:										
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	452,453,392.51	53.37%	—	—	452,453,392.51	812,453,392.51	58.94%	—	—	812,453,392.51
Weihai Baolong	3,510,738.92	0.41%	210,644.34	6.00%	3,300,094.58	7,800,738.92	0.57%	468,044.34	6.00%	7,332,694.58
Shouguang Baolong	292,136,695.13	34.46%	106,598,864.95	36.49%	185,537,830.18	460,774,392.56	33.43%	106,598,864.95	23.13%	354,175,527.61
Counting and withdrawing the provision for bad debts as per combination	99,662,287.39	11.76%	59,394.80	0.06%	99,602,892.59	97,390,874.79	7.07%	42,459.63	0.04%	97,348,415.16
Wherein:										
Employee revolving fund	362,547.88	0.04%	—	—	362,547.88	530,000.00	0.04%	—	—	530,000.00
Deposit and security deposit	4,286,274.42	0.51%	—	—	4,286,274.42	2,214,528.00	0.16%	—	—	2,214,528.00
Related parties within the scope of consolidation	94,848,117.85	11.19%	—	—	94,848,117.85	94,518,117.85	6.86%	—	—	94,518,117.85
Other unit receivables and payables	165,347.24	0.02%	59,394.80	35.92%	105,952.44	128,228.94	0.01%	42,459.63	33.11%	85,769.31
Total	847,763,113.95	—	106,868,904.09	—	740,894,209.86	1,378,419,398.78	—	107,109,368.92	—	1,271,310,029.86

Category name of provision for bad debts as per single item: Shouguang Huarong Agriculture Science and Technology Co., Ltd.

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	812,453,392.51	—	452,453,392.51	—	—	
Total	812,453,392.51	—	452,453,392.51	—	—	

Category name of provision for bad debts as per single item: Weihai Baolong

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Weihai Baolong	7,800,738.92	468,044.34	3,510,738.92	210,644.34	6.00%	—
Total	7,800,738.92	468,044.34	3,510,738.92	210,644.34	—	

Category name of provision for bad debts as per single item: Shouguang Baolong

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of accrual	Reason for accrual
Shouguang Baolong	460,774,392.56	106,598,864.95	292,136,695.13	106,598,864.95	36.49%	—
Total	460,774,392.56	106,598,864.95	292,136,695.13	106,598,864.95	—	

Category name of provision for bad debts by portfolio: Employee revolving fund

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Proportion of accrual
Employee revolving fund	362,547.88	—	—
Total	362,547.88	—	

Category name of provision for bad debts by portfolio: Deposit and security deposit

Unit: RMB

Name	Ending balance		Proportion of accrual
	Book balance	Provision for bad debts	
Deposit and security deposit	4,286,274.42	—	—
Total	4,286,274.42	—	—

Category name of provision for bad debts by portfolio: Related parties within the scope of consolidation

Unit: RMB

Name	Ending balance		Proportion of accrual
	Book balance	Provision for bad debts	
Related parties within the scope of consolidation	94,848,117.85	—	—
Total	94,848,117.85	—	—

Category name of provision for bad debts by portfolio: Other unit receivables and payables

Unit: RMB

Name	Ending balance		Proportion of accrual
	Book balance	Provision for bad debts	
Other unit receivables and payables	165,347.24	59,394.80	35.92%
Total	165,347.24	59,394.80	—

Calculation and withdrawal of provision for bad debts as per the general model of expected credit losses:

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (no credit impairment has not occurred)	Expected credit loss throughout the entire duration (the credit impairment has occurred)	
Balance on 1 January 2025	17,260.92	482,559.44	106,609,548.56	107,109,368.92
Balance on 1 January 2025 in the current period				
–Transferred to the second stage	(13,286.79)	13,286.79	—	0.00
Calculation and withdrawal for the current period	13,632.67	22,276.23	—	35,908.90
Reversal in the current period	3,974.13	272,399.60	—	276,373.73
Balance on 30 June 2025	13,632.67	245,722.86	106,609,548.56	106,868,904.09

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Basis for the division of each stage and the accrual proportion of provision for bad debts

Significant changes in the book balance of the loss provision for the current period

☐ Applicable ☒ Not applicable

4) *Situation of provision for bad debts accrued, recovered or reversed in the current period*

None

5) *Other receivables actually written off in the current period*

There were no other receivables actually written off in the current period.

6) *Other receivables of top five ending balances collected by the debtor*

Unit: RMB

Unit name	Nature of payment	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period	Ending balance of provision for bad debts
Shouguang Huarong Agriculture Science and Technology Co., Ltd.	Intercourse fund	452,453,392.51	Within 1 year	53.37%	—
Shouguang Baolong	Intercourse fund	292,136,695.13	Within 1 year, 1-2 years	34.46%	106,598,864.95
Molong Logistics	Intercourse fund	94,848,117.85	Within 1 year	11.19%	—
Weihai Baolong	Intercourse fund	3,510,738.92	1-2 years	0.41%	210,644.34
China Petrochemical International Co., Ltd. Nanjing Bidding Center	Bid bond	1,967,698.86	Within 1 year, 1-2 years	0.23%	—
Total		844,916,643.27		99.66%	106,809,509.29

7) *Presentation in other receivables due to centralized fund management*

None

### 3. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	72,280,516.44	—	72,280,516.44	72,280,516.44	—	72,280,516.44
Total	72,280,516.44	—	72,280,516.44	72,280,516.44	—	72,280,516.44

#### (1) Investment in subsidiaries

Unit: RMB

Invested unit	Beginning balance (book value)	Beginning balance of impairment reserves	Increase and decrease changes in the current period				Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Negative investment	Accrual reduced-value allowance	Others		
MPM Company	7,276,230.00	—	—	—	—	—	7,276,230.00	—
Molong Logistics	3,000,000.00	—	—	—	—	—	3,000,000.00	—
Molong Import and Export	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Commerce and Trade	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Electromechanical	42,004,286.44	—	—	—	—	—	42,004,286.44	—
Total	72,280,516.44	—	—	—	—	—	72,280,516.44	—

#### 4. Operating revenue and operating cost

Unit: RMB

Item	Occurrence amount in the current period		Occurrence amount in the previous period	
	Income	Cost	Income	Cost
Main business	767,543,905.58	693,074,861.85	547,240,524.33	531,054,834.88
Other businesses	26,914,732.19	25,885,562.28	45,284,440.91	37,857,726.23
Total	794,458,637.77	718,960,424.13	592,524,965.24	568,912,561.11

Breakdown information of operating income and operating cost:

Unit: RMB

Contract classification	Segment 1		Total	
	Operating income	Operating cost	Operating income	Operating cost
Business type				
Wherein:				
Tubular products	753,226,424.12	680,701,387.11	753,226,424.12	680,701,387.11
Oil well pumps, sucker rods and oil pumps	13,830,858.84	12,109,663.60	13,830,858.84	12,109,663.60
Petroleum machinery components	12,976.43	4,069.50	12,976.43	4,069.50
Others	27,388,378.38	26,145,303.92	27,388,378.38	26,145,303.92
Classification by operating area				
Wherein:				
Domestic	538,148,781.99	492,946,022.35	538,148,781.99	492,946,022.35
Abroad	256,309,855.78	226,014,401.78	256,309,855.78	226,014,401.78
Classification by the time of commodity transfer				
Wherein:				
Confirmation at a certain time point	794,458,637.77	718,960,424.13	794,458,637.77	718,960,424.13
Classified by contract term				
Wherein:				
Short-term contract	794,458,637.77	718,960,424.13	794,458,637.77	718,960,424.13
Classification by sales channel				
Wherein:				
Direct sales	794,458,637.77	718,960,424.13	794,458,637.77	718,960,424.13
Total	794,458,637.77	718,960,424.13	794,458,637.77	718,960,424.13

Information related to performance obligations:

Item	Time to perform the performance obligation	Important payment terms	Nature of the goods promised by the Company to transfer	Is it the main responsible person	Funds expected to be refunded to customers borne by the Company	Types of quality assurance provided by the Company and related obligations
Export sales	The goods are loaded onto ships to leave the port	The export business is mainly of cash collection. Most customers of oil casing products are of advances received. The final payment shall be paid in full before shipment or upon seeing a copy of the bill of lading.	Cargo	Yes	None	Product quality assurance
Domestic sales	After the customer receives the goods and signs for them, the Company shall obtain the customer's receipt. For the oil casing sold through the consignment stock method, the customer shall carry out settlement with the Company after getting them.	General pipe customers generally deliver goods after collection; Domestic oil casing customers generally conduct collection 3–6 months after billing and settlement.	Cargo	Yes	None	Product quality assurance

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Other descriptions

Information related to the transaction price allocated to the remaining performance obligations:

The income amount corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB642 million, and it is expected that RMB642 million will be recognized as revenue in 2025.

## 5. Investment income

Unit: RMB

Item	Occurrence amount in the current period	Occurrence amount in the previous period
Investment income generated from the disposal of long-term equity investments	—	(38,042,746.82)
Total	—	(38,042,746.82)



## XX. Supplementary information

### 1. Statement of non-recurring gains and losses for the current period

☒ Applicable   ☐ Not applicable

Unit: RMB

Item	Amount	Description
Gains or losses on disposal of non-current assets	4,083,646.35	Mainly refers to the income generated from the disposal and scrapping of some assets by the Company.
Government subsidies included into current profits and losses except for government subsidies closely related to the normal business operations of the Company, complying with national policies, enjoyed according to determined standards and having continuous influence on the profits and losses of the Company)	7,048.36	Mainly due to the refund of individual income tax withholding and remittance handling fees received in the current period, etc.
Other non-operating income and expenses except for the above items	7,284,990.35	Mainly refer to the litigation compensation received in the current period.
Minus: Influence amount of income tax	(1.27)	—
Total	11,375,686.33	—

Specific circumstances of other profit and loss items that conform to the definition of non-recurring gains and losses:

☐ Applicable   ☒ Not applicable

Specific circumstance of the Company having on other profit and loss items complying with the definition of non-recurring profit and loss.

Description of situations where non-recurring profits and losses listed in the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-Recurring Profits and Losses* are classified as recurring profits and losses.

☐ Applicable   ☒ Not applicable

## 2. Return on equity and earnings per share

Profit during the reporting period	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted EPS (RMB/share)
Net Profit attributable to ordinary share shareholders of the Company	2.44%	0.0152	0.0152
Net profit attributable to ordinary share shareholders of the Company after deducting non-recurring gains and losses	0.16%	0.0010	0.0010

The calculation is conducted pursuant to Article 4 of *Accounting Standard for Business Enterprises No. 34 – Earnings per Share*: “an enterprise shall calculate the basic earnings per share by dividing the current net profit attributable to ordinary share shareholders by the weighted average number of ordinary shares outstanding”.

## 3. Accounting data difference under domestic and foreign accounting standards

- (1) Difference in net profits and net assets in financial report disclosed in accordance with international accounting standards and Chinese accounting standards at the same time

☐ Applicable ☒ Not applicable

- (2) Difference in net profits and net assets in financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards at the same time

☐ Applicable ☒ Not applicable

- (3) Explanation of the reasons for the differences in accounting data under domestic and foreign accounting standards. If discrepancies are adjusted for data that has been audited by an overseas auditing institution, the name of such overseas institution shall be indicated

☐ Applicable ☒ Not applicable

## SECTION IX OTHER SUBMITTED DATA

### I. Situations regarding other major social security issues

Are there any other major social security issues with the listed company and its subsidiaries?

☐ Yes ☒ No ☐ Not Applicable

Were there any administrative penalties imposed during the reporting period?

☐ Yes ☐ No ☒ Not Applicable

### II. Registration form for reception research, communication, interviews and other activities during the reporting period

☒ Applicable ☐ Not applicable

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main contents talked about and materials provided	Index of basic situation of research
18 April 2025	Shenzhen Stock Exchange "irm.cninfo.com.cn" platform (http://irm.cninfo.com.cn) "Cloud Interview" Program	Online communication on network platforms	Others	Investors	Company's business conditions in 2024	Refer to Record Form of Investor Relation Activities of Shandong Molong Petroleum Machinery Co., Ltd. (No.: 2025-001) published by the Company via www.cninfo.com.cn for the detail.
15 May 2025	quanjing.com "investor relations interactive platform" (https://ir.p5w.net)	Online communication on network platforms	Others	Investors	Company's business condition	Refer to Record Form of Investor Relation Activities of Shandong Molong Petroleum Machinery Co., Ltd. (No.: 2025-002) published by the Company via www.cninfo.com.cn for the detail.

### III. Capital transaction between listed companies as well as their controlling shareholders and other related parties

☒ Applicable ☐ Not applicable

Unit: RMB'000

Name of the counterparty	Nature of transaction	Beginning balance	Amount incurred during the reporting period	Repayment amount during the reporting period	Ending balance	Interest income	Interest expenditure
Molong Logistics	Non-business transactions	9,451.81	33.00	0.00	9,484.81	0.00	0.00
Total		9,451.81	33.00	0.00	9,484.81	0.00	0.00

Relevant decision-making procedures

As for the non-operating fund transactions between the Company and the subsidiary, the approval procedure has been performed as per the provisions.

Measures for ensuring the security of funds

The Company has control over the production and operation decisions as well as the use of funds of its holding subsidiaries and can ensure the safety of the funds provided to them.