

**Summary of Asset Appraisal Report**  
**about the Value of All Rights and Interests of Its Shareholders Involved**  
**at the Time of Shandong Molong Petroleum Machinery Co., Ltd.**  
**Intending To Transfer the 100% Equity of**  
**Shouguang Maolong New Material Technology Development Co., Ltd.**

**ZHYPB Zi [2024] No. 40018**

Shandong Molong Petroleum Machinery Co., Ltd.:

Entrusted by your company, Beijing Zhongheyi Asset Appraisal Co., Ltd. appraised the market value of all rights and interests of its shareholders involved in the 100% equity of Shouguang Maolong New Material Technology Development Co., Ltd. to be transferred by Shandong Molong Petroleum Machinery Co., Ltd. on 31 August, 2024 by the asset-based approach in accordance with the relevant laws, regulations and asset appraisal standards and asset appraisal principles as well as necessary evaluation procedures. The appraisal is reported as follows now:

**I. Appraisal purpose**

Shandong Molong Petroleum Machinery Co., Ltd. intends to transfer the 100% equity of Shouguang Maolong New Material Technology Development Co., Ltd. held by it, thus it entrusted Beijing Zhongheyi Asset Appraisal Co., Ltd. to evaluate all rights and interests of shareholders on the appraisal base date to provide a value reference for the economic behavior.

**II. Appraisal object and scope**

- (I) The appraisal object is all the shareholders' rights and interests of Maolong New material.
- (II) The appraisal range is all assets and liabilities of Maolong New Materials on the appraisal base date, with the book value of assets: RMB 929,528.4 thousand, including current assets, fixed assets, project under construction, intangible assets and other non-current assets; book value of the liabilities (current liabilities): RMB 839,565.0 thousand, book value of net assets: RMB 89,963.4 thousand.

Monetary unit: RMB thousand

Item	Book value
Current assets	30,909.5
Non-current assets	898,618.8
Wherein: Fixed assets	829,304.0
Construction in progress	299.0
Intangible assets	68,055.7
Other non-current assets	960.2
<b>Total assets</b>	<b>929,528.4</b>
Current liabilities	839,565.0
<b>Total liabilities</b>	<b>839,565.0</b>
<b>Owner's equity</b>	<b>89,963.4</b>

The object and scope of the entrusted appraisal are consistent with those involved in the economic behavior. The financial data on the appraisal base date has been audited by Shandong Paramount Certified Public Accountants (General Partnership) and a clean opinion audit report (LPLMDS Zi [2024] 10021) with the uncertainty of going concern is issued.

### (III) Main assets

#### 1. Housing and building assets

The net book value of housing and building assets is RMB 299,649.1 thousand. They are located in the factory of Yangkou Town, Shouguang City and divided into buildings and structures. The buildings mainly include comprehensive office building, staff restaurant, raw material library, oxygen station room, V-process casting workshop, SRV furnace workshop and seawater desalination workshop, with the structure being frame, brick and concrete and steel structure, the construction area: about 74,000 square meters and the completion time: 2015-2018; The structures mainly include cooling tower, setting basin, reservoir, seawater desalination tank, road hardening and drainage ditch, with the structure being steel-concrete and brick-concrete structure and the completion time being 2016-2021. No property right certificate has been applied for housing and building assets.

#### 2. Equipment assets

The net book value of equipment assets is RMB 529,654.9 thousand, and they're divided into machinery equipment, vehicles and electronic equipment. The machinery equipment is divided into smelting reduction iron making equipment and casting equipment, and the casting equipment mainly includes V-process casting production line, medium frequency melting furnace and crane (home equipment); the melting reduction plant mainly covers SRV furnace, pulverized coal preparation, rotary kiln, hot-air stove, waste heat boiler, raw ore drying and blowing, flue gas pipeline, gas

washing system, flue gas desulfurization equipment, oxygen generating plant, water treatment equipment and turbo generator unit (imported equipment and domestic equipment). The vehicle is Jiangling multi-purpose truck. The electronic equipment mainly covers computers, printers, air conditioners, etc.

### 3. Intangible assets

#### (1) Use right of sea area

Maolong New Material has 2 use rights of sea area, with net book: RMB63,417.3 thousand.

#### (2) Other intangible assets

Other intangible asset is HIs melt melt reduction technology.

## III. Types and definitions of values

The value type of the appraisal item is market value.

The market value refers to the estimated value of normal fair trade conducted for one asset on the appraisal base date when the voluntary buyer and the voluntary seller act rationally without any compulsion.

The “appraisal value” in this report refers to the value determined in line with the procedures and methods described in this report on the basis of the existing asset scale of the enterprise on the appraisal base date and under the premise of the continuous operation of the enterprise.

## IV. Appraisal base date

The appraisal base date of this report is 31 August, 2024.

The appraisal base date is determined by the client with the realization of economic behavior and the factors at the end of the accounting period mainly considered to ensure that the appraisal results effectively serve the appraisal purpose.

## V. Appraisal basis

The appraisal is performed under the premise of complying with the existing national laws and regulations on asset appraisal as well as other appraisal bases, valuation standards and appraisal reference materials.

### (I) Behavioral basis

On 20 May, 2024, Shandong Molong Petroleum Machinery Co., Ltd. held the 13th temporary meeting of the 7th Board of Directors with the *Proposal on the Assets for Sale*.

## **(II) Basis of laws and regulations**

1. *Asset Appraisal Law of the People's Republic of China* (passed at the 21st Meeting of the Standing Committee of the 12th National People's Congress on 2 July, 2016);
2. *Civil Code of the People's Republic of China* (passed by voting at the 3rd Meeting of the 13th National People's Congress on 28 May, 2020 and implemented from 1 January, 2021);
3. *Company Law of the People's Republic of China* (revised at the 7th Meeting of the Standing Committee of the 14th National People's Congress on 29 December, 2023);
4. *Notice about Comprehensively Promoting the Trial of Replacing Business Tax with Value-added Tax* (CS [2016] No. 36);
5. *Notice of the Ministry of Finance and State Taxation Administration on the Adjustment of the VAT Rate* (CS [2018] No. 32);
6. *Announcement on Deepening the Relevant Policies of VAT Reform of Ministry of Finance, State Taxation Administration and General Administration of Customs* (CZB SWZJ HGZS Announcement [2019] No. 39);
7. *Enterprise Income Tax Law of the People's Republic of China* (revised at the 7th Meeting of the Standing Committee of the 13th National People's Congress on 29 December, 2018);
8. *Law of the People's Republic of China on Urban Real Estate Administration* (President Decree 29 of the People's Republic of China; revised on the 29th Meeting of the Standing Committee of the 10th National People's Congress on 30 August, 2007);
9. *Law of the People's Republic of China on the Administration of the Use of Sea Areas* (passed at the 24th Meeting of the Standing Committee of the 9th National People's Congress on 27 October, 2001);
10. *Regulations on the Administration of the Use of Sea Areas* (revised at the 15th Meeting of the Standing Committee of the 12th People's Congress on 24 July, 2015);
11. *Patent Law of the People's Republic of China* (revised for the 4th time at the 22nd Meeting of the Standing Committee of the 13th National People's Congress on 7 October, 2020 and implemented from 1 June, 2021);
12. *Ministry of Finance Decree 33--Accounting Standards for Business Enterprises-Basic Standards*;

13. Other relevant laws and regulations.

**(III) asset appraisal criteria and bases**

1. *Basic Rules for Asset Appraisal* (CZ [2017] No. 43);
2. *Code of Professional Ethics for Asset Appraisal* (ZPX [2017] No. 30);
3. *Practice Standards of Asset Appraisal-Asset Appraisal Procedures* (ZPX [2018] No. 36);
4. *Practice Standards of Asset Appraisal-Asset Appraisal Report* (ZPX [2018] No. 35);
5. *Practice Standards of Asset Appraisal-Asset Appraisal Commission Contract* (ZPX [2017] No. 33);
6. *Practice Standards of Asset Appraisal-Asset Appraisal Files* (ZPX [2018] No. 37);
7. *Practice Standards of Asset Appraisal-Enterprise Value* (ZPX [2018] No. 38);
8. *Practice Standards of Asset Appraisal-Intangible Assets* (ZPX [2017] No. 37);
9. *Practice Standards of Asset Appraisal-Real Estate* (ZPX [2017] No. 38);
10. *Practice Standards of Asset Appraisal-Machinery Equipment* (CAS [2017] No. 39);
11. *Practice Standards of Asset Appraisal-Asset Appraisal Method* (CAS [2019] No. 35);
12. *Practice Standards of Asset Appraisal-Intellectual Property Right* (ZPX [2023] No. 14);
13. *Business Quality Control Guidance of Asset Appraisal Agency* (ZPX [2017] No. 46);
14. *Guidance Opinion for the Value Type of Asset Appraisal* (ZPX [2017] No. 47);
15. *Guidance on Legal Ownership of Asset Appraisal Objects* (ZPX [2017] No. 48);
16. *Guiding Opinions on Appraisal of Patent Assets* (ZPX [2017] No. 49).

17. *Technical Guidelines for Sea Area Appraisal* (State Oceanic Administration (October 2013));
18. Other relevant appraisal criteria.

**(IV) Ownership basis**

1. Business license and Articles of Association;
2. Purchase contracts, construction contracts, invoices and other materials of important assets;
3. Vehicle driving license;
4. Certificate of use right of sea area and property ownership certificate;
6. Patent certificate;
6. Other ownership documents.

**(V) Pricing basis**

1. *Notice of the Ministry of Finance on Printing and Distributing of Regulations on the Management of Construction Cost of Capital Construction Project* (CJ [2016] No. 504);
2. *Construction Cost Item Composition and Calculation Rules 2016*;
3. *Construction Project Consumption Quota 2016*;
4. *Installation Project Consumption Quota 2016*;
5. *Price List of Constructional Engineering 2020*;
6. Provisions on construction charges by the administrative department of construction;
7. *Notice about the Implementation Opinions on Adjustment of the Valuation Basis of Construction Projects with Changing Sales Tax into VAT in the Construction Industry* (LJB Zi [2016] No. 20);
8. *Building Damage Grade and Evaluation Standard* (Ministry of Urban and Rural Construction and Environmental Protection);
9. Price information of building materials in Weifang;
10. Building acceptance report and construction contract, etc.;

11. Purchase contracts for some equipment and record about inquiry from manufacturers;
12. *Common Data and Parameter Manual for Asset Appraisal*
13. *Notice on the Printing and Distributing of the Standards for the Collection of Charge for Sea Area Utilization of Shandong Province Finance Bureau and Department of Natural Resources of Shandong Province* (LCZ [2021] No. 6);
14. Loan prime rate (LPR) issued by the National Interbank Lending Center and exchange rate published by the Bank of China;
15. Audit report issued by Shandong Paramount Certified Public Accountants (General Partnership);
16. Appraisal personnel on-site discussion meeting and survey records;
17. Information obtained and collected by the appraisal personnel through market research;
18. Other inquiry materials and reference materials related to asset appraisal.

## **VI. Appraisal method**

There are usually three methods of asset appraisal, namely asset-based approach, market approach and income approach.

Market approach refers to the appraisal approach to determine the value of appraisal object through making comparisons between appraisal object and comparable listed company or comparable transaction case. The listed companies in the same industry as the appraised unit are different in terms of business structure, business model, enterprise size, growth expectation, business risk and financial risk, leading to failure in calculation of appropriate value ratio, thus the listed company comparison method is not applicable. Due to the difficulty in obtaining comparable company transaction cases in the same industry near the appraisal base date, the transaction case comparison method is not applicable.

The basis of income approach is the expected utility theory of economics, that is to say that for investors, the value of an enterprise lies in the expected future earnings of the enterprise. The Maolong New Material production line is insufficient, Maolong New Material suffers serious loss based on the financial statements for historical years and there is great uncertainty about future earnings as per the current business situation and industry competition, so the income approach is not applicable.

The asset-based approach is an appraisal method of reasonably appraising the value of the assets and liabilities on and off the statement of the enterprise and determining their value. According to the appraisal, the appraised unit has complete financial information and asset management information available for use, the data and information on the

re-acquisition costs of assets are from a wide range of sources, the assets and liabilities of the appraised unit can be checked and appraised, and the asset-based approach applies to the appraisal this time.

(I) Introduction to asset-based approach

As for the asset-based approach, the investment volume necessary for rebuilding an enterprise or an independently profitable entity that is same as appraisal object on the appraisal base date is taken as the basis for judging overall asset value. Specifically, it refers to a method of obtaining the enterprise value by totaling up the appraisal values of various asset factors of the enterprise, and then subtracting appraisal value of the liabilities.

The current assets include: monetary funds, accounts receivable, advance payment, other receivables, inventories and other current assets.

1. Appraisal of current assets

1.1 Monetary funds include cash and bank deposits. The cash on hand is checked, the reversal check of cash amount on the appraisal base date is conducted pursuant to the inventory result, and the appraisal value is the verified book value; As for the deposit in bank, the bank statement and bank reconciliation are inspected, and the actual amount of calculated and verified bank deposits on the appraisal base date shall be taken as the appraisal value.

1.2 On the basis of various receivables being verified, the appraisal value is confirmed in line with the amount of each payment that may be recovered. If there is conclusive evidence of loss, the bad debt loss shall be recognized according to the actual loss amount. In case of no conclusive evidence of loss, the anticipated loss shall be determined in light of accounting bad debt provision policy; On the basis of all advance payments verified, the appraisal value shall be determined in terms of the value of the assets or rights formed by the corresponding goods that can be recovered.

1.3 Inventory

1.3.1 Raw materials

- (1) As for raw materials with short inventory time, strong liquidity and little change in market prices, the verified book value shall be confirmed as the appraisal value.
- (2) As for raw materials with long inventory time, poor liquidity and large market price changes, spare parts can be mainly confirmed. The product of the replacement unit price based on the current market unit price of raw materials, the actual



quantity and the newness rate shall be taken as the appraisal value by the replacement cost method. Formula: Appraisal value = current unit price × actual quantity × newness rate

The market price on the base date is obtained and the replacement unit price is determined through inquiry and check of raw material purchase invoice, ledger, purchase contract and other information. Appraisal personnel determine the quality status of raw materials in line with the on-site inventory as well as analyze and determine the newness rate on the basis of the tangible loss caused by the storage age of raw materials and the storage status of the warehouse.

### 1.3.2 Finished products

For unsalable backlog of finished products, the appraisal value is determined as per the expected material recovery price this time and the finished products used as spare parts are treated as raw materials for appraisal.

### 1.3.3 Unfinished products

The appraisal personnel check the general ledger, detail account, accounting statement and evaluation schedule. On the basis of consistent accounting books and accounting books being consistent with accounting statements, appraisal is performed according to the following methods: (1) If residence time of production link is short and the calculation method of material, labor and cost is reasonable and the price of raw materials is close to the market price on the base date, the appraisal value shall be determined by the book value. (2) As for the overstocked semi-finished goods, the appraisal value shall be determined by the estimated material recovery price.

## 1.4 Other current assets

When other current assets are of VAT retained, the appraisal value is determined by the verified book value.

## 2. Appraisal of non-current assets

### 2.1 Housing and building assets

Pursuant to the purpose of appraisal and the characteristics of housing and building assets, the replacement cost method is adopted this time.

The replacement cost method is a method of appraisal value being the result after the total cost required to re-purchase or construct an appraised asset in a new state under current conditions subtracts the substantial depreciation, functional depreciation and economic depreciation that have occurred in the appraised assets.

Formula: Appraisal value = replacement cost  $\times$  newness rate – economic depreciation – functional depreciation

#### 2.1.1 Determination of replacement cost

Replacement cost = construction and installation comprehensive cost + upfront charges and other expenses + capital cost – input tax

##### ① Construction and installation comprehensive cost

The contract and acceptance report of the building can be obtained, with calculation by the rebudgeting method, that is to say that the list price is re-priced according to the quantities of completion settlement and the construction and installation project cost on the appraisal base date is adjusted and calculated as per the labor and materials on the appraisal base date in Weifang City. In case of failure to obtain the contract and acceptance report and other materials, reasonable adjustment shall be made to confirm the project cost based on all kinds of construction project cost comprehensive index published by Weifang City. As for structures, quantities shall be determined pursuant to the project contract and acceptance report, construction drawings and related design documents, and then the relevant quota shall be used and adjusted to the market price level on the appraisal base date based on the quantities, and finally the construction and installation cost can be obtained after charging a fee.

② Upfront charge and other expenses

The upfront charges include the preliminary planning, survey and design of the project; other expenses include construction unit management fee, survey and design fee, project supervision fee, tendering and bidding agency service fee, environmental assessment fee, etc.

③ Capital cost

During the interest period, the loan interest rate is reasonably determined according to the normal construction period and LPR and actual situation of the enterprise on the appraisal base date, the funds shall be regarded as normal and even investment during the construction period and the basis of interest accrual is the sum of the comprehensive construction and installation cost, upfront charge and other expenses.

### 2.1.2 Determination of newness rate

The newness rate reflects the ratio of the current value of the appraisal object to the replacement cost under the new state. As for the buildings (structures), the newness rate shall be comprehensively judged mainly by the service life method and observational method.

① Service life method

As for the service life method, the newness rate shall be determined in lien with the ratio of the estimated service life of the building (structure) to its total service life. The formula is as follows:  $\text{newness rate} = \text{remaining service life} / (\text{remaining service life} + \text{years already spent}) \times 100\%$

② Observation method

The observational method is used for technical evaluation of main parts of the entity of the appraised building (structure), comprehensive analysis of asset design, construction, use, wear, maintenance, modification and physical life factors, comparing the appraisal object to its new state, examining the impact of use wear and tear and natural wear on the function and service efficiency of the asset and judging the newness rate of the appraised building (structure) to estimate the substantial depreciation.

### ③ Comprehensive newness rate

Comprehensive newness rate = service life method newness rate  $\times N_1$  + observational method newness rate  $\times N_2$

## 2.2 Equipment assets

According to the purpose of appraisal and the characteristics of the appraised equipment, the replacement cost method is used for the appraisal.

Appraisal value = replacement cost  $\times$  newness rate – economic depreciation – functional depreciation

### 2.2.1 Machinery equipment and electronic equipment

The replacement cost method is a method for determining the appraisal value of machinery equipment by estimating the replacement cost of new machinery equipment, and then deducting the substantive, functional and economic depreciation or on the basis of determining the comprehensive newness rate. The replacement value of equipment generally includes all reasonable direct and indirect costs for the acquisition or construction of a new asset with the same function as the appraisal object, such as equipment purchase price, freight and miscellaneous charges, installation and commissioning costs, equipment basic fees, joint trial production costs, other indirect costs and capital costs.

#### 2.2.1.1 Determination of purchase price

##### 1) Equipment purchase price

As for the large key equipment, the purchase price shall be determined mainly by checking the equipment order contract and invoice or asking the manufacturer for market price on the appraisal base date or based on the recent price for similar equipment on the appraisal base date; as for the small equipment, the purchase price shall be confirmed by querying the market quotation information on the appraisal base date; as for the equipment that has been eliminated, no longer produced by the manufacturer, and out of circulation in the market, the purchase price shall be analyzed and determined by the comparison of similar equipment and appraised equipment and comprehensive consideration of the differences in equipment performance, technical

parameters, use functions, etc.; as for the customized equipment and equipment without model, the price index shall be used for adjustment.

As for the imported equipment, the insurance premium for overseas transportation of such equipment shall be taken into account on this basis for determination by the FOB of similar equipment currently or recently imported in the market; as for the imported equipment with failure in inquiry, the price index method shall be mainly used to determine the equipment purchase price.

Purchase price of imported equipment (CIF) = free on board (FOB) + foreign freight and miscellaneous charges + premium

2) Expenses related to imported equipment

Expenses related to imported equipment mainly include tariffs, customs control and commodity inspection fees, with calculation and charging in line with the CIF and the rate on the appraisal base date.

Purchase price of imported equipment (dutiable price) = equipment purchase price (CIF) + tariff + VAT+ customs supervision charges + commodity inspection fee

3) Freight and miscellaneous charges

The freight and miscellaneous charges are comprehensively determined in accordance with the equipment manufacturer and equipment use unit haul distance, equipment volume, equipment weight, equipment value and the use of communication media as the case may be; If the freight and miscellaneous charges are included in the equipment purchase price, freight and miscellaneous charges will be no longer considered, separately.

Freight and miscellaneous charges = equipment purchase price × rate of freight and miscellaneous charges

4) Installation and commissioning fee

The installation and commissioning fee refers to equipment installation and commissioning fee which is calculated according to the Common Data and Parameter Manual for Asset Appraisal. If the installation cost is included in the equipment purchase price, the installation and commissioning fee will be no longer considered, separately.

Installation and commissioning fee of home equipment  
= equipment purchase price × installation and commissioning rate

Installation and commissioning fee of imported equipment = CIF × installation and commissioning rate

5) Basic fee

As for the equipment requiring installation foundation, the basic fee shall be calculated on the basis of the purchase price in line with the characteristics of the equipment. In case of no installation foundation required, no calculation will be conducted.

Basic fee = equipment purchase price × base rate

Basic fee for imported equipment = CIF × base rate

6) Upfront charges and other expenses

The upfront charges and other expenses of construction project is calculated in accordance with the construction cost on the appraisal base date and the charging standard specified by the industry, state or local government as well as includes construction unit management fee, feasibility study fee, survey and design fee and joint test run fee. The formula is as follows:

Upfront charges and other expenses of home equipment  
= equipment purchase price × rate of upfront charges and other expenses

Upfront charges and other expenses of imported equipment = CIF × rate of upfront charges and other expenses

7) Capital cost

According to the reasonable construction period of the construction project as well as the LPR and actual situation of the enterprise on the appraisal base date, the loan interest rate is reasonably determined and the uniform input of capital cost during the construction period is assumed for calculation.

8) Deductible VAT

According to financial and tax documents (such as CS [2016] No. 36, CS [2018] No. 32 and Announcement of Ministry of Finance, State Taxation Administration and General Administration of Customs-Announcement No. 39 of 2019), the input VAT incurred by the general VAT taxpayer on the purchase or self-made fixed assets may be deducted from the substituted money on VAT on the basis of the special VAT invoice, the special payment letter of the customs import VAT and the transportation expense settlement documents on the appraisal base date and is recorded into the “tax payable – VAT payable (input VAT)” account.

2.2.1.2 Determination of newness rate

1) Large equipment

As for the large machinery equipment, the theoretical novelty rate and survey novelty rate shall be calculated, respectively and the comprehensive newness rate shall be determined by weighted average (namely comprehensive newness rate = theoretical newness rate  $\times$  N<sub>1</sub> + survey newness rate  $\times$  N<sub>2</sub>)

① Theoretical newness rate

The service life is determined and the newness rate is calculated in accordance with the serviced life of the machinery equipment, economic life of equipment, on-site survey and overhaul cycle of the equipment:

Theoretical newness rate = (1 – years already spent / economic service life)  $\times$  100%

or: newness rate = remaining service life / (remaining service life + years already spent)  $\times$  100%

② Survey newness rate

The appraisal personnel carry out field survey of service condition of appraisal equipment, investigate and understand the management and maintenance of the equipment, on-site survey of equipment body part, running state, control part, auxiliary part and appearance, conduct site rating and confirm the newness rate according to the corresponding weight coefficients of different parts.

2) Ordinary equipment

As for the common equipment with low value, the service life method shall be mainly used to determine the newness rate of the equipment; As for the electronic equipment with fast replacement speed, fast price change and large functional depreciation, the newness rate shall be comprehensively determined in line with the economic service life of the equipment and the product technology update rate.

Newness rate =  $(1 - \text{years already spent} / \text{economic service life}) \times 100\%$

or: newness rate =  $\text{remaining service life} / (\text{remaining service life} + \text{years already spent}) \times 100\%$

2.2.1.3 Determination of appraisal value

Appraisal value = replacement cost  $\times$  newness rate – economic depreciation – functional depreciation

As for the out-of-service electronic equipment, the appraisal value shall be determined as per its realizable value.



## 2.2.2 Vehicle

### 2.2.2.1 Determination of replacement cost

The replacement cost shall be determined according to the current sale price in the automobile trading market in the place where the asset is and unified additional tax on vehicle purchases and vehicle inspection and license fees specified by the state. Formula:

replacement cost = automobile purchase price (tax-exclusive)  
+ acquisition surcharge + vehicle inspection and license fee

### 2.2.2.2 Determination of comprehensive newness rate

The theoretical newness rate of the vehicle is determined and calculated mainly by investigating the required mileage and the travelled distance of the vehicle in line with the relevant provisions of the latest automobile scrapping standards promulgated by the relevant state departments and practical serviced life of the vehicle.

Theoretical newness rate =  $(1 - \text{travelled distance} / \text{prescribed mileage}) \times 100\%$

On the basis of determining the theoretical newness rate and according to the vehicle performance, appearance, maintenance, etc., the theoretical new rate is revised and the comprehensive newness rate is finally determined.

Its calculation formula is as follows: comprehensive newness rate =  $\min(\text{travelled distance newness rate, service life method}) + a$

Based on the current economic situation, current industry development of the appraised unit and the horizontal and vertical analysis of its operating performance, the impact of such factors as insufficient capacity utilization or idle capacity on the appraisal value of some fixed assets is properly taken into account in this appraisal.

## 2.3 Construction in progress

### 2.3.1 Civil construction in progress

The expense of civil construction in progress is the upfront charge of the project. The appraisal personnel have checked the book value by consulting the project contract and other materials and confirmed the appraisal value with the book value.

### 2.3.2 Equipment under construction

The equipment under construction is the equipment installation engineering. The appraisal personnel have conducted site survey of the project, checked the project contract, invoice, payment voucher and other materials to verify the book value and determined the appraisal value with the book value.

## 2.4 Intangible assets-use right of sea area

The main methods for the appraisal of use right of sea area include income approach, cost method, hypothetical development method, market comparison method and benchmark price coefficient correction method. According to the purpose of appraisal, the type of sea to which the appraisal object belongs, the state of development and utilization of the appraisal object and the current situation of the sea area market, the cost method is chosen for appraisal and calculation in this appraisal.

The basic idea of cost method is to determine the price of the sea area mainly based on the objective costs and development fees paid for obtaining the sea area in the area of the appraisal object plus a certain amount of interest and profit after various corrections.

$$P = (Q + D + B + I + T) \times K_1$$

Wherein: P – Price of sea area

Q – Sea area acquisition fee

D – Sea area development fee

B – Interest on sea area development

I – Profit from sea area exploitation

T – taxes and dues

$K_1$  – Sea area life correction factor

As for the use right of sea area with fees for the use of sea areas collected annually, the appraisal value shall be the amortized amount of the charge for sea area utilization collected annually.

## 2.5 Intangible assets – other intangible assets

When other intangible assets are technical intangible assets, the sales revenue sharing method is used for appraisal.

The sales revenue sharing method is an appraisal method of forecasting the sales revenue during the earning period, profit sharing as per a certain percentage, discounting at an appropriate discount rate and accumulatively getting the present value on the appraisal base date as the appraisal value. Its basic calculation formula is as follows:

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} \times K$$

Wherein:

P – value of intangible assets;

$R_i$  – sales proceeds during the period  $i$ ;

K – revenue sharing rate of intangible assets sales;

n – earning period;

r – discount rate;

## 2.6 Other non-current assets

Other non-current assets are mainly the advance payment for equipment. The appraisal personnel have consulted the contract and original accounting vouchers of the asset and determined the appraisal value pursuant to the verified book value.

## 3. Appraisal of liabilities

Liabilities are current liabilities, including accounts payable, deposit received, salaries payable to employees, taxes payable, other payables and other current liabilities. On the basis of checking and verification, all kinds of debt appraisal personnel determine the appraisal value in light of the amount of liabilities that the appraised unit actually needs to bear.

## VII. Implementation process and situation of the appraisal procedure

The appraisal personnel appraised the assets and liabilities included into the appraisal range from 5 September to 30 September, 2024. The main appraisal procedure implementation process and circumstances are as follows:

### (I) Entrustment acceptance stage

Zhongheyi accepts the entrustment to appraise the value of the appraised assets; According to the appraisal purpose, appraisal base date and appraisal object and scope, the appraisal work plan is drawn up.

(II) Early-stage preparation stage of the appraisal

After accepting the entrustment, the appraisal personnel started to guide the company to conduct asset inventory and collect the necessary information for asset appraisal.

(III) Evaluation estimation work stage

Pursuant to the relevant principles and regulations of asset appraisal, the appraisal personnel carried out on-site survey and appraisal and estimation work and performed the following survey procedures for the assets entrusted to be appraised:

1. Collect property inventory and various financial, business and sales information, guide the relevant financial and asset management personnel of the enterprise to register and submit in details and accurately according to the “asset appraisal schedule” and “assets inventory” provided by the appraisal agency and their filling requirements and information list based on the inspection of assets as well as collect the property ownership documentary evidences and documents reflecting the performance, status and economic and technical indicators of the appraised assets. Inspect, verify and record the status of physical assets on site according to the property inventory, talk to relevant personnel, understand the operation and management status of assets and learn about the details of specific objects within the appraisal scope by consulting relevant information and drawings. And then review various asset appraisal schedules as well as check whether the filling is incomplete and the asset items are not clear and whether there are any missing items in the asset appraisal schedule as per the experience and relevant information available; supplement, revise and improve the asset appraisal schedule and further improve the asset appraisal schedule in terms of field investigation results to make the “schedule” consistent with the “actual situation”; Verify the property right certificate and investigate the property rights of fixed assets included into the appraisal scope.
2. Obtain the pricing basis and market price information.
3. Collect and analyze the historical operation and historical cost and expense of the appraised unit as well as the macro-economic situation, industry development situation, relevant data of the same industry, etc.
4. Screen the information pertaining to the appraisal project from the information collected in the daily work for use and carry out financial analysis and adjustment of acquired data.

5. Collect and calculate the parameters in terms of the specific evaluation method, determine the pricing principles and appraisal models according to the actual situation as well as carry out assessment and estimation and summary work and write asset appraisal technical descriptions and asset appraisal reports at the same time after appraisal parameters and price criteria are confirmed.
6. Require all professional appraisal personnel to unify the methods and standards and carry out self-inspection and mutual inspection of the appraisal schedules, working papers and appraisal descriptions.

(IV) Stage of appraisal summary

1. Comprehensively analyze the conclusion of preliminary appraisal, adjust, modify and improve the asset appraisal results and form a preliminary appraisal conclusion.
2. Write the asset appraisal description and asset appraisal report.
3. Conduct three-level review as well as supplement and modify the asset appraisal report and asset appraisal description.

(V) Asset appraisal report submission stage

Submit the first draft of asset appraisal report to the client for discussion and discuss related issues. Supplement and modify the asset appraisal report and produce a formal asset appraisal report on this basis to be submitted to the client.

## **VIII. Appraisal assumptions**

The results of this appraisal reflect the market value for the specific appraisal purpose, without impact of asset mortgage and guarantee that the enterprise may undertake in the future as well as the additional price that may be paid by special trading parties or special transaction methods on its valuation taken into account. In addition, the conclusion of this appraisal is drawn based on the following assumptions:

(I) Presupposition

1. Enterprise going-concern assumption

The enterprise going concern assumption refers to assuming that the business of the enterprise being appraised is legitimate, there will be no unforeseen factors causing its failure in continuing operations, the existing use of the appraised assets will remain unchanged and they will continue to be used in situ.

2. Transaction assumptions

As for the transaction assumption, all assets to be appraised are assumed to be already in the process of being traded. Appraisers make valuations according to simulated markets, such as trading conditions for the assets to be appraised. The transaction assumption is one of the most basic presuppositions for asset appraisal.

3. Open market assumption

Open market assumption refers to assuming that as for the assets traded in the market, or the assets to be traded in the market, both parties to the asset transaction have equal status with each other and have the opportunity and time to obtain sufficient market information to make rational judgments about the functions and uses of the assets and their trading prices. The open market assumption is based on the fact that assets can be bought and sold openly in the market.

(II) General assumption

1. As for this appraisal, the specific purpose of appraisal listed in the asset appraisal report is taken as the basic assumption.
2. It is assumed that there is no significant change in the relevant laws, regulations and policies of the country and the macroeconomic situation of the country and the political, economic and social environment of the region where the parties to the transaction are located or major adverse effect caused by other unpredictable and force majeure factors after the appraisal base date.
3. Assuming that country suffers few or no vital changes in the relevant credit interest rates, exchange rates, taxation bases and taxation rates as well as the administrative levies.
4. It is assumed that the assets have no ownership defects, or all existing ownership defects have been revealed.
5. It is assumed that the basic information and financial information provided by the appraised unit is true, accurate and complete.

If the above conditions change, the appraisal results will generally become invalid, and the client shall promptly hire the appraisal agency to re-determine the appraisal conclusions.

## IX. Appraisal conclusions and analysis

Appraisal conclusion: The book value of assets included into the appraisal scope is RMB929,528.4 thousand, the appraisal value is RMB1,042,603.5 thousand, and the appraisal value added is RMB113,075.1 thousand, with a value added rate of 12.16%; the book value of the liability is RMB839,565.0 thousand, and the appraisal value is RMB839,565.0 thousand, with no increase or decrease; the book value of the net assets is RMB89,963.4 thousand, the appraisal value is RMB203,038.5 thousand, the appraisal added value is RMB113,075.1 thousand, and the value-added rate is 125.69%.

### Summary Sheet of Asset Appraisal Results

Monetary unit: RMB thousand

Item	Book value A	Appraisal value B	Increased or decreased value C=B-A	Value-added rate % D=C/A×100%
Current assets	30,909.5	31,610.7	701.2	22.7
Non-current assets	898,618.8	1,010,992.8	112,374.0	125.1
Wherein: Fixed assets	829,304.0	899,933.3	70,629.3	85.2
Construction in progress	299.0	299.0	0.0	0.0
Intangible assets	68,055.7	109,800.4	41,744.7	613.4
Other non-current assets	960.2	960.2	0.0	0.0
<b>Total assets</b>	<b>929,528.4</b>	<b>1,042,603.5</b>	<b>113,075.1</b>	<b>121.6</b>
Current liabilities	839,565.0	839,565.0	0.0	0.0
<b>Total liabilities</b>	<b>839,565.0</b>	<b>839,565.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Owner's equity</b>	<b>89,963.4</b>	<b>203,038.5</b>	<b>113,075.1</b>	<b>1,256.9</b>

Refer to the *Asset Appraisal Schedule* for details of the appraisal conclusion.

## X. Notes for special matters

The related matters that have been found in the appraisal process that may influence appraisal conclusions but beyond appraisers' practice level and ability are as follows:

### (I) Incomprehensive or defective ownership data

1. No real estate ownership certificate is handled for the buildings included into the appraisal scope. Maolong New Material promises that the assets are owned by it, there is no property right dispute, and their area is declared by the appraised unit and verified at the site by the appraised unit personnel and appraisal personnel. If the area does not comply with the declared area when the relevant property right certificate is handled in the future, the appraisal results shall be adjusted according to the area stated in the property right certificate.

2. Partial buildings are located within the scope of use right of sea area (GHZ No. 2013B37078309015) owned by Shouguang Molong Logistics Co., Ltd. The details are as follows:

Monetary unit: RMB thousand

S/N	Building name	Structure	Completion year and month	Construction area (m <sup>2</sup> )	Original book value	Net book value
1	Comprehensive office building	Frame structure	28 December, 2015	6,150.00	8,845.9	5,013.3
2	Staff canteen	Frame structure	28 December, 2015	2,919.83	3,855.2	2,180.4
3	Carport	Steel structure	30 September, 2018	42.00	9.6	0.5
<b>Total</b>				<b>9,111.83</b>	<b>12,710.7</b>	<b>7,194.2</b>

(II) Pending matters, legal disputes and other uncertain factors

1. Bank account freezing

Partial liabilities of the appraised unit is overdue and some creditors have filed a lawsuit, resulting in the freezing of some bank accounts.

2. Mortgage and seizure

According to Mortgage Contract of Maximum Amount (MHYD Zi No. 003) and Mortgage Contract of Maximum Amount alternation agreement (MHYD Zi No. 003-1 and MHYD Zi No. 003-2), GHZ No. 2014B37078305659 use right of sea area and partial building of Maolong New Material have been mortgaged on the appraisal base date, the mortgagee is ICBC Shouguang Sub-branch and the mortgage period ends on 8 September 2026.

According to Mortgage Contract of Maximum Amount (MJQSBD Zi No. 002) and Mortgage Contract of Maximum Amount alternation agreement (MJQSBD Zi No. 002-1 and MJQSBD Zi No. 002-2), partial melting reduction equipment and SRV furnaces of Maolong New Material have been mortgaged on the appraisal base date, the mortgagee is ICBC Shouguang Sub-branch and the mortgage period ends on 18 September 2025.

According to the data, part of the equipment and the National Sea Certificate 2014B37078305659, the L (2019) SGSBDCQ No. 0003758 use right of sea area has been sealed up by Shouguang City People's Court.



### 3. Matter of guarantee

Secured party	Amount guaranteed (RMB)	Start date of guarantee	Maturity date of guarantee	Whether the warranty has been fulfilled
Shandong Molong Petroleum Machinery Co., Ltd.	171,590,000.00	11 October, 2023	24 May, 2025	No
Shandong Molong Petroleum Machinery Co., Ltd.	264,000,000.00	5 February, 2024	18 February, 2025	No
Shandong Molong Petroleum Machinery Co., Ltd.	50,000,000.00	7 March, 2024	7 March, 2025	No
Shandong Molong Petroleum Machinery Co., Ltd.	476,000,000.00	14 September, 2023	27 August, 2025	No
Shandong Molong Petroleum Machinery Co., Ltd.	239,000,000.00	22 March, 2024	8 September, 2026	No

4. As of the evaluation report date, there are 5 undecided cases, which involve accounts payable with principal already confirmed in the book, and the amount of relevant litigation interest is not yet determined.

As for the appraisal, the influence of the above matters on the appraisal value isn't considered.

### (III) Significant use of expert work and related reports

The book value of assets and liabilities on the appraisal base date of asset appraisal report has been audited by Shandong Paramount Certified Public Accountants (General Partnership) which has issued a clean opinion audit report (LPLMDS Zi [2024] 10021) with the uncertainty of going concern is issued.

### (IV) Relevant circumstances of appraisal procedures restricted

The appraisal personnel did not carry out technical inspection on the hidden works and internal structures of various buildings and structures (namely the parts that could not be observed by the naked eye). Under the premise that the relevant engineering data provided by the appraised unit is true and effective, the appraisal personnel make a judgment through field investigation without the aid of any detecting instrument.

The appraisal personnel did not conduct technical detection of technical parameters and performance of the various equipment on the appraisal base date. Under the premise that the relevant technical data and operation records provided by the appraised unit are true and effective, the appraisal personnel make a judgment through field investigation without the aid of any detecting instrument.

(V) Other matters needing explanations

1. As for the appraisal, the effect of related taxes and dues that may arise from future economic activities isn't taken into account.
2. Shandong Molong Petroleum Machinery Co., Ltd. transferred the HIs melt melt reduction technology to Shandong Molong Petroleum Machinery Co., Ltd. The patentee change procedures are being processed. Shouguang Maolong New Material Technology Development Co., Ltd. makes a commitment that it has acquired the ownership of HIs melt melt reduction technology on the appraisal base date.
3. According to the information provided by the client and the appraised unit, the scope of this appraisal covers all assets and liabilities declared by the appraised unit. The rights and interests or obligations of the client and the appraised unit beyond the scope of the appraisal (such as contingent gain, contingent (off-the-book) assets and contingent liabilities) aren't taken into account in the asset appraisal report.
4. The appraisal conclusion reflects the market value of the appraisal object determined according to the open market principle for the purpose of this appraisal, without impact on the appraisal value of mortgages, guarantees and additional prices that may be paid by special counterparties, changes in national macroeconomic policies or the impact of natural forces and other force majeure on asset prices taken into account. The appraisal conclusion will generally be invalidated when the current conditions and the going concern principles followed in the appraisal change.
5. The appraisal conclusion is based on the aforesaid principles, bases, premises, methods and procedures and is valid only under the condition that the aforesaid principles, bases and premises exist. When the current conditions and the various principles followed in the appraisal change, the appraisal results will generally become invalid.
6. The purpose of asset appraiser performing asset appraisal business is to estimate the appraisal object and express professional opinions, without taking the responsibility for the decision of the relevant parties. The appraisal conclusion shall not be deemed as a guarantee of the realizable price of the appraisal object.
7. The appraisal conclusion is issued by Beijing Zhongheyi Asset Appraisal Co., Ltd. and influenced by the professional level and ability of the appraisal personnel of the agency.

**The user of the asset appraisal report shall pay attention to the influence that special matters may have on the appraisal conclusion and transaction pricing.**

## **XI. Description about restrictions on the use of the asset appraisal report**

1. The asset appraisal report can only be used for the purposes specified in the appraisal purpose of this project and shall not be used for other purposes. If the client or other asset appraisal report users fail to use the asset appraisal report in accordance with the laws and administrative regulations and the range of application specified in the asset appraisal report, our asset appraisal agency and its asset appraisers shall take no responsibilities;
2. Except for the client, other users of the asset appraisal report agreed in the asset appraisal entrustment contract, and users of the asset appraisal report stipulated by laws and administrative regulations, no other organizations or individuals may become users of the asset appraisal report;
3. The user of the asset appraisal report shall correctly understand the appraisal conclusions. Appraisal conclusions are not equal to the realizable price of the appraisal object and cannot be considered as the guarantee for the realizable price of the appraisal object.
4. The asset appraisal report can only be used after being signed and stamped by the appraisal agency and the asset appraiser.
5. The asset appraisal report is valid for one year from 31 August, 2024 to 30 August, 2025. During this period, the appraisal results can be used as a reference for pricing when the purpose of the appraisal is achieved, with adjustment as per the relevant matters after the appraisal base date. The appraisal results presented in this report will be invalid if used for more than one year.

## **XII. Asset appraisal report day**

The date of formation of the asset appraisal conclusion is 30 September, 2024.