



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)



Shandong Molong Petroleum Machinery Co., Ltd.

2025 Annual Report

A Professional Manufacture
and Service Supplier of Energy Equipment

Company Abbreviation: Shandong Molong
Stock Code: SZ002490, HK568

*For identification purpose only

Section I. Important Notes, Contents and Definitions

The board of directors and the directors and senior management of the Company hereby warrant that there are no false representations, misleading statements or material omissions contained in the annual report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of its contents.

Han Gao Gui, the legal representative of the Company, Zhu Lin, the person in charge of the accounting department and Zhu Lin, the head of the accounting department, declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.

All directors attended the board meeting for considering this report.

This report involves forward-looking statements about future plans, which do not constitute actual commitments to investors by the Company. Investors and parties concerned should maintain an adequate understanding of the underlying risks and understand the differences between plans, projections and commitments. Investors are advised to make themselves aware of the risks associated with investment.

The Company has described in detail the potential risks in the section headed “XI. Prospects for future development of the Company” under “Management Discussion and Analysis” in Section III of this report. Investors are advised to read carefully the contents thereof.

The Company does not propose any payment of cash dividends or any issue of bonus shares or any transfer of reserve to capital.

As of the end of the reporting period, the parent company has losses that have not been made up.

Based on the Company’s consolidated statements and the fact that the parent company’s profits distributable to shareholders as at the end of 2025 was negative, and in accordance with the relevant provisions of the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies, the Guidance No.1 for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board and the Articles of Association, the Company formulated the profit distribution proposal for 2025: no profit distribution will be made for the year, i.e., no cash dividend will be distributed, no bonus shares will be issued and no capital reserve will be transferred to share capital.

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Section I. Important Notes, Contents and Definitions

Documents Available for Inspection

- (1) The financial statements which were signed and sealed by the responsible person, chief accountant and head of accounting department (person in charge of accounting matters) of the Company.
- (2) The original of the audit report affixed with the official stamp of the accounting firm and the signatures and seals of the certified public accountants.
- (3) All of the originals of documents and master copies of announcements of the Company publicly disclosed during the reporting period.
- (4) Place for inspecting the above documents: office of the board of directors of the Company.

Definitions

Term	Definition
"Company", "parent company" or "Shandong Molong"	Shandong Molong Petroleum Machinery Company Limited (山東墨龍石油機械股份有限公司)
"Group"	collectively, the Company and its subsidiaries
"Shouguang SAB"	State-owned Assets Supervision and Administration Bureau of Shouguang City (壽光市國有資產監督管理局)
"Molong Holdings"	Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)
"Shouguang Jinxin"	Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司)
"Molong Commercial"	Shandong Molong Commercial Trading Company (山東墨龍商貿有限公司)
"Molong I&E"	Shandong Molong Import & Export Co., Ltd. (山東墨龍進出口有限公司)
"Molong Logistics"	Shouguang Molong Logistic Co., Ltd. (壽光墨龍物流有限公司)
"Molong Electro-mechanical"	Shouguang Molong Electro-mechanical Equipment Company Limited (壽光墨龍機電設備有限公司)
"MPM Corporation"	MPM International Limited
"Shangdong Xincheng"	Shangdong Xincheng New Materials Technology Co., Ltd. (山東信誠新材料技術有限公司)
"Molong E-commerce"	Weifang Molong E-commerce Co., Ltd. (濰坊墨龍電子商務有限公司)
"Molong (Hainan)"	Molong (Hainan) Agricultural Development Co., Ltd.
"Molong Bicheng"	Shanghai Molong Bicheng International Trade Co., Ltd. (上海墨龍幣誠國際貿易有限公司)
"Shengrui Investment"	Shouguang Shengrui Investment Co., Ltd.
"Yalong Machinery"	Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)
"Shouguang Baolong"	Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司)
"Weihai Baolong"	Weihai Baolong Special Petroleum Materials Co., Ltd. (威海市寶隆石油專材有限公司)
"Shouguang Maolong"	Shouguang Maolong New Materials Technology Development Co., Ltd. (壽光懋隆新材料技術開發有限公司)
"Huarong Agricultural"	Shouguang Huarong Agricultural Technology Co., Ltd. (壽光華融農業科技有限公司)
"Vegetable Wholesale Corporation"	Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司)
"Xiangrun Industry"	Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)
"SZSE"	The Shenzhen Stock Exchange
"SEHK" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"CSRC"	China Securities Regulatory Commission
"reporting period"	1 January 2025 to 31 December 2025
"RMB", "RMB thousand", "RMB ten thousand"	Renminbi, thousand Renminbi, ten thousand Renminbi

Section II. Company Profile and Key Financial Indicators

I. Information of the Company

Stock Name Abbreviation	Shandong Molong	Stock Code	002490, 00568
Abbreviation of shares after changes (if any)	ST Molong		
Stock exchanges of listed shares	SZSE, SEHK		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Abbreviation of the Chinese Name	山東墨龍		
English Name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the English Name (if any)	Shandong Molong		
Legal Representative of the Company	Han Gao Gui		
Registered Address	No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province		
Postal Code of Registered Address	262700		
Historical Changes in the Company's Registered Address	The Company held the 2021 Annual General Meeting of Shareholders on May 19, 2022, where the Proposal on Changing the Company's Registered Address and Amending the Articles of Association was reviewed and approved. On June 16, 2022, the Company's relevant industrial and commercial change procedures were completed. The Company's registered address was changed from "No. 999 Wensheng Street, Shouguang City, Shandong Province" to "No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province".		
Office Address	No. 999 Wensheng Street, Shouguang City, Shandong Province		
Postal Code of Office Address	262700		
Company Website	https://www.molonggroup.com		
Email Address	dsh@molonggroup.com		

II. Contact persons and contact information

	Secretary to the board	Representative for securities affairs
Name	Zhao Xiao Tong	Xiao Rui
Contact Address	No. 999 Wensheng Street, Shouguang City, Shandong Province	No. 999 Wensheng Street, Shouguang City, Shandong Province
Telephone	0536-5100890	0536-5100890
Facsimile	0536-5100888	0536-5100888
Email Address	dsh@molonggroup.com	dsh@molonggroup.com

Section II. Company Profile and Key Financial Indicators

III. Information disclosure and places for inspection

Websites of stock exchanges on which the annual report of the Company is disclosed	Shenzhen Stock Exchange (http://www.szse.cn); Stock Exchange of Hong Kong (http://www.hkex.com.hk)
Names and websites of media on which the annual report of the Company is disclosed	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, and cninfo (www.cninfo.com.cn)
Places for inspection of the Company's annual report	Office of the board of directors of the Company

IV. Changes in registration

Unified Social Credit Code	91370000734705456P
Changes in principal operations since the Company's listing (if any)	At the first extraordinary general meeting of 2021 of the Company held on 3 March 2021, the Resolution on the Change in Business Scope of the Company and Amendments to the Articles of Association was considered and approved. On 4 March 2021, the Company completed the procedures for changes of industry and commerce registration. The Company's business scope has been changed as: pump, sucker rod, oil pumping machine, oil tubing, oil machinery, textile machinery, steel rolling and processing, special equipment, gear and gearbox, oil drilling special equipment, valve and cock, metallurgy special equipment, mechanical parts processing manufacturing, sales; petroleum machinery and relevant product development; commodity information services (excluding intermediary); technology promotion services; energy-saving technology promotion services; technology imports and exports; goods imports and exports; inspection services; measurement services. (Project approved by law can only be carried out with the approval of the relevant department, and the validity period shall be subject to the license).
Previous changes of controlling shareholders (if any)	On 23 February 2021, Zhang En Rong, the original controlling shareholder and the actual controller of the Company, entered into the Share Transfer Agreement with Molong Holdings. Zhang En Rong transferred 235,617,000 A shares of the Company (representing 29.53% of the total share capital of the Company) held by him to Molong Holdings by way of transfer agreement. On 23 March 2021, the registration of transfer of A shares by Zhang En Rong to Molong Holdings by agreement was completed with China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. After the completion of the equity transfer, Molong Holdings directly holds 235,617,000 A shares of the Company, representing 29.53% of the total share capital of the Company, and has become the controlling shareholder of the Company. Shouguang SAB remains the actual controller of the Company.

Section II. Company Profile and Key Financial Indicators

V. Other relevant information

Accounting firm engaged by the Company

Name of the accounting firm	Grant Thornton Zhitong Certified Public Accountants LLP
Office address of the accounting firm	5th Floor, Scitech Tower, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Name of the signing certified public accountants	Hu Nai Zhong, Song Li Xin

Sponsor institution engaged by the Company which executed continuous supervision duties during the reporting period

☐ Applicable ☒ Not applicable

Financial consultant engaged by the Company which executed continuous supervision duties during the reporting period

☐ Applicable ☒ Not applicable

VI. Key accounting data and financial indicators

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

☐ Yes ☒ No

	2025	2024	Year-on-year increase/decrease	2023
Operating revenue (RMB)	1,761,625,563.47	1,356,346,670.03	29.88%	1,317,495,782.20
Net profit attributable to shareholders of listed company (RMB)	5,155,602.79	-43,699,833.39	111.80%	-566,861,510.82
Net profit after extraordinary gains or losses attributable to shareholders of listed company (RMB)	-27,622,512.57	-311,426,219.86	91.13%	-555,852,375.02
Net cash flows generated from operating activities (RMB)	320,646,460.78	43,872,797.18	630.85%	134,992,577.56
Basic earnings per share (RMB/share)	0.01	-0.05	120.00%	-0.71
Diluted earnings per share (RMB/share)	0.01	-0.05	120.00%	-0.71
Weighted average rate of return on net assets	1.04%	-10.87%	11.91%	-80.46%

Section II. Company Profile and Key Financial Indicators

	As at the end of 2025	As at the end of 2024	Year-on-year increase/decrease	As at the end of 2023
Total assets (RMB)	2,682,126,082.65	2,420,182,877.14	10.82%	2,888,081,988.80
Net assets attributable to shareholders of listed company (RMB)	497,875,233.09	492,269,498.07	1.14%	424,013,364.43

The lower of the Company's net profit before and after deduction of extraordinary gains or losses in the latest three fiscal years is negative, and the audit report of the latest year shows that the Company's ability to operate as a going concern is uncertain

☐ Yes ☒ No

The lowest of the audited total profit, net profit and net profit after deduction of extraordinary gains or losses of the Company for the reporting period is negative

☒ Yes ☐ No

Item	2025	2024	Remark
Operating revenue (RMB)	1,761,625,563.47	1,356,346,670.03	Mainly comprised of revenue from sales of products.
Operating revenue not related to principal operations	74,679,383.44	88,839,959.11	Operating revenue not related to principal operations
Income without commercial substance	0.00	0.00	Income without commercial substance
Deduction amount from operating revenue (RMB)	74,679,383.44	88,839,959.11	Mainly comprised of revenue from sales of scrap.
Operating revenue after deduction amount (RMB)	1,686,946,180.03	1,267,506,710.92	Mainly comprised of product sales revenue.

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

1. Differences in net profit and net assets in the financial statements as disclosed under the International Accounting Standards ("IASs") and PRC Generally Accepted Accounting Principles ("PRC GAAP")

☐ Applicable ☒ Not applicable

During the reporting period, there were no differences in net profit and net assets in the financial statements as disclosed under the IASs and PRC GAAP.

Section II. Company Profile and Key Financial Indicators

2. Differences in net profit and net assets in the financial statements as disclosed under overseas accounting standards and PRC GAAP

☐ Applicable ☒ Not applicable

During the reporting period, there were no differences in net profit and net assets in the financial statements as disclosed under overseas accounting standards and PRC GAAP.

VIII. Key financial indicators by quarter

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	291,392,171.76	506,128,137.98	397,246,057.55	566,859,196.18
Net profit attributable to shareholders of listed company	5,423,201.01	6,740,475.05	-6,732,685.90	-275,387.37
Net profit after extraordinary gains or losses attributable to shareholders of listed company	-4,913,149.53	5,701,139.26	-7,855,734.71	-20,554,767.59
Net cash flows from operating activities	381,004,412.19	-125,887,801.43	-31,168,386.86	96,698,236.88

Whether the above financial indicators or their sums are significantly different from the relevant financial indicators disclosed in the quarterly reports or semi-annual reports of the Company

☐ Yes ☒ No

Section II. Company Profile and Key Financial Indicators

IX. Extraordinary gain or loss items and amounts

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2025 amount	2024 amount	2023 amount	Explanation
Gains or losses on disposal of non-current assets (including write-off of provision for impairment of assets)	3,905,078.76	266,401,524.54	609,956.37	Mainly comprised of the income generated from the disposal and scrapping of some assets by the Company.
Government grants (except for government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) recognised in current profit or loss	20,604,378.19	446,332.02	380,410.90	Mainly comprised of the special funds for supporting enterprise development received during the current period.
Write-back of provision for receivables subject to individual impairment test	468,044.34	—	—	Mainly comprised of the recovery of the receivables subject to individual impairment provision.
Gains or losses arising from contingencies not related to the normal operation of the Company	-174,988.69	-4,960,656.25	—	Mainly comprised of the interests payable for the adjudicated litigation provided during the current period.
Non-operating income and expenses other than the above items	7,975,602.78	5,839,410.35	431,867.54	Mainly comprised of the litigation compensation received during the current period.
Other profit and loss items that fall within the definition of extraordinary gains and losses	—	—	-12,958,782.06	—
Less: Effect on income tax	0.02	219.71	—	—
Effect on minority interests (after tax)	—	4.48	-527,411.45	—
Total	32,778,115.36	267,726,386.47	-11,009,135.80	—

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

☐ Applicable ☒ Not applicable

The Company did not have any other profit or loss items that fall within the definition of extraordinary gains or losses.

Explanation for defining the extraordinary gain or loss items listed in the “Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses” as recurring gain or loss items

☐ Applicable ☒ Not applicable

The Company did not define any extraordinary gain or loss items listed in the “Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses” as recurring gain or loss items.

Section III. Management Discussion and Analysis

I. Principal businesses of the Company during the reporting period

The Company was mainly engaged in design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas transportation equipment and petroleum and natural gas exploitation equipment. These products are widely used in various fields such as petroleum, natural gas, shale gas, coalbed methane, hydrogen energy, oil refining, coal mining machinery, boiler manufacturing, engineering machinery manufacturing, and oilfield services. During the reporting period, the Company's main products are pipe products such as oil pipes, casing, pipeline pipes, boiler pipes, hydraulic supporting pipes, gas cylinder pipes, ship pipes and nuclear power pipes, accounting for more than 90% of the Company's operation revenue.

The Company has adopted a "sales-based production" business model for production under which the production system of the Company manufactures, inspects and delivers products according to the orders placed by customers specifying the required specifications and quantity and based on the market sales initiatives of the sales department. The Company has adopted a centralised procurement model under which the procurement department is responsible for the purchase of all raw materials, moulds and equipment, including the signing of procurement contracts, procurement status tracking, facilitating quality improvement of raw materials, etc. The procurement department strictly controls the selection of suppliers based on a comprehensive overall evaluation index system. It fosters quality partners and develops long-term and stable strategic partnership. The Company has a relatively mature sales network and has established a professional team dedicated to sales and import and export operations with members responsible for domestic and international market research and study, development, product sales and after-sales services, respectively.

During the reporting period, the Company actively expanded its sales markets, achieving sufficient product orders and a significant year-on-year increase in production and sales volumes. In particular, the Company vigorously implemented its overseas strategy, with revenue from international markets increasing by approximately 50% year-on-year. The capacity utilisation rate further improved, the gross profit margin of products increased significantly year-on-year, and profitability was substantially enhanced. The Company continued to refine its lean management measures, strengthened cost control, achieved internal cost reduction and efficiency enhancement, and comprehensively improved operational efficiency and market competitiveness. These efforts drove a significant increase in the Company's operating results, achieving a turnaround from loss to profit.

As at the end of the reporting period, the Company's total assets amounted to approximately RMB2.682 billion, representing an increase of 10.82% compared with the beginning of the year. The net assets attributable to shareholders of the listed company amounted to approximately RMB498 million, representing an increase of 1.14% compared with the beginning of the year. During the reporting period, the Company achieved an operating income of approximately RMB1.762 billion, with a year-on-year increase of 29.88%; the net profit attributable to shareholders of the listed company was RMB5.1556 million, with a year-on-year increase of 111.80%; and the net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses was -RMB27.6225 million, with a year-on-year increase of 91.13%.

Section III. Management Discussion and Analysis

II. Overview of the Company's industry during the reporting period

The Company operates in the energy equipment industry covering the manufacturing of dedicated energy exploitation equipment for energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which falls within the scope of the petroleum and natural gas special equipment manufacturing and services industry. The development and prosperity of the petroleum and natural gas exploitation industry have direct impact to the development of the Company's industry. In the long run, the global economic growth rate, price trends of and consumers' demand for petroleum and natural gas, global spendings in exploration and development of petroleum and scale of oil and gas exploitation, are determinants of the prosperity of the Company's industry. In 2025, against the backdrop of heightened uncertainty in the external environment and persistently high benchmark oil prices, industry prosperity continued to improve, providing support for investment in global oil and gas exploration and development. This has driven a sustained recovery in the capital expenditure of oil and gas companies, leading to increased demand for oil and gas equipment and services.

According to relevant energy data from the National Bureau of Statistics, China's oil and gas production maintained a stable growth trend in 2025, with both crude oil and natural gas output achieving positive year-on-year growth. The capacity to ensure oil and gas supply continued to be strengthened, solidifying the foundation for national energy security. At the policy level, the National Energy Administration's Guiding Opinions on Energy Work in 2025 set out the core objectives and key tasks for the year's energy efforts. The total national energy production steadily increased, with crude oil output remaining above 200 million tons and natural gas output maintaining relatively rapid growth, while the scale of oil and gas reserves continued to expand. The Guiding Opinions emphasised the role of fossil energy in providing a foundational guarantee, explicitly requiring the consolidation of the foundation for energy security, the sustained strengthening of oil and gas exploration and development efforts, and the enhancement of oil and gas reserve capacity. In line with the new energy security strategy, efforts to enhance energy security capabilities continued to intensify, with a focus on advancing the exploration and development of oil and gas resources and stepping up efforts to increase reserves and production. This has driven the industry to form a development pattern characterised by "enhancing quality and efficiency in conventional oil and gas, and promoting integrated empowerment through new energy".

Overall, the implementation of a series of domestic energy security-related policies in 2025, combined with the steady growth of oil and gas production, the continuous enhancement of reserve capacity, and ongoing breakthroughs in technological innovation, effectively strengthened the foundation of China's energy security. This has further driven a steady improvement in the prosperity of the domestic oil and gas industry, providing strong support for the successful completion of the energy targets set out in the 14th Five-Year Plan, and laying a solid foundation for the high-quality development of the oil and gas industry during the 15th Five-Year Plan period.

Furthermore, as the global industrial system transitions toward green and high-end development, seamless steel pipes, as a key foundational material, are seeing their application fields expand from traditional oil and gas extraction to a wider range of non-oil and gas industrial scenarios. In the power industry, seamless steel pipes are mainly used in high-pressure and ultra-high-pressure boiler pipes, heat exchanger pipes, etc. Against the backdrop of energy supply security and peak-shaving demands, the construction of new coal-fired power projects and supporting facilities for new energy power stations is driving demand for related pipe materials. In the high-end equipment and machinery manufacturing industry, such as construction machinery, hydraulic supports, bearings, and automobile manufacturing, the demand for seamless steel pipes with high precision, high strength, and special properties continues to grow. In the chemical industry, chemical equipment and pressure vessel manufacturing impose extremely high requirements for the corrosion resistance and high-temperature and high-pressure resistance of seamless steel pipes, making it an important application market for high-quality seamless steel pipes.

Section III. Management Discussion and Analysis

III. Analysis of core competitiveness

1. Strength in brand name

The Company is an A + H state-controlled listed company that specialises in the design, research, processing and manufacturing, sales services and export trade of energy equipment. The Company is also a qualified supplier of the four largest oil conglomerates in China. The Company has always adhered to its corporate spirit of “loyalty, dedication, innovation, and integrity”. Through expansion of scale and extension of production chains, the Company has gained a good reputation and a solid position in the energy equipment sector. The “Molong” trademark of the Company has been named as a famous trademark of Shandong Province, and the products of the Company have become a key export brand for nurturing and development in Shandong Province. In recent years, the Company has made vigorous efforts to enhance product quality, increased follow-up service efforts and continuously provided customers with high-quality after-sales service, further shaping a good brand image for the enterprise.

2. Strength 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 27 patents and newly obtained 12 authorized patents in 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, achieved large-scale mass production of high grade anti-H₂S, anti-CO₂ and other corrosion-resistant oil pipes and casing, and made pioneering breakthroughs in the field of high-end oil well tubing in harsh environments; completed the R&D and production of many new-specification high gas seal special threaded connection oil casing products, with the supply volume of special threaded oil casing increasing by over 10,000 tons; developed a series of oil pumps with anticorrosion performance and has made bulk supply to users 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, and has made bulk supply of more than 100,000 meters for European and South American markets; independently developed super 13Cr oil pipes and delivered in large quantities to the African market, demonstrating the Company's strong R&D capabilities and large-scale production strength in the high-end oil well tubing sector. 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.

Section III. Management Discussion and Analysis

3. Strength in special products

The Company has been focusing on the field of energy equipment manufacturing. It has researched and developed a series of energy equipment products with independent intellectual property rights, featuring high strength, high gas-seal integrity, corrosion resistance, low-temperature resistance, intelligentisation, and greenisation, suitable for special working conditions, including shale oil and gas, deep-sea oil and gas, deep coalbed methane, gas storage facilities and ultra-deep wells, such as the Molong series of high sealing special thread oil casings, direct connection oil casings and stairs thread oil tubings; casings with rapid connecting structure for ocean drilling; high-performance, collapse-resistant, corrosion-resistant, oil casings in special sizes for underground environments with harsh geological conditions. Our special sucker rods, anti-twist sucker rods series for screw pumps, intelligent sucker rod systems and special-purpose oil pump series are widely used in domestic and overseas oil field markets. The efforts in the R&D of special products and improvement in technical know-how will help to enhance the Company's comprehensive competitiveness in the industry.

4. Strength in product quality

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, 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 meet the needs of the Company's various products. A comprehensive quality assurance system ensures the Company's products sell well in the world's major oil-producing regions and earn high praise from domestic and international customers. In recent years, the Company continued to increase investment in equipment upgrades, introduced more than ten new intelligent robotic units, upgraded and renovated key processes in production equipment, which further improved production efficiency and strengthened product quality.

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, Turkey, Oman, Philippines and developed 5 new market regions and 29 new customers in terms of overseas market; has passed the product certification of NCS Research Institute and developed 1 new market area and 26 new customers in terms of domestic oilfield market; passed the certification of China Classification Society and obtained the type test certificate for 5,312 standard boiler tubes and developed 3 new market regions and 41 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. In 2025, the Company established a Middle East office in the United Arab Emirates, forming an overseas sales pattern integrating "production + service + trade", which has laid a solid foundation for further expansion into overseas markets.

Section III. Management Discussion and Analysis

IV. Analysis of principal businesses

1. Overview

See “I. Principal businesses of the Company during the reporting period” for details.

2. Revenue and cost

(1) Composition of operating revenue

Unit: RMB

	2025		2024		Year-on-year increase/ decrease
	Amount	Percentage of operating revenue	Amount	Percentage of operating revenue	
Total operating revenue	1,761,625,563.47	100%	1,356,346,670.03	100%	29.88%
By industry					
Special equipment manufacturing	1,761,625,563.47	100.00%	1,356,346,670.03	100.00%	29.88%
By product					
Pipe products	1,658,132,685.70	94.13%	1,230,613,168.65	90.73%	34.74%
Castings and forgings	—	—	7,141,888.99	0.53%	-100.00%
Three kinds of pumping units	29,474,796.09	1.67%	34,145,876.14	2.52%	-13.68%
Petroleum machinery parts	—	—	1,867,935.18	0.14%	-100.00%
Others	74,018,081.68	4.20%	82,577,801.07	6.08%	-10.37%
By region					
Within China	1,150,301,118.64	65.30%	946,365,785.91	69.77%	21.55%
Outside China	611,324,444.83	34.70%	409,980,884.12	30.23%	49.11%
By sales mode					
Self-marketing	1,761,625,563.47	100.00%	1,356,346,670.03	100.00%	29.88%

Section III. Management Discussion and Analysis

(2) Industries, products, regions or sales models that accounted for over 10% of the Company's operating revenue or operating profit

☒ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Year-on-year increase/decrease in operating revenue	Year-on-year increase/decrease in operating cost	Year-on-year increase/decrease in gross profit margin
By industry						
Special equipment manufacturing	1,761,625,563.47	1,585,917,667.15	9.97%	29.88%	21.85%	an increase of 5.93 percentage points
By product						
Pipe products	1,658,132,685.70	1,492,002,144.68	10.02%	34.74%	27.70%	an increase of 4.96 percentage points
By region						
Within China	1,150,301,118.64	1,053,263,045.88	8.44%	21.55%	11.93%	an increase of 7.87 percentage points
Outside China	611,324,444.83	532,654,621.27	12.87%	49.11%	47.71%	an increase of 0.83 percentage points
By sales model						
Self-marketing	1,761,625,563.47	1,585,917,667.15	9.97%	29.88%	21.85%	an increase of 5.93 percentage points

After adjustments were made to the data statistical caliber of the Company's principal businesses during the reporting period, the data of the Company's principal businesses for the latest year as adjusted based on the caliber at the end of the reporting period

☐ Applicable ☒ Not applicable

Section III. Management Discussion and Analysis

(3) Whether the Company's revenue from sales of physical goods was more than its revenue from the provision of labour services

☒ Yes ☐ No

Industry type	Item	Unit	2025	2024	Year-on-year
					increase/ decrease
Special equipment manufacturing	Sales volume	Ten thousand tonnes	33.67	23.19	45.19%
	Production volume	Ten thousand tonnes	37.34	25.12	48.65%
	Inventories	Ten thousand tonnes	9.28	5.61	65.42%

Reason(s) for year-on-year changes of over 30% in the underlying data

☒ Applicable ☐ Not applicable

The Company's sales volume, production volume and inventories in 2025 increased by 45.19%, 48.65% and 65.42% respectively year-on-year. This was mainly due to an increase in the development of domestic and overseas customers and hence higher order intake during the period, as well as an increase in the utilization rate of its production line as compared to the same period last year, which led to increased production and sales volumes and inventories.

(4) Performance of material sales contracts and material purchase contracts entered into by the Company as at the end of the reporting period

☐ Applicable ☒ Not applicable

Section III. Management Discussion and Analysis

(5) Composition of operating cost

Industry type

Unit: RMB

Industry type	Item	2025		2024		Year-on-year increase/decrease
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
Pipe products	Materials	1,182,755,883.43	79.27%	922,084,291.34	78.92%	28.27%
Pipe products	Depreciation	47,369,401.63	3.17%	53,862,247.63	4.61%	-12.05%
Pipe products	Labour cost	67,539,091.60	4.53%	64,494,491.74	5.52%	4.72%
Pipe products	Expenses	194,337,768.02	13.03%	127,937,442.86	10.95%	51.90%
Three kinds of pumping units	Materials	15,300,569.02	58.39%	18,972,155.18	65.30%	-19.35%
Three kinds of pumping units	Depreciation	1,182,159.60	4.51%	868,709.71	2.99%	36.08%
Three kinds of pumping units	Labour cost	5,912,110.71	22.56%	6,458,667.84	22.23%	-8.46%
Three kinds of pumping units	Expenses	3,810,834.53	14.54%	2,754,303.69	9.48%	38.36%
Petroleum machinery parts	Materials	—	—	843,245.75	56.82%	-100.00%
Petroleum machinery parts	Depreciation	—	—	110,117.63	7.42%	-100.00%
Petroleum machinery parts	Labour cost	—	—	457,092.03	30.80%	-100.00%
Petroleum machinery parts	Expenses	—	—	73,609.63	4.96%	-100.00%
Castings and forgings	Materials	—	—	5,947,708.87	77.88%	-100.00%
Castings and forgings	Depreciation	—	—	373,450.13	4.89%	-100.00%
Castings and forgings	Labour cost	—	—	478,840.97	6.27%	-100.00%
Castings and forgings	Expenses	—	—	837,017.07	10.96%	-100.00%
Others	Materials	62,839,283.19	92.81%	84,253,109.31	88.66%	-25.42%
Others	Depreciation	190,454.81	0.28%	285,088.35	0.30%	-33.19%
Others	Labour cost	3,828,347.65	5.65%	7,725,894.19	8.13%	-50.45%
Others	Expenses	851,762.96	1.26%	2,765,356.96	2.91%	-69.20%

Explanation

The material that accounted for the largest proportion of the Company's cost of products was tube blanks.

Section III. Management Discussion and Analysis

(6) Whether the scope of consolidation changed during the reporting period

☒ Yes ☐ No

On 8 December 2025, the Company and its subsidiary MPM Company jointly established Shandong Xincheng. The Company contributed RMB3.58 million, representing a 71.6% equity interest, while MPM Company contributed RMB1.42 million, representing a 28.4% equity interest. Shandong Xincheng has been included in the Group's consolidated financial statements. The matter was considered and approved by the manager's office of the Company.

(7) Information related to significant change in or adjustment to the Company's businesses, products or services during the reporting period

☐ Applicable ☒ Not applicable

(8) Information on major customers and major suppliers

Information on the major customers of the Company

Total sales of the top 5 customers (RMB)	752,773,857.03
Proportion of total sales of the top 5 customers over total sales for the year	42.73%
Proportion of sales of connected parties in the top 5 customers over total sales for the year	0.00%

Information on the Company's top 5 customers

No.	Name of customer	Sales (RMB)	Percentage of the annual total sales
1	OEM Corporation	206,961,871.51	11.75%
2	China Petroleum & Chemical Corporation	165,755,012.46	9.41%
3	AHGTC Corporation	148,269,692.19	8.42%
4	CNOOC (China) Co., Ltd.	142,138,977.83	8.07%
5	Shaanxi Yanchang Petroleum (Group) Co., Ltd.	89,648,303.04	5.08%
Total	—	752,773,857.03	42.73%

Section III. Management Discussion and Analysis

Other particulars of the major customers

✓ Applicable ☐ Not applicable

The Company did not have any connected relationship with the top 5 customers and the directors, executive officers, key technicians, shareholders who held more than 5% of the Company's shares, actual controller and other related parties of the Company did not have any interest in the major customers.

Major suppliers of the Company

Total purchases attributable to the top 5 suppliers (RMB)	626,253,024.97
Proportion of total purchases attributable to the top 5 suppliers over total purchases for the year	36.79%
Proportion of purchases of connected parties in the top 5 suppliers over total purchases for the year	0.00%

Top 5 Suppliers of the Company

No.	Name of supplier	Purchases (RMB)	Percentage of the annual total purchases
1	Urumqi Economic and Technological Development Zone (Toutunhe District) Commercial and Trade Logistics Co., Ltd. (烏魯木齊經濟技術開發區(頭屯河區)商貿物流有限責任公司)	156,383,009.28	9.19%
2	Jiangsu Port Group Logistics Co., Ltd. (江蘇港口物流集團有限公司)	138,597,121.16	8.14%
3	Lvliang Jianlong Industrial Co., Ltd. (呂梁建龍實業有限公司)	115,911,535.49	6.81%
4	Shouguang Baolilong Gas Group Co., Ltd. (壽光市寶力隆燃氣集團有限公司)	108,683,716.05	6.38%
5	Xinjiang Tiancheng International Economic and Trade Co., Ltd. (新疆天成國際經貿有限公司)	106,677,642.99	6.27%
Total	—	626,253,024.97	36.79%

Section III. Management Discussion and Analysis

Other descriptions of major suppliers

☒ Applicable ☐ Not applicable

The Company did not have any connected relationship with the top 5 suppliers and the directors, executive officers, key technicians, shareholders who held more than 5% of the Company's shares, actual controller and other related parties of the Company did not have any interest in the major suppliers.

Trading business that accounted for over 10% of the Company's operating revenue during the reporting period

☐ Applicable ☒ Not applicable

3. Expenses

Unit: RMB

	2025	2024	Year-on-year increase/ decrease	Description of significant change
Selling expenses	18,252,787.62	16,842,360.97	8.37%	—
Administrative expenses	39,858,943.88	118,952,881.37	-66.49%	Primarily attributable to the Company's implementation of cost reduction and efficiency enhancement measures for the current period, with strict control over various expenses, as well as the reduction in related expenses following the equity transfer of subsidiaries.
Finance expenses	94,329,839.50	96,614,115.45	-2.36%	—
Research and development expenditures	46,689,481.30	29,309,446.94	59.30%	Primarily attributable to the rise in investment in R&D of new products for the current period.

Section III. Management Discussion and Analysis

4. Investments in research and development

✓ Applicable ☐ Not applicable

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of high compression and high torsion resistant oil casing for ultra-deep wells	To design and develop special threaded joints to meet the special requirements of string connection performance under the harsh working conditions of ultra-deep wells. To solve technical problems such as thread sticking, seal failure and insufficient connection strength of deep well tubing strings under high compression load and high torque operation conditions, improve the structural integrity and airtight reliability of the joint under composite stress state, and meet the higher requirements for tubing and casing connection performance of ultra-deep oil and gas development, by optimizing the thread geometry, metal-to-metal sealing structure and torque shoulder design.	Completed	To develop high compression and high torsion oil casing products covering 114.30mm to 339.72mm specifications. For this project product, the threaded joint connection efficiency reaches 100% of the pipe body strength, with excellent compression resistance and torsion resistance. The compression resistance efficiency is 100%, and the torsion coefficient meets the requirements of deep well operation. High-grade steel products maintain good air tightness and anti-sticking performance under the working conditions of well depth of more than 8,000 meters, temperature of not less than 150℃ and pressure of not less than 100MPa. The project will form enterprise standards or specifications covering material design, manufacturing process and performance evaluation.	The results of the project will promote the optimization and upgrading of the Company's product structure in the direction of high-end and differentiation, and effectively enhance the Company's core competitiveness in the field of deep and ultra-deep oil and gas development equipment. The introduction of high value-added products will help the Company further explore the domestic and foreign high-end oil and gas field markets, especially to cope with the strategic needs of the development of complex oil and gas resources such as deep sea and deep land, enhance the Company's leading position in technology and brand influence in the industry, and provide strong product support for the realization of high quality and sustainable development of the Company.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of carbon dioxide corrosion resistant 110 ksi grade super 13Cr tubing	To develop the super 13Cr high steel grade casing given that ordinary pipe L80-13Cr can no longer meet the exploitation demand due to the corrosive medium environment of CO ₂ and a small amount of H ₂ S in the oil and natural gas exploitation process. To solve the problem that the oil and gas of existing products has short service life and is easy to fail in the environment, and promote the domestic production of the super 13Cr product, by optimizing the material formula, adding alloy elements such as Ni, Mo and the like, and adopting a special rolling process.	Completed	Tensile strength MPa≥793, yield strength MPa: 758~965, average impact energy at -10℃≥20J, Ni content 4.5%~6.5%, Cr content 11.5%~13.5%, Mo content 1.5%~3.0%. The chemical composition and mechanical performance indexes meet the industry standards, the physical performance is stable and reliable, and mass production is realized.	The results of the project will enhance the market competitiveness of the Company's high-grade anti-CO ₂ tubing and casing products, helping the Company develop domestic and Central Asia, the Middle East, Africa and other foreign markets. The characteristics of high added value and difficult production of products will optimize the Company's product structure, effectively enhance the brand value, promote the market share of the Company's oil and gas equipment, and significantly increase the Company's gross profit.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of large-diameter gas-sealed fast buckling casing	To focus on the development of large-diameter gas-sealed fast buckling casing products in view of the technical challenges of deep running depth of large-size casing, long cementing operation time and high well control risk in deep and ultra-deep oil and gas exploration and development. To solve the problems of low make-up efficiency and insufficient air tightness reliability of large-diameter casing in deep well operation, improve the connection efficiency and sealing performance of large-size casing under high temperature and high pressure environment, and meet the urgent demand for fast and reliable casing connection under complex working conditions of deep wells, by optimizing the meshing structure of large-size thread, torque shoulder design and metal-to-metal sealing structure.	Completed	To develop large-diameter gas-tight quick-release sleeve products covering 355.60mm to 609.60mm specifications. The connection efficiency of the threaded joint reaches 100% of the strength of the pipe body, the air tightness meets the pressure test requirements of not less than 50MPa, the make-up speed is increased by more than 30% compared with the conventional special thread, and has good anti-sticking performance and repeated make-up ability. The product is suitable for deep well conditions with a depth of more than 7,000 meters and a temperature of not less than 120 ℃, forming a complete technical specifications covering material matching, thread processing, surface treatment and inspection and evaluation.	The results of the project will fill the Company's product gap in the field of ultra-large caliber high-end casing, forming a hermetic fast buckle product series covering more than 355.60mm specifications. The technological breakthrough of large-diameter casing products will help the Company expand high-end application markets such as deepwater drilling, ultra-deep well surface casing and technical casing, enhance the system supporting capability in the field of complex deep well completion equipment, further consolidate the Company's technical leading position in the high-end tubing casing market, and provide strong product support for participating in major deep oil and gas projects at home and abroad.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of non-standard and ultra-economical carbon dioxide resistant 80KSI-2Cr tubing	Given low cost performance of high 13Cr products in the low-content CO ₂ corrosion well environment, to reduce the oilfield production cost and ensure the production life of the oil casing by optimizing the alloy ratio in cracked 2Cr tubing products with low Cr on the basis of the existing steel grades, adding about 2% Cr to reduce the alloy design of C element, and adopting the heat treatment process of quenching + high temperature tempering to produce 80KSI-2Cr products with good CO ₂ corrosion resistance, thereby increasing the Company's profitability and product range.	Completed	Tensile strength MPa $\geq$ 689, the yield strength MPa: 552~758, and the average value of impact energy at 0 DEG C: $\geq$ 40J. The chemical composition and mechanical performance indexes meet the technical requirements of customers, and the content of precious alloy elements is reduced, the production cost is reduced, the product profit is improved, and an economical alternative product of the original expensive oil casing equipment is formed.	The results of the project will enhance the competitiveness of the Company's tubing products in low CO ₂ environment with economic products, improve the Company's product types, achieve domestic substitution at low cost, improve product gross margin, strengthen the Company's technical barriers and non-standard customization capabilities for special tubing steel, optimize product structure, enhance customer stickiness, help the Company transform toward a differentiated and specialized direction, and play an important supporting role in enhancing core competitiveness and long-term sustainable development.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of straight-connected casing with ultra-high connecting strength	To develop ultra-high connection strength directly connected casing products to meet the special requirements of casing connection performance in deep wells, ultra-deep wells and narrow boreholes. To solve the technical problems such as low connection efficiency and insufficient bending resistance under the coupling-free connection mode by optimizing the pipe end thickening process, thread tooth shape design and compression torque shoulder structure. To realize that the connection strength of the pipe string is close to or even exceeds the pipe body and meet the stringent requirements for the reliability of the casing connection under complex stress conditions in deep wells, thereby improving the Company's technical reserves in the field of high-end special threaded casing.	Completed	To develop direct-connected casing products with ultra-high connection strength whose threaded joint connection efficiency is more than 80% of the pipe body strength. The product meets the requirements of complex working conditions in deep wells in terms of torsion resistance, and has reliable air sealing capacity in high temperature and high pressure environments. The threaded surface has excellent anti-sticking performance after special treatment, which can meet the needs of multiple make-up and break-down operations. The project will form corporate internal control standards or specifications covering material matching, thickening process, and thread processing accuracy control.	The results of the project will enable the Company to have directly connected casing product series with internationally advanced ultra-high connection strength, significantly enhancing the Company's technical supporting capabilities in special application fields such as narrow well completion and deep well liner suspension. The independent development of ultra-high connection strength directly connected casing will help the Company break through the technical barriers of high-end special threaded products, expand the high-end market share of deep well complex structure wells and ultra-deep well drilling and completion equipment, further strengthen the Company's technical leading position in the field of special threaded oil casing, and provide important support for the realization of high-end product strategy.

Section III. Management Discussion and Analysis

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of 34CrMo4 high-strength and high-precision military pipe	To develop 34CrMo4 high-strength and high-precision military pipe to meet the needs of military equipment for high-strength, high-toughness, high-dimensional precision pipes, break through the localization of key materials, ensure supply chain security, and enhance the Company's technology and supply capacity in the field of special military pipes.	Completed	Tensile strength MPa $\geq$ 950, yield strength MPa $\geq$ 850, hardness target 36~40HRC. To meet customers' technical requirements in terms of chemical composition. To strict control pipe size, reduce wall thickness unevenness and out-of-roundness, improve product surface quality, optimize hot rolling process, and use special tooling production, to achieve stable production and high yield of products.	The project will help the Company enter the high-end military track, improve product added value and gross profit margin, strengthen technical barriers and brand influence, optimize product structure, expand and stabilize high-quality customers, promote the Company to transform toward a high-end and specialized direction, and provide support for long-term high-quality development.
Development of high-strength and high-toughness new material 29Mn5 for tubing casing	The market competition for tubing and casing products is extremely fierce, and the material price has become the decisive factor to occupy the market. At present, all manufacturers basically use alloy steel with high price cost for production. The high-strength and high-toughness new material 29Mn5 developed by the Company has obvious advantages in performance-price ratio, which can realize the replacement with high-performance and low-cost new tubing, meet the increasing technical requirements for high-end tubing and casing in oil and gas exploitation, and promote the independent production of key tubing materials.	Completed	The goal of the the Project is to successfully develop new material 29Mn5 for tubing and casing to achieve high strength and high toughness matching and meet the service requirements of complex oil and gas well operating conditions; to break through the composition design and heat treatment key processes, form a stable batch production capacity, meet product performance standards and control cost, providing new material support for the localization of high-end tubing and casing.	The project can enrich the Company's high-end tubing and casing product system, enhance its market competitiveness and product added value, enhance its technical barriers and industry discourse power, help to expand its domestic and foreign oil and gas markets, optimize its product structure and profitability, and promote the Company to continue its efforts for higher profitability and performance, providing a basis for continuous and steady development.

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Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Development of alloy casing used in extreme cold environment	To solve the pain points of brittle fracture and insufficient toughness of ordinary casings in extremely cold environments, break through the technical bottleneck of synergistic improvement of low-temperature mechanical properties and corrosion resistance, develop alloy casing products suitable for extremely cold conditions, fill the Company's blank in the field of extremely cold special casings, meet the market demand of extreme low temperature scenarios such as oil and gas exploitation and ocean engineering, break relevant technical barriers, and improve product market adaptability.	Completed	To develop alloy casing suitable for extreme cold environment of -40 ℃ or below to ensure that the low temperature impact energy meets customer requirements, with excellent structural stability. To establish a mature alloy composition design and processing technology system and pass the relevant industry standard certification; to realize small-batch trial production, reach the industry-leading product performance level, and directly meet the needs of downstream customers such as oil and gas in extremely cold regions and ocean engineering.	to enrich the Company's high-end alloy casing product matrix, establish differentiated competitive advantages, expand into the market in extremely cold regions and extreme conditions, and enhance market share and brand influence; to break through core technologies, accumulate experience in research and development of materials to be used in extreme environment, enhance technological innovation capabilities, and help the Company enter the high-end equipment materials field, laying the foundation for subsequent expansion of emerging application scenarios and improvement of profitability.
R&D and industrialization demonstration of 140KSI high-strength and high-toughness oil well pipe for ultra-deep wells	To address the pain points of insufficient strength, poor toughness and likely corrosion and brittle fracture of existing oil well tubes under extreme working conditions of ultra-deep wells (well depth of more than 6,000 meters), break through the core technology bottlenecks of 140KSI grade bainitic steel composition design, smelting and processing, solve the problems of high alloy cost and complex process of existing products, fill the Company's gap in the field of high-end ultra-deep well tubes, meet the urgent needs of domestic unconventional oil and gas development for high-performance oil well tubes, and contribute to the domestic substitution of high-end oil well tubes.	Under R&D	To research on and develop 140KSI high-strength and high-toughness bainitic steel oil well pipe suitable for extreme working conditions of ultra-deep wells and ensure that the yield strength is $\geq 965\text{MPa}$ and the transverse Charpy impact energy at 0℃ is $\geq 60\text{J}$. To establish a mature production process system to achieve stable small-scale production and realize industry-leading product performance.	To enrich the Company's high-end oil well pipe product matrix, break the technology monopoly of foreign manufacturers, create differentiated competitive advantages, expand into the high-end market for ultra-deep well oil and gas development, and enhance market share and brand influence. To accumulate experience in R&D and industrialization of bainitic steel, enhance technological innovation capabilities, reduce production costs of high-end products, and promote the Company to enter high-end equipment and materials field, laying a solid foundation for subsequent expansion of emerging application scenarios and improvement of profitability.

Section III. Management Discussion and Analysis

Profile of research and development personnel of the Company

	2025	2024	Percentage change
Number of individuals of research and development personnel	148	162	-8.64%
Proportion of research and development personnel	11.67%	12.24%	-0.57%
Composition of research and development personnel by academic background			
Bachelor's degree	31	30	3.33%
Master's degree	11	15	-26.67%
Others	106	117	-9.40%
Composition of research and development personnel by age			
Below 30 years old	20	24	-16.67%
30 – 40 years old	76	74	2.70%
Over 40 years old	52	64	-18.75%

Research and development expenditures of the Company

	2025	2024	Percentage change
Amount of research and development expenditures (RMB)	45,080,295.48	27,102,934.69	66.33%
Percentage of research and development expenditures of operating revenue	2.56%	2.00%	0.56%
Amount of capitalised research and development expenditures (RMB)	0.00	0.00	0.00%
Percentage of capitalised research and development expenditures of research and development expenditures	0.00%	0.00%	0.00%

Reasons for and impacts of significant changes in the composition of research and development personnel of the Company

☐ Applicable ☒ Not applicable

Reasons for significant changes in the proportion of total research and development expenditures to operating revenue when compared with last year

☐ Applicable ☒ Not applicable

Reasons for and reasonableness of significant changes in the capitalisation rate of research and development expenditures

☐ Applicable ☒ Not applicable

Section III. Management Discussion and Analysis

5. Cash flows

Unit: RMB

Item	2025	2024	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	2,193,124,065.44	1,431,994,025.41	53.15%
Subtotal of cash outflows from operating activities	1,872,477,604.66	1,388,121,228.23	34.89%
Net cash flows generated from operating activities	320,646,460.78	43,872,797.18	630.85%
Subtotal of cash inflows from investing activities	93,484,064.00	244,196,835.24	-61.72%
Subtotal of cash outflows from investing activities	128,527,138.39	296,981.66	43,177.80%
Net cash flows generated from investing activities	-35,043,074.39	243,899,853.58	-114.37%
Subtotal of cash inflows from financing activities	2,302,979,142.80	2,981,543,191.28	-22.76%
Subtotal of cash outflows from financing activities	2,487,962,542.52	3,278,504,007.18	-24.11%
Net cash flows generated from financing activities	-184,983,399.72	-296,960,815.90	37.71%
Net increase in cash and cash equivalents	100,577,541.62	-2,312,650.01	4,449.02%

Explanations on main effects of significant changes in related data over the same period of last year

✓ Applicable ☐ Not applicable

- (1) Cash inflows from operating activities increased year-on-year, mainly due to the increase in operating revenue and the recovery of passive financial assistance during the period.
- (2) Cash outflows from operating activities increased year-on-year, mainly due to the increase in procurement amount during the period.
- (3) Net cash flows from operating activities increased year-on-year, mainly due to the increase in operating revenue and the recovery of passive financial assistance during the period.
- (4) Cash inflows from investing activities decreased year-on-year, mainly due to the receipt of consideration for the equity transfer of subsidiaries during the same period of last year.
- (5) Cash outflows from investing activities increased year-on-year, mainly due to the increase in expenditures on the acquisition of fixed assets and investment payments during the period.
- (6) Net cash flows from investing activities decreased year-on-year, which were mainly cash paid for investments during the period, and were mainly cash received from the disposal of equity interests in subsidiaries during the same period of last year.
- (7) Net cash flows generated from financing activities increased year-on-year, mainly due to the decrease in repayment of loans that were due in the current period.

Section III. Management Discussion and Analysis

- (8) Net increase in cash and cash equivalents increased year-on-year, mainly due to the combined effects of net cash flows generated from operating activities, investing activities and financing activities.

Main reasons for the material difference between net cash flows generated from operating activities during the reporting period and net profit for the year

☒ Applicable ☐ Not applicable

The material difference between the Company's net cash flows generated from operating activities and its net profit was mainly due to the provision for impairment of assets of the Company for the reporting period, and the combined effects of the depreciation of fixed assets, the amortisation of intangible assets, finance expenses and repayments of passive financial assistance for the reporting period.

V. Analysis of non-principal businesses

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s)	Whether it is recurring
Investment income	517,806.43	10.15%	Mainly comprised of income generated from external investments during the period.	No
Gain or loss on changes in fair value	-23,524.55	-0.46%	Mainly comprised of gains from changes in fair value during the holding period of equity investments during the period.	No
Non-operating income	9,122,091.80	178.86%	Mainly comprised of the litigation compensation received and payables not required to be paid during the period.	No
Non-operating expenses	1,622,129.79	31.81%	Mainly comprised of the related late fees paid during the period.	No
Asset impairment loss (loss indicated with "-")	-4,987,753.50	-97.80%	Mainly comprised of inventory impairment losses provided for after inventory impairment test conducted in accordance with the Accounting Standards for Business Enterprises.	No
Credit impairment loss (loss indicated with "-")	1,754,901.62	34.41%	Mainly comprised of the partially recovered accounts receivable for which provisions for credit impairment have been made during the period.	No
Other gains	25,600,049.23	501.94%	Mainly comprised of government support funds received and income recognized under the VAT additional deduction policy during the period.	No
Gain on disposal of assets	4,205,730.84	82.46%	Mainly comprised of gains from the disposal of certain fixed assets during the period.	No

Section III. Management Discussion and Analysis

VI. Analysis of assets and liabilities

1. Significant changes in the composition of assets

Unit: RMB

	As at the end of 2025		As at the beginning of 2025		Increase/ decrease in proportion	Description of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary funds	273,493,158.99	10.20%	86,788,890.12	3.59%	6.61%	Mainly attributable to the increase in operating revenue, new financing, and the recovery of passive financial assistance during the period.
Account receivable	464,170,047.25	17.31%	220,326,415.43	9.10%	8.21%	Mainly attributable to the increase in shipment volume and the fact that the payment period has not yet arrived.
Inventories	564,595,771.94	21.05%	397,733,225.95	16.43%	4.62%	Mainly attributable to the large number of orders during the period and some products having not been shipped by the end of the period.
Long-term equity investments	46,340,865.68	1.73%	1,666,457.34	0.07%	1.66%	Mainly attributable to the Company's external investment during the period.
Fixed assets	297,484,473.82	11.09%	327,402,077.12	13.53%	-2.44%	—
Construction-in-progress	139,310.39	0.01%	—	—	0.01%	—
Right-of-use assets	331,614.54	0.01%	8,256,248.21	0.34%	-0.33%	Mainly attributable to no longer lease of related assets at the end of the period.
Short-term borrowings	1,351,121,751.47	50.38%	1,425,765,913.39	58.91%	-8.53%	—
Contract liabilities	138,946,640.35	5.18%	35,099,585.13	1.45%	3.73%	Mainly attributable to the increase in advances on sales at the end of the period.
Long-term borrowings	—	—	153,809.38	0.01%	-0.01%	Mainly attributable to the repayment of matured borrowings.
Lease liabilities	—	—	178,746.58	0.01%	-0.01%	Mainly attributable to no longer lease of related assets at the end of the period.
Bills receivable	77,020,624.57	2.87%	28,076,117.35	1.16%	1.71%	Mainly attributable to the increase in unmatured commercial acceptance bills received during the period as compared to the end of the previous year.
Prepayments	112,468,236.53	4.19%	25,073,201.17	1.04%	3.15%	Mainly attributable to the increase in advance payments for materials during the period.
Other receivables	646,926,136.76	24.12%	1,177,001,129.72	48.63%	-24.51%	Mainly attributable to the recovery of some passive financial assistance during the period.
Other current assets	2,143,508.70	0.08%	368,914.64	0.02%	0.06%	Mainly attributable to the increase in VAT credit at the end of the period.
Intangible assets	190,074,048.99	7.09%	143,873,622.76	5.94%	1.15%	Mainly attributable to the acquisition of related land through debt restructuring during the period.

Section III. Management Discussion and Analysis

	As at the end of 2025		As at the beginning of 2025		Increase/ decrease in proportion	Description of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Other non-current assets	3,058,459.20	0.11%	259,900.00	0.01%	0.10%	Mainly attributable to the increase in advance payments for engineering equipment during the period.
Bills payable	66,591,079.41	2.48%	7,128.75	0.00%	2.48%	Mainly attributable to the increase in payments settled by bills during the period.
Accounts payable	397,985,748.47	14.84%	294,207,878.68	12.16%	2.68%	Mainly attributable to the increase in business volume during the period.
Salaries payable	33,499,464.98	1.25%	57,404,024.93	2.37%	-1.12%	Mainly attributable to Company's timely payment of salaries due to improvement in operations during the period.
Non-current liabilities due within one year	38,215,100.73	1.42%	30,042,081.68	1.24%	0.18%	Mainly attributable to the increase in financing due within one year.
Other current liabilities	39,971,720.36	1.49%	19,147,733.93	0.79%	0.70%	Mainly attributable to the increase in endorsed acceptance bills not yet derecognized and output tax to be transferred.
Long-term payables	52,698,375.15	1.96%	—	—	1.96%	Mainly attributable to the sale and leaseback financing business conducted during the period.

A higher proportion of overseas assets

☐ Applicable ☒ Not applicable

Section III. Management Discussion and Analysis

2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or loss on fair value changes in the current period	Cumulative fair value changes included in equity	Provision for impairment for the current period	Purchases during the current period	Disposals during the current period	Other changes	Amount at the end of the period
Financial assets								
Investments in other equity instruments	3,316,677.33	—	86,672.51	—	—	—	—	3,403,349.84
Other non-current financial assets	—	—	-23,524.55	—	500,000.00	—	—	476,475.45
Subtotal of financial assets	3,316,677.33	—	63,147.96	—	500,000.00	—	—	3,879,825.29
Financing receivables	40,000.00	—	—	—	—	—	-40,000.00	—
Total of the above	3,356,677.33	—	63,147.96	—	500,000.00	—	-40,000.00	3,879,825.29
Financial liabilities	0.00	—	—	—	—	—	—	0.00

Content of other changes

Other changes in the financing receivables were the net amount of new and matured or endorsed bank acceptance bills during the current period.

Whether there were any significant changes in the measurement attributes of the Company's major assets during the reporting period

☐ Yes ☒ No

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

Unit: RMB

Item	Balance of the book value	As at the end of the period		
		Book value	Type(s) of restriction	Status of restriction
Monetary funds	70,000,000.00	70,000,000.00	Security deposits for bills	Occupation of security deposits
Monetary funds	10,000,000.00	10,000,000.00	Loan margin	Pledge
Monetary funds	1,252,373.26	1,252,373.26	Freeze for litigation	Frozen
Monetary funds	6,335,122.32	6,335,122.32	Time deposit certificate	Pledge
Fixed assets	241,753,516.46	65,188,180.65	Charge/seizure	Charge for financing/seizure for litigation
Intangible assets	177,046,812.02	130,444,689.80	Charge/seizure	Charge for financing/seizure for litigation
Total	506,387,824.06	283,220,366.03		

Section III. Management Discussion and Analysis

VII. Analysis of investments

1. General

☒ Applicable ☐ Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
44,000,000.00	21,160,000.00	107.94%

2. Significant equity investments acquired during the reporting period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Investments in financial assets

(1) Securities investment

☐ Applicable ☒ Not applicable

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

(2) Derivatives investment

☐ Applicable ☒ Not applicable

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

Section III. Management Discussion and Analysis

VIII. Disposals of material assets and equity interests

1. Disposals of material assets

☐ Applicable ☒ Not applicable

The Company did not dispose of any material assets in the reporting period.

2. Disposals of material equity interests

☐ Applicable ☒ Not applicable

IX. Analysis of major controlled and invested companies

☒ Applicable ☐ Not applicable

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

Unit: RMB'0,000

Name of company	Type of company	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Molong Logistic	Subsidiary	Cargo storage and handling	300	9,927.03	-166.54	0.00	-249.34	-249.34
Molong I&E	Subsidiary	Import and export trade of goods	1,000	2,541.53	2,117.06	248.35	247.15	234.48
Molong Commercial	Subsidiary	Goods transportation and trade	3000	23,685.21	178.06	9,254.39	142.89	142.98

Acquisitions and disposals of subsidiaries during the reporting period

☒ Applicable ☐ Not applicable

Name of company	How the subsidiary was acquired or disposed of during the report period	Impact on the overall production and operation and performance
Shandong Xincheng	Newly established	No significant impact

Information on major controlled and invested companies

Nil

Section III. Management Discussion and Analysis

X. Structured entities controlled by the Company

☐ Applicable ☒ Not applicable

XI. Prospects for future development of the Company

(I) Future development trend of the Company industry:

In 2026, the global oil and gas industry officially enters a new development environment characterised by “seeking stability amidst change”. Against the dual backdrop of the deepening transition from old to new energy sources and intensifying global energy competition, the industry’s development logic is undergoing profound adjustments. The supply and demand landscape, price trends, and development priorities are all presenting new characteristics, bringing both new opportunities and challenges to the oilfield services industry. In the transition from new to old energy sources, demand for crude oil continues to grow, and in the medium to long term, oil prices are likely to remain at mid-to-high levels. The Key Tasks for Energy Work in 2026 (《2026年能源工作重点任务》) proposes to achieve a higher level of energy security and enhance oil and gas production and supply capacity. It is necessary to consolidate the results of increasing reserves and production, step up the exploration and development of oil and gas resources, keep crude oil production stable at around 215 million tons, and achieve natural gas output exceeding 260 billion cubic meters while maintaining a continuous production growth trend. Efforts should also be made to strengthen the oil and gas reserve system, improve the layout of oil and gas transmission pipeline networks, ensure a stable supply of oil and gas, and comprehensively fortify the bottom line of energy security. China’s oil and gas industry will continue to play a critical role in safeguarding energy security, promoting high-quality economic development, and supporting the construction of a new energy system.

In 2026, the full implementation of China’s Energy Law and the newly revised Mineral Resources Law, together with the continued advancement of the action plans for the medium- and long-term increase of oil and gas reserves and production, will strongly guide the high-quality development of oil and gas exploration and development. Overall, the high prosperity of the oilfield services industry is expected to be further consolidated.

The development of the seamless steel pipe market in non-oil and gas sectors is closely aligned with national macro strategies and the direction of industrial upgrading. As China’s industrial system advances toward high-quality development, coupled with increasingly stringent environmental regulations and a deepening corporate sustainability strategy, related equipment upgrades and retrofits will be indirectly driven. This, in turn, will generate demand for more reliable and corrosion-resistant pipes, providing the non-oil and gas seamless steel pipe industry with stable market demand that also holds high growth potential.

(II) Business plans of the Company for 2026:

2026 is a pivotal year for Shandong Molong to consolidate its development achievements and achieve high-quality development. The Company will build on its current position while taking a long-term perspective, diligently embodying the corporate spirit of “loyalty, dedication, innovation, and integrity”. It will focus on addressing weaknesses, rigorously implementing initiatives, and anchoring its strategic direction to elevate all aspects of the Company’s operations to a new level.

1. Deepening focus on core business and solidifying the development foundation.

As a listed company in the petroleum equipment industry, the Company will unwaveringly concentrate on its core business and areas of competitive strength. By upgrading industrial technology, adjusting product mix, and strengthening strategic cooperation, it will continuously enhance the advantages of its core business and comprehensively improve the quality and efficiency of corporate development.

Section III. Management Discussion and Analysis

2. Pursuing overseas strategy and increasing market share.

The Company will comprehensively expand into the Middle East, Central Asia, and African markets, accelerating the preparation of overseas offices, production bases, and overseas warehousing. Efforts will be made to expand overseas high-end markets, enhance profitability, promote localized production, and provide customers with zero-distance services. The Company will continue to promote the qualification certification of qualified suppliers of international oil and gas companies, further expanding overseas market share and enhancing product export competitiveness and brand influence.

3. Targeting deep-sea technology and promoting transformation and upgrading.

Focusing on deep-sea technology as a key future industry, the Company will deepen cooperation with research institutions such as China University of Petroleum and Ocean University of China, intensifying efforts to overcome critical technological bottlenecks, advancing the development of deep-sea business, and strengthening core competitive advantages. This will facilitate the transition towards high-value-added products and gradually achieve corporate transformation and upgrading.

4. Implementing equipment updates and enhancing production capabilities.

The Company will continue to promote equipment renovation and upgrades, progressively modernising key components of critical equipment, expanding the application scope of automated equipment, reducing labour costs and employment risks, improving the level of intelligence and production efficiency, and consolidating the quality advantages of its products.

5. Addressing capacity shortfalls and strengthening corporate advantages.

The Company will accelerate the construction of two high-end oil pipe intelligent processing production lines, coupling production lines, and heat treatment production lines and precision processing, so as to meet processing capacity demands and enhance the Company's market competitiveness.

6. Strengthening capital operations and enhancing corporate strength.

On the basis of stabilising core operations, the Company will leverage favourable policies in the capital markets and the platform advantages of being an A+H listed company. It will conduct capital operations as appropriate to achieve resource integration and business optimisation along the industrial chain, further expanding the business scale, reducing the asset-liability ratio, and enhancing its comprehensive competitiveness.

7. Strengthening internal governance and enhancing management standards.

The Company will improve corporate management by introducing scientific and advanced management models, establishing management systems suitable for its development, and raising the level of corporate management. The Company will strengthen corporate culture and Party building under the guidance of Party building to focus on building a corporate culture system that supports corporate development, continuously enhancing corporate soft power and consolidating development synergies.

8. Focusing on talent cultivation and attraction to unlock development momentum.

The Company will vigorously implement its strategy of innovation-driven development and strengthening corporate through talent. Through measures such as diversifying talent introduction mechanisms, improving talent development mechanisms, and refining talent incentive and restraint mechanisms, the Company strives to build a talent team with strong professional capabilities, excellent overall quality, and a sound overall structure, thereby providing a solid talent guarantee for corporate high-quality development.

Section III. Management Discussion and Analysis

(III) Risk factors affecting future development strategy and business goals of the Company:

(1) Risk of raw material price fluctuations

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

(2) Exchange rate risk

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

XII. Researcher reception, communication, interview and other events during the reporting period

☒ Applicable ☐ Not applicable

Date of reception	Venue of reception	Form of reception	Type of reception target	Reception target	Main topics of discussion and information provided	Reference for general information about the research
18 April 2025	The "Cloud Interview" column on the "Easy Interaction" platform of the Shenzhen Stock Exchange (http://irmcninfo.com.cn)	Online communication on web platforms	Others	Investors	Business performance of the Company for 2024	Details can be found in the Log Sheet of Shandong Molong Petroleum Machinery Company Limited regarding Investors' Relation Events published on the website of cninfo (No.: 2025-001)
15 May 2025	The Company held an earnings briefing via the "Investor Relations Interactive Platform" on the P5W website (https://ir.p5w.net) through remote online means.	Online communication on web platforms	Others	Investors	Business performance of the Company for 2024	Details can be found in the Log Sheet of Shandong Molong Petroleum Machinery Company Limited regarding Investors' Relation Events published on the website of cninfo (No.: 2025-002)

XIII. Establishment and implementation of the market value management system and valuation enhancement plan

Whether the Company has established a market value management system.

☐ Yes ☒ No

Whether the Company has disclosed a valuation enhancement plan.

☐ Yes ☒ No

XIV. Implementation of the "Improvement in Quality and Return" action plan

Whether the Company has disclosed an announcement on the "Improvement in Quality and Return" action plan.

☐ Yes ☒ No



Section IV. Directors' Report

The board of directors (the "Board") hereby presents their report and the audited financial statements of the Group for the Year.

Principal businesses

The Company was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products include petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment and oil and gas exploitation equipment. These products are widely used in various fields such as petroleum, natural gas, shale gas, coalbed methane, hydrogen energy, oil refining, coal mining machinery, boiler manufacturing, engineering machinery manufacturing, and oilfield services. During the reporting period, there were no significant changes in the composition of the Company's principal businesses.

Results analysis

Analysis of the Group's principal activities for the year ended 31 December 2025 is set out in the sections headed "Management Discussion and Analysis" and "Financial Report" in this annual report.

Dividends

The Board of the Company did not recommend any payment of dividends for the year 2025. In 2025, the Board was not aware of any arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

Key financial and business performance indicators

The key financial and business performance indicators together with details of relevant analyses on gearing ratio are shown in the sections headed "Management Discussion and Analysis" and "Financial Report" in this annual report.

Risk management

It is a development strategy of the Group to establish a risk management system covering all the business segments that monitors, assesses and manages various risks in the activities of the Company. The management has identified the major risks of the Company and regularly reviews its exposure to industry, policy, operational and currency risks.

Section IV. Directors' Report

Sustainability initiatives

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

We have compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Financial review

During the reporting period, the Company achieved operating revenue of approximately RMB1.762 billion, with an increase of 29.88% year-on-year; net profit attributable to shareholders of the listed company was approximately RMB5.0 million; basic earnings per share was RMB0.01 per share. A financial review of the Company for the year ended 31 December 2025 is set out in the "Financial Report" section of this Annual Report.

Property, plant and equipment

Details of changes in the property, plant and equipment of the Group for 2025 are set out in the section headed "Financial Report" in this report.

Long-term equity investments and fixed assets

Details of long-term equity investments and fixed assets of the Company are set out in the section headed "Financial Report" in this report.

Share capital and share scheme

The movements in the Company's authorised and issued shares during the Year are set out in the sections headed "Changes in Shares and Shareholders" and "Financial Report" in this report.

For the year ended 31 December 2025, the Company did not operate any share scheme (as defined in the Listing Rules).

Reserves and distributable reserves

Details of changes in the reserves and distributable reserves of the Company for 2025 are set out in sub-section headed "Undistributed profit" under the "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.



Section IV. Directors' Report

Major customers and suppliers

During the year under review, sales to the Group's five largest customers accounted for approximately 42.73% of the Group's total sales for the Year. Of which, sales to the largest customer accounted for approximately 11.75% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 36.79% of the Group's total purchases for the Year. Of which, purchases from the largest supplier accounted for approximately 9.19% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors nor any of their close associates, or any existing shareholders (who own more than 5% of the Company's issued share capital), had any interest in the Group's five largest customers or suppliers.

Environmental, social and governance report and social responsibility

The environmental protection policies adopted by the Group and the fulfillment of social responsibilities are set out in the section headed "Environmental and Social Responsibility" in this annual report. For the environmental, social and governance reports required by the Listing Rules, the Company has separately published the environmental, social and governance report.

Employees

Details of employees and remuneration policy of the Group (including the basis on which directors' remuneration are determined) are set out in the section head "Employees of the Company" in this annual report.

Donations

The Company pays great attention to the creation of social value and places its focus on fulfilling social responsibility by actively participating in social services. We have spared no effort to join social services and charity activities with a view to rewarding the society within our capacity. The Company set up a difficult assistance fund to care for and support employees with difficulties and create a harmonious working atmosphere. In 2025, the Group released RMB25,000 from the relief fund towards helping the family of staff in financial difficulties.



Section IV. Directors' Report

Directors

The directors in office during the year and up to the date of this annual report were as follows:

Executive directors:

Mr. Han Gao Gui
Mr. Yuan Rui
Mr. Wang Tao (employee representative director)
Mr. Song Guang Jie (appointed on 27 June 2025)
Mr. Zhang Zhi Yong (resigned on 4 June 2025)

Non-executive directors:

Mr. Huang Bing De (appointed on 27 June 2025)
Ms. Zhang Min
Mr. Ma Qing Wen (resigned on 4 June 2025)

Independent non-executive directors:

Mr. Zhang Zhen Quan
Mr. Dong Shao Hua
Mr. Zhang Bing Gang

Supervisors:

Following the approval by the shareholders at the extraordinary general meeting held on 3 November 2025 of the resolution in relation to the amendments to the articles of association of the Company and its appendices, the Company has abolished the supervisory board.

Mr. Liang Guo Liang (ceased to act as a supervisor following the abolition of the supervisory board on 3 November 2025)
Mr. Li Jing Wei (ceased to act as a supervisor following the abolition of the supervisory board on 3 November 2025)
Mr. Jiang Zhen Jian (ceased to act as a supervisor following the abolition of the supervisory board on 3 November 2025)

The biographical details of the directors are set out in the section headed "Directors and senior management" in this annual report.

Having considered the confirmations of independence provided by the independent non-executive directors and the independence criteria set out in Rule 3.13 of the Listing Rules, the Company considers that all independent non-executive directors are independent.

Mr. Song Guang Jie and Mr. Huang Bing De (both being directors appointed during 2025) each obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules on 30 June 2025, and confirmed that they understood their obligations as directors of a listed issuer.

Directors' and supervisors' service contracts or letters of appointment

Each of the directors (including the independent non-executive directors) and supervisors has entered into a service contract or letter of appointment with the Company. None of the directors or supervisors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment compensation (other than statutory compensation).

Section IV. Directors' Report

Remuneration of the directors, supervisors, senior management and five highest paid individuals

For information on the remuneration of the directors, supervisors, senior management and five highest paid individuals of the Company for 2025, please refer to the subsection headed "Compensation of key management personnel" under the section headed "Financial Report" in this report.

Directors' and executive's liability insurance and indemnity

The Board of the Company considers from time to time whether to arrange appropriate liability insurance to indemnify its directors and executives in respect of legal actions against them. Throughout 2025, the Company did not maintain any liability insurance, and no claim had been made against the directors and officers of the Company. Save as disclosed in this report, there are no permitted indemnity provisions for the year ended 31 December 2025.

Management contracts

No contract was entered into or existed for the management and administration of all or any substantial part of the Company's business during the year ended 31 December 2025.

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

As at 31 December 2025, to the best knowledge of the directors and chief executive, none of the directors or chief executive had any interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company (the "Model Code") as set out in Appendix C3 of the Listing Rules, to be notified to the Company and to the Stock Exchange.

Directors' and supervisors' rights to acquire shares or debentures

None of the directors or supervisors of the Company or any of their respective associates (as defined under Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in 2025.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2025, to the best knowledge of the directors of the Company, as shown in the register of interests and/or short positions required to be kept pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or the register required to be maintained under Section 336 of the SFO, the substantial shareholders and other persons (other than directors and chief executive of the Company) had the following interests and/or short positions in the shares or underlying shares of the Company as follows:

Section IV. Directors' Report

Long position in the shares of the Company

Substantial shareholder	Nature of interest	Number of H shares/A shares	Percentage of issued A/H shares ⁽²⁾	Percentage of total issued shares ⁽²⁾
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 Limited	Interest in controlled corporation ⁽¹⁾	235,617,000 A shares	43.49% (A shares)	29.53%

Notes:

- (1) Molong Holdings is a wholly-owned subsidiary of Shouguang Jinxin. Therefore, pursuant to Part XV of SFO, Shouguang Jinxin is deemed to be interested in the 235,617,000 A shares in which Molong Holdings is interested.
- (2) The approximate percentage is based on the 541,722,000 A shares, 256,126,400 H shares and 797,848,400 shares in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, to the best knowledge of the directors of the Company, no substantial shareholders or other persons (other than directors and chief executive of the Company) had any interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the SEHK pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and which were required to be recorded in the register required to be kept under Section 336 of the SFO.

Disclosures pursuant to Rule 13.20 of the Listing Rules

Shouguang Baolong Repayment Agreement

The disposal of all shares of Shouguang Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業 (有限合夥)) was completed in March 2024 (the "Completion of Disposal"), and Shouguang Baolong ceased to be a subsidiary of the Company.

On 9 January 2024, the Company (as creditor) and Shouguang Baolong (as debtor) entered into a repayment agreement (the "Shouguang Baolong Repayment Agreement"), pursuant to which, among other things, Shouguang Baolong agreed to repay the debt in the amount of RMB461,709,466.37 (the "Debt"), which is non-interest bearing.

Pursuant to the Shouguang Baolong Repayment Agreement, the Debt shall be repaid by Shouguang Baolong in the following manner: (1) 40% of the Debt, being RMB184,683,786.55, within the first year after the Completion of Disposal; (2) 30% of the Debt, being RMB138,512,839.91, within the second year after the Completion of Disposal; and (3) 30% of the Debt, being RMB138,512,839.91, within the third year after the Completion of Disposal.

Shouguang Baolong has pledged its fixed assets and intangible assets to the Company, including, among others, land use rights, properties and equipment, as security for the repayment of the Debt under the Shouguang Baolong Repayment Agreement.

On 13 February 2025, the Company, Shouguang Baolong and Vegetable Wholesale Corporation entered into two debt assignment agreements, pursuant to which the Company agreed to sell, and Vegetable Wholesale Corporation agreed to purchase, receivables under the Shouguang Baolong Repayment Agreement in the aggregate amount of RMB169,119,800. Upon completion of the disposal, the outstanding balance under the Shouguang Baolong Repayment Agreement amounted to RMB292,486,594.29.

Section IV. Directors' Report

The People's Court of Shouguang City, Shandong Province has accepted the bankruptcy liquidation case of Shouguang Baolong. A second creditors' meeting has been convened, and the specific bankruptcy liquidation plan has not yet been formulated.

As at 31 December 2025, the outstanding balance under the Shouguang Baolong Repayment Agreement amounted to RMB292,486,594.29.

Huarong Agriculture Repayment Agreement

As at 31 December 2025, Shouguang Maolong owed the Company RMB712,414,892.51. The disposal of all shares of Shouguang Maolong to Huarong Agriculture was completed in December 2024 (the "Completion of Disposal of Shouguang Maolong"), and Shouguang Maolong ceased to be a subsidiary of the Company.

On 14 October 2024, the Company (as creditor), Huarong Agriculture (as debtor) and Shouguang Maolong entered into a repayment agreement (the "Huarong Agriculture Repayment Agreement"), pursuant to which, among other things, Huarong Agriculture agreed to assume the debt in the amount of RMB714,141,700 payable by Shouguang Maolong to the Company (the "Debt"), which is non-interest bearing. Pursuant to the Huarong Agriculture Repayment Agreement, the Debt shall be repaid in full within 12 months from the completion of the industrial and commercial change registration.

Shouguang Maolong has pledged its fixed assets to the Company, including, among others, property, plant and equipment and intangible assets (including, among others, plant and machinery and sea area use rights), as security for the repayment of the Debt under the Huarong Agriculture Repayment Agreement.

On 29 December 2025, the Company, Huarong Agriculture and Vegetable Wholesale Corporation entered into a debt payment agreement (the "Debt Payment Agreement"), pursuant to which Vegetable Wholesale Corporation agreed to settle, on behalf of Huarong Agriculture, RMB361,000,000 of the outstanding balance under the Huarong Agriculture Repayment Agreement. Upon completion of the Debt Payment Agreement, the outstanding balance under the Huarong Agriculture Repayment Agreement amounted to RMB91,453,392.51.

As at 31 December 2025, the outstanding balance under the Huarong Agriculture Repayment Agreement amounted to RMB452,453,392.51.

Competition and conflict of interests

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates engaged in any businesses (as defined in the Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or had any other conflict of interests with the Company during the year.

Corporate governance

Details of corporate governance of the Company are set out in the section headed "Corporate Governance" in this report.

For the year ended 31 December 2025, the Company has complied with all code provisions and most of the recommended best practices as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules. Save as disclosed in this section, the Company believes that there was no deviation from the code provisions of the Corporate Governance Code during the year.

Section IV. Directors' Report

Model Code

The Company has adopted the Model Code, which applies to the securities transactions of the directors of the Company. The Model Code also applies to the senior management of the Company. Following specific enquiry by the Company, all directors have confirmed that they have fully complied with the Model Code throughout the year ended 31 December 2025.

Auditors

As at the date of this report, Grant Thornton Zhitong Certified Public Accountants LLP acts as the auditor of the Company. ShineWing Certified Public Accountants LLP resigned as the auditor of the Company on 29 August 2024, and Grant Thornton Zhitong Certified Public Accountants LLP was appointed as the auditor of the Company at the extraordinary general meeting held on 19 September 2024.

Events after the Reporting Period

Save for the above-mentioned events subsequent to the balance sheet date, the Company had no other significant events.

On behalf of the Board
Shandong Molong Petroleum Machinery Company Limited
Chairman
Han Gao Gui

Shandong, the PRC, 31 March 2026

Section V. Corporate Governance, Environment and Society

I. General condition of corporate governance

In strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Company, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Rules Governing the Listing of Securities on the Stock Exchanges of Hong Kong Limited and the requirements of relevant laws, rules and regulatory documents, and based on its actual situation, the Company strives to improve its governance structure, establish a sound internal management and control systems and further enhance its governance standards. The actual condition of the Company's governance meets the requirements of the laws, rules and regulatory documents issued by the China Securities Regulatory Commission and SZSE.

1. Shareholders and general meetings

In strict compliance with the Company Law, Rules for General Meetings of Listed Company and the Articles of Association, the Rules of Procedures for General Meetings and the relevant rules and requirements of SZSE, the Company has provisions for the convening, holding and voting procedures for general meetings. The Company adopts a combination of onsite voting and online voting for the convenience of shareholders in exercising their rights and to ensure all minority shareholders can exercise their shareholders' rights adequately.

During the reporting period, the Company held 1 annual general meeting and 2 extraordinary general meetings which were all convened by the board of directors. At the same time, the Company has engaged professional lawyers to attend as witnesses and issue legal opinions, and issue legal opinions on matters such as the convening of the meetings, eligibility of attendees, qualification of conveners, voting procedures and poll results, to ensure the regulated operation of the general meetings.

2. The Company and the controlling shareholder

The controlling shareholder of the Company is Molong Holdings and its actual controller is the Shouguang SAB. During the reporting period, the controlling shareholder of the Company strictly complied with the Code of Corporate Governance for Listed Company, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Articles of Association and other rules and requirements in regulating its own conduct, and there was no direct or indirect interference with the Company's decision-making and operating activities overriding the general meeting of the Company, nor was there any behaviour jeopardising the interests of the Company and other shareholders of the Company by taking advantage of its controlling capacity, or any occupation of the Company's funds by the controlling shareholder, or any provision of guarantee by the Company in favour of the controlling shareholder.

The Company has independent and complete business operations and the ability to operate independently. The Company independent from the controlling shareholder in terms of business, assets, work forces, organisation and finance. The board of directors and internal organisations of the Company operate independently.

Section V. Corporate Governance, Environment and Society

3. Directors and board of directors

The board of directors of the Company consists of 9 directors, 3 of them are independent directors. The number of members, composition and qualification of the board of directors meet the requirements of relevant laws, regulations and the rules of the Company. All directors of the Company have the ability to perform duties, attend board meetings and general meetings in accordance with the Guidance No.1 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Standardized Operation of Listed Company on Main Board, the Rules of Procedures for Board Meetings and Work System for Independent Directors and other rules. They take active part in training programmes. They are familiar with relevant laws and regulations and discharge directors' duties with diligence and accountability in order to safeguard the interests of the Company and shareholders.

The board of directors of the Company has four special committees, namely the audit committee, the nomination committee, the remuneration and evaluation committee, and the strategy committee, which are all comprised of directors and independent directors of the Company. Other than the strategy committee which is chaired by the chairman of the board of directors, other special committees are chaired by independent directors, and the number of independent directors accounts for more than half of the total number of members of the special committees, which provides scientific and professional opinions and references for the decision-making of the board of directors. All special board committees operate in strict accordance with the Articles of Association and the Rules of Procedures for Board Meetings and their respective terms of reference, and carry out studies, give advice and recommendations in respect of professional matters.

4. Supervisors and supervisory committee

The Company convened the first extraordinary general meeting of 2025 on 3 November 2025, at which the resolution on the "Adjustment to the Corporate Governance Structure and Amendments to the Articles of Association and Its Appendices" was considered and approved. Following the adjustment to the governance structure, the Company no longer maintains a supervisory committee or supervisors, and the powers and functions of the supervisory committee as prescribed under the Company Law are performed by the audit committee under the board.

5. Information disclosure and transparency

The Company attaches great importance to information disclosure and make true, accurate, complete, timely and fair information disclosures in strict compliance with the requirements of relevant laws and regulations and the System for Management of Information Disclosures, the Guidance No.5 of Shenzhen Stock Exchange for Self-regulation of Listed Company – Management of Information Disclosures. The Company has designated the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo as the Company's media for information disclosure to ensure all shareholders of the Company have equal opportunity to access to information.

6. Performance evaluation and incentive mechanism

The Company has established and improves its fair, transparent and effective performance evaluation standards and incentive mechanism for directors and senior management. The Company appoints its senior management in an open and transparent manner and in strict accordance with relevant laws and regulations.

Section V. Corporate Governance, Environment and Society

7. Management of investors' relations

Pursuant to relevant laws and regulations, the Company has designated the secretary to the board of directors as the investors' relations manager, who is responsible to coordinate investors' relations, receive shareholder visitors, answer questions and queries of investors, provide investors with information the needs to be disclosed, and other tasks. The Company replies investors' questions and queries by telephone, email, on interactive platforms for investors' relations and at investor reception day to strengthen information communication, promote positive interaction with investors and enhance and transparency of the Company. The Board has reviewed the implementation and effectiveness of the shareholder communication policy during the year and considered that the policy has been properly implemented through various communication channels.

8. Stakeholders

The Company highly respects and protects the legitimate interests of stakeholders and is conscious of its social responsibility. Therefore, the Company actively communicates, exchanges ideas and cooperates with stakeholder in order to strike a harmonious balance among the interests of shareholders, employees and the society, and jointly promote healthy and sustainable development of the Company.

Any significant differences between the actual condition of corporate governance of the Company and the requirements of laws, administrative regulations and CSRC in relation to the governance of listed companies

☐ Yes ☒ No

There were no significant differences between the actual condition of corporate governance of the Company and the requirements of laws, administrative regulations and CSRC in relation to the governance of listed companies.

Section V. Corporate Governance, Environment and Society

II. Assurance by the Company of independence from the controlling shareholder and actual controller in terms of assets, employees, finance, organisation and business of the Company

During the reporting period, the Company operated in strict compliance with the Company Law, the Securities Law and other laws and regulations and the Articles of Association. It was independent from the controlling shareholder and the actual controller in terms of assets, employees, finance, organisation and business. It had a well-developed business system which allowed it to operate independently and directly to the market.

1. Independence of assets

The Company had independent and complete procurement, production and sales systems and supporting production facilities, and has fixed assets such as properties for business and production operations and facilities for production and operation, and intangible assets such as land use rights, trademarks, patents and proprietary technology, the titles of which were all vested in the Company. The assets of the Company were complete with ownership clearly defined and were independent from the controlling shareholder, the actual controller and other entities controlled by them.

2. Independence of employees

The employees, labour forces, human resources and payroll relationship were completely independent. The appointment of directors and senior management of the Company was conducted in accordance with the Company Law and other laws, rules, regulatory documents and the Articles of Association. The senior management of the Company did not hold any concurrent posts which were prohibited by relevant laws and regulations, did not hold any position in the the controlling shareholder, the actual controller and other entities controlled by them, did not receive any remuneration from the controlling shareholder, the actual controller and other entities controlled by them, or the finance personnel of the Company did not hold any concurrent posts in the controlling shareholder, the actual controller and other entities controlled by them.

3. Independence of finance

Pursuant to the Accounting Law of the People's Republic of China and the Accounting Standards for Business Enterprises, the Company has established a set of independent, complete and standardised financial and accounting treatment system and financial management system, and has improved the respective internal control system for independent financial decision making. The Company has established an independent finance department, recruited independent finance staff according to the business requirements and developed an independent accounting treatment system. The Company has opened independent back accounts and has its own bank account number. Being an independent taxpayer, the Company is subject to tax payments independently according to the laws.

Section V. Corporate Governance, Environment and Society

4. Independence of organisation

The Company has established a well-developed organisational system under which the general meeting, the board and all other functional departments exercise their respective authorities independently. The Company possesses independent production operation and office organisations which are completely independent from the controlling shareholder, the actual controller and other entities controlled by them. There was no joint operation or joint office with the controlling shareholder, the actual controller and other entities controlled by them, and there was no interference by the controlling shareholder, the actual controller and any other entities or individuals.

5. Independence of business

The Company has independent and complete business systems for research and development, procurement, production and sales, which are capable to operate independently and directly to the market and is not in reliance to shareholders or any other related parties. There was no peer competition between the business of the Company and that of the controlling shareholder, the actual controller and other entities controlled by them and there was no direct or indirect interference to the Company's operation by the controlling shareholder or the actual controller.

III. Peer competition

☐ Applicable ☒ Not applicable

IV. Directors and senior management

1. General information

Name	Gender	Age	Position	Office status	Start date of term	End date of term	Shares held at the beginning of the period (shares)	Increase in number of shares held during the period (shares)	Decrease in number of shares held during the period (shares)	Other increases or decreases (shares)	Shares held at the end of the period (shares)	Reason for change in shareholding
Han Gao Gui	Male	52	Director, chairman	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
			General manager	Incumbent	21 November 2024							
Yuan Rui	Male	39	Director	Incumbent	25 November 2020	20 November 2027	0	0	0	0	0	Not applicable
Wang Tao	Male	45	Employee director	Incumbent	4 November 2025	20 November 2027	0	0	0	0	0	Not applicable
			Deputy general manager	Incumbent	10 May 2024							
Song Guang Jie	Male	57	Director	Incumbent	27 June 2025	20 November 2027	0	0	0	0	0	Not applicable
			Deputy general manager	Incumbent	21 November 2024							
Huang Bing De	Male	41	Director	Incumbent	27 June 2025	20 November 2027	0	0	0	0	0	Not applicable
Zhang Min	Female	45	Director	Incumbent	19 May 2023	20 November 2027	0	0	0	0	0	Not applicable
Zhang Zhen Quan	Male	58	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Dong Shao Hua	Male	54	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhang Bing Gang	Male	51	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Wang Zhong Wen	Male	56	Deputy general manager	Incumbent	13 June 2025	20 November 2027	0	0	0	0	0	Not applicable
Han Lei Fang	Male	46	Deputy general manager	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
Bao Mo Gang	Male	50	Deputy general manager	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	35	Board secretary	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhu Lin	Female	38	Chief financial officer	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Wang Tao	Male	45	Director	Departure	21 November 2024	4 November 2025	0	0	0	0	0	Not applicable
Zhang Zhi Yong	Male	51	Director	Departure	21 November 2024	4 June 2025	0	0	0	0	0	Not applicable
Ma Qing Wen	Male	58	Director	Departure	21 November 2024	4 June 2025	0	0	0	0	0	Not applicable
Zhu Yan Li	Female	48	Deputy general manager	Departure	10 May 2024	28 August 2025	0	0	0	0	0	Not applicable
Total	—	—	—	—	—	—	0	0	0	0	0	—

Section V. Corporate Governance, Environment and Society

Any departure of directors or senior management within their terms of office during the reporting period

☒ Yes ☐ No

Name	Position held	Type	Date	Reason
Zhang Zhi Yong	Director	Departure	4 June 2025	Personal reason
Ma Qing Wen	Director	Departure	4 June 2025	Personal reason
Zhu Yan Li	Deputy general manager	Departure	28 August 2025	Personal reason

Change of directors and senior management

☒ Applicable ☐ Not applicable

Name	Position held	Type	Date	Reason
Song Guang Jie	Director	Election	27 June 2025	Job transfer
Huang Bing De	Director	Election	27 June 2025	Job transfer
Wang Zhong Wen	Deputy general manager	Appointment	13 June 2025	Job transfer
Zhang Zhi Yong	Director	Departure	4 June 2025	Personal reason
Ma Qing Wen	Director	Departure	4 June 2025	Personal reason
Zhu Yan Li	Deputy general manager	Departure	28 August 2025	Personal reason

2. Details of employment

The Company regards Board diversity and inclusive governance as a vital foundation for enhancing governance effectiveness, ensuring scientific decision-making and supporting long-term sustainable development. The Company strictly complies with relevant provisions of the Company's Articles of Association and other applicable regulations, and conducts the nomination and election of Directors in accordance with laws and regulations. The Board composition is continuously optimised by taking into account dimensions such as gender, age, cultural and educational background, professional experience, skills and knowledge structure.

Professional backgrounds, major work experience and duties within the Company of the current directors and senior management of the Company

(1) Members of the board

Directors:

Mr. Han Gao Gui, male, Han ethnicity, born in January 1974, is a member of the Communist Party of China and holds a bachelor's degree. He successively served as Secretary of the Discipline Inspection Committee, Deputy Secretary of the Party Working Committee, and Director of the People's Congress of Shouguang Gucheng Street; Director of Shouguang Social Governance Service Centre; Deputy Director of the Municipal Party Committee Office; Deputy Director of the Municipal Government Office of Shouguang City; Secretary of the Party Leadership Group, and Director of the Shouguang Municipal Public Complaints and Proposals Administration. He currently serves as a Party Committee member of Shouguang Industrial Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司), and is a director, the chairman and general manager of the Company.

Section V. Corporate Governance, Environment and Society

Mr. Yuan Rui, male, Han ethnicity, born in February 1987, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Yuan served as the deputy chief and the chief of Shouguang Municipal People's Government Office, the deputy chairman and chairman of the Company and a supervisor of Shandong Shouguang Rural Commercial Bank Co., Ltd. (山東壽光農村商業銀行股份有限公司). He currently serves as the chairman of Shouguang Industrial Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司), the chairman of Shouguang Jinxu Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司) and the chairman of Shouguang Jinxin; a director of Molong Holdings; a director of Shandong Boyuan Pharmaceutical Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司); a director of Weifang Xingchen Investment Co., Ltd. (濰坊市興晨投資有限公司董事); a supervisor of Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司); a supervisor of Kunpeng Asset Management Co., Ltd. (昆朋資產管理股份有限公司); and a director of the Company.

Mr. Wang Tao, male, Han ethnicity, born in January 1981, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Wang joined the Company in August 2006 and served successively as deputy manager of the quality control department, director of the oil pump factory, director of the production dispatch centre and assistant to the general manager. Mr. Wang is currently a director and deputy general manager of the Company.

Mr. Song Guang Jie, male, Han ethnicity, born in September 1969, is a member of the Communist Party of China and holds an associate degree. He successively worked at the Finance Office of Shangkou Town, Shouguang City, the Finance Office of Yingli Town, Shouguang City, and the Subdistrict Office of Shengcheng, Shouguang City. He joined the Company in August 2024 and served as the assistant to the general manager. He is currently the chairman and general manager of Shandong Xincheng, a director of Molong Commercial, and a director and deputy general manager of the Company.

Mr. Huang Bing De, male, Han ethnicity, born in October 1985, is a member of the Communist Party of China and holds a bachelor's degree. He has successively served as deputy section chief and section chief of the Centralized Treasury Payment Office of the Finance Bureau of Shouguang City; section chief of the Finance Section, deputy director and director of the General Office of the Finance Bureau of Shouguang City; and director of the Financial Services Centre of Yangkou Town. He is currently a member of the Party Committee, a director and the deputy general manager of Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司), a director and the general manager of Shouguang Jinxu Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司), a director and the general manager of Shouguang Jinxin, and a director of the Company.

Ms. Zhang Min, female, Han ethnicity, born in December 1981, is a holder of a bachelor's degree. She served as a director of Shouguang Finance Public Assets Operations Co., Ltd. (壽光市金財公有資產經營有限公司), a director and supervisor of Shouguang Jinxin and a director of Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司), and the assistant to general manager of Shouguang Finance Investment Group Co., Ltd. (壽光市金融投資集團有限公司). She currently serves as the assistant to general manager of Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司), an executive director and general manager of Shouguang Finance Investment Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司), a director of Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司), and a supervisor of Shouguang Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司). She is currently a director of the Company.

Section V. Corporate Governance, Environment and Society

Independent directors:

Mr. Zhang Zhen Quan, male, Han ethnicity, born in March 1968, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Zhang Zhenquan obtained the independent director qualification certificate in August 2015. Mr. Zhang Zhenquan is a senior accountant, certified public accountant, asset appraiser, tax accountant, first-class cost engineer, one of the first batch of accounting experts in Weifang City, and a model for the Certified Public Accountants industry in Shandong Province. Currently, he is the director and general manager of Shouguang Shengcheng Accounting Firm (Limited Liability) (壽光聖誠有限責任會計師事務所) and an executive director and general manager of Shouguang Shengcheng Asset Appraisal Co., Ltd. (壽光聖誠資產評估有限公司). He is an independent director of the Company.

Mr. Dong Shao Hua, male, Han ethnicity, born in January 1972, is a member of the Communist Party of China and holds a doctorate degree. Mr. Dong was awarded the "Leading Talents in Scientific and Technological Innovation" by the Organization Department of the Central Committee of the Communist Party of China's Ten Thousand Talents Program, the "Leading Young and Middle-aged Scientific and Technological Innovation Talents" by the Ministry of Science and Technology's Innovative Talent Promotion Program, the Beijing Emergency Management Discipline Leader, and the Beijing High-Precision Discipline "Urban Energy" Leader of "Safety and Supply Guarantee", leader of Beijing Association for Science and Technology's "Hydrogen Energy Industry and Safety" think tank base, medal to commemorate the 70th anniversary of the founding of the People's Republic of China and other awards and honors, selected into the "Tianshan Talent Project" of the Xinjiang Uygur Autonomous Region and Taishan Industrial Experts Programme, and won the "National The honorary title of "Excellent Petroleum and Petrochemical Scientific and Technical Workers". In recent years, he won 27 awards at the provincial and ministerial level or above, including the second prize of the National Technological Invention Award in 2018 and the first prize of the Beijing Science and Technology Progress Award, published 22 academic monographs in Chinese and English, and hosted and participated in 50 national and industry standards and group standards. He authorized 33 invention patents, published more than 150 high-standard papers, of which more than 50 were included in SCI/El, and undertook eight national key research and development projects, the National Natural Science Foundation, and national major instrument projects. He is currently a second-level professor at the School of Safety and Ocean Engineering (Beijing) and director of the Pipeline Technology and Safety Research Center at China University of Petroleum. He is an independent director of the Company.

Mr. Zhang Bing Gang, male, Han ethnicity, born in June 1975, holds a bachelor's degree. Mr. Zhang Bing Gang obtained the independent director qualification certificate in April 2021. Mr. Zhang Bing Gang served as the judicial officer of the People's Government of Guangling Township, Shouguang City, and is currently a full-time lawyer at Shandong Cangsheng Law Firm. He is an independent director of the Company.

Section V. Corporate Governance, Environment and Society

(2) Senior management

Mr. Wang Zhong Wen, male, Han ethnicity, born in March 1970, is a member of the Communist Party of China and holds a bachelor's degree. He previously served as secretary, chief and senior staff member of the Office of the Shouguang Municipal Committee; member of the Party Committee and chairman of the Labour Union of the Shouguang Municipal Transportation Bureau; chairman of Shouguang Public Transport Co., Ltd. (壽光市公共交通運輸有限公司); deputy director of the Shouguang Salt Administration Bureau; and a section chief retained by the Shouguang Municipal Transportation Bureau. He is currently a member of the Party Committee of Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司). He joined the Company in March 2025 and is currently a deputy general manager of the Company.

Mr. Han Lei Fang, male, Han ethnicity, born in October 1980, is a member of the Communist Party of China and holds a bachelor's degree. He joined the Company in May 2007 and successively served as a sales representative of the Company, regional manager, and general manager of the import and export company. He is currently a deputy general manager of the Company.

Mr. Bao Mo Gang, male, Han ethnicity, born in February 1976, is a member of the Communist Party of China and holds an associate degree. He successively worked at the Taitou Town Government, Shouguang City, Party Working Committee and Management Committee at Shuangwangcheng, Shouguang City, and Shouguang (Weifang) High-Tech Zone. He joined the Company in May 2024 and served as the assistant to the general manager and currently serves as a member of the Party Committee of Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司), a director of Molong Hainan, a manager of Molong Trading, and a deputy general manager of the Company.

Mr. Zhao Xiao Tong, male, Han ethnicity, born in August 1991, is a member of the Communist Party of China and holds a bachelor's degree in economics and has obtained the board secretary qualification certificate issued by SZSE. He successively served as a manager at the securities investment department and the representative of securities affairs at Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司). He joined the Company in September 2018 and served as representative of securities affairs, secretary to the board, a deputy general manager, a director, and director of board office of the Company. He is currently a director of Shandong Xincheng and the secretary to the board of the Company.

Ms. Zhu Lin, female, Han ethnicity, born in January 1988, holds a bachelor's degree and is a certified public accountant. She joined the Company in August 2011 and successively served as head of the treasury division of finance department of the Company and head of the finance department of the Company. She is currently the person in charge of finance of Shandong Xincheng and the financial controller of the Company.

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For details of the Company's general manager, Mr. Han Gao Gui, and its deputy general managers, Mr. Wang Tao and Mr. Song Guang Jie, please refer to (1) Members of the Board in this section.

Concurrent service of the controlling shareholder or the actual controller as the chairman and general manager of the listed company

☐ Applicable ☒ Not applicable

Employment with shareholder entities

☒ Applicable ☐ Not applicable

Name of employee	Name of shareholder entity	Position held in shareholder entity	Start date of term	End date of term	Entitlement to compensation and allowances from shareholder entity
Yuan Rui	Molong Holdings	Director	1 October 2020	—	No
Employment with shareholder entities		Nil	—	—	—

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Details of employment with other entities

✓ Applicable ☐ Not applicable

Name of employee	Name of other entities	Positions held in other entities	Start date of term	End date of term	Entitlement to compensation and allowances from other entities
Han Gao Gui	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Party Committee member	7 April 2024	—	No
Yuan Rui	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Chairman	19 December 2023	—	No
	Shouguang Jinxi Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司)	Chairman	19 December 2023	—	No
	Shouguang Jinxin	Chairman	29 November 2023	—	No
	Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司)	Director	28 July 2022	—	No
	Weifang Xingchen Investment Co., Ltd. (濰坊市興晨投資有限公司)	Director	5 December 2024	—	No
	Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	Supervisor	28 September 2018	—	No
	Kunpeng Asset Management Co., (昆朋資產管理股份有限公司)	Supervisor	23 June 2020	—	No
Song Guang Jie	Shandong Xincheng	Chairman and general manager	8 December 2025	—	No
	Molong Commercial	Director	27 December 2024	—	No
HuangBing De	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Party Committee member, director and vice general manager	22 November 2023	—	No
	Shouguang Jinxi Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司)	Director and general manager	14 June 2024	—	No
	Shouguang Jinxin	Director and general manager	13 June 2024	—	No
Zhang Min	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Assistant to general manager	1 January 2025	—	No
	Shouguang Finance Investment Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司)	Executive director and general manager	4 September 2018	—	Yes
	Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	Director	20 August 2023	—	No
	Shouguang Xijing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	Supervisor	8 December 2017	—	No
Zhang Zhen Quan	Shouguang Shengcheng Limited Liability Accounting Firm (壽光聖誠有限責任會計師事務所)	Director and general manager	7 July 2022	—	Yes
	Shouguang Shengcheng Asset Appraisal Co., Ltd. (壽光聖誠資產評估有限公司)	Executive director and general manager	6 February 2018	—	No

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Name of employee	Name of other entities	Positions held in other entities	Start date of term	End date of term	Entitlement to compensation and allowances from other entities
Dong ShaoHua	School of Safety and Ocean Engineering (Beijing) at China University of Petroleum (中國石油大學(北京)安全與海洋工程學院)	Professor	1 April 2016	—	Yes
Zhang Bing Gang	Shandong Gangsheng Law Firm (山東倉聖律師事務所)	Full-time lawyer	1 September 1997	—	Yes
Wang Zhong Wen	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Party Committee member	20 March 2025	—	No
Bao Mo Gang	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Party Committee member	13 May 2024	—	No
	Molong (Hainan)	Director	15 January 2025	—	No
	Molong Commercial	Manager	6 September 2024	—	No
Zhao Xiao Tong	Shangdong Xincheng	Director	23 January 2026	—	No
Zhu Lin	Shangdong Xincheng	Chief financial officer	23 January 2026	—	No
Details of employment with other entities		Nil	—	—	—

Details of penalties imposed by the securities regulatory authority on the current directors and senior management of the Company and those resigned during the reporting period in the past three years

✓ Applicable ☐ Not applicable

Name	Position	Cause	Types of investigations and penalties	Conclusion (if any)	Disclosure date	Disclosure index
Han Gao Gui	Director and senior management	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 Xiao Tong	Senior management	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 management	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)

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3. Remunerations of directors and senior management

Decision process, basis of determination and actual payment of the remuneration of Directors and Senior Management

1. Decision process

A remuneration and evaluation committee has been established under the board of directors to formulate the remuneration policy. The remuneration and evaluation committee proposes remuneration policies for directors and senior management which, after consideration by the board of directors, will be implemented after approval at the general meeting.

The first meeting of the eighth session of the board of directors of the Company considered the Remuneration Policy for Directors, Supervisors and Senior Management 2025 on 28 March 2025. It was considered and passed by the annual General Meeting on 27 June 2025.

2. Basis of determination

The annual remunerations for directors and senior management are determined with reference to the main scope, responsibilities and significance of the positions of directors and senior management.

The Company's 2025 remuneration plan for directors, supervisors and senior management was as follows:

(1) Remuneration plan for directors of the Company:

The directors of the Company who hold management positions in the Company shall receive remuneration according to the management positions they hold and shall no longer receive directors' allowance separately; the allowance for an independent director of the Company is RMB120,000/year (pre-tax); the allowance for a non-executive director of the Company is RMB80,000/year (pre-tax).

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(2) Compensation plan for senior management of the Company:

The compensation for the Company's senior management is determined through a comprehensive evaluation based on their specific roles, job performance and actual work outcomes, taking into account factors such as the Company's operating performance, industry-standard compensation levels and regional compensation standards. Based on their performance and the Company's actual circumstances, the compensation and evaluation committee of the board of directors formulates a compensation distribution plan in consideration of the Company's scale of operations, profitability, and annual performance evaluations. This plan is implemented through a combination of base pay and performance-based pay. Base pay is disbursed monthly in accordance with established standards, while performance-based pay is disbursed based on the results of performance evaluations.

The compensation of the Company's directors and senior management consists of base salary and performance-based salary, of which the proportion of performance-based salary shall, in principle, be no less than 50% of the total of base salary and performance-based salary. The final amount shall be determined based on the specific nature of the relevant positions, the annual operating performance indicators and the final evaluation results.

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Compensation of directors, supervisors and senior management during the reporting period

Unit:
RMB0'000

Name	Gender	Age	Position	Office status	Total pre-tax compensation received from the Company	Entitlement to compensation from related parties of the Company
Han Gao Gui	Male	52	Director, Chairman and general manager	Incumbent	0	No
Yuan Rui	Male	39	Director	Incumbent	0	Yes
Wang Tao	Male	45	Director and vice general manager	Incumbent	32.68	No
Song Guang Jie	Male	57	Director and vice general manager	Incumbent	27.97	No
Huang Bing De	Male	41	Director	Incumbent	0	No
Zhang Min	Female	45	Director	Incumbent	0	Yes
Zhang Zhen Quan	Male	58	Independent director	Incumbent	12	Yes
Dong Shao Hua	Male	54	Independent director	Incumbent	12	No
Zhang Bing Gang	Male	51	Independent director	Incumbent	12	No
Wang Zhong Wen	Male	56	Vice general manager	Incumbent	2.98	No
Han Lei Fang	Male	46	Vice general manager	Incumbent	39.66	No
Bao Mo Gang	Male	50	Vice general manager	Incumbent	2.92	No
Zhao Xiao Tong	Male	35	Secretary to the board	Incumbent	31.08	No
Zhu Lin	Female	38	Chief financial officer	Incumbent	29.74	No
Zhang Zhi Yong	Male	51	Director	Departure	0	Yes
Ma Qing Wen	Male	58	Director	Departure	0	Yes
Zhu Yan Li	Female	48	Vice general manager	Departure	16.95	No
Total	—	—	—	—	219.98	—

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Basis for evaluation of actual compensation received by all Directors and senior management at the end of the reporting period	The evaluation will be conducted based on their performance evaluation, job performance and the Company's operating performance, etc.
Completion status of actual compensation received by all Directors and senior management at the end of the reporting period	Completed.
Deferred payment arrangements for actual compensation received by all Directors and senior management at the end of the reporting period	There were no deferred payment arrangements.
Status of clawback of actual compensation received by all Directors and senior management at the end of the reporting period	There were no compensation claims.
Other particulars	
☐ Applicable ☒ Not applicable	

Section V. Corporate Governance, Environment and Society

v. Discharge of duties by directors during the reporting period

1. Attendance of Directors at Board meetings and general meetings of shareholders

Name of director	Required attendance at Board Meetings during the reporting period	Attendance at Board meetings and general meetings of shareholders					Two consecutive absences in person from Board Meeting	Attendance at general meeting of shareholders
		On-site attendance at Board Meeting	Attendance at Board Meeting by telecommunication	Attendance at Board Meeting by proxy	Times of absence from Board Meeting			
Han Gao Gui	13	11	2	0	0	No	3	
Yuan Rui	13	0	13	0	0	No	3	
Wang Tao	13	9	4	0	0	No	3	
Song Guang Jie	7	7	0	0	0	No	2	
Huang Bing De	7	0	7	0	0	No	2	
Zhang Min	13	0	13	0	0	No	3	
Zhang Zhen Quan	13	1	12	0	0	No	3	
Dong Shao Hua	13	0	13	0	0	No	3	
Zhang Bing Gang	13	1	12	0	0	No	3	
Zhang Zhi Yong	5	0	5	0	0	No	0	
Ma Qing Wen	5	1	4	0	0	No	0	

Information about failure to attend two consecutive board meetings in person

Not applicable

2. Directors' objection on matters raised to the Company

Whether the directors raised any objection on matters to the Company

☐ Yes ☒ No

During the reporting period, the directors did not raise any objection on matters to the Company.

3. Other descriptions of duty performance by directors

Whether director's suggestions for the Company were accepted

☒ Yes ☐ No

Information about directors' suggestions to the Company accepted or not accepted

During the reporting period, all directors of the Company diligently performed their duties by carrying out their work in strict compliance with the requirements of the CSRC and SZSE and under the systems of the Articles of Association and Rules of Procedures for Board Meetings, closely monitoring the regulated business operation and trading of the Company, giving advice on the Company's significant matters about governance and business decision-making according to the actual situation of the Company, arriving at a consensus after adequate communication and discussion, and resolutely supervising and promoting the implementation of board resolutions, to ensure that the decision-making is scientific, timely, efficient and the legitimate interests of the Company and all shareholders are protected.

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VI. Information of the special board committees during the reporting period

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
Audit Committee under the eighth session of the board of directors	Zhang Zhen Quan Dong Shao Hua Zhang Bing Gang	7	22 January 2025	To receive the report of audit work by the auditor.	Received the report of audit work by the auditor.	—	—
			27 March 2025	To receive the report of audit work by the auditor.	Received the report of audit work by the auditor.	—	—
			28 March 2025	To consider the Full Texts and Summary of the Annual Report 2024, the Self-assessment Report on Internal Control 2024, the Annual Profit Distribution Proposal 2024, and the Audit Committee of the Board of Directors' Assessment of the Performance of Duties and Supervision Responsibilities of the Accounting Firm in 2024	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
			28 April 2025	To consider the First Quarterly Report 2025	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
			28 May 2025	To consider the Proposal for the Reappointment of Audit Firm for 2025	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
			22 August 2025	To consider the Full Texts and Summary of the Interim Report 2025, and the Internal Audit Work Report for the First Half of 2025	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
			28 October 2025	To consider the Third Quarterly Report 2025	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—

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Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
Remuneration and Evaluation Committee under the eighth session of the board of directors	Zhang Zhen Quan Dong Shao Hua Zhang Bing Gang	1	28 March 2025	To consider the Proposal on the 2025 Compensation for Directors, Supervisors and Senior Management, and the Proposal on Purchasing Liability Insurance for the Company and Its Directors, Supervisors and Senior Management	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
Nomination Committee under the eighth session of the board of directors	Zhang Bing Gang Han Gao Gui Zhang Min Zhang Zhen Quan Dong Shao Hua	1	13 June 2025	To consider the Proposal for the By-Election of Directors, the Proposal for the Adjustment of Members of the Nomination Committee under the Board of Director, and the Proposal for the Appointment of Senior Management	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
Strategy Committee under the eighth session of the board of directors	Han Gao Gui Wang Tao Zhang Zhen Quan Dong Shao Hua Zhang Bing Gang	2	15 December 2025	To consider the Proposal on Investment in Construction Projects	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—
			29 December 2025	To consider the Proposal on the Implementation of Debt Restructuring	Considered and approved the relevant proposal and agreed to submit the relevant proposal to the board of directors for consideration.	—	—

VII. Work of the audit committee

Whether the audit committee find any risk exposure of the Company in the course of supervision during the reporting period

☐ Yes ☒ No

The audit committee had no objection to the supervisory matters during the reporting period.

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VIII. Employees of the Company

1. Number of employees, professional structure and education level

Number of employees serving the parent company as at the end of the reporting period (persons)	1,259
Number of employees serving the major subsidiaries as at the end of the reporting period (persons)	9
Total number of serving employees as at the end of the reporting period (persons)	1,268
Total number of paid employees in the current period (persons)	1,268
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	0

Type of professional structure	Professional structure	Number of individuals (persons)
Production personnel		1,048
Sales personnel		49
Technicians		29
Financial staff		20
Administrative staff		122
Total		1,268

Type of education level	Education level	Quantity (persons)
Postgraduate		15
Bachelor		118
Junior college		266
Senior high school		98
Technical secondary school		415
Junior high school and below		356
Total		1,268

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2. Remuneration policy

- (1) In order to govern the remuneration management of the Company, give full play of the incentive effect of remuneration, define responsibilities of all departments, depending on the current actual circumstances, the Company gradually established and improved a relatively reasonable remuneration structure and formulated a corresponding remuneration system and work process;
- (2) Based on the premise of stabilizing employees' income and encouraging them to work more and get more, and taking fairness and reasonableness as the principle, the Company should link their pay with performance level, fully mobilize their enthusiasm and sense of responsibility; by referring to the local market rate of remuneration and benefit packages, the Group determines the remuneration base based on the requirements of different positions and make adjustment as appropriate, make their payroll in line with the pay scale of the industry and type of work in society, which is attractive to the outside world and stimulating to the inside;
- (3) To encourage new employee to stay in the job for a longer term and also encourage older employees to continue to shine and make greater contributions to the Company, the Company currently implements a non-descending calculation method for length of employment, which is more humanised, rationalised and attractive than surrounding companies. It also guarantees employees of the Company to have a long-term job;
- (4) Combining with domestic and foreign market demand, the Company vigorously promotes the development of new products and formulated incentive measures for new products and new markets to further enhance the enthusiasm of employees for greater performance and higher profitability, so that the employees can share interests with the Company.

3. Training programmes

The Company has always placed great emphasis on employee training. It has established a training system that combines short-term and long-term programs, along with employee training management policies. An annual company training plan is formulated to build the workforce into a learning organization, enhance employees' professional skills, and expand their potential. At the same time, the Company focuses on updating the knowledge structure of existing personnel. The annual employee training rate reaches 100%, significantly improving employees' operational skills and management capabilities.

During the reporting period, the Company actively organised relevant professional training for its Directors. By participating in thematic training sessions organised by the China Securities Regulatory Commission and stock exchanges, the Directors deepened their understanding of the latest regulatory requirements and enhanced their performance capabilities.

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Continuous Professional Development of Directors

The Company attaches great importance to the continuous professional development of its Directors. Regular training sessions, seminars, and reading materials related to the Company's business or the Directors' duties and responsibilities, as well as updates on applicable laws, corporate governance and regulations relevant to the Group, are provided. Directors shall actively participate in professional development training to keep abreast of the latest developments in corporate governance, laws and regulations, regulatory requirements and the Company's business operations, so as to continuously enhance their professional competence and ensure that they are fully capable of discharging their duties.

The Directors have participated in continuous professional development programmes to develop and refresh their knowledge and skills in accordance with the corporate governance requirements and relevant rules and regulations relating to the listing of the Company. Set out below are the details of each Director's training during the reporting period:

Name of Directors	Attending training/ briefing session/ conference in relation to compliance or regulatory requirements and industry	Reading materials in relation to compliance or regulatory requirements and industry
Executive Directors		
Mr. Han Gao Gui	✓	✓
Mr. Yuan Rui	✓	✓
Mr. Wang Tao (employee representative director)	✓	✓
Mr. Song Guang Jie (appointed on 27 June 2025)	✓	✓
Mr. Zhang Zhi Yong (resigned on 4 June 2025)	—	—
Non-executive Directors		
Mr. Huang Bing De (appointed on 27 June 2025)	✓	✓
Ms. Zhang Min	✓	✓
Mr. Ma Qing Wen (resigned on 4 June 2025)	—	—
Independent Non-executive Directors		
Mr. Zhang Zhen Quan	✓	✓
Mr. Dong Shao Hua	✓	✓
Mr. Zhang Bing Gang	✓	✓

The Company Secretary has fulfilled the requirement of Rule 3.29 of the Listing Rules to complete at least 15 hours of relevant professional training each year.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

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IX. Profit distribution and conversion of capital reserve into share capital of the Company

Profit distribution policy during the reporting period, especially the formulation, implementation or adjustment of cash dividends

☐ Applicable ☒ Not applicable

Distribution of cash dividends not proposed when the Company was profitable during the reporting period and the parent company had positive profits distributable to shareholders

☐ Applicable ☒ Not applicable

Profit distribution and conversion of capital reserves into share capital during the reporting period

☐ Applicable ☒ Not applicable

The Company does not propose any payment of cash dividends or any issue of bonus shares or any transfer of reserve to capital for the year.

X. Implementation of the stock incentive plan, employee shareholding plan or other employee incentive measure of the Company

☐ Applicable ☒ Not applicable

There was no stock incentive plan, employee shareholding plan or other employee incentive measure and its implementation during the reporting period.

XI. Establishment and implementation of internal control system during the reporting period

1. Establishment and implementation of internal control system

The board of directors of the Company has established a sound and effectively implemented internal control system, assesses its effectiveness and truthfully discloses the assessment report on internal control in accordance with the requirements of the Standardised Internal Control System for Companies.

The board of directors of Company has established an audit committee which shall be responsible to review the internal control of the Company, supervise its effective implementation and the self-assessment on internal control, and coordinate the audit of internal control and other relevant matters.

The internal audit organisation (audit and legal affairs department) of the Company is responsible for the supervision of internal audit of the Company, which includes to supervise and check the implementation of the Company's internal control, assess the scientificity and effectiveness of the internal control and give suggestions for improving the internal control; to carry out audit and routine examination on finance, internal control, major projects and other businesses on a regular or irregular basis to control and prevent risks. The audit department has the right to directly report to the board of directors and audit committee in case any material deficiencies in the internal control are identified in the course of supervision and checking.

Based on the identification of material deficiencies in the internal control of financial reporting of the Company, as at the benchmark date of the assessment report on internal control, there was no material deficiency in the internal control of financial reporting, and the Company maintained effective internal control of financial reporting in all material respects according to the requirements of the Standardised Internal Control System for Companies and other rules.

Based on the identification of material deficiencies in the internal control of non-financial reporting of the Company, as at the benchmark date of the assessment report on internal control, no material deficiencies in the internal control of non-financial reporting of the Company were noted.

2. Any material deficiency in internal control was detected during the reporting period

☐ Yes ☒ No

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XII. Management and control over subsidiaries by the Company during the reporting period

Name of company	Consolidation plan	Progress of the consolidation	Issues experienced in the course of consolidation	Solution taken	Progress of the solution	Follow-up solution plan
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Abnormalities in management and control over subsidiaries

☐ Yes ☒ No

XIII. Assessment report on internal control or audit report on internal control

1. Assessment report on internal control

Date of disclosure on the full texts of the assessment report on internal control 1 April 2026

Reference of disclosure on the full texts of the assessment report on internal control Cninfo (www.cninfo.com.cn)

Proportion of total assets of entities included in the assessment to the total assets per consolidated financial statements of the Company 90.03%

Proportion of operating revenue of entities included in the assessment to the operating revenue per consolidated financial statements of the Company 99.98%

Category	Standards for deficiency identification	
	Financial reporting	Non-financial reporting
Qualitative standard	Signs of financial reporting great defect include: fraud of the company directors and senior management personnel, the correction of the published financial report, current report material misstatement is found by a certified public accountant, but not identified through intra-company control, the invalid audit committee and audit and legal affairs department to the Company's external financial reports and financial reporting internal control supervision. Financial reporting important defect signs include: not in accordance with generally accepted accounting principles to select and apply appropriate accounting policies, procedures and control measures of antifraud has not been established, the accounting treatment of unusual or special transaction do not set up corresponding control mechanism or no implementation, and no corresponding compensatory control, for the control of the final financial reporting process have one or more of the defects and cannot guarantee reasonable preparation of financial statements to realise the fair reflection. Common Defects is other control defect in addition to the above major flaws and important defects control.	Non-financial reporting signs of major defects including: violate national laws and regulations or normative documents, the major decision making process is unscientific, lack of system can lead to systemic failure, significant or important defects can't get the rectification and other significant negative impact on the company. Other circumstances according to the influence degree were identified as important defects or defects in general.

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Category	Standards for deficiency identification	
	Financial reporting	Non-financial reporting
Quantitative standard	Significant deficiency refers to consider compensating control measures and major defects after actual deviation rate, overall impact levels above the level of the importance of the defects (0.5% of the operating revenue or total profits of RMB10 million). Material deficiency refers to consider important defects after compensating the control measures and actual deviation rate, the flaw overall impact level below the importance level (0.5% of the operating revenue or total profits of RMB10 million), but higher than the general level (0.2% of the operating revenue or total profits of RMB5 million). General deficiency refers to consider compensating control measures and actual deviation rate, defect the overall level is lower than the general level (0.2% of the operating revenue or the total profits of RMB5 million).	Non-financial reporting major defects refer to the direct property losses in RMB5 million (inclusive) above, signs include: has been publicly disclosed and to the company regularly report produce negative impact; Enterprise key positions and personnel erosion is serious; Negative news frequently exposed by the media. Important defects refer to the direct property losses in RMB0.5 million (inclusive) – RMB5 million, signs include: fined by the national government, but have not produced a negative impact on the regular report of the Company; The media exposure and have a negative impact. General deficiency refers to the direct property losses under RMB0.5 million, signs include: punished the following government departments at or below the provincial level but have not produced a negative impact on the regular report of the Company.
Number of significant deficiencies in financial reporting		0
Number of significant deficiencies in non-financial reporting		0
Number of material deficiencies in financial reporting		0
Number of material deficiencies in non-financial reporting		0

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2. Audit report on internal control

☒ Applicable ☐ Not applicable

Extract of auditors' opinion in the audit report on internal control

In our opinion, Shandong Molong maintained effective internal control system for financial reporting in all material respects as at 31 December 2025 in accordance with the Basic Norms for Enterprises Internal Control and the requirements of other relevant laws and regulations.

Disclosure of audit report on internal control	Disclosed
Date of disclosure of the full texts of the audit report on internal control	1 April 2026
Reference of disclosure of the full texts of the audit report on internal control	Cninfo (www.cninfo.com.cn)
Type of opinion on the audit report on internal control	Standard unqualified opinion
Any significant deficiencies in non-financial reporting	No

Whether accounting firm issued non-standard auditors' report on internal control

☐ Yes ☒ No

Whether the opinion of auditor on internal controls from the accounting firm is in line with the Board's self assessment report

☒ Yes ☐ No

Whether a non-standard audit opinion on internal control was issued for the reporting period or the previous year

☐ Yes ☒ No

XIV. Internal investigation and rectification in relation to the special action for the governance of listed companies

Not applicable

XV. Environmental information disclosure

The listed company and its subsidiary who included in the List of Companies Required by Law to Disclose Environmental Information

☒ Yes ☐ No

Number of company included in the List of Companies Required by Law to Disclose Environmental Information

1

No.	Company name	Index of reports on the Disclosure of Environmental Information by Law
1	Shandong Molong	http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&id=91370000734705456P

Section V. Corporate Governance, Environment and Society

XVI. Social responsibility

During the reporting period, the Company attached great importance to the performance of social responsibility, and has taken a proactive stance in fulfilling social responsibility which was epitomized in the following aspects:

1. Safeguarding shareholders' interest

The Company had established a relatively well-established governance structure and a comprehensive internal control system. Such measures guaranteed the soundness and the level of control of the decision making mechanism of the Company on material issues. At general meetings, the Company adopted both on-the-spot plus online voting to enhance the participation of shareholders. The assembly, convention and voting procedures of the meeting complied with the requirements of the laws, regulations and the Articles of Association. The Company established various forms of communication platforms and channels with the investors through different measures such as phone calls, its website, WeChat public account, Douyin enterprise account, etc. and conducted timely, true, accurate and comprehensive regular information disclosure in strict compliance with the relevant laws, regulations, the Articles of Association and the requirements of the relevant system of the Company in order to ensure that all shareholders of the Company were given fair, just, open and adequate opportunities to acquire the information of the Company, which aims at protecting various legal rights of all shareholders as stipulated by the laws, regulations and articles in a fair manner.

2. Safeguarding employees' interest

The Company highly emphasised the nurture of talents. We strived to improve the quality of our staff and realised mutual growth of our staff and the enterprise by offering our staff with career planning, providing good employee benefits policies to our staff and organising various corporate training. The Company offered various social insurance to our staff and established relief fund to care and support staff in difficult times and created a harmonious working environment. In 2025, the Company released RMB25,000 from the relief fund towards helping the family of staff in financial difficulties.

3. Actively participating in social undertakings

The Company pays great attention to the creation of social value and places its focus on fulfilling social responsibility by actively participating in social services. We have spared no effort to join social services and charity activities with a view to rewarding the society within our capacity. The Company actively contacted the blood station in the center of Weifang, issued an initiative and organized collective voluntary blood donation public welfare activities by our staff and, actively participated in social welfare undertakings, which demonstrated the social responsibility and undertaking of the Company.

XVII. Results of the strengthening and expansion of poverty alleviation and details of rural revitalisation

The Company did not carry out any targeted poverty alleviation work during the reporting period and there was not follow-up plan for targeted poverty alleviation.

Section V. Corporate Governance, Environment and Society

XVIII. Disclosures in accordance with the Listing Rules of the SEHK

1. Results

The Group's revenue and the financial positions of the Group and of the Company for 2025 are set out in the financial statement contained in the "Financial Report" section of this report.

2. Financial highlights

A summary of the results and of the assets and liabilities of the Group for the past five financial years is as follows:

Results

	For the year ended 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total operating revenue	1,761,626	1,356,347	1,317,496	2,765,645	3,734,463
Operating (loss)/profit	(2,400)	(48,283)	(549,182)	(441,513)	(361,115)
Total (loss)/profit	5,100	(47,593)	(550,081)	(446,042)	(362,057)
Net profit/(loss)	4,951	(44,637)	(578,534)	(448,935)	(368,420)
Minority interests	(205)	(937)	(11,673)	(23,966)	(403)
Net (loss)/profit attributable to					
shareholders of the parent company	5,156	(43,700)	(566,862)	(424,970)	(368,018)
Basic (loss)/earnings per share (RMB)	0.01	(0.05)	(0.71)	(0.53)	(0.46)

Assets and liabilities

	For the year ended 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	2,682,126	2,420,183	2,888,082	4,038,606	4,457,611
Total liabilities	2,184,572	1,928,289	2,553,379	3,128,252	3,097,863
Net assets	497,554	491,894	334,703	910,353	1,359,748

3. Changes in share capital

For details of changes in the share capital of the Company for 2025, please refer to the section headed "Changes in Shares and Shareholders".

4. Reserves and distributable reserves

Details of changes in the reserves and distributable reserves of the Group in 2025 are set out in the sub-section headed "Undistributed profits" under "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.

Section V. Corporate Governance, Environment and Society

5. Capitalised interests

During 2025, the Group capitalised interests of RMB nil.

6. Special committees

Details of the Strategy Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee established under the Board are set out in the “Corporate Governance” section of this report.

7. Related parties and connected transactions

In 2025, the Company had no connected transaction that must be disclosed under the Listing Rules (as defined in the Listing Rules) and none of the related party transactions disclosed in the “Financial Report” section in this report constituted disclosable connected transactions under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

8. Substantial shareholders

Details are set out in the sub-section headed “Profiles of shareholders and the actual controller” under the section headed “Changes in Shares and Shareholders” in this report.

9. Directors’ and supervisors’ interests in transactions, arrangements and contracts

No directors or supervisors or any entity related to any of the directors or supervisors of the Company has directly or indirectly interested in any transaction, arrangement or contract to which the Company or any of its subsidiaries is a party that has not been or has been in force in 2025 or at the end of 2025, and has a material relationship with the business of the Group.

10. Material contracts

No contract of significance has been entered into between the Company (or any of its subsidiaries) and the controlling shareholders of the Company (or any of their subsidiaries), and no contract of significance for the provision of services to the Company (or any of its subsidiaries) by any of the controlling shareholders of the Company (or any of their subsidiaries) has been entered.

11. Purchase, sale or redemption of securities

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities (including any treasury shares) of the Company during 2025.

12. Pre-emptive rights

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Section V. Corporate Governance, Environment and Society

13. Sufficiency of public float

According to information publicly available to the Company and to the best knowledge of the directors, the directors confirmed that the Company has maintained a sufficient public float throughout the current year and up to the date of this report.

14. Gearing ratio

The Group's gearing ratio was approximately 81.45% (2024: approximately 79.68%), which is calculated based on the Group's total liabilities of RMB2,184,572 thousand (2024: approximately RMB1,928,289 thousand) and total assets of approximately RMB2,682,126 thousand (2024: approximately RMB2,420,183 thousand).

15. Contingent liabilities

As at 31 December 2025, the Group did not have any contingent liabilities except those disclosed in the "Commitments and Contingencies" in this report.

16. Material investments, acquisitions and disposals

For the year ended 31 December 2025, save as disclosed in this report, the Group did not conduct any material acquisition or disposal of subsidiaries and associates, nor any material investments.

17. Plans for material future investments or capital assets

The Group had no future plans relating to material investments or capital assets for the year ended 31 December 2025.

18. Tax concessions and exemptions

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

19. Equity-linked agreements

The Company did not enter into any equity-linked agreements at the end of the year ended 31 December 2025 or at any time during the year.



Section V. Corporate Governance, Environment and Society

20. Business review

Key financial and business performance indicators

Key financial and business performance indicators comprise profitability growth, return on equity and gearing ratio. Details of the analysis are set out in the section headed “Management Discussion and Analysis” in this annual report.

Risk management

It is a development strategy of the Group to establish a risk management system covering all the business segments that monitors, assesses and manages various risks in the Group’s activities. The management has identified the major risks of the Group and regularly reviews its exposure to industry, policy, operational and currency risks.

Sustainability initiatives

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

We have compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Section VI. Material Matters

I. Performance of commitment

1. Commitments fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period and their outstanding commitments as at the end of the reporting period

☐ Applicable ☒ Not applicable

There were no commitments that were fully performed by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other committing parties during the reporting period, and there were no outstanding commitments as at the end of the reporting period.

2. Corporate assets or project has profit forecast, and still in the period of the profit forecast at reporting period. Explanation for profit forecast of corporate assets or project receives profit forecast its reasons

☐ Applicable ☒ Not applicable

3. The Company is involved in performance undertakings

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

III. Illegal external guarantees

☐ Applicable ☒ Not applicable

There were no illegal external guarantees during the reporting period.

IV. Opinions of the board regarding the "modified auditor's report" for the most recent prior period

☐ Applicable ☒ Not applicable

V. Opinions of the board and independent directors (if any) regarding the "modified auditor's report" issued by accounting firm for the reporting period

☐ Applicable ☒ Not applicable

Section VI. Material Matters

VI. Explanation for the change in accounting policy or accounting estimates or the correction to material accounting errors as compared to the financial report of last year

☐ Applicable ☒ Not applicable

There were no changes in accounting policies, accounting estimates, or correction to material accounting errors during the reporting period.

VII. Explanation for changes in the scope of the consolidated statements as compared to the financial report of last year

☒ Applicable ☐ Not applicable

On 8 December 2025, the Company and its subsidiary MPM Company jointly established Shandong Xincheng. The Company contributed RMB3.58 million, representing a 71.6% equity interest, while MPM Company contributed RMB1.42 million, representing a 28.4% equity interest. Shandong Xincheng has been included in the Group's consolidated financial statements. The matter was considered and approved by the manager's office.

VIII. Appointment and dismissal of accounting firm

The accounting firm currently appointed

Name of the domestic accounting firm	Grant Thornton Zhitong
Compensation of the domestic accounting firm (Unit: RMB'0,000)	Certified Public Accountants LLP
(Among which, the audit fee for financial reports being RMB1 million, the audit fee for internal control being RMB0.4 million)	140
Continued term of service of the domestic accounting firm	2
Name of certified public accountant of the domestic accounting firm	Hu Nai Zhong, Song Li Xin
Continued term of service of certified public accountants of the domestic accounting firm	2, 2
Name of the foreign accounting firm (if any)	Not applicable
Compensation of the foreign accounting firm (Unit: RMB'0,000) (if any)	0
Continued term of service of the foreign accounting firm (if any)	Not applicable
Name of certified public accountant of the foreign accounting firm (if any)	Not applicable
Continued term of service of certified public accountant of the foreign accounting firm (if any)	Not applicable

Whether there was a change of accounting firms during the current period

☐ Yes ☒ No

Engagement of accounting firm, financial consultant or sponsor for internal control audit

☐ Applicable ☒ Not applicable

Section VI. Material Matters

IX. Delisting after disclosure of annual report

☐ Applicable ☒ Not applicable

X. Matter related to bankruptcy and reorganisation

☐ Applicable ☒ Not applicable

There was no matter related to bankruptcy and reorganisation during the reporting period.

XI. Significant lawsuits and arbitrations

☐ Applicable ☒ Not applicable

During the reporting period, the Company had no significant lawsuits and arbitrations.

XII. Punishments and rectifications

☒ Applicable ☐ Not applicable

Name	Type	Cause	Types of investigations and penalties	Conclusion (if any)	Disclosure date	Disclosure index
Shandong Molong	Other	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 Gao Gui	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 Xiao Tong	Senior management	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 management	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)

Section VI. Material Matters

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.

Person responsible for rectification: Chairman, Chief Financial Officer and Secretary to the board

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

Section VI. Material Matters

XIII. Integrity of the Company and its controlling shareholder and actual controller

☐ Applicable ☒ Not applicable

XIV. Significant related party transactions

1. Related party transactions in the ordinary course of business

☐ Applicable ☒ Not applicable

There were no related party transactions in the ordinary course of business during the reporting period.

2. Related party transactions in connection with acquisition or disposal of assets or equity interests

☐ Applicable ☒ Not applicable

There were no related party transactions in connection with acquisition or disposal of assets or equity interest during the reporting period.

3. Related party transactions in connection with joint external investment

☐ Applicable ☒ Not applicable

There was no related party transaction in connection with joint external investment 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

Section VI. Material Matters

Debts due to related parties

Related party	Related relationship	Reason(s) for occurrence	Balance at the beginning of the period RMB'0,000	Amount increased during the current period RMB'0,000	Amount repaid during the current period RMB'0,000	Interest rate	Interest for the current period RMB'0,000	Balance at the end of the period RMB'0,000
Shouguang Jinxin	Controlling shareholder of the controlling shareholder	Receipt of financial assistance	2,663.89	4,000	6,663.89	3.10%	5.65	0
Xiangrun Industry	A company controlled by the parent company of the controlling shareholder	Rents	177.03	22.12	—	—	—	199.15
Impact of the related debts on the operating results and financial position of the Company								
(1)		On 24 February 2025, after consideration and approval at the third extraordinary meeting of the eighth session of the Board of the Company, the Company accepted financial assistance of up to RMB300 million provided by Shouguang Jinxin, a related party, to the Company for a term of not more than one year, with an interest rate not higher than the one-year Loan Prime Rate (LPR). During the reporting period, the maximum single-day balance of the borrowings was RMB41.084 million, which fell within the above limit.						
(2)		In October 2024, the Company and Xiangrun Industry entered into a lease contract, pursuant to which the Company leased an office building for business office use. Due to a change in the lease during the reporting period, a total rent of RMB1,991,500 remained unpaid as at the end of the reporting period.						

5. Amounts due from/to related financial companies

☐ Applicable ☒ Not applicable

The Company did not have any deposit, loan, credit or other financial business with its related financial companies or other related parties.

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

☐ Applicable ☒ Not applicable

The financial companies controlled by the Company did not have any deposit, loan, credit or other financial business with related parties.

7. Other significant related party transactions

☐ Applicable ☒ Not applicable

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

Section VI. Material Matters

XV. Material contracts and their performance

1. Entrustment, contracting and leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

The Company had no entrustment during the reporting period.

(2) Contracting

☐ Applicable ☒ Not applicable

The Company had no contracting during the reporting period.

(3) Leasing

☒ Applicable ☐ Not applicable

Descriptions of the leasing

- (1) In October 2024, the Company and Xiangrun Industry entered into a lease contract, pursuant to which the Company leased an office building for business office use. Due to a change in the lease during the reporting period, a total rent of RMB1,991,500 remained unpaid as at the end of the reporting period.
- (2) According to the lease agreements and relevant documents entered into between the Company and the Vegetable Wholesale Company in 2025, the Company leased the plant (plant and ancillary facilities) located in Shouguang Science and Technology Industrial Park for production and operation purposes, with the lease term ending on 31 December 2025; and leased part of the plant (plant and ancillary facilities) located on the east side of Xing Shang Road in Shouguang for production and operation purposes, with the lease term ending on 31 March 2025.

Leases with profit or loss contribution accounting for over 10% of the total profit of the Company during the reporting period

☒ Applicable ☐ Not applicable

Name of lessor	Name of lessee	Leased assets	Amount of leased assets involved (RMB'0,000)	Commencement date of lease	Termination date of lease	Lease income (RMB'0,000)	Basis for determining lease income	The impact of lease income on the Company	Connected transaction or not	Connected relationship
Vegetable Wholesale Company	Shandong Molong	Plant	Not applicable	1 January 2025	31 December 2025	-713.22	Lease agreement	The leased plant ensures the normal production of certain production lines of the Company.	No	Nil

Section VI. Material Matters

2. Significant guarantees

☐ Applicable ☒ Not applicable

The Company had no significant guarantees during the reporting period.

3. Entrust others to manage cash assets

(1) Commissioned financial management

☒ Applicable ☐ Not applicable

Particulars of entrusted wealth management during the reporting period

Unit: RMB0'000

Product Type	Risk features	Balance of entrusted wealth management during reporting period		Overdue balance
Bank wealth management product	Risk-free	0		0

Particulars of the Company, as a sole principal, entrusting financial institutions with asset management, or investing in high-risk entrusted wealth management that has lower safety and poor liquidity

☐ Applicable ☒ Not applicable

(2) Entrusted loans

☐ Applicable ☒ Not applicable

The Company had no entrusted loan during the reporting period.

4. Other significant contracts

☐ Applicable ☒ Not applicable

The Company had no other significant contracts during the reporting period.

Section VI. Material Matters

XVI. Use of raised funds

☐ Applicable ☒ Not applicable

The Company did not have any use of raised funds during the reporting period.

XVII. Descriptions of other significant events

☒ 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 session of the 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 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 session of the 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 financial assistance of Weihai Baolong had been fully repaid and the balance of financial assistance of Shouguang Baolong was RMB292 million. In February 2025, Shouguang Baolong was failed to repay its maturing debts, leading the court to accept its application for bankruptcy liquidation. A second creditors' meeting has now been convened, but a specific plan for the bankruptcy liquidation has not yet been released.

On 14 October 2024, the company held the 14th extraordinary meeting of the seventh session of the 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 approximately RMB61,453,400.

Section VI. Material Matters

3. Adjustment of the Corporate Governance Structure and the Amendments to the Articles of Association

On 16 October 2025, the Company convened the eighth meeting of the eighth session of the board of directors, and on 3 November 2025, convened the first extraordinary general meeting of shareholders for 2025, at which the Proposal on Adjustment of the Corporate Governance Structure and the Amendments to the Articles of Association and its Appendices were considered and approved. In accordance with the provisions of the Company Law, the Transitional Arrangements for the Implementation of Supporting Rules and Systems under the New Company Law (《關於新<公司法>配套制度規則實施相關過渡期安排》), the Articles of Association of Listed Companies (《上市公司章程指引》), the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》) and other relevant laws, regulations and normative documents, and taking into account the Company's actual circumstances, the Company adjusted its governance structure by no longer establishing a supervisory board or supervisors. The functions and powers of the supervisory board as stipulated in the Company Law are now assumed by the Audit Committee under the board of directors.

4. Investment in Construction Projects

On 15 December 2025, the Company convened the ninth meeting of the eighth session of the board of directors, at which the Proposal on Investment in Construction Projects was considered and approved. In accordance with the Company's development strategy and plans, the Company plans to invest no more than RMB170 million of its own or self-raised funds to construct the "High-end Premium Oil Country Tubular Goods Intelligent Processing Line Project" within the Science and Technology Park plant area, further enhancing its pipe processing capacity, improving the production chain and strengthening market competitiveness.

5. Implementation of Debt Restructuring

On 29 December 2025, the Company convened the tenth meeting of the eighth session of the board of directors, and on 23 January 2026, convened the first extraordinary general meeting of shareholders for 2026, at which the Proposal on the Implementation of Debt Restructuring was considered and approved. Pursuant to which, the Company signed a Tripartite Agreement with Vegetable Wholesale Company, stipulating that the Vegetable Wholesale Company would use its assets — including land use rights, buildings and structures, machinery and equipment, etc., located in the Shouguang Science and Technology Industrial Park, with an appraised value of RMB361.8502 million — to repay RMB361.00 million of debt owed by Vegetable Wholesale Company to the Company. As of the disclosure date of this report, the transfer of the aforementioned assets has been completed.

XVIII. 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.

Section VII.Changes in Shares and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Prior to the change		Increase/decrease (+/-) as a result of the change					After the change	
	Qty.	Percentage	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	Qty.	Percentage
I. Shares subject to lock-up	108,375	0.01%	—	—	—	-108,375	-108,375	0	0.00%
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	108,375	0.01%	—	—	—	-108,375	-108,375	0	0.00%
Including: Domestic legal person shares									
Domestic natural person shares	108,375	0.01%	—	—	—	-108,375	-108,375	0	0.00%
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
II. Shares not subject to lock-up	797,740,025	99.99%	—	—	—	108,375	108,375	797,848,400	100.00%
1. RMB ordinary shares	541,613,625	67.88%	—	—	—	108,375	108,375	541,722,000	67.90%
2. Domestically-listed foreign shares									
3. Foreign shares listed overseas	256,126,400	32.10%	—	—	—	—	—	256,126,400	32.10%
4. Others									
III. Total number of shares	797,848,400	100.00%	—	—	—	—	—	797,848,400	100.00%

Reason(s) for change 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.

Section VII.Changes in Shares and Shareholders

Approval for the change in shares

☐ Applicable ☒ Not applicable

Transfer for the change in shares

☐ Applicable ☒ Not applicable

Effects of the change in shares on financial indicators such as basic earnings per share, diluted earnings per share and net assets attributable to ordinary shareholders of the Company per Share for the most recent year and period

☐ Applicable ☒ Not applicable

Other contents that the Company deems necessary or required to be disclosed by the securities regulatory authority

☐ Applicable ☒ Not applicable

2. Changes in locked-up shares

☒ Applicable ☐ Not applicable

Unit: share

Name of Shareholders	Number of restricted shares at the beginning of the period	Increase in the number of restricted shares in the current period	Number of restricted shares released in the current period	Number of Restricted shares at the end of the period	Reasons for restricted sales	Date of lifting sales restriction
Wang Quan Hong	104,625	0	104,625	0	Executive officers lock-in stock	2025-5-25
Liu Ji Lu	3,750	0	3,750	0	Executive officers lock-in stock	2025-5-25
Total	108,375	0	108,375	0	—	—

Section VII.Changes in Shares and Shareholders

II. Issuance and listing of securities

1. Securities issuance (excluding preferred shares) during the reporting period

☐ Applicable ☒ Not applicable

2. Description of changes in the total number of shares and shareholder structure of the Company, and changes in the structure of assets and liabilities of the Company

☐ Applicable ☒ Not applicable

3. Existing internal employee stock

☐ Applicable ☒ Not applicable

III. Shareholders and actual controller

1. Number of shareholders of the Company and their shareholding

				Unit: share	
Total number of ordinary shareholders by the end of the reporting period	69,706 (including 69,665 A-share holders and 41 H-share holders)	Total number of ordinary shareholders at the end of last month before the disclosure date of the annual report	70,834	Total number of preferred shareholders whose voting powers have been restored by the end of the reporting period (if any)	0
				Total number of preferred shareholders whose voting rights resumed at the end of last month before the disclosure date of the annual report (if any)	0

Section VII.Changes in Shares and Shareholders

Shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing)

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of held shares with restriction on sale	Number of held shares with no restriction on sale	Pledge, marking or freezing Share status	Qty.
HKSCC Nominees Limited	Overseas legal person	32.08%	255,966,980	150,748,800	0	255,966,980	Not applicable	0
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledged	99,355,556
Zhang Yun San (張雲三)	Domestic natural person	2.02%	16,108,000	-2,000,000	0	16,108,000	Not applicable	0
Li Li Ming (李麗明)	Domestic natural person	0.41%	3,245,800	0	0	3,245,800	Not applicable	0
Feng Zhi Cheng (馮志成)	Domestic natural person	0.38%	3,064,200	0	0	3,064,200	Not applicable	0
Li Qing Zhuo (李青卓)	Domestic natural person	0.25%	2,025,110	0	0	2,025,110	Not applicable	0
Lin Jian Hang (林劍航)	Domestic natural person	0.15%	1,231,300	0	0	1,231,300	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.15%	1,218,797	686,112	0	1,218,797	Not applicable	0
Ding Rui Fang (丁瑞芳)	Domestic natural person	0.13%	1,043,900	0	0	1,043,900	Not applicable	0
Zheng Chao (鄭超)	Domestic natural person	0.11%	878,000	0	0	878,000	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						

Section VII.Changes in Shares and Shareholders

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

Name of shareholder	Number of non-locked up shares held at the end of the reporting period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	255,966,980	Overseas listed foreign shares	255,966,980
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	235,617,000	RMB-denominated ordinary shares	235,617,000
Zhang Yun San (張雲三)	16,108,000	RMB-denominated ordinary shares	16,108,000
Li Li Ming (李麗明)	3,245,800	RMB-denominated ordinary shares	3,245,800
Feng Zhi Cheng (馮志成)	3,064,200	RMB-denominated ordinary shares	3,064,200
Li Qing Zhuo (李青卓)	2,025,110	RMB-denominated ordinary shares	2,025,110
Lin Jian Hang (林劍航)	1,231,300	RMB-denominated ordinary shares	1,231,300
Hong Kong Securities Clearing Company Limited	1,218,797	RMB-denominated ordinary shares	1,218,797
Ding Rui Fang (丁瑞芳)	1,043,900	RMB-denominated ordinary shares	1,043,900
Zheng Chao (鄭超)	878,000	RMB-denominated ordinary shares	878,000
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		



Section VII.Changes in Shares and Shareholders

Participation in shares lending through refinancing business by shareholders who hold more than 5% of the shares, the top ten shareholders and the top ten shareholders without selling restrictions

☐ Applicable ☒ Not applicable

Change in shareholding of the top ten shareholders and the top ten shareholders without selling restrictions compared with last period due to shares lending through re-financing/returning

☐ Applicable ☒ Not applicable

Any contracted repurchase transactions were entered into by the top 10 ordinary shareholders and the top 10 non-locked up ordinary shareholders during the reporting period

☐ Yes ☒ No

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

Section VII.Changes in Shares and Shareholders

2. Controlling shareholders of the Company

Nature of controlling shareholder: local state-owned holding

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative/ principal	Date of Incorporation	Organisation No.	Principle Business
Molong Holdings	Zhao Wen Quan	29 October 2020	91370783MA3U9BR6XE	General activities: engage in investment activities with self-owned funds; corporate headquarters management; property management; housing lease; land remediation services; convention and exhibition services; enterprise management; financial consultation; education consulting services (excluding education and training activities subject to licensing approval). (Except for business activities that must be approved by operation of law, the Company shall launch activities on his own by law based on his business license)
Shares of other domestic and overseas Listed Company controlled and participated by controlling shareholders during the reporting period				None

Changes of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

The controlling shareholder of the Company has not changed during the reporting period.

Section VII.Changes in Shares and Shareholders

3. The actual controller of the Company and its concerted action person

Nature of actual controller: local state-owned assets management institution

Type of actual controller: legal person

Name of actual controller	Legal representative/ principal	Date of Incorporation	Organisation No.	Primary Business
Shouguang SAB	Not applicable	1 August 1991	Not applicable	Responsible for the management of state-owned assets and capital operation of enterprises and institutions in the city.
Equity of other domestic and overseas Listed Company controlled by the actual controller during the reporting period	During the reporting period, Shouguang SAB held 100% equity interest of Shouguang Jinxin and Shouguang Shengming Investment Co., Ltd. (hereinafter referred to as Shengming Investment). Shouguang Jinxin held 7,650,000 shares of Shandong Global Software Co., Ltd. (stock code: 871907), accounting for 41.89% of its total share capital; Shouguang Jinxin and Shengming Investment jointly control Shanghai Kingland Smart Enterprise Development Group Co., Ltd. (上海金洲智慧企業發展集團有限公司) (hereinafter referred to as Kingland Smart), which held 110,559,279 shares in total of Zhejiang Kingland Pipeline and Technologies Co., Ltd. (stock code: 002443), accounting for 21.24% of its total share capital; Shouguang Shengming Investment Co., Ltd. held 45.22% equity interest of Chenming Holding Co., Ltd., which directly and indirectly held 819,912,882 shares of Shandong Chenming Paper Holdings Limited (stock code: 000488, 200488, 01812), accounting for 27.87% of its total share capital.			

Change in actual controller during the reporting period

☐ Applicable ☒ Not applicable

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

Section VII.Changes in Shares and Shareholders

Block diagram of ownership and control relationship between the Company and actual controller



The actual controller controls the Company through trust or other asset management methods

☐ Applicable ☒ Not applicable

Section VII.Changes in Shares and Shareholders

4. The cumulative number of pledged shares of the controlling shareholder or the largest shareholder of the Company and its concerted actions accounts for 80% of the number of shares held by the Company

☐ Applicable ☒ Not applicable

5. Other corporate shareholders holding more than 10% of shares

☐ Applicable ☒ Not applicable

6. Restricted reduction of shares of controlling shareholders, actual controllers, reorganizers and other committed entities

☐ Applicable ☒ Not applicable

IV. Specific implementation of share repurchase during the reporting period

Implementation progress of share repurchase

☐ Applicable ☒ Not applicable

Implementation progress of reducing repurchased shares by centralized bidding transaction

☐ Applicable ☒ Not applicable

V. Preferred shares

☐ Applicable ☒ Not applicable

There were no preferred shares in the Company during the reporting period.

Section VIII. Relevant Information on Bonds

☐ Applicable ☒ Not applicable

Section IX. Financial Report

Audit Report

Type of audit opinion	Standard unqualified opinion
Date of signing of the auditor's report	31 March 2026
Name of auditors	Grant Thornton Zhitong Certified Public Accountants LLP
Auditor's report file number	Zhi Tong Shen Zi (2026) No 371A007495
Names of the CPAs	Hu Nai Zhong, Song Li Xin

Main text of the auditor's report

To the shareholders of Shandong Molong Petroleum Machinery Company Limited:

I. Opinion

We have audited the financial statements of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as "Shandong Molong"), which comprise the consolidated and parent company's balance sheet as at 31 December 2025, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement and the consolidated and parent company's statement of changes in shareholders' equity for 2025, as well as notes to the financial statements.

In our opinion, the accompanying financial statements comply with the requirements of the Accounting Standards for Business Enterprises in all material respects, and fairly present the consolidated and parent company's financial position of Shandong Molong as at 31 December 2025, as well as the consolidated and parent company's results of operations and cash flows for 2025.

II. Basis for Audit Opinion

We have performed the audit in accordance with the Chinese CPA Standards on Auditing. The "Auditor's Responsibilities for the Audit of the Financial Statements" in the auditor's report further explains our responsibilities under these Standards. According to the Code of Ethics for Certified Public Accountants of China and the independence requirements of the Independence Standards for Certified Public Accountants of China in audits of public interest entities (if applicable), we are independent from Shandong Molong and have fulfilled other responsibilities in terms of professional ethics. We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

Audit Report

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Revenue recognition

For detailed disclosure of relevant information, please refer to Note V.32 and Note VII.39 of this financial report.

Description of the matter	How the matter was addressed in our audit
The operating revenue of Shandong Molong was mainly derived from the production and sale of products including oil pipes, casing, fluid and structural pipes, three kinds of pumping units and petroleum machinery parts. In 2025, its operating revenue amounted to RMB1,761.6256 million. Operating revenue was one of the Company's key performance indicators, and the appropriateness of revenue recognition had a significant impact on the Company's operating results. Therefore, we considered revenue recognition as a key audit matter.	The main audit procedures we performed on revenue recognition include: (1) Understanding, evaluating and testing the design of internal controls and the effectiveness of key control processes related to revenue recognition; (2) Taking a sample of sales contracts entered into between the Company and its customers to analyze the identification of performance obligations, the allocation of transaction prices, and the conditions for the transfer of control over relevant commodities, and judging whether the specific method for recognizing sales revenues determined by management was in line with the Company's business model; (3) Taking into account the industry situation to perform analytical procedures, whereby the reasonableness of changes in sales revenues and gross profit was judged; (4) Taking samples and checking them against sales contracts, invoices, outbound documents, receipt documents, customs declarations, bills of lading and other supporting documents to verify whether the revenues recorded in the account books were true;



Audit Report

Description of the matter

How the matter was addressed in our audit

- (5) Selecting key customers and verifying their business registration information and other relevant information, together with relevant supporting documents, to evaluate the reasonableness of relevant transactions and the existence of any related party relationship;
- (6) Taking samples of the bank statements of large-scale sale operations and verifying the names of customers and the reasons for payment collection to determine the authenticity of sales proceeds;
- (7) Selecting samples to perform confirmation procedures for major customers and transactions, and conducting alternative tests for non-response confirmations to judge the authenticity of sales revenues;
- (8) Performing cutoff testing on operating revenue recognized before and after the balance sheet date to evaluate whether operating revenue had been recognized in the correct period.

Audit Report

(2) Provision for inventory impairment

For detailed disclosure of relevant information, please refer to Note V.18 and Note VII.8 of this financial report.

Description of the matter

As of 31 December 2025, Shandong Molong had a significant inventory balance. Additionally, the impairment testing process is relatively complex, requiring management of the Company to make numerous judgments and assumptions during the testing. The appropriateness of the provision for inventory impairment has a significant impact on the Company's operating performance. Therefore, we considered the provision for inventory impairment as a key audit matter.

How the matter was addressed in our audit

The main audit procedures we performed on the provision for inventory impairment include:

- (1) Understand, evaluate and test the effectiveness of the design of internal control and the operation of key control processes related to the provision for inventory impairment;
- (2) Perform inventory count observation procedures to inspect the quantity and condition of inventory, etc.;
- (3) Examine changes for the year in the provision for inventory impairment recognized in prior years;
- (4) Obtain supporting information such as the detailed statement of the Company's provision for inventory impairment, and review management's method for estimating the net realizable value of inventories, as well as the reasonableness of the relevant parameters used in the estimation;
- (5) Check and evaluate whether management's accounting treatment of the provision for inventory impairment and the presentation and disclosure of relevant information in the financial statements are appropriate.



Audit Report

IV. Other Information

The management of Shandong Molong (hereafter referred to as the management) is responsible for the other information. The other information comprises the information included in the 2025 annual report of Shandong Molong, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of Shandong Molong is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of Shandong Molong to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Shandong Molong or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Shandong Molong.

Audit Report

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Shandong Molong to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shandong Molong to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Audit Report

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Shandong Molong to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the relevant safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Zhitong Certified Public Accountants LLP

PRC certified public accountants:(Project Partner)

PRC certified public accountants:

Beijing, China

31 March 2026



Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current assets:		
Monetary funds	273,493,158.99	86,788,890.12
Settlement deposits	—	—
Lending funds	—	—
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	77,020,624.57	28,076,117.35
Accounts receivable	464,170,047.25	220,326,415.43
Financing receivables	—	40,000.00
Prepayments	112,468,236.53	25,073,201.17
Insurance receivables	—	—
Reinsurance receivables	—	—
Reinsurance contract reserves receivable	—	—
Other receivables	646,926,136.76	1,177,001,129.72
Including: Interests receivable	—	—
Dividends receivable	—	—
Purchases of sell-back financial assets	—	—
Inventories	564,595,771.94	397,733,225.95
Including: data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	2,143,508.70	368,914.64
Total current assets	2,140,817,484.74	1,935,407,894.38

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current assets:		
Granted loans and advances	—	—
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	46,340,865.68	1,666,457.34
Investments in other equity instruments	3,403,349.84	3,316,677.33
Other non-current financial assets	476,475.45	—
Investment properties	—	—
Fixed assets	297,484,473.82	327,402,077.12
Construction-in-progress	139,310.39	—
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	331,614.54	8,256,248.21
Intangible assets	190,074,048.99	143,873,622.76
Including: data resources	—	—
Development expenditures	—	—
Including: data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	3,058,459.20	259,900.00
Total non-current assets	541,308,597.91	484,774,982.76
Total Assets	2,682,126,082.65	2,420,182,877.14

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current liabilities:		
Short-term borrowings	1,351,121,751.47	1,425,765,913.39
Borrowings from the central bank	—	—
Borrowing funds	—	—
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	66,591,079.41	7,128.75
Accounts payable	397,985,748.47	294,207,878.68
Receipts in advance	—	—
Contract liabilities	138,946,640.35	35,099,585.13
Proceeds from disposal of buy-back financial assets	—	—
Customer bank deposits and due to banks and other financial institutions	—	—
Securities brokerage deposits	—	—
Securities underwriting brokerage deposits	—	—
Salaries payable	33,499,464.98	57,404,024.93
Taxes payable	12,885,662.22	15,106,998.95
Other payables	41,087,652.71	40,123,921.92
Including: Interests payable	—	—
Dividends payable	—	—
Brokerage and commission payables	—	—
Reinsurance payables	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	38,215,100.73	30,042,081.68
Other current liabilities	39,971,720.36	19,147,733.93
Total current liabilities	2,120,304,820.70	1,916,905,267.36

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current liabilities:		
Insurance contract reserves	—	—
Long-term borrowings	—	153,809.38
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	—	178,746.58
Long-term payables	52,698,375.15	—
Long-term salaries payable	—	—
Estimated liabilities	5,058,038.23	4,960,656.25
Deferred revenue	6,461,626.72	6,085,498.10
Deferred income tax liabilities	48,939.72	4,834.38
Other non-current liabilities	—	—
Total non-current liabilities	64,266,979.82	11,383,544.69
Total Liabilities	2,184,571,800.52	1,928,288,812.05
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	979,798,749.43	979,777,355.57
Less: Treasury shares	—	—
Other comprehensive income	-3,102,548.29	-3,531,286.66
Special reserve	—	—
Surplus reserve	187,753,923.88	187,753,923.88
General risk reserve	—	—
Undistributed profits	-1,464,423,291.93	-1,469,578,894.72
Total equity attributable to owners of the parent company	497,875,233.09	492,269,498.07
Minority interests	-320,950.96	-375,432.98
Total owners' equity	497,554,282.13	491,894,065.09
Total liabilities and owners' equity	2,682,126,082.65	2,420,182,877.14

Legal Representative:
Han Gao Gui

Responsible Person in Charge of
Accounting: Zhu Lin

Head of Accounting Organization:
Zhu Lin

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current assets:		
Monetary funds	258,821,931.81	83,692,639.89
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	77,020,624.57	28,097,694.69
Accounts receivable	471,760,255.15	241,194,777.56
Financing receivables	—	40,000.00
Prepayments	159,734,087.33	23,894,774.97
Other receivables	741,753,749.61	1,271,310,029.86
Including: Interests receivable	—	—
Dividends receivable	—	—
Inventories	563,055,525.72	393,796,744.51
Including: data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	307,435.16	276,739.73
Total current assets	2,272,453,609.35	2,042,303,401.21

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current assets:		
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	76,274,536.49	72,280,516.44
Investments in other equity instruments	—	—
Other non-current financial assets	476,475.45	—
Investment properties	—	—
Fixed assets	277,874,140.33	306,931,692.39
Construction-in-progress	139,310.39	—
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	331,614.54	8,256,248.21
Intangible assets	110,227,980.20	61,974,775.05
Including: data resources	—	—
Development expenditures	—	—
Including: data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	3,058,459.20	259,900.00
Total non-current assets	468,382,516.60	449,703,132.09
Total Assets	2,740,836,125.95	2,492,006,533.30

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current liabilities:		
Short-term borrowings	1,189,315,130.45	1,279,870,927.48
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	212,591,079.41	150,007,128.75
Accounts payable	448,448,639.45	332,569,367.84
Receipts in advance	—	—
Contract liabilities	137,718,517.94	32,447,483.69
Salaries payable	33,430,242.32	57,024,741.69
Taxes payable	12,039,489.63	14,623,584.41
Other payables	48,742,990.65	61,388,378.27
Including: Interests payable	—	—
Dividends payable	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	38,215,100.73	28,186,417.81
Other current liabilities	51,909,793.80	24,714,702.11
Total current liabilities	2,172,410,984.38	1,980,832,732.05
Non-current liabilities:		
Long-term borrowings	—	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	—	178,746.58
Long-term payables	52,698,375.15	—
Long-term salaries payable	—	—
Estimated liabilities	5,058,038.23	4,960,656.25
Deferred revenue	550,000.00	—
Deferred income tax liabilities	22,437.21	—
Other non-current liabilities	—	—
Total non-current liabilities	58,328,850.59	5,139,402.83
Total Liabilities	2,230,739,834.97	1,985,972,134.88

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Owners' equity:		
Share capital	797,848,400.00	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	778,253,775.98	778,253,775.98
Less: Treasury shares	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	187,753,923.88	187,753,923.88
Undistributed profits	-1,253,759,808.88	-1,257,821,701.44
Total owners' equity	510,096,290.98	506,034,398.42
Total liabilities and owners' equity	2,740,836,125.95	2,492,006,533.30

Consolidated income statement

Unit: RMB

Item	2025	2024
I. Total operating revenue	1,761,625,563.47	1,356,346,670.03
Including: Operating revenue	1,761,625,563.47	1,356,346,670.03
Interest income	—	—
Insurance premium earned	—	—
Brokerage and commission income	—	—
II. Total operating cost	1,791,092,545.00	1,572,301,308.13
Including: Operating costs	1,585,917,667.15	1,301,582,840.88
Interest expenses	—	—
Brokerage and commission expenses	—	—
Surrenders	—	—
Net compensation expenses	—	—
Net amount of insurance contract reserves provided	—	—
Policyholder dividend expenses	—	—
Reinsurance premiums	—	—
Tax and surcharges	6,043,825.55	8,999,662.52
Selling expenses	18,252,787.62	16,842,360.97
Administrative expenses	39,858,943.88	118,952,881.37
Research and development expenditures	46,689,481.30	29,309,446.94
Finance expenses	94,329,839.50	96,614,115.45
Including: Interest expenses	93,838,769.72	102,961,159.42
Interest income	1,385,677.63	1,055,114.19
Add: Other gains	25,600,049.23	10,062,983.36
Investment income (loss indicated with "-")	517,806.43	260,617,460.17
Including: Gains on investment in associates and joint ventures	674,408.34	32,925.85
Gain on derecognition of financial assets measured at amortised cost	—	—
Gain on exchange (loss indicated with "-")	—	—
Net gain on exposure hedging (loss indicated with "-")	—	—
Gain on change of fair value (loss indicated with "-")	-23,524.55	—
Credit impairment loss (loss indicated with "-")	1,754,901.62	-1,484,223.50
Asset impairment loss (loss indicated with "-")	-4,987,753.50	-106,989,615.44
Gain on disposal of assets (loss indicated with "-")	4,205,730.84	5,465,378.04
III. Operating profit (loss indicated with "-")	-2,399,771.46	-48,282,655.47
Add: Non-operating income	9,122,091.80	6,594,454.34
Less: Non-operating expenses	1,622,129.79	5,904,948.42

Consolidated income statement

Unit: RMB

Item	2025	2024
IV. Gross profit (total loss indicated with "-")	5,100,190.55	-47,593,149.55
Less: Income tax expenses	149,126.76	-2,956,531.39
V. Net profit (net loss indicated with "-")	4,951,063.79	-44,636,618.16
(i) Classified by business continuity	—	—
1. Net profit of continuing operation (net loss indicated with "-")	4,951,063.79	-44,636,618.16
2. Net profit of discontinued operation (net loss indicated with "-")	—	—
(ii) By attributable ownership	—	—
1. Net profit attributable to the shareholders of the parent company	5,155,602.79	-43,699,833.39
2. Loss or profit attributable to minority interests	-204,539.00	-936,784.77
VI. Other comprehensive income, net of tax	469,153.25	-256,730.10
Other comprehensive income attributable to owners of the parent company, net of tax	428,738.37	-229,606.78
(i) Other comprehensive income that may not be reclassified to profit or loss	65,004.38	14,503.12
1. Changes on remeasurement of defined benefit plans	—	—
2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	—	—
3. Fair value changes in investments in other equity instruments	65,004.38	14,503.12
4. Fair value changes in credit risk of the Company	—	—
5. Others	—	—
(ii) Other comprehensive income that will be reclassified to profit or loss	363,733.99	-244,109.90
1. Other comprehensive income that may be transferred to profit or loss under equity accounting	—	—
2. Fair value changes in other debt investments	—	—
3. Reclassification of financial assets to other comprehensive income	—	—
4. Credit-impaired provision for other debt investments	—	—
5. Cash flow hedge reserve	—	—
6. Exchange differences on translation of foreign financial statements	363,733.99	-244,109.90
7. Others	—	—
Other comprehensive income attributable to minority shareholders, net of tax	40,414.88	-27,123.32
VII. Total comprehensive income	5,420,217.04	-44,893,348.26
Total comprehensive income attributable to owners of the parent company	5,584,341.16	-43,929,440.17
Total comprehensive income attributable to minority interests	-164,124.12	-963,908.09
VIII. Earnings per share (EPS)	—	—
(i) Basic earnings per share	0.01	-0.05
(ii) Diluted earnings per share	0.01	-0.05

Legal Representative:
Han Gao Gui

Responsible Person in Charge of
Accounting: Zhu Lin

Head of Accounting Organization:
Zhu Lin

Income statement of the parent company

Unit: RMB

Item	2025	2024
I. Operating revenue	1,755,167,783.62	1,342,479,671.01
Less: Operating costs	1,585,954,329.63	1,285,433,557.28
Tax and surcharges	5,882,608.97	8,263,926.18
Selling expenses	18,146,535.37	16,478,859.81
Administrative expenses	36,340,363.02	39,591,969.25
Research and development expenditures	46,689,481.30	29,309,446.94
Finance expenses	92,077,111.62	94,320,619.95
Including: Interest expenses	91,399,808.93	100,393,831.80
Interest income	1,025,279.44	1,006,068.19
Add: Other gains	25,426,177.85	9,883,615.90
Investment income (loss indicated with "-")	-5,986.19	-38,042,746.82
Including: Gains on investment in associates and joint ventures	-5,979.95	—
Gain on derecognition of financial assets measured at amortised cost (loss indicated with "-")	—	—
Net gain on exposure hedging (loss indicated with "-")	—	—
Gain on change of fair value (loss indicated with "-")	-23,524.55	—
Credit impairment loss (loss indicated with "-")	1,779,553.93	-22,586,039.08
Asset impairment loss (loss indicated with "-")	-4,805,889.61	-40,169,241.84
Gain on disposal of assets (loss indicated with "-")	4,194,549.42	5,313,764.00
II. Operating profit (loss indicated with "-")	-3,357,765.44	-216,519,356.24
Add: Non-operating income	9,043,733.47	4,487,507.65
Less: Non-operating expenses	1,601,638.26	5,763,701.24
III. Gross Profit (total loss indicated with "-")	4,084,329.77	-217,795,549.83
Less: Income tax expenses	22,437.21	-3,206,594.67
IV. Net profit (net loss indicated with "-")	4,061,892.56	-214,588,955.16
1. Net profit of continuing operation (net loss indicated with "-")	4,061,892.56	-214,588,955.16
2. Net profit of discontinued operation (net loss indicated with "-")	—	—

Income statement of the parent company

Unit: RMB

Item	2025	2024
V. Other comprehensive income, net of tax	—	—
(i) Other comprehensive income that may not be reclassified to profit or loss	—	—
1. Changes on remeasurement of defined benefit plans	—	—
2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	—	—
3. Fair value changes in investments in other equity instruments	—	—
4. Fair value changes in credit risk of the Company	—	—
5. Others	—	—
(ii) Other comprehensive income that will be reclassified to profit or loss	—	—
1. Other comprehensive income that may be transferred to profit or loss under equity accounting	—	—
2. Fair value changes in other debt investments	—	—
3. Reclassification of financial assets to other comprehensive income	—	—
4. Credit-impaired provision for other debt investments	—	—
5. Cash flow hedge reserve	—	—
6. Exchange differences on translation of foreign financial statements	—	—
7. Others	—	—
VI. Total comprehensive income	4,061,892.56	-214,588,955.16
VII. Earnings per share (EPS)	—	—
(i) Basic earnings per share	—	—
(ii) Diluted earnings per share	—	—

Consolidated cash flow statement

Unit: RMB

Item	2025	2024
I. Cash flow from operating activities:	—	—
Cash received from sales of goods and rendering of services	1,706,794,380.94	1,371,715,935.75
Net increase in customer bank deposits and due to banks and other financial institutions	—	—
Net increase in borrowings from the central bank	—	—
Net increase in borrowings from other financial institutions	—	—
Cash received from receiving insurance premium of original insurance contract	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits from policyholders and investments	—	—
Cash received of interests, fees and commissions	—	—
Net increase in inter-bank borrowings	—	—
Net increase in repurchase business capital	—	—
Net cash proceeds from securities brokerage	—	—
Receipts of tax refunds	994,312.02	44,056,796.45
Other cash received relating to operating activities	485,335,372.48	16,221,293.21
Subtotal of cash inflows from operating activities	2,193,124,065.44	1,431,994,025.41
Cash paid for purchasing goods and receiving services	1,627,713,019.39	1,130,464,415.82
Net increase in loans and advances to customers	—	—
Net increase in deposits with central bank and other financial institutions	—	—
Cash paid for compensation of original insurance contract	—	—
Net increase in lending funds	—	—
Cash paid for interests, fees and commissions	—	—
Cash paid for policy dividends	—	—
Cash paid to and on behalf of employees	161,864,529.19	145,538,485.33
Cash paid for taxes	22,090,094.61	74,541,494.47
Other cash paid relating to operating activities	60,809,961.47	37,576,832.61
Subtotal of cash outflows from operating activities	1,872,477,604.66	1,388,121,228.23
Net cash flows generated from operating activities	320,646,460.78	43,872,797.18

Consolidated cash flow statement

Unit: RMB

Item	2025	2024
II. Cash flow from investment activities:	—	—
Cash received from disposal of investments	—	—
Cash received from gains on investments	—	—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	9,781,564.00	185,650.00
Net cash received from disposal of subsidiaries and other business units	—	244,011,185.24
Other cash received relating to investing activities	83,702,500.00	—
Subtotal of cash inflows from investing activities	93,484,064.00	244,196,835.24
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	4,824,638.39	296,981.66
Cash paid for acquisition of investments	40,000,000.00	—
Net increase in pledged loans	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—
Other cash paid relating to investing activities	83,702,500.00	—
Subtotal of cash outflows from investing activities	128,527,138.39	296,981.66
Net cash flows generated from investing activities	-35,043,074.39	243,899,853.58

Consolidated cash flow statement

Unit: RMB

Item	2025	2024
III. Cash flow from financing activities:	—	—
Cash received from capital contributions	240,000.00	100,000.00
Including: Cash received from minority shareholder investment by subsidiary	—	—
Borrowings received	2,212,739,142.80	2,981,443,191.28
Other cash received relating to financing activities	90,000,000.00	—
Subtotal of cash inflows from financing activities	2,302,979,142.80	2,981,543,191.28
Cash repayments of debts	2,262,703,008.51	3,141,166,954.20
Cash paid for dividend and profit distribution or interest payment	90,147,663.24	90,612,774.16
Including: Dividend and profit paid to minority shareholders by subsidiary	—	—
Other cash paid relating to financing activities	135,111,870.77	46,724,278.82
Subtotal of cash outflows from financing activities	2,487,962,542.52	3,278,504,007.18
Net cash flow generated from financing activities	-184,983,399.72	-296,960,815.90
IV. Effect of foreign exchange rate change on cash and cash equivalents	-42,445.05	6,875,515.13
V. Net increase in cash and cash equivalents	100,577,541.62	-2,312,650.01
Add: Balance of cash and cash equivalents at the beginning of the period	85,328,121.79	87,640,771.80
VI. Balance of cash and cash equivalents at the end of the period	185,905,663.41	85,328,121.79

Cash flow statement of the parent company

Unit: RMB

Item	2025	2024
I. Cash flow from operating activities:	—	—
Cash received from sales of goods and rendering of services	1,652,202,135.67	1,292,489,966.21
Receipts of tax refunds	972,856.05	21,079,273.95
Other cash received relating to operating activities	627,511,677.66	78,254,800.43
Subtotal of cash inflows from operating activities	2,280,686,669.38	1,391,824,040.59
Cash paid for purchasing goods and receiving services	1,510,803,658.14	1,031,817,466.23
Cash paid to and on behalf of employees	160,599,377.45	128,425,308.15
Cash paid for taxes	21,071,595.26	66,061,538.36
Other cash paid relating to operating activities	59,840,226.91	87,974,654.05
Subtotal of cash outflows from operating activities	1,752,314,857.76	1,314,278,966.79
Net cash flows generated from operating activities	528,371,811.62	77,545,073.80
II. Cash flow from investment activities:	—	—
Cash received from disposal of investments	—	181,957,253.18
Cash received from gains on investments	—	—
Net cash from disposal of fixed assets, intangible assets and other long-term assets	9,768,929.00	185,650.00
Net cash received from disposal of subsidiaries and other business units	—	—
Other cash received relating to investing activities	83,702,500.00	—
Subtotal of cash inflows from investing activities	93,471,429.00	182,142,903.18
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	4,764,946.39	196,166.31
Cash paid for acquisition of investments	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—
Other cash paid relating to investing activities	83,702,500.00	—
Subtotal of cash outflows from investing activities	88,467,446.39	196,166.31
Net cash flows generated from investing activities	5,003,982.61	181,946,736.87

Cash flow statement of the parent company

Unit: RMB

Item	2025	2024
III. Cash flow from financing activities:	—	—
Cash received from capital contributions	—	—
Borrowings received	1,901,589,359.97	2,689,560,992.07
Other cash received relating to financing activities	90,000,000.00	—
Subtotal of cash inflows from financing activities	1,991,589,359.97	2,689,560,992.07
Cash repayments of debts	2,210,873,937.24	2,820,883,488.79
Cash paid for dividend and profit distribution or interest payment	90,046,561.73	90,404,815.02
Other cash paid relating to financing activities	125,111,870.77	46,724,278.82
Subtotal of cash outflows from financing activities	2,426,032,369.74	2,958,012,582.63
Net cash flow generated from financing activities	-434,443,009.77	-268,451,590.56
IV. Effect of foreign exchange rate change on cash and cash equivalents	36,344.68	6,651,615.47
V. Net increase in cash and cash equivalents	98,969,129.14	-2,308,164.42
Add: Balance of cash and cash equivalents at the beginning of the period	82,265,307.09	84,573,471.51
VI. Balance of cash and cash equivalents at the end of the period	181,234,436.23	82,265,307.09

Consolidated statement of changes in owners' equity

Amounts for the current period

2025																Unit: RMB
Equity attributable to owners of the parent company																
Item	Other equity instruments						Other									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I.	Balance at the end of the previous year	797,848,400.00	—	—	—	979,777,355.57	—	-3,531,286.66	—	187,753,933.88	—	-1,468,578,894.72	—	482,269,488.07	-375,432.98	491,894,065.09
	Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II.	Balance at the beginning of the current year	797,848,400.00	—	—	—	979,777,355.57	—	-3,531,286.66	—	187,753,933.88	—	-1,468,578,894.72	—	482,269,488.07	-375,432.98	491,894,065.09
	Increase/decrease during this period	—	—	—	—	—	—	428,738.37	—	—	—	5,155,602.79	—	5,605,735.02	54,482.02	5,660,217.04
	(decrease indicated with " - ")	—	—	—	—	—	—	428,738.37	—	—	—	5,155,602.79	—	5,584,341.16	-164,124.12	5,420,217.04
(i)	Total comprehensive income	—	—	—	—	—	—	428,738.37	—	—	—	5,155,602.79	—	5,584,341.16	-164,124.12	5,420,217.04
(ii)	Owners' contributed capital and reduced capital	—	—	—	—	21,393.86	—	—	—	—	—	—	—	21,393.86	240,000.00	261,393.86
	1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—	240,000.00	240,000.00
	2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Amounts of share-based payments recognized in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	21,393.86	—	—	—	—	—	—	—	21,393.86	—	21,393.86
(iii)	Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iv)	Internal carryover of owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	-21,393.86	-21,393.86
	1. Conversion of capital reserve into capital (or state capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	2. Conversion of surplus reserve into capital (or state capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(v)	Special reserve	—	—	—	—	—	—	—	7,739,267.07	—	—	—	—	7,739,267.07	—	7,739,267.07
	1. Withdrawal in current period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	2. Utilized during the current period	—	—	—	—	—	—	—	7,739,267.07	—	—	—	—	7,739,267.07	—	7,739,267.07
(vi)	Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Balance at the end of the current period	797,848,400.00	—	—	—	979,798,746.43	—	-3,102,548.29	—	187,753,933.88	—	-1,464,423,291.93	—	487,875,233.09	-320,950.96	497,554,282.13

Amounts for the previous period

Consolidated statement of changes in owners' equity

Equity attributable to owners of the parent company												Unit: RMB
Item	Other equity instruments						Less comprehensive income	Treasury shares	Capital reserve	General risk reserve	Total owners' equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Other	Others						
I. Balance at the end of the previous year	797,848,400.00	—	—	—	867,591,781.76	—	—	187,753,932.88	—	424,013,364.43	334,702,520.55	
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	—	—	—	—	—	—	—	
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	867,591,781.76	—	—	187,753,932.88	—	424,013,364.43	334,702,520.55	
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	112,185,573.81	—	—	—	—	68,256,133.64	157,191,544.54	
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	—	—	
(ii) Owners' contributed capital and reduced capital	—	—	—	—	112,185,573.81	—	—	—	—	—	—	
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	
4. Others	—	—	—	—	112,185,573.81	—	—	—	—	112,185,573.81	89,799,318.99	
(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	
2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	
3. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	
4. Others	—	—	—	—	—	—	—	—	—	—	—	
(iv) Internal transfer of owners' equity	—	—	—	—	—	—	—	—	—	—	—	
1. Conversion of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	
2. Conversion of surplus reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	
4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	
6. Others	—	—	—	—	—	—	—	—	—	—	—	
(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	
1. Withdrawal in current period	—	—	—	—	—	—	—	—	—	7,063,751.59	7,063,751.59	
2. Utilized during the current period	—	—	—	—	—	—	—	—	—	7,063,751.59	7,063,751.59	
Others	—	—	—	—	—	—	—	—	—	—	—	
IV. Balance at the end of the current period	797,848,400.00	—	—	—	979,777,355.57	—	-3,531,286.66	187,753,932.88	—	492,269,498.07	491,894,065.09	

Statement of changes in owners' equities of the parent company

Amount for the current period

Unit: RMB

Item	Other equity instruments						Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve								
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	—	506,034,398.42
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	778,253,775.98	—	—	—	—	187,753,923.88	-1,257,821,701.44	—	506,034,398.42
III. Increased/decreased during this period													
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	—	4,061,892.56	—	4,061,892.56
(ii) Owners' contributed capital and reduced capital	—	—	—	—	—	—	—	—	—	—	4,061,892.56	—	4,061,892.56
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(iv) Internal transfer of owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Conversion of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Conversion of surplus reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in current period	—	—	—	—	—	—	—	—	7,739,267.07	—	—	—	7,739,267.07
2. Utilized during the current period	—	—	—	—	—	—	—	—	7,739,267.07	—	—	—	7,739,267.07
(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the current period	797,848,400.00	—	—	—	778,253,775.98	—	—	—	—	187,753,923.88	-1,253,759,808.88	—	510,096,290.98

Amount for the previous period

Statement of changes in owners' equities of the parent company

Unit: RMB

Item	Other equity instruments						Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve								
I. Balance at the end of the previous year	797,848,400.00	—	—	—	867,573,114.26	—	—	—	—	187,753,923.88	-1,043,232,746.28	—	809,942,691.86
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the current year	797,848,400.00	—	—	—	867,573,114.26	—	—	—	—	187,753,923.88	-1,043,232,746.28	—	809,942,691.86
III. Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	-88,319,338.28	—	—	—	—	—	-214,588,955.16	—	-303,908,293.44
(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	—	-214,588,955.16	—	-214,588,955.16
(ii) Owners' contributed capital and reduced capital	—	—	—	—	-88,319,338.28	—	—	—	—	—	—	—	-88,319,338.28
1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	-88,319,338.28	—	—	—	—	—	—	—	-88,319,338.28
(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(iv) Internal transfer of owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Conversion of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Conversion of surplus reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Withdrawal in current period	—	—	—	—	—	—	—	—	7,063,751.59	—	—	—	7,063,751.59
2. Utilized during the current period	—	—	—	—	—	—	—	—	7,063,751.59	—	—	—	7,063,751.59
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the current period	797,848,400.00	—	—	—	778,253,775.98	—	—	—	—	187,753,923.88	-1,257,821,701.44	—	506,034,398.42

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

III. General Information of the Company

Shandong Molong is a joint stock limited company registered in Shandong Province, which was established jointly by Zhang En Rong, Lin Fu Long, Zhang Yun San, Xie Xin Cang, Liu Yun Long, Cui Huan You, Liang Yong Qiang, Shengli Oil Field Kaiyuan Oil Exploitation Company Limited and Gansu Industrial University Alloy Materials Factory on 27 December 2001 with the approval from Office for Restructuring the Economic System of Shandong Province with the letter LTGHZ [2001] No. 53.

Upon the approval by China Securities Regulatory Commission with CSRCIC Zi [2003] No. 50 on 15 April 2004, the Company issued 138,276,000 additional overseas listed foreign shares (H Shares) at the issuing price of HKD0.70 per share (including 3,278,000 state-owned legal person shares reduced by Gansu Industrial University Alloy Materials Factory) with a nominal value of RMB0.10 each, which were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

Upon the approval by China Securities Regulatory Commission with CSRCIC Zi [2005] No. 13 on 12 May 2005, the Company issued 108,000,000 additional overseas listed overseas shares (H Shares) at the issuing price of HKD0.92 per share with a nominal value of RMB0.10 each.

Upon the approval by CSRCIC Zi [2007] No. 2 issued and signed by China Securities Regulatory Commission on 26 January 2007 and the approval issued by the Stock Exchange of Hong Kong on 6 February 2007, the listing status of the Company's overseas listed overseas shares (H shares) on the Growth Enterprise Market of the Stock Exchange of Hong Kong has been canceled on 7 February 2007, and changed to list on the Main Board of the Stock Exchange of Hong Kong.

Upon the approval by China Securities Regulatory Commission with CSRC Permit [2010] No. 1285 on 11 October 2010, the Company offered 70,000,000 RMB ordinary shares (A Shares) with nominal value of RMB1 each at an offering price of RMB18 per share, and listed for trading on SZSE since 21 October 2010. The Company's registered capital has changed to RMB398,924,200.00, and the total number of shares has changed to 398,924,200 shares.

According to the resolution of the 2011 Annual General Meeting held on 25 May 2012, the Company was converted from the capital reserve to the share capital based on the total 398,924,200 shares as at 31 December 2011, at the ratio of 1 share for each share, with a total of 398,924,200 shares converted on 19 July 2012. Upon the conversion, the Company's registered capital has changed to RMB797,848,400.00, and the total number of shares has changed to 797,848,400.00 shares.

Zhang En Rong, the former controlling shareholder and actual controller of the Company, and Molong Holdings signed the Share Transfer Agreement on 23 February 2021. Zhang En Rong transferred 235,617,000 A shares of the Company (representing 29.53% of the total share capital of the Company) held by him to Molong Holdings by way of transfer agreement, and Molong Holdings became the controlling shareholder of the Company.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

III. General Information of the Company (Continued)

As at 31 December 2025, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

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

Office address: No. 999 Wensheng Street, Shouguang City, Shandong Province

Main business activities: the Company operates in the machinery manufacturing industry and is principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products include petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment and oil and gas exploitation equipment. These products are widely used in various fields such as petroleum, natural gas, shale gas, coalbed methane, hydrogen energy, oil refining, coal mining machinery, boiler manufacturing, engineering machinery manufacturing, and oilfield services.

These financial statements and the notes to the financial statements were approved at the fifth meeting of the eighth session of the board of directors of the Company on 31 March 2026.

IV. Basis of preparation of the financial statements

1. Basis of preparation

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and its application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance (collectively referred to as the "ASBEs"). In addition, the Company discloses relevant financial information in accordance with "Rule No. 15 of the Rules Governing the Preparation of Information Disclosures by Companies with Publicly Issued Securities – General Requirements for Financial Reports (Revised in 2023)" issued by the China Securities Regulatory Commission.

These financial statements are presented on a going concern basis.

The Company's accounting is based on an accrual basis. Except for certain financial instruments, these financial statements are measured on a historical cost basis. If an asset is impaired, a corresponding provision for impairment is made in accordance with relevant regulations.

2. Going concern

There are no events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern for at least 12 months from the end of the reporting period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates

The specific accounting policies and accounting estimates:

The Company determines the depreciation of fixed assets, amortization of intangible assets, criteria for capitalisation of research and development expenditures and revenue recognition policies based on its own production and operation conditions. The specific accounting policies are set out in Note V.21, Note V.25, Note V.26 and Note V.32.

1. Statement of compliance with the ASBEs

These financial statements are in compliance with the requirements of the ASBEs, and give a true and complete view of both consolidated and the Company's financial position as at 31 December 2025, both consolidated and the Company's operating results and cash flows for 2025 and other relevant information.

2. Accounting period

The Company's accounting period is the calendar year, i.e., from 1 January to 31 December each year.

3. Business cycle

The Company's business cycle is 12 months.

4. Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB. Overseas subsidiaries of the Company recognise U.S. dollar ("USD") as their respective reporting currency according to the general economic environment in which these subsidiaries operate. The Company adopted RMB as the reporting currency in the preparation of these financial statements.

5. Determination method and selection basis of materiality standards

✓ Applicable ☐ Not applicable

Item	Materiality standards
Material receivables subject to provision for bad debts on an individual basis	Accounts receivable with an amount exceeding RMB10 million and other receivables with an amount exceeding RMB3 million
Write-off of material accounts receivable	Amount exceeding RMB5 million
Material accounts receivable aged over 1 year	Amount exceeding RMB5 million
Material contractual liabilities aged over 1 year	Amount exceeding RMB5 million
Other material payables aged over 1 year	Amount exceeding RMB3 million

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

6. Accounting treatment of business combinations under common control and not under common control

(1) Business combinations under common control

For business combinations under common control, the assets and liabilities of the acquiree acquired by the acquirer in the combination are measured at the carrying value of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the combination. The difference between the carrying value of the combination consideration (or the aggregate face value of shares issued) and the carrying value of the net assets acquired in the combination is adjusted to capital reserves (share capital premium), and if capital reserves (share capital premium) are not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations under common control achieved in stages through multiple transactions

Assets and liabilities of the acquiree acquired by the acquirer in the combination are measured at their carrying value in the consolidated financial statements of the ultimate controlling party at the date of the combination; the difference between the sum of the carrying value of investments held before the combination plus the carrying value of new consideration paid at the date of the combination and the carrying value of net assets acquired in the combination is adjusted to the capital reserves (share capital premium), and if capital reserves are not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. For long-term equity investment held by the acquirer before the control over the acquiree is obtained, profit or loss, other comprehensive income and other owners' equity recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under ultimate common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

6. Accounting treatment of business combinations under common control and not under common control (Continued)

(2) Business combinations not under common control

For business combinations not under common control, the cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued for acquisition of control over the acquiree on the date of acquisition. At the date of acquisition, the assets, liabilities and contingent liabilities of the acquiree acquired are recognized at fair value.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be recognized as goodwill, and shall be subsequently measured at cost less accumulated impairment provisions; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss after review.

Business combinations not under common control achieved in stages through multiple transactions

The cost of combination is the sum of the consideration paid on the acquisition date and the acquisition-date fair value of the equity interest held in the acquiree before the acquisition date. For the equity interest held in the acquiree before the acquisition date, it is remeasured at its fair value on the acquisition date, with the difference between the fair value and its book value included in the current investment income; the equity interest held in the acquiree before the acquisition date involving other comprehensive income and changes in other owners' equity is transferred to current income on the acquisition date, except for other comprehensive income arising from changes in net liabilities or net assets due to the remeasurement of the investee's defined benefit plans and other comprehensive income relating to investments in non-trading equity instruments that were originally designated as at fair value through other comprehensive income.

(3) Treatment of transaction costs in business combination

The intermediary costs for audit, legal services, evaluation consultation and others incurred for business combination as well as other related administration costs are recorded in current profit and loss when incurred. The transaction costs of equity securities or debt securities issued as consideration of combination are included in the initially recognized amount of the equity securities or debt securities.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

7. Standards for judgement of control and preparation method of consolidated financial statements

(1) Standards for judgement of control

The scope of consolidation for the consolidated financial statements is determined based on control. Control refers to the power that the Company has over the investee, whereby it enjoys variable returns through participation in the investee's relevant activities and is able to use its power over the investee to affect its return. The Company will reassess when changes in relevant facts and circumstances result in changes to the relevant elements involved in the definition of control.

In determining whether to include a structured entity in the scope of consolidation, the Company evaluates whether to control the structured entity on the basis of a combination of all the facts and circumstances, including an assessment of the purpose and design for which the structured entity was established, the identification of the types of variable returns, and whether it assumes some or all of the variability of the returns through its participation in its related 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 consolidated financial statements, the accounting policies and accounting periods of the subsidiaries should be consistent with those established by the Company, and all significant intra-company balances and transactions are eliminated.

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary or business are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control.

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries or business are included in the scope of consolidation from the date that control commences.

The portion of a subsidiary's equity that is not attributable to the parent is treated as noncontrolling interests and presented separately in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries for the period attributable to non-controlling interests is presented separately in the consolidated income statement below the "net profit" line item. When the amount of loss for the current period attributable to the noncontrolling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

7. Standards for judgement of control and preparation method of consolidated financial statements *(Continued)*

(3) Purchase of subsidiaries' non-controlling interests

The difference between the cost of long-term equity investment newly acquired due to the purchase of non-controlling interest and the share of net assets of the subsidiary continuously calculated from the purchase date or merger date according to the newly increased shareholding ratio, and the difference between the disposal price obtained as a result of partial disposal of the equity investment in the subsidiary without loss of control and the share of net assets continuously calculated since the purchase date or the merger date corresponding to the disposal of the long-term equity investment of the subsidiary, should be adjusted to the capital reserve (share capital premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

(4) Treatment of loss of control of subsidiaries

When the Company loses control over a subsidiary because of disposing part of equity investment or other reasons, the remaining part of the equity investment is re-measured at fair value at the date when the control is lost. A gain or loss is recognized in the current period and is calculated by the aggregate of consideration received in disposal and the fair value of remaining part of the equity investment deducting the share of net assets in proportion to previous shareholding percentage in the former subsidiary since acquisition date and the goodwill.

Other comprehensive income related to the equity investment of the former subsidiary shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities of the former subsidiary at the time of loss of control, and other changes in owners' equity related to the former subsidiary under the equity method of accounting shall be transferred to current profit or loss at the time of loss of control.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

8. Classifications of joint arrangement and accounting treatment of joint operation

A joint arrangement is an arrangement jointly controlled by two or more parties. The joint arrangements of the Company are divided into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets and obligations for the liabilities relating to the arrangement.

The Company recognizes the following items in relation to its interest in the joint operation, and accounts for them in accordance with relevant accounting standards:

- A. its solely-held assets, and its share of any liabilities incurred jointly;
- B. its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of output by the joint operation;
- E. its solely-incurred expenses, and its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company adopts equity method under long-term equity investment in accounting for its investment in joint venture.

9. Criteria for determination of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

10. Foreign currency operations and translation of foreign currency statements

(1) Foreign currency operations

Foreign currency operations are translated into the reporting currency of the Company at the spot exchange rates on the dates of the transactions.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate upon initial recognition or the last balance sheet date will be recognized in profit or loss for the period. The foreign currency non-monetary items measured at historical cost shall still be measured by the reporting currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of the reporting currency before and after the translation will be recognized in profit or loss or other comprehensive income for the period based on the nature of the non-monetary items.

(2) Translation of foreign currency statements

When translating the financial statements denominated in foreign currency of overseas subsidiaries, assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; equity items except for "undistributed profit" are translated at the spot exchange rates at the dates on which such items arose.

The income and expense items in the income statement are translated at the spot exchange rate on the first day of each month.

All items in the cash flow statements shall be translated at the annual average exchange rate. Effects arising from changes of exchange rate on cash shall be presented separately as the "effect of foreign exchange rate change on cash and cash equivalents" item in the cash flow statements.

The differences arising from translation of financial statements shall be included in the "other comprehensive income" in shareholders' equity in the balance sheet.

When a foreign operation is disposed of and control is lost, all or a proportionate share of the foreign-currency translation differences related to the foreign operation, as shown under shareholders' equity in the balance sheet, are transferred to profit or loss for the period in which the foreign operation is disposed of.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise.

(1) Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognized when the Company becomes one of the parties under a financial instrument contract.

A financial asset that satisfies any of the following criteria shall be derecognized:

- (1) The contractual rights to receive the cash flows from the financial asset have terminated;
- (2) The financial asset has been transferred and meets the derecognition criteria for the transfer of financial asset as described below.

A financial liability (or a part thereof) is derecognized only when the present obligation is discharged in full or in part. If an agreement is entered between the Company (debtor) and a creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from those of the existing financial liabilities, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized.

Conventionally traded financial assets shall be recognized and derecognized at the transaction date.

(2) Classification and measurement of financial assets

The Company classifies financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value upon initial recognition. For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets, the relevant transaction costs are recognized in their initial recognition amount. For receivables arising from the sale of products or the provision of services that do not contain or take into account a significant financing component, the Company initially recognizes the receivables at the amount of consideration to which it expects to be entitled.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The Company's business model of managing the financial assets aims at collecting contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, the effective interest rate method is adopted to measure the amortized cost of such financial assets. Gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship shall be recorded in the current profit or loss when the financial assets are derecognized, amortized according to the effective interest method or impaired.

Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The Company's business model of managing the financial asset aims at both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, such financial assets are subsequently measured at fair value. The interest, impairment of credit losses or gain and exchange loss or gain calculated using the effective interest rate method are included in the current profit or loss, while other gains or losses are included in other comprehensive income. When derecognized, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred out from other comprehensive income and recorded in the current profit or loss.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

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

Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortized cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Company irrevocably designates certain financial assets that are required to be measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognized in the profit or loss for the current period.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flows. That is, the Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets determined by key management personnel.

The Company assesses the characteristics of contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specified dates are solely payments of principal and interest on the principal amount outstanding. The principal refers to the fair value of the financial assets at the initial recognition. Interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits. In addition, the Company evaluates the contractual terms that may result in a change in the time distribution or amount of contractual cash flows from a financial asset to determine whether it meets the requirements of the above contractual cash flow characteristics.

All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model where the Company changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(3) Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities of the Company are classified as: financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost. For financial liabilities not classified as measured at fair value through profit or loss, relevant transaction costs are included in the amount initially recognized.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, and the gains or losses from the change in fair value and the dividend or interest expenses related to the financial liabilities are included in the profit or loss of the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, and the gains or losses arising from derecognition or amortization are recognized in profit or loss for the current period.

The distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- (1) A contractual obligation to pay in cash or other financial assets to other parties.
- (2) A contractual obligation to exchange financial assets or financial liabilities with another party under potentially adverse conditions.
- (3) A non-derivative contract that must or may be settled with the entity's own equity instruments in the future, under which the entity will deliver a variable number of its own equity instruments.
- (4) A derivative contract that must or may be settled with the entity's own equity instruments in the future, except for a derivative contract in which a fixed number of its own equity instruments are to be exchanged for a fixed amount of cash or other financial assets.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

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

The distinction between financial liabilities and equity instruments (Continued)

An equity instrument is a contract that certifies ownership of the remaining interest in an entity's assets after all liabilities have been deducted.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by paying cash or delivering other financial assets, such contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Company's own equity instruments, the Company's own equity instruments used to settle such instrument should be considered as to whether it is as a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Company; for the latter, it is the Company's own equity instruments.

(4) Derivative financial instruments and embedded derivative instruments

A derivative financial instrument is initially measured at its fair value on the date the derivative contract is entered into and subsequently measured at its fair value. Derivative financial instruments of positive fair value are recognized as assets; those of negative fair value are recognized as liabilities. Any gains or losses arising from changes in fair value which do not meet the requirements of hedge accounting are directly recognized as profit or loss for the current period.

For a hybrid instrument that contains an embedded derivative, if the host contract is a financial asset, the hybrid instrument as a whole is subject to the relevant requirements for financial asset classification. If the host contract is not a financial asset and the hybrid instrument is not measured at fair value through profit or loss, the embedded derivative is not closely related to the host contract in terms of economic characteristics and risks, and the conditions are the same as those for the embedded derivative, and the stand-alone instrument meets the definition of a derivative, the embedded derivative is separated from the hybrid instrument and treated as a separate derivative financial instrument. If the embedded derivative cannot be measured separately at acquisition or at a subsequent balance sheet date, the hybrid instrument as a whole is designated as financial assets or financial liabilities at fair value through profit or loss for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

11. Financial instruments *(Continued)*

(5) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.12.

(6) Impairment of financial assets

The Company makes a provision for impairment based on expected credit losses (ECLs) on the following items:

- Financial assets at amortized cost;
- Receivables and debt instrument investments measured at fair value through other comprehensive income;
- Contract assets as defined in “ASBE No. 14 - Revenue”;
- Lease receivables;
- Financial guarantee contracts (except for those measured at fair value through profit or loss and arising from the transfer of financial assets that do not meet the conditions for derecognition or from continuing involvement in transferred financial assets).

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i.e. the present value of all cash shortages.

The Company takes into account reasonable and well-founded information such as 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 flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

The Company measures ECLs of financial instruments at different stages. If the credit risk of the financial instrument did not increase significantly upon initial recognition, it is at the first stage, and the Company makes provision for impairment based on the ECLs within the next 12 months; if the credit risk of a financial instrument increased significantly upon initial recognition but has not yet incurred credit impairment, it is at the second stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument; if the financial instrument incurred credit impairment upon initial recognition, it is at the third stage, and the Company makes provision for impairment based on the lifetime ECLs of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk did not increase significantly upon initial recognition and makes provision for impairment based on the ECLs within the next 12 months.

Lifetime ECLs represent the ECLs resulting from all possible default events over the expected life of a financial instrument. The 12-month ECLs are the ECLs resulting from possible default events on a financial instrument within 12 months (or a shorter period if the expected life of the financial instrument is less than 12 months) after the balance sheet date and is a portion of lifetime ECLs.

The maximum period to be considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk, including renewal options.

For the financial instruments at the first and second stages and with low credit risks, the Company calculates the interest income based on the book balance and the effective interest rate before deducting the impairment provisions. For financial instruments at the third stage, interest income is calculated based on the amortized cost after deducting impairment provisions made from the book balance and the effective interest rate.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

For receivables including bills receivable, accounts receivable, financing receivables and other receivables, if the credit risk characteristics of a particular customer significantly differ from those of other customers in the portfolio, or if there is a significant change in the credit risk characteristics of that customer, the Company recognizes an individual bad debt for that receivable. In addition to individually recognizing bad debt, the Company segregates receivables based on credit risk characteristics and calculates provision for bad debts on a portfolio basis.

Bills receivable and accounts receivable

For bills receivable, accounts receivable and contract assets, regardless of whether there is a significant financing component, the Company always makes provision for impairment at an amount equal to lifetime ECLs.

When the Company is unable to assess the information of ECLs for an individual financial asset or contract asset at a reasonable cost, it classifies bills receivable and accounts receivable into portfolios based on the credit risk characteristics and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Bills receivable

- Bills receivable portfolio 1: Bank acceptance bills
- Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

- Accounts receivable portfolio 1: Receivables from customers
- Accounts receivable portfolio 2: Letter of credit
- Accounts receivable portfolio 3: Receivables from related parties within the scope of consolidation

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Bills receivable and accounts receivable (Continued)

For bills receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to assess the exposures to default risk and the ECL rate for the lifetime and calculate the ECLs.

For accounts receivable classified as a portfolio, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to compile a matrix of accounts receivable aging/overdue days and ECL rate for the lifetime and calculate the ECLs. The aging of accounts receivable is calculated from the date of recognition.

Other receivables

The Company classifies other receivables into portfolios based on the credit risk characteristics and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

- Other receivables portfolio 1: Employee working capital
- Other receivables portfolio 2: Deposits/Security deposits
- Other receivables portfolio 3: Accounts due from/to administrative institutions
- Other receivables portfolio 4: Receivable export tax rebate
- Other receivables portfolio 5: Accounts due from/to other entities
- Other receivables portfolio 6: Receivables from related parties within the scope of consolidation

For other receivables classified as a portfolio, the Company calculates the ECL on the exposures to default risk and the ECL rate for the next 12 months or the lifetime. For other receivables classified by aging, the aging is calculated from the date of recognition.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates the ECL on the exposures to default risk and the ECL rate for the next 12 months or the lifetime, based on the nature of the investment and various types of counterparties and risk exposures.

Assessment of significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly upon initial recognition, the Company compares the risk of default of the financial instrument at the balance sheet date with that at the date of initial recognition to determine the relative change in risk of default within the expected lifetime of the financial instrument.

In determining whether the credit risk has increased significantly upon initial recognition, the Company considers reasonable and well-founded information, including forward-looking information, which can be obtained without unnecessary extra costs or efforts. Information considered by the Company includes:

- The debtor's failure to make payments of principal and interest on their contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- An actual or expected significant deterioration in the operating results of the debtor;
- Existing or expected changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the Company assesses whether there has been a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on their common credit risk characteristics, such as past due information and credit risk ratings.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Credit-impaired financial assets

At balance sheet date, the Company assesses whether financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income are credit impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- For economic or contractual reasons relating to the debtor's financial difficulty, the Company granted the debtor a concession that would not otherwise consider;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of provisions for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk upon initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss for the current period. For financial assets measured at amortized cost, the provision of impairment is deducted from the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company makes provisions of impairment in other comprehensive income without reducing the carrying amount of the financial asset.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

11. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Write-offs

The book balance of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full). Such a write-off constitutes derecognition of such financial assets. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

If a write-off of financial assets is later recovered, the recovery is credited to profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

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

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognized. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognized.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Company does not retain control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognized according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognized accordingly.

(8) Offset of financial assets and financial liabilities

If the Company owns the legitimate rights of offsetting the recognized financial assets and financial liabilities, which are enforceable currently, and the Company plans to realize the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the net amount of financial assets and financial liabilities shall be presented in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

12. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset and liability at fair value, based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the relevant asset or liability, or in the absence of a principal market, in the most advantageous market for relevant the asset or liability. The principal or the most advantageous market must be a trading market accessible by the Company at the measurement date. The Company adopts the presumption that market participants would use when pricing the asset or liability in their best economic interest.

If there exists an active market for a financial asset or financial liability, the Company uses the quotation on the active market as its fair value. If the market for a financial instrument is inactive, the Company uses valuation technique to recognize its fair value.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs, and using unobservable inputs only if the observable inputs aren't available or impractical.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities obtainable at the measurement date. Level 2: observable inputs for the relevant asset or liability, either directly or indirectly, except for Level 1 input. Level 3: unobservable inputs for the relevant assets or liability.

At each balance sheet date, the Company reassesses assets and liabilities measured at fair value that are recognized in the financial statements on a recurring basis to determine whether transfers have occurred between fair value measurement hierarchy levels.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

13. Bills receivable

For details of the recognition and accounting treatment of ECLs on bills receivable, please refer to “V.11. Financial instruments” in this section.

14. Accounts receivable

For details of the recognition and accounting treatment of ECLs on accounts receivable, please refer to “V.11. Financial instruments” in this section.

15. Financing receivables

For details of the recognition and accounting treatment of ECLs on financing receivables, please refer to “V.11. Financial instruments” in this section.

16. Other receivables

For details of the recognition and accounting treatment of ECLs on other receivables, please refer to “V.11. Financial instruments” in this section.

17. Contract assets

For details of the recognition and accounting treatment of ECLs on contract assets, please refer to Note V.11. Impairment of Financial Assets above.

18. Inventories

(1) Classification of inventories

The Company’s inventory is divided into raw materials, work-in-progress, goods-in- stock, goods-in-transit, and entrusted processed materials, etc.

(2) Measurement method of cost of inventories

The Company’s inventory is valued at actual cost upon acquisition. Raw materials and goods-in-stock, when delivered, are valued using the weighted average method at the end of each month.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

18. Inventories *(Continued)*

(3) Recognition of net realizable value of inventories and provision for inventory impairment

At the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. Provision for inventory impairment is made when the cost is higher than the net realizable value.

The net realizable value of inventory is the amount after deducting the estimated costs to complete, estimated selling expenses and related taxes from the estimated selling price of the inventory. The net realizable value of inventory is determined based on the conclusive evidence obtained, consideration is also given to the purpose of holding the inventory and the impact of events after the balance sheet date.

In general, the Company makes a provision for inventory impairment based on individual inventory items. For large quantities of inventories with relatively low unit prices, provision for inventory impairment is made according to the category of inventory.

At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

(4) Inventory stock taking system

The Company maintains a perpetual inventory system as its inventory stock taking system.

(5) Amortization methods of low-value consumables and packaging materials

Low-value consumables and packaging materials of the Company are written off on a one-off basis.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

19. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates. Associates of the Company are those investees that the Company imposes significant influence over.

(1) Determination of initial investment cost

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the long-term equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

(2) Subsequent measurement and recognition of profit or loss

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognized as investment gains and included in profit or loss for the current period, except the case of receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

19. Long-term equity investments *(Continued)*

(2) Subsequent measurement and recognition of profit or loss *(Continued)*

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Company's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves (other capital reserves). The Company shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Company.

For additional equity investment made to obtain significant influence or common control over investee without resulting in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. For investments in non-trading equity instruments that were previously classified as at fair value through other comprehensive income, the cumulative fair value changes associated with them that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method of accounting.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment, the remaining equity interest after disposal shall be accounted for according to "ASBE No. 22 – Recognition and Measurement of Financial Instruments". The difference between its fair value and carrying amount shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity related to the previous equity investment shall be transferred to profit or loss for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

19. Long-term equity investments *(Continued)*

(2) Subsequent measurement and recognition of profit or loss *(Continued)*

In the event of loss of control over investee due to partial disposal of equity investment, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using the equity method, and the remaining equity interest shall be adjusted as if it had been accounted for using the equity method from the time of its acquisition. For the remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using "ASBE No. 22 – Recognition and Measurement of Financial Instruments". The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period.

If the shareholding ratio of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can apply common control or impose significant influence over the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognized according to the new shareholding ratio, and the difference with the original carrying amount of the long-term equity investment corresponding to the shareholding ratio reduction part that should be carried forward shall be recorded in the profit or loss for the current period; and then it shall be adjusted according to the new shareholding ratio as if equity method is used for accounting when acquiring the investment.

In respect of the transactions between the Company and its associates and joint ventures, the share of unrealized gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain or loss shall be recognized accordingly. However, any unrealized loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

19. Long-term equity investments (Continued)

(3) Basis for determining common control and significant influence on the investee

Common control is the contractually agreed sharing of control over an arrangement, whose relevant activities must be decided by unanimous agreement from parties who share control. When determining if there is any common control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then determined if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of an arrangement through concerted action, it can be considered that all the participants or a group of participants share common control on the arrangement. If there are two or more participant groups that can collectively control an arrangement, it does not constitute common control. When determining if there is any common control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation. When the Company owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influence on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision making of the investee and can impose significant influence in this situation.

(4) Methods of impairment testing and impairment provision

For the method of impairment provision for construction in progress, please refer to Note V.27.

20. Investment properties

Measurement model for investment properties

Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

21. Fixed assets

(1) Criteria for recognition

Fixed assets represent the tangible assets held by the Company for use in the production of goods, use in supply of services, rental or for administrative purposes with useful lives of over one accounting year.

Fixed assets are recognized only when its related economic benefits are likely to flow to the Company and its cost can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The cost of routine repairs of fixed assets that do not qualify as capitalised subsequent expenditure is charged to current profit or loss or included in the cost of the related assets in accordance with the beneficiary object when incurred. The carrying amount of the replaced part is derecognized.

(2) Depreciation method

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

The Company depreciates property, plant and equipment using the straight-line method. Depreciation is charged from the date when the assets are available for their intended use and ceases at the date of derecognition or when the assets are classified as non-current assets held for sale. Ignoring impairment provisions, depreciation rates are determined based on the category of property, plant and equipment, estimated useful lives and estimated residual values. For property, plant and equipment for which impairment losses have been recognised, accumulated impairment losses are deducted in determining the depreciation base.

- (3) The methods for impairment testing and the measurement of impairment provisions for fixed assets are set out in Note V.27.
- (4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

Where there is any difference between the useful lives estimate and the original estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the original estimated value, the estimated net residual value shall be adjusted.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

21. Fixed assets (Continued)

(5) Disposal of fixed assets

A fixed asset is derecognized on disposal or when it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

22. Construction in progress

Construction in progress of the Company is recognized based on the actual construction cost, including all necessary expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period.

An item of construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

For the method of impairment provision for construction in progress, please refer to Note V.27.

23. Materials for construction in progress

The Group's materials for construction in progress refer to various materials prepared for construction in progress, including construction materials, equipment not yet installed, and tools and equipment prepared for production.

Purchased materials for construction in progress are measured at cost. When used, such materials are transferred to construction in progress. Upon completion of the project, any remaining materials are transferred to inventories.

The method for impairment of materials for construction in progress is set out in Note V.27.

The closing balance of materials for construction in progress is presented under "construction in progress" in the balance sheet.

24. Borrowing costs

(1) Recognition principle for the capitalization of borrowing costs

The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of a qualifying asset will be capitalized and included in the cost of relevant asset. Other borrowing costs will be recognized as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalization shall be started:

- (1) The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- (2) Borrowing costs have been incurred;
- (3) The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

24. Borrowing costs (Continued)

(2) Capitalization period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Company is ready for its intended use or sale, the capitalization of the borrowing costs shall be discontinued. The borrowing costs incurred after a qualifying asset is ready for its intended use or sale shall be recognized as expenses when incurred according to the amount incurred and included in the profit or loss for the current period.

The capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The capitalization of the borrowing costs shall be continued in the normal interruption period.

(3) Calculation methods for the capitalization rate and capitalized amount of borrowing costs

Where funds are borrowed for a specific purpose, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalized. Exchange differences related to general purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

25. Intangible assets

(1) Useful life and the basis for its determination, estimation, amortization method or review procedure

Intangible assets of the Company include land use rights, maritime use rights, patented technology, non-patented technology and software.

The intangible asset is initially measured at cost, and its useful life is determined upon acquisition. If the useful life is finite, the intangible asset will be amortized over the estimated useful life using the amortization method that can reflect the estimated realization of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realization, straight-line method shall be adopted for amortization. The intangible assets with uncertain useful life will not be amortized.

The amortization method for intangible assets with finite useful lives is as follows:

Item	Useful life	Basis for determining useful life	Amortization method	Remarks
Land use rights	50 years	The term specified in the certificate of title	Straight-line method	
Maritime use rights	50 years	The term specified in the certificate of title	Straight-line method	
Patented technology	5 years	The shortest of the estimated useful life, the beneficial life stipulated in the contract and the effective life stipulated by law	Straight-line method	
Non-patented technology	5 years	The shortest of the estimated useful life, the beneficial life stipulated in the contract and the effective life stipulated by law	Straight-line method	
Software	3-5 years	The shortest of the estimated useful life, the beneficial life stipulated in the contract and the effective life stipulated by law	Straight-line method	

The Company reviews the useful life and amortization method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted and treated as a change in accounting estimates.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

For the method of impairment provision for intangible assets, please refer Note V.27.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

26. Research and development expenditure

The Company's research and development expenditure are expenses directly related to the Company's research and development activities, including the salaries of research and development personnel, direct input costs, depreciation expenses, design expenses, amortization of intangible assets, outsourced research and development expenses and other expenses. The salaries of research and development personnel are apportioned to research and development expenditure based on the number of hours worked on the projects. Equipment, production lines and venues shared between research and development activities and other production and operation activities are included in research and development expenditure based on the proportion of weight of material inputs.

The Company divides expenses for internal research and development projects into expenses in the research phase and expenses in the development phase.

Expenses in the research phase are included in the profit or loss for the current period when they are incurred.

Expenses incurred in the development phase are capitalized if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or for sale; the intention to complete the intangible asset for use or for sale; how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; the expenses attributable to the development of the intangible asset could be reliably measured. Research and development expenditure that does not meet the above conditions are recognized in profit or loss for the current period.

The Company's research and development projects enter the development phase after being established upon meeting the above conditions and passing the technical feasibility and economic feasibility studies.

Capitalized expenses in the development phase of a project are shown as research and development expenditure on the balance sheet and transferred to intangible assets from the date on which the project reaches the conditions for intended use.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

27. Impairment of long-term assets

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, fixed assets, construction in progress, right-of-use assets, intangible assets, and others (excluding inventories, investment properties measured at fair value, deferred tax assets and financial assets) is determined as follows:

The Company determines if there is any indication of impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations, intangible assets with an indefinite useful life and intangible assets not ready for intended use will be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its book value, the book value is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment provision is made accordingly.

For the purpose of impairment test of goodwill, the book value of goodwill acquired in a business combination is allocated to the relevant asset groups on a reasonable basis from the acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognizes the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its book value with its recoverable amount. If the recoverable amount is lower than the book value, an impairment loss is recognized for goodwill.

An impairment loss recognized shall not be reversed in a subsequent period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

28. Long-term deferred expenses

Long-term deferred expenses incurred by the Company are measured at actual cost and amortized equally over the expected period of benefit. The amortized value of long-term deferred expenses that are not expected to benefit future periods is included in profit or loss for the current period.

29. Contract liabilities

Contract liabilities represent the obligation of the Group to transfer goods to a customer for a consideration which has been received or is receivable from the customer. Where the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration before the Group transfers the goods to the customer, contract liabilities are recognized based on the amount received or receivable at the earlier of the date of actual payment from the customer and the due date of payment.

30. Employee benefits

(1) Accounting for short-term employee compensation

(1) Scope of employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits also include benefits provided to employees' spouses, children, other dependants, survivors of deceased employees and other beneficiaries.

Employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" in the balance sheet according to liquidity.

(2) Short-term employee compensation

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognized as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

30. Employee benefits (Continued)

(2) Accounting for post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and the Company has no future obligations for payment. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

During the accounting period in which an employee provides service, the amount payable calculated according to the defined contribution plan is recognized as a liability and included in the profit or loss for the current period or the cost of relevant assets.

Defined benefit plans

For defined benefit plans, the actuarial valuation is conducted by an independent actuary on the annual balance sheet date, and the cost of providing benefits is determined using the expected cumulative benefit unit method. The employee benefits cost arising from the Company's defined benefit plan includes the following components:

- (1) Service cost, including current service cost, past service cost, and any gain or loss on settlement. In particular, the current service cost refers to the increase in the present value of obligations of defined benefit plans arising from the service provided by staff in the current period; the past service cost refers to the increase or decrease in the present value of obligations of defined benefit plans related to the service of the staff in the previous period arising from the revision of defined benefit plans.
- (2) Net interest on net liabilities or net assets of defined benefit plans, including interest income from the assets under the plans, interest expense arising from the obligations of defined benefit plans, and interest affected by asset caps.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

30. Employee benefits (Continued)

(2) Accounting for post-employment benefits (Continued)

Defined benefit plans (Continued)

- (3) Change in remeasurements of the net liabilities or net assets of defined benefit plans.

Unless other accounting standards require or allow employee benefit costs to be included in asset costs, the above items ① and ② will be recognized in the current profit and loss. Item ③ will be recognized in other comprehensive income and will not be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan is terminated, all the part originally recognized in other comprehensive income will be transferred to retained profit within the scope of equity.

(3) Accounting for termination benefits

When the Company provides termination benefits to employees, employee benefits liabilities arising from termination benefits are recognized in profit or loss for the current period at the earlier of the following dates: when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Company recognizes cost and expenses related to payment of compensation for dismissal and restructuring.

For the early retirement plans, economic compensations before the actual retirement date were classified as termination benefits. During the period from the date of cease of render of services to the actual retirement date, relevant wages and contribution to social insurance for the employees proposed to be paid are recognized in profit or loss on a one-off basis. Economic compensation after the official retirement date, such as normal pension, is accounted for as post-employment benefits.

(4) Accounting for other long-term benefits

Other long-term employee benefits provided by the Company to its employees that meet the conditions of a defined contribution plan shall be handled in accordance with the relevant provisions on defined contribution plans mentioned above. Those that meet the conditions of a defined benefit plan shall be handled in accordance with the relevant provisions on defined benefit plans mentioned above, except that the "changes arising from remeasurement of the net liability or net asset of defined benefit plans" in the related employees compensation costs shall be included in profit or loss for the current period or in the cost of the related assets.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

31. Estimated liabilities

Obligations associated with contingencies which satisfy the following conditions are recognized by the Company as estimated liabilities:

- (1) The obligation is a current obligation borne by the Company;
- (2) It is likely that the performance of the obligation will result in an outflow of economic benefits from the Company;
- (3) The amount of the obligation can be reliably measured.

The Company initially measures estimated liabilities as the best estimate of expenses required for the performance of the relevant present obligations, taking into account risks and uncertainties associated with contingencies and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash. The Company reviews the carrying value of estimated liabilities at the balance sheet date and adjusts the carrying value to reflect the current best estimate.

If the expenses required for the settlement of an estimated liability recognized are expected to be compensated, in whole or in part, by a third party or other parties, the amount of compensation shall be recognized as a separate asset only when it is virtually certain that it will be received. The amount of compensation recognized shall not exceed the carrying amount of the liability recognized.

32. Revenue

Disclosure of accounting policies used for revenue recognition and measurement by business type

(1) General principles

The Company recognizes revenue when it has fulfilled its performance obligation under the contract, that is, when the customer obtains control of related goods or services.

Where a contract has two or more performance obligations, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of goods or services guaranteed by each performance obligation, and recognizes as revenue based on the transaction price that is allocated to each performance obligation.

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- (1) At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- (2) The customers can control the goods under construction in the course of the Company's performance.
- (3) Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

32. Revenue (Continued)

(1) General principles (Continued)

For performance obligations performed within a certain period, the Company recognizes revenue by measuring the progress towards completion of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue shall be recognized at the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligation performed at a point in time, the Company recognizes revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indications:

- (1) The Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods.
- (2) The Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods.
- (3) The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- (4) The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer.
- (5) The customer has accepted the goods or services.
- (6) Other information indicates that the customer has obtained control of the goods.

(2) Specific methods

The Company recognizes revenue when it has fulfilled its performance obligation under the contract, that is, when the customer obtains control of underlying goods or services. Obtaining control of underlying goods or services means being able to direct the use of the goods or the provision of the services and obtain substantially all of the economic benefits derived from them.

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

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

32. Revenue (Continued)

(2) Specific methods (Continued)

The Company's sale of pipe products, three kinds of pumping units, and petroleum machinery parts to customers are performance obligations fulfilled at a certain point in time, and the revenue is recognized when the performance obligations are completed.

- (1) Revenue recognition conditions for domestic sale of products: revenue is recognized when the goods are sent to the customer in accordance with the delivery way agreed in the sales contract, the customer signs after receiving the goods, and the Company obtains the customer's receipt. For oil casing sold on consignment, the revenue is recognized after the customer receives the goods and settles with the Company.
- (2) Revenue recognition conditions for export sale of products: export products are settled by way of FOB, CIF, C&R, FCA, EXW, etc. Under FOB, CIF, C&R and FCA terms, the Company recognises revenue when the goods are loaded, declared for export and the bill of lading is obtained; under EXW terms, revenue is recognised when the goods are collected by customers from the Company's plant or designated location and leave the plant in accordance with the contract.

33. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs of fulfilling a contract with a customer.

Incremental costs of obtaining a contract are those costs (e.g., sales commissions, etc.) that the Company incurs to obtain a contract with a customer. The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if it is expected to recover those costs. Other expenses incurred by the Company for obtaining the contract, except for the incremental costs expected to be recovered, are recognized in the current profit and loss when incurred.

If the costs of the Company to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- (2) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- (3) the costs are expected to be recovered.

Assets recognized for the costs of obtaining a contract and the costs of fulfilling a contract ("asset(s) related to contract costs") are amortized on a systematic basis that is consistent with revenue recognized for the goods or services to which the assets relate and recognized in profit or loss for the period. If the amortisation period does not exceed one year, it is recognised in profit or loss in the period incurred.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

33. Contract costs (Continued)

The Company makes impairment provision and recognizes an impairment loss on the asset for the exceeding part to the extent that the carrying amount of an asset related to contract costs exceeds:

- (1) remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates;
- (2) the costs that relate directly to providing those goods that have not yet been recognized as expenses.

34. Government grants

Government grants are recognized when the conditions attached to the government grants are met and the grant can be received.

Government grants in respect of monetary assets are measured at the amount received or receivable. Government grants for non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at the nominal amount of RMB1.

Asset-related government grants are government grants obtained by the Company for the purpose of acquiring or otherwise forming long-term assets; otherwise, they are treated as revenue-related government grants.

For government grants that do not have a specific target in government documents and are able to form long-term assets, the portion of government grants that corresponds to the value of the assets is recognized as asset-related government grants, and the remaining portion is recognized as revenue-related government grants; if it is difficult to distinguish between the two types of government grants, the entire amount of government grants is recognized as revenue-related government grants.

Government grants related to assets are offset against the carrying amount of the related asset or recognized as deferred revenue and recognized in profit or loss on a rational and systematic basis over the useful lives of the related assets. Government grants related to revenues are recognized in profit or loss or offset against related expenses when they are used to compensate for costs or losses that have been incurred, and recognized in deferred revenue when they are used to compensate for costs or losses that will be incurred in future periods, and are recognized in profit or loss or offset against related expenses in the period in which the costs or losses are recognized. Government grants that are measured at nominal amounts are recognized directly in profit or loss. The Company applies a consistent approach to the same or similar government grants.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

34. Government grants *(Continued)*

Government grants related to ordinary activities are recognized in other income or offset against related costs and expenses based on the nature of the economic activity. Government grants that are not related to ordinary activities are included in non-operating income or offset against non-operating expenses.

When government grants are to be refunded, the carrying amount of the asset is adjusted if the initial recognition of the grant reduces the carrying amount of the asset; if there is a deferred revenue balance, the book balance of deferred revenue is deducted, and the excess is credited to profit or loss for the current period; in other cases, the excess is credited to profit or loss directly for the current period.

If policy-based subsidized loans are obtained and the government disburses the subsidy funds to the lending bank, the actual amount received is recognized as the borrowing value, and borrowing costs are calculated based on the loan principal and the policy preferential interest rate. If the government disburses the subsidy funds directly to the Company, the subsidy offsets borrowing costs.

35. Deferred tax assets/deferred tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognized in owners' equity which are recognized in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Company shall be recognized as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates *(Continued)*

35. Deferred tax assets/deferred tax liabilities *(Continued)*

The Company recognizes a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected accordingly.

At the balance sheet date, the Company reviews the book value of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the book value of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis upon offsetting when both of the following conditions are met:

- (1) The taxable entity within the Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- (2) the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxing authority on the same taxable entity within the Company.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

36. Lease

(1) Identification of leases

On the beginning date of the contract, the Company (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a party to the contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Company identifies such contract is, or contains, a lease.

(2) The Company as a lessee

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

For the accounting policies for right-of-use assets, please refer to Note V.37.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognized in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

Short-term leases

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognized in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

Low-value asset leases

A low-value asset lease is a lease where the value of a single leased asset is lower than RMB40,000 when the asset is new.

Lease payments on low-value asset leases are recognized on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

For low-value asset leases, the Company elects to apply the simplified treatment described above based on the specific circumstances of each lease.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

36. Lease (Continued)

(2) The Company as a lessee (Continued)

Lease modifications

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the book value of the right-of-use asset accordingly.

(3) The Company as a lessor

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as a lessor calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as a lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under "ASBE No. 22 – Recognition and Measurement of Financial Instruments" and "ASBE No. 23 – Transfer of Financial Assets".

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

36. Lease (Continued)

(3) The Company as a lessor (Continued)

Operating leases

Lease payments under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalized and amortized over the lease term on the same basis as rental income and recognized in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognized in profit or loss in the period in which they actually incurred.

Lease modifications

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with "ASBE No. 22 – Recognition and Measurement of Financial Instruments" on modifying or renegotiating contracts.

Sale and leaseback transactions

The lessor and the lessee assess and determine whether the transfer of an asset in a sale and leaseback transaction is a sale in accordance with "ASBE No. 14 - Revenue".

Where the transfer of an asset in a sale and leaseback transaction is a sale, the lessee measures the right-of-use asset created by the sale and leaseback at the portion of the original asset's carrying amount that relates to the right-of-use acquired by the leaseback and recognizes the related gain or loss only for the right transferred to the lessor. The lessor accounts for the purchase of the asset in accordance with other applicable ASBEs, and accounts for the lease of the asset in accordance with "ASBE No. 21 - Lease".

Where the transfer of an asset in a sale and leaseback transaction is not a sale, the lessee continues to recognize the transferred asset and also recognizes a financial liability equal to the transfer income, and accounts for the financial liability in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments". The lessor does not recognize the transferred asset but recognizes a financial asset equal to the transfer income, and accounts for the financial asset in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments".

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

37. Right-of-use assets

(1) Recognition conditions of right-of-use assets

The right-of-use assets are defined as the right to use the underlying assets in the lease term for the Company as a lessee.

On the commencement date of the lease term, right-of-use assets are initially measured at cost. The cost includes: the amount of the initial measurement of the lease liability; the lease payment made on or before the commencement date of the lease term, less any lease incentive received if any; the initial direct costs incurred by the Company as a lessee; an estimate of costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease. The Company as a lessee recognizes and measures the costs of demolition and restoration according to "ASBE No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

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

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

- (3) For the methods of impairment testing and impairment provision for right-of-use assets, please refer to Note V.27.

38. Other significant accounting policies and accounting estimates

(1) Significant accounting judgments and estimates

The Company makes continuous evaluations on critical accounting estimates and key assumptions based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimations and key assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Company in determining the business model for a group of financial assets include how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Company assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

38. Other significant accounting policies and accounting estimates (Continued)

(1) Significant accounting judgments and estimates (Continued)

Measurement of the ECLs of accounts receivable

The Company calculates ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Company uses internal historical credit loss experience and other data, and adjusts the historical data by taking into account current circumstances and forward-looking information. When forward-looking information is considered, the indicators used by the Company include the risk of economic downturn and changes in external market environment, technological environment and customer conditions. The Company regularly monitors and reviews the assumptions related to the calculation of ECLs.

Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Company to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

(2) Debt restructuring

The Company as a debtor

The Company derecognizes a debt when its current obligation is discharged. Specifically, gains and losses related to debt restructuring are recognized when uncertainty about the process and outcome of the debt restructuring arrangement is removed.

If debt restructuring is carried out by means of settlement of a debt with an asset, the Company derecognizes the relevant asset and the debt settled when the conditions for derecognition are met, and the difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is included in profit or loss for the current period.

If debt restructuring is carried out by converting a debt into an equity instrument, the Company derecognizes the debt settled when the conditions for derecognition are met. The Company initially recognizes an equity instrument at its fair value. If the fair value of the equity instrument cannot be reliably measured, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognized for the equity instrument is included in profit or loss for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

38. Other significant accounting policies and accounting estimates (Continued)

(2) Debt restructuring (Continued)

The Company as a debtor (Continued)

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debt in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments" and "ASBE No.37 - Presentation of Financial Instruments".

If debt restructuring is carried out by using multiple assets to settle debts or by combining them, the Company recognizes and measures equity instruments and restructured debts in accordance with the foregoing method, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the transferred assets and the amounts recognized for equity instruments and restructured debts is included in profit or loss for the current period.

The Company as a creditor

The Company derecognizes its claim when the contractual right to collect cash flows from the claim terminates. Specifically, gains and losses related to debt restructuring are recognized when uncertainty about the process and outcome of the debt restructuring arrangement is removed.

If debt restructuring is carried out by means of settlement of a debt with an asset, the Company initially recognizes assets other than transferred financial assets at cost. The cost of inventories includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading and insurance, incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claim and other costs, such as taxes, directly attributable to the asset. The cost of investment properties includes the fair value of the relinquished claim and other costs, such as taxes, directly attributable to the asset. The cost of fixed assets includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, installation and professional services fees, incurred before the asset is brought to its intended useable condition. The cost of intangible assets includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, incurred to bring the asset to its intended use. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

If debt restructuring by way of the conversion of debts to equity instruments results in the Company converting a claim into an equity investment in an associate or joint venture, the Company measures the initial investment cost of the claim at the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured claim in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments".

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

V. Significant accounting policies and accounting estimates (Continued)

38. Other significant accounting policies and accounting estimates (Continued)

(2) Debt restructuring (Continued)

The Company as a creditor (Continued)

If debt restructuring is carried out by using multiple assets to settle debts or by combining them, the transferred financial asset and the restructured claim are first recognized and measured in accordance with "ASBE No. 22 – Recognition and Measurement of Financial Instruments", and then, in proportion to the fair value of each asset other than the transferred financial asset, the fair value of the relinquished claim (after deducting the amounts recognized for the transferred financial asset and the restructured claim) is allocated, and the cost of each asset is determined separately on this basis in accordance with the aforementioned method. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

(3) Production safety expenses and maintenance expenses

The Company provided for production safety expenses in accordance with the "Administrative Measures for the Provision and Utilization of Production Safety Expenses by Enterprises" (Cai Qi [2022] No. 136) issued by the Ministry of Finance and the State Administration of Work Safety.

Provision for production safety expenses and maintenance expenses is included in the cost of related products or profit or loss for the current period and is also included under the "special reserve" item.

When the production safety expenses and maintenance expenses provided are utilized within the prescribed scope, they are offset directly against the special reserve if they are expenditures. If fixed assets are formed, the expenses incurred are first accumulated under the "construction in progress" item and then recognized as fixed assets when the relevant safety project is completed and ready for its intended use. Meanwhile, the cost of forming such fixed assets is offset against the specific reserve with the same amount recognized in accumulated depreciation. Such fixed assets are not depreciated in subsequent periods.

39. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable ☒ Not applicable

(2) Changes in significant 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 onwards

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VI. Taxation

1. Main tax types and tax rates

Tax type	Calculation basis	Rate
Value-added tax	VAT taxable amount	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable profits	25%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Profits tax in Hong Kong	Taxable profits	16.5%

Disclosures regarding taxpaying entities subject to different enterprise income tax rates

Name of taxpaying entity	Income tax rate
Shandong Molong	15%
Molong Logistics	25%
MPM Corporation	16.5%
Molong Electro-mechanical	25%
Molong I&E	20%
Molong E-commerce	20%
Molong Business	20%
Shandong Xincheng	20%

2. Tax incentives

- Pursuant to the document of "Announcement on 2023 2nd Batch Filing of High-tech Enterprises Recognized by Shandong Province's Certification Institution" issued by the Office of the National High-tech Enterprises Recognition and Management Leading Group, the Company has been recognised as a high-tech enterprise and obtained a certificate of high-tech enterprise No. GR202337006967. The certificate of high-tech enterprise was issued on 7 December 2023 and is valid for a term of three years. Pursuant to the relevant regulations, the Company enjoys preferential national tax policies for high-tech enterprises for three consecutive years from 2023 to 2025, paying enterprise income tax at a rate of 15%.
- In accordance with the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Businesses (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the taxable income of small, low-profit enterprises shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The announcement shall be effective until 31 December 2027. Molong I&E, Molong Commercial, Molong E-commerce and Shandong Xincheng, subsidiaries of the Company, meet the criteria and thus enjoy the preferential income tax rate of 20% as small and low-profit enterprises.
- In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (No. 43 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), from 1 January 2023 to 31 December 2027, enterprises in the advanced manufacturing industry are allowed to offset the value-added tax payable by an additional 5% on the amount of creditable input tax for the current period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items

1. Monetary funds

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Cash on hand	22,845.02	18,534.35
Cash at banks	186,958,717.18	16,757,431.46
Other monetary funds	86,511,596.79	70,012,924.31
Total	273,493,158.99	86,788,890.12
Including: total deposits overseas	1,027,626.30	2,509,631.03

Other descriptions:

- (1) The Group's deposits overseas represented the bank deposits of MPM Corporation, a Hong Kong-based subsidiary.
- (2) As at the end of the period, the amount of bank deposits frozen due to litigation was RMB1,086,736.82; the amount of other monetary funds restricted for use due to bill deposits was RMB70,000,000.00, the amount of pledged deposits for bank borrowings was RMB10,000,000.00, the amount frozen due to litigation was RMB165,636.44, and fixed deposits amounted to RMB6,335,122.32.

2. Bills receivable

(1) Presentation of bills receivable by type

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	7,600,612.66	4,913,938.48
Commercial acceptance bills	69,420,011.91	23,162,178.87
Total	77,020,624.57	28,076,117.35

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

2. Bills receivable (Continued)

(2) Disclosure by method of provision for bad debts

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Including:										
Bills receivable provided for bad debts on a collective basis	77,721,836.82	100.00%	701,212.25	0.90%	77,020,624.57	28,310,078.75	100.00%	233,961.40	0.83%	28,076,117.35
Including:										
Bank acceptance bills	7,600,612.66	9.78%	—	—	7,600,612.66	4,913,938.48	17.36%	—	—	4,913,938.48
Commercial acceptance bills	70,121,224.16	90.22%	701,212.25	1.00%	69,420,011.91	23,396,140.27	82.64%	233,961.40	1.00%	23,162,178.87
Total	77,721,836.82	100.00%	701,212.25	0.90%	77,020,624.57	28,310,078.75	100.00%	233,961.40	0.83%	28,076,117.35

Provision for bad debts on a collective basis: bank acceptance bills

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Bank acceptance bills	7,600,612.66	—	—
Total	7,600,612.66	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

2. Bills receivable (Continued)

(2) Disclosure by method of provision for bad debts (Continued)

Provision for bad debts on a collective basis: commercial acceptance bills

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Commercial acceptance bills	70,121,224.16	701,212.25	1.00%
Total	70,121,224.16	701,212.25	—

If provision for bad debts of bills receivable was made using the general approach of expected credit loss:

☐ Applicable ☒ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	recovery or reversal	Write-off	Others	
Provision for bad debts of bills receivable	233,961.40	467,250.85	—	—	—	701,212.25
Total	233,961.40	467,250.85	—	—	—	701,212.25

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

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

2. Bills receivable (Continued)

(4) Bills receivable pledged by the Company at the end of the period

Nil

(5) Bills receivable already endorsed or discounted by the Company at the end of the period and unmatured on the balance sheet date

Unit: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	—	4,826,854.88
Commercial acceptance bills	—	29,334,911.22
Total	—	34,161,766.10

The bank acceptance bills used for discounting are accepted by banks with relatively low credit ratings. As the discounting does not transfer the right of recourse, the credit risk and the risk of delayed payment associated with the bills have not been transferred. Therefore, the bills have not been derecognised.

(6) Bills receivable actually written off in the current period

There were no bills receivable actually written off in the year.

3. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	467,135,179.25	221,427,518.61
1-2 years	258,031.83	2,226,344.02
Over 3 years	35,883,856.68	43,023,279.53
3-4 years	—	—
4-5 years	—	—
Over 5 years	35,883,856.68	43,023,279.53
Total	503,277,067.76	266,677,142.16

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

3. Accounts receivable (Continued)

(2) Disclosure by method of provision for bad debts

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Accounts receivable provided for bad debts on a collective basis	503,277,067.76	100.00%	39,107,020.51	7.77%	464,170,047.25	266,677,142.16	100.00%	46,350,726.73	17.38%	220,326,415.43
Including:										
Amounts due from customers	254,392,104.47	50.55%	39,107,020.51	15.37%	215,285,083.96	266,677,142.16	100.00%	46,350,726.73	17.38%	220,326,415.43
Letter of credit	248,884,963.29	49.45%	—	—	248,884,963.29	—	—	—	—	—
Total	503,277,067.76	100.00%	39,107,020.51	7.77%	464,170,047.25	266,677,142.16	100.00%	46,350,726.73	17.38%	220,326,415.43

Provision for bad debts on a collective basis: amounts due from customers

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	218,250,215.96	3,094,147.91	1.42%
1-2 years	258,031.83	129,015.92	50.00%
2-3 years	—	—	—
3-4 years	—	—	—
4-5 years	—	—	—
Over 5 years	35,883,856.68	35,883,856.68	100.00%
Total	254,392,104.47	39,107,020.51	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

3. Accounts receivable (Continued)

(2) Disclosure by method of provision for bad debts (Continued)

Basis for determining the group:

Provision for bad debts on a collective basis: letters of credit

Unit: RMB

Name	Closing balance		
	Book balance	Bad debts	Provision rate
Within 1 year	248,884,963.29	—	—
Total	248,884,963.29	—	—

Basis for determining the group:

If provision for bad debts of accounts receivable was made using the general approach of expected credit loss:

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

3. Accounts receivable (Continued)

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	46,350,726.73	—	7,243,706.22	—	—	39,107,020.51
Total	46,350,726.73	—	7,243,706.22	—	—	39,107,020.51

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

Unit: RMB

Company name	Recovery or reversal	Reason for reversal	Recovery method	The basis for determining the original bad debt provision ratio and its rationality
Shandong New Coal Machinery & Equipment Co., Ltd.	6,535,502.00	Recover part of the outstanding debt	Bank transfer	Provision for bad debts based on the expected credit loss rate
Total	6,535,502.00	—	—	—

(4) Accounts receivable actually written off during the current period

There were no accounts receivable actually written off in the year.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

3. Accounts receivable (Continued)

(5) Accounts receivable and contract assets with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion to the total balance of accounts receivable and contract assets at the end of the period	Balance of provisions for bad debts of accounts receivable and impairment of contract asset at the end of the period
AHGTC Corporation	172,943,578.59	—	172,943,578.59	34.36%	—
CUNADO Corporation	68,426,633.63	—	68,426,633.63	13.60%	40,737.16
China Petroleum & Chemical Corporation (中國石油化工股份有限公司)	64,835,737.89	—	64,835,737.89	12.88%	920,667.48
CNOOC China Limited (中海石油(中國)有限公司)	38,744,993.70	—	38,744,993.70	7.70%	550,178.91
PetroChina Company Limited (中國石油天然氣股份有限公司)	35,874,278.39	—	35,874,278.39	7.13%	509,414.75
Total	380,825,222.20	—	380,825,222.20	75.67%	2,020,998.30

4. Financing receivables

(1) Financing receivables by type

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bills receivable	0.00	40,000.00
Total	0.00	40,000.00

The Company, based on its daily capital management needs, discounts and endorses a portion of bank acceptance bills. Accordingly, bank acceptance bills with high credit ratings are classified as financial assets measured at fair value through other comprehensive income.

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

4. Financing receivables (Continued)

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

The acceptors of the bank acceptance bills the Group holds are all financial institutions with good credit standing. The risk of such bills not being accepted upon maturity is very small and the credit risk is very low. They will be derecognized by the Group when they are endorsed or discounted. Therefore, no provision for bad debts has been made.

(3) Financing receivables pledged by the Company at the end of the period

Nil

(4) Financing receivables already endorsed or discounted by the Company at the end of the period and unmatured on the balance sheet date

Unit: RMB

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bills receivable	10,738,229.17	—
Digital debt certificates of accounts receivables	24,385,312.59	—
Total	35,123,541.76	—

The bank acceptance bills used for discounting are accepted by banks with relatively high credit ratings. The credit risk and the risk of delayed payment are minimal, and the interest rate risk associated with the bills has been transferred to the bank. It can therefore be concluded that substantially all the significant risks and rewards of ownership of the bills have been transferred, and accordingly the bills are derecognised.

(5) Financing receivables actually written off in the current period

There were no financing receivables actually written off in the year.

(6) Increase/decrease in financing receivables and their changes in fair value during the period

The book value is taken as the fair value because the remaining terms of the Group's bank acceptance bills are short, and the book balances are close to the fair value.

(7) Other descriptions

None

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	646,926,136.76	1,177,001,129.72
Total	646,926,136.76	1,177,001,129.72

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Employee working capital	—	550,000.00
Deposits and security deposits	14,901,026.00	2,355,028.00
Receivable export tax rebate	—	13,299.35
Accounts due from/to other entities	744,156,033.43	1,281,192,171.29
Less: Provision for bad debts of other receivables	-112,130,922.67	-107,109,368.92
Total	646,926,136.76	1,177,001,129.72

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

2) Disclosure by age

Unit: RMB		
Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	15,970,468.39	850,184,477.54
1–2 years	487,143,409.10	433,905,337.49
2–3 years	255,932,498.33	—
Over 3 years	10,683.61	20,683.61
3–4 years	—	10,000.00
Over 5 years	10,683.61	10,683.61
Total	759,057,059.43	1,284,110,498.64

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts

✓ Applicable ☐ Not applicable

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Provision for bad debts on an individual basis	744,040,507.80	98.02%	112,086,068.50	15.06%	631,954,439.30	1,281,028,523.99	99.76%	107,066,909.29	8.36%	1,173,961,614.70
Including:										
Huarong Agricultural	452,453,392.51	59.61%	5,487,203.55	1.21%	446,966,188.96	812,453,392.51	63.27%	—	—	812,453,392.51
Weihai Baolong	—	—	—	—	—	7,800,738.92	0.61%	468,044.34	6.00%	7,332,694.58
Shouguang Baolong	291,587,115.29	38.41%	106,598,864.95	36.56%	184,988,250.34	460,774,392.56	35.88%	106,598,864.95	23.13%	354,175,527.61
Provision for bad debts on a collective basis	15,016,551.63	1.98%	44,854.17	0.30%	14,971,697.46	3,081,974.65	0.24%	42,459.63	1.38%	3,039,515.02
Including:										
Employee working capital	—	—	—	—	—	550,000.00	0.04%	—	—	550,000.00
Deposits and security deposits	14,901,026.00	1.96%	—	—	14,901,026.00	2,355,028.00	0.18%	—	—	2,355,028.00
Receivable export tax rebate	—	—	—	—	—	13,299.35	0.00%	—	—	13,299.35
Administrative institutions group	—	—	—	—	—	—	—	—	—	—
Amounts due from other entities	115,525.63	0.02%	44,854.17	38.83%	70,671.46	163,647.30	0.01%	42,459.63	25.95%	121,187.67
Total	759,057,059.43	100.00%	112,130,922.67	14.77%	646,926,136.76	1,284,110,498.64	100.00%	107,109,368.92	8.34%	1,177,001,129.72

Provision for bad debts on an individual basis: Huarong Agricultural

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	
Huarong Agricultural	812,453,392.51	0.00	452,453,392.51	5,487,203.55	1.21%	—
Total	812,453,392.51	0.00	452,453,392.51	5,487,203.55	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Shouguang Baolong	460,774,392.56	106,598,864.95	291,587,115.29	106,598,864.95	36.56%	—
Total	460,774,392.56	106,598,864.95	291,587,115.29	106,598,864.95	—	—

Provision for bad debts on a collective basis: deposits and security deposits

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Deposits and security deposits	14,901,026.00	—	—
Total	14,901,026.00	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Basis for determining the group:

No provision for bad debts was made as the terms of deposits and security deposits were short and their credit risks were minimal.

Provision for bad debts on a collective basis: amounts due from other entities

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Amounts due from other entities	115,525.63	44,854.17	38.83%
Total	115,525.63	44,854.17	—

Provision for bad debts was made using the general approach of expected credit losses:

Unit: RMB

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Lifetime expected credit losses (not credit-impaired)	Lifetime expected credit losses (credit-impaired)	
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 Phase 2	-8,070.01	8,070.01	—	—
Provision for the current period	4,580.54	5,508,723.56	—	5,513,304.10
Reversal for the current period	9,190.91	482,559.44	—	491,750.35
Balance on 31 December 2025	4,580.54	5,516,793.57	106,609,548.56	112,130,922.67

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Classification basis and provision rate of bad debt provision for each stage

Significant changes in the book balance of loss allowance in the current period

☐ Applicable ☒ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of other receivables	107,109,368.92	5,513,304.10	491,750.35	—	—	112,130,922.67
Total	107,109,368.92	5,513,304.10	491,750.35	—	—	112,130,922.67

5) Other receivables actually written off in the current period

Details of write-off of other receivables:

There were no other receivables actually written off in the year.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

6) Other receivables with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
Huarong Agricultural	Amounts due from other entities	452,453,392.51	1 to 2 years	59.61%	5,487,203.55
Shouguang Baolong	Amounts due from other entities	291,587,115.29	With 1 year, 1 to 2 years, 2 to 3 years	38.41%	106,598,864.95
TÜRKİYE PETROLLERİ A.O.(TPAO)	Deposits and security deposits	7,591,104.00	With 1 year	1.00%	—
Haier Financial Services China Co., Ltd.* (海爾融資租賃股份有限公司)	Deposits and security deposits	5,000,000.00	With 1 year	0.66%	—
Shaanxi Energy and Chemical Exchange Co., Ltd.* (陝西能源化工交易所股份有限公司)	Deposits and security deposits	1,369,422.00	With 1 year	0.18%	—
Total	—	758,001,033.80	—	99.86%	112,086,068.50

7) Presented as other receivables due to centralized management of capital

Nil

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

6. Prepayments

(1) Presentation of prepayments by age

Unit: RMB

Age	Balance at the end of the period		Balance at the beginning of the period	
	Amount	Percentage	Amount	Percentage
Within 1 year	109,782,231.71	97.61%	23,063,085.60	91.98%
1–2 years	675,889.25	0.60%	2,010,000.00	8.02%
2–3 years	2,010,000.00	1.79%	—	—
Over 3 years	115.57	—	115.57	—
Total	112,468,236.53	—	25,073,201.17	—

Explanation on significant prepayments with an age of more than 1 year not settled in due time:

The Company had no significant prepayments with an age of more than 1 year at the end of the period.

(2) Prepayments with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Prepayments at the end of the period	Proportion to the total balance of prepayments at the end of the period (%)
Entity 1	54,074,237.90	48.08
Entity 2	20,000,000.00	17.78
Entity 3	18,110,907.52	16.10
Entity 4	5,993,761.49	5.33
Entity 5	2,840,998.29	2.53
Total	101,019,905.20	89.82

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

7. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry or not

No

(1) Classification of inventories

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment of inventories or contract performance costs	Book value	Book balance	Provision for impairment of inventories or contract performance costs	Book value
Raw materials	134,092,423.27	8,987,134.48	125,105,288.79	128,018,796.52	8,455,922.57	119,562,873.95
Work-in-progress	227,211,793.72	4,111,455.53	223,100,338.19	174,258,128.66	4,120,896.02	170,137,232.64
Goods-in-stock	165,400,584.67	7,563,481.53	157,837,103.14	110,249,355.84	13,498,604.35	96,750,751.49
Goods-in-transit	47,079,363.59	576,711.84	46,502,651.75	11,387,358.94	161,026.04	11,226,332.90
Entrusted processed materials	12,511,023.38	460,633.31	12,050,390.07	57,130.47	1,095.50	56,034.97
Total	586,295,188.63	21,699,416.69	564,595,771.94	423,970,770.43	26,237,544.48	397,733,225.95

(2) Data resources recognised as inventories:

Nil

(3) Provision for impairment of inventories and contract performance costs

Unit: RMB

Item	Balance at the beginning of the period	Amount of increase in the current period		Amounts of decrease in the current period		Balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,455,922.57	1,855,221.90	—	1,324,009.99	—	8,987,134.48
Work-in-progress	4,120,896.02	3,014,346.07	—	3,023,786.56	—	4,111,455.53
Goods-in-stock	13,498,604.35	2,986,460.27	—	8,921,583.09	—	7,563,481.53
Goods-in-transit	161,026.04	569,150.11	—	153,464.31	—	576,711.84
Entrusted processed materials	1,095.50	460,135.42	—	597.61	—	460,633.31
Total	26,237,544.48	8,885,313.77	—	13,423,441.56	—	21,699,416.69

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

7. Inventories (Continued)

(3) Provision for impairment of inventories and contract performance costs (Continued)

Provision for inventory impairment on a collective basis

Basis for determining provision for inventory impairment on a collective basis

Item	Basis for determining net realizable value/remaining consideration and estimated costs	Reason for reversal or write-off of provision for inventory impairment/ contract performance cost impairment in the current year
Raw materials	Estimated selling prices less estimated costs to completion, estimated selling expenses and related taxes	Reversal: the effects of previous write-downs disappeared, and the write-downs were reversed in the current period.
Work-in-progress		Write-off: raw materials were used or sold in the current period.
Entrusted processed materials		Reversal: the effects of previous write-downs disappeared, and the write-downs were reversed in the current period.
Goods-in-stock and goods-in-transit	Estimated selling prices less estimated selling expenses and related taxes	Write-off: products were sold in the current period.

(4) Balance of inventories including the amount of capitalised borrowing expenses at the end of the period

Nil

(5) Amortization amount of contract performance cost in the current period

Nil

8. Other current assets

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Input tax to be deducted	2,143,508.70	368,914.64
Total	2,143,508.70	368,914.64

Notes to the Financial Statements

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

9. Other equity instrument investments

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period	Gains included in other comprehensive income in the current period	Losses included in other comprehensive income in the current period	Accumulated gains included in other comprehensive income at the end of the period	Accumulated losses included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Reason for being designated as at fair value through other comprehensive income
Weihai Baolong	3,403,349.84	3,316,677.33	65,004.38	—	79,507.50	—	—	—
Total	3,403,349.84	3,316,677.33	65,004.38	—	79,507.50	—	—	—

Other explanations:

As Weihai Baolong is an investment that the Company intends to hold for the long term for strategic purposes, the Company has designated it as a financial asset measured at fair value through other comprehensive income.

10. Long-term equity investments

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Balance of provision for impairment at the beginning of the period	Changes in the current period							Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period	
			Added investment	Reduced investment	Investment gains and losses recognized under the equity method	Adjustments to other comprehensive income	Other equity changes	Cash dividend or profit declaring to be paid	Provision for impairment			Others
1. Joint venture												
2. Associate												
Molong Bicheng	—	—	4,000,000.00	—	-5,979.95	—	—	—	—	—	3,994,020.05	—
Yalong Machinery	1,666,457.34	—	—	—	-49,400.90	—	—	—	—	—	1,617,056.44	—
Shengrui Investment	—	—	40,000,000.00	—	729,789.19	—	—	—	—	—	40,729,789.19	—
Sub-total	1,666,457.34	—	44,000,000.00	—	674,408.34	—	—	—	—	—	46,340,865.68	—
Total	1,666,457.34	—	44,000,000.00	—	674,408.34	—	—	—	—	—	46,340,865.68	—

In April 2025, Molong Commercial, a wholly-owned subsidiary of the Company, and Shouguang Kunyuan Investment Development Co., Ltd. (壽光市焜源投資開發有限公司) jointly established Shengrui Investment with a registered capital of RMB100,000,000, of which Molong Commercial held a 40% equity interest and contributed RMB40,000,000 in paid-in capital, while Kunyuan Investment held a 60% equity interest and contributed RMB60,000,000 in paid-in capital. The actual controller of Kunyuan Investment is the Shouguang Municipal Finance Bureau.

Notes to the Financial Statements

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

10. Long-term equity investments (Continued)

In November 2025, the Company and Shanghai Bicheng Industrial Co., Ltd. (上海幣誠實業有限公司) jointly established Molong Bicheng with a registered capital of RMB10,000,000, of which the Company held a 40% equity interest. In January 2026, the Company had contributed RMB4,000,000 of the registered capital. The controlling shareholder of Bicheng Industrial is an individual, Zhu Guangyu (朱光裕).

The recoverable amount is determined based on fair value less the disposal expenses

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

Nil

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

11. Other non-current financial assets

Unit: RMB		
Items	Closing balance	Opening balance
Investments in equity instruments	476,475.45	—
Total	476,475.45	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (Continued)

12. Fixed assets

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	297,484,473.82	327,402,077.12
Disposal of fixed assets	—	—
Total	297,484,473.82	327,402,077.12

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

12. Fixed assets (continued)

(1) Details of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery	Vehicles	Electronic equipment and others	Total
1. Original book value:					
1. Balance at the beginning of the period	189,906,888.50	1,275,287,790.07	8,596,596.92	43,653,739.74	1,517,445,015.23
2. Increased amount in this period	27,750,366.98	860,113.76	46,000.00	307,565.57	28,964,046.31
(1) Purchase	—	302,920.35	46,000.00	307,565.57	656,485.92
(2) Transfer to construction- in-progress	—	557,193.41	—	—	557,193.41
(3) Increase from business combination	—	—	—	—	—
(4) Others	27,750,366.98	—	—	—	27,750,366.98
3. Decreased amount in this period	6,999,522.02	56,972,514.64	286,546.12	774,138.15	65,032,720.93
(1) Disposal or retirement	6,999,522.02	56,972,514.64	286,546.12	774,138.15	65,032,720.93
4. Balance at the end of the period	210,657,733.46	1,219,175,389.19	8,356,050.80	43,187,167.16	1,481,376,340.61
2. Accumulative depreciation					
1. Balance at the beginning of the period	110,784,441.81	966,366,856.51	7,522,896.88	40,932,190.28	1,125,606,385.48
2. Increased amount in this period	9,360,358.01	45,696,160.06	469,819.83	302,246.90	55,828,584.80
(1) Provision	9,360,358.01	45,696,160.06	469,819.83	302,246.90	55,828,584.80
(2) Others	—	—	—	—	—
3. Decreased amount in this period	4,389,228.88	43,803,182.14	272,218.82	720,007.67	49,184,637.51
(1) Disposal or retirement	4,389,228.88	43,803,182.14	272,218.82	720,007.67	49,184,637.51
4. Balance at the end of the period	115,755,570.94	968,259,834.43	7,720,497.89	40,514,429.51	1,132,250,332.77
3. Provision for impairment					
1. Balance at the beginning of the period	905,320.54	63,530,382.09	—	850.00	64,436,552.63
2. Increased amount in this period	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Decreased amount in this period	905,320.54	11,888,848.07	—	850.00	12,795,018.61
(1) Disposal or retirement	905,320.54	11,888,848.07	—	850.00	12,795,018.61
4. Balance at the end of the period	—	51,641,534.02	—	—	51,641,534.02
4. Book value					
1. Book value at the end of the period	94,902,162.52	199,274,020.74	635,552.91	2,672,737.65	297,484,473.82
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

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

12 Fixed assets (continued)

(2) Temporarily idle fixed assets

The Company had no temporarily idle fixed assets in the current period.

(3) Fixed assets leased out under operating leases

The Company had no fixed assets leased out under operating leases in the current period.

(4) Fixed assets with incomplete property ownership certificate

The Company had no fixed assets with incomplete property ownership certificate in the current period.

(5) Impairment test of fixed assets

☐ Applicable ☒ Not applicable

(6) Disposal of fixed assets

Nil

13. Construction-in-progress

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Construction-in-progress	139,310.39	—
Total	139,310.39	—

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

13. Construction-in-progress (continued)

(1) Details of construction-in-progress

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sporadic projects	139,310.39	—	139,310.39	—	—	—
Total	139,310.39	—	139,310.39	—	—	—

(2) Provision for impairment of construction-in-progress during the period

Nil

(3) Impairment test of construction-in-progress

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

14. Right-of-use assets

(1) Details of right-of-use assets

Unit: RMB

Item	Houses and buildings	Total
1. Original book value		
1. Balance at the beginning of the period	16,038,761.35	16,038,761.35
2. Increased amount in this period	—	—
3. Decreased amount in this period	15,470,279.26	15,470,279.26
(1) Transferred or held for sale	15,470,279.26	15,470,279.26
4. Balance at the end of the period	568,482.09	568,482.09
2. Accumulative depreciation		
1. Balance at the beginning of the period	7,782,513.14	7,782,513.14
2. Increased amount in this period	7,090,981.15	7,090,981.15
(1) Provision	7,090,981.15	7,090,981.15
3. Decreased amount in this period	14,636,626.74	14,636,626.74
(1) Disposal	—	—
(2) Transferred or held for sale	14,636,626.74	14,636,626.74
4. Balance at the end of the period	236,867.55	236,867.55
3. Provision for impairment		
1. Balance at the beginning of the period	—	—
2. Increased amount in this period	—	—
(1) Provision	—	—
3. Decreased amount in this period	—	—
(1) Disposal	—	—
4. Balance at the end of the period	—	—
4. Book value		
1. Book value at the end of the period	331,614.54	331,614.54
2. Book value at the beginning of the period	8,256,248.21	8,256,248.21

(2) Impairment test of right-of-use assets

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

15. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patent	Unpatented technology	Software	Total
1. Original book value					
1. Balance at the beginning of the period	188,181,122.20	2,724,205.47	400,994,240.25	806,451.81	592,706,019.73
2. Increased amount in this period	52,683,939.45	—	—	—	52,683,939.45
(1) Purchase	—	—	—	—	—
(2) Internal research and development	—	—	—	—	—
(3) Increase from business combination	—	—	—	—	—
(4) Other increases	52,683,939.45	—	—	—	52,683,939.45
3. Decreased amount in this period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
4. Balance at the end of the period	240,865,061.65	2,724,205.47	400,994,240.25	806,451.81	645,389,959.18
2. Accumulative amortization					
1. Balance at the beginning of the period	46,342,216.04	2,724,205.47	365,023,517.17	774,082.84	414,864,021.52
2. Increased amount in this period	4,862,189.04	—	1,609,185.82	12,138.36	6,483,513.22
(1) Provision	4,862,189.04	—	1,609,185.82	12,138.36	6,483,513.22
(2) Other increases	—	—	—	—	—
3. Decreased amount in this period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
4. Balance at the end of the period	51,204,405.08	2,724,205.47	366,632,702.99	786,221.20	421,347,534.74
3. Provision for impairment					
1. Balance at the beginning of the period	—	—	33,968,375.45	—	33,968,375.45
2. Increased amount in this period	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Decreased amount in this period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
4. Balance at the end of the period	—	—	33,968,375.45	—	33,968,375.45
4. Book value					
1. Book value at the end of the period	189,660,656.57	—	393,161.81	20,230.61	190,074,048.99
2. Book value at the beginning of the period	141,838,906.16	—	2,002,347.63	32,368.97	143,873,622.76

At the end of the period, the intangible assets arising from the Company's internal research and development accounted for 0.21% of the balance of intangible assets.

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

15. Intangible assets (Continued)

(2) Data resources recognized as intangible assets

☐ Applicable ☒ Not applicable

(3) Land use rights without completed title certificates

As at the end of the period, the Company had no land use rights for which the title certificates had not yet been obtained.

(4) Impairment test of intangible assets

☐ Applicable ☒ Not applicable

16. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Lease liabilities	182,033.10	27,304.97	8,256,248.21	1,238,437.23
Total	182,033.10	27,304.97	8,256,248.21	1,238,437.23

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	331,614.54	49,742.18	8,256,248.21	1,238,437.23
Changes in fair value of other equity investments included in other comprehensive income	106,010.01	26,502.51	19,337.50	4,834.38
Total	437,624.55	76,244.69	8,275,585.71	1,243,271.61

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

16. Deferred income tax assets/deferred income tax liabilities (Continued)

(3) Deferred tax assets or liabilities presented as net amount after offsetting

Unit: RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offsetting	Deferred income tax assets and liabilities offset at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	27,304.97	—	1,238,437.23	—
Deferred income tax liabilities	27,304.97	48,939.72	1,238,437.23	4,834.38

(4) Unrecognized deferred income tax assets details

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Deductible temporary differences	259,466,840.86	278,336,529.61
Deductible loss	2,626,720,762.78	1,138,471,625.15
Total	2,886,187,603.64	1,416,808,154.76

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

16. Deferred income tax assets/deferred income tax liabilities (Continued)

- (5) The deductible loss of unrecognized deferred income tax assets will expire in the following years

Unit: RMB

Year	Opening balance	Closing balance	Remark
2025	—	—	—
2026	137,040,408.69	137,067,736.20	—
2027	2,231,156.38	2,231,156.38	—
2028	6,245,804.43	7,359,760.16	—
2029	80,736,719.62	81,308,983.78	—
2030	2,896,541.95	—	—
2031	273,110,646.67	273,110,646.67	—
2032	198,456,087.55	198,456,087.55	—
2033	200,308,171.36	210,481,054.24	—
2034	1,652,350,891.16	228,456,200.17	—
2035	73,344,334.97	—	—
Total	2,626,720,762.78	1,138,471,625.15	—

Other explanations:

As at 31 December 2025, as the Company is unable to predict whether sufficient taxable profits will be available in the future against which the deductible losses can be utilised, and based on the prudence principle, deferred tax assets have not been recognised in respect of such deductible temporary differences and tax losses.

17. Other non-current assets

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayments for construction equipment	3,058,459.20	—	3,058,459.20	259,900.00	—	259,900.00
Total	3,058,459.20	—	3,058,459.20	259,900.00	—	259,900.00

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

18. Assets with ownership or right-to-use restrictions

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type(s) of restriction	Status of restriction	Book balance	Book value	Type(s) of restriction	Status of restriction
Monetary funds	70,000,000.00	70,000,000.00	Security deposits for bills	Restricted deposits	70,000,000.00	70,000,000.00	Security deposits for bills	Pledge
Bills receivable	—	—	—	—	10,000,000.00	10,000,000.00	Pledged bills/ factoring financing	Pledge
Fixed assets	241,753,516.46	65,188,180.65	Charge/seizure	Charge for financing/ seizure for litigation	350,036,111.78	108,445,903.44	Charge/seizure	Charge for financing/seizure for litigation
Intangible assets	177,046,812.02	130,444,689.80	Charge/seizure	Charge for financing/ seizure for litigation	152,143,022.12	115,854,528.20	Charge/seizure	Charge for financing/seizure for litigation
Monetary funds	10,000,000.00	10,000,000.00	Deposits for borrowings	Pledge	—	—	—	—
Monetary funds	1,252,373.26	1,252,373.26	Frozen for litigation	Frozen	1,460,768.33	1,460,768.33	Frozen for litigation	Frozen
Monetary funds	6,335,122.32	6,335,122.32	Fixed deposits	Pledge	—	—	—	—
Accounts receivable	—	—	—	—	16,910,160.84	16,741,059.23	Factoring financing	Pledge
Total	506,387,824.06	283,220,366.03	—	—	600,550,063.07	322,502,259.20	—	—

19. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Pledged borrowings	9,708,891.67	25,460,572.85
Charge for borrowings	230,366,850.00	289,433,913.33
Guaranteed borrowings	952,560,068.20	879,356,404.64
Credit borrowings	62,913.72	77,952,333.55
Bills discounted	158,423,027.88	153,562,689.02
Total	1,351,121,751.47	1,425,765,913.39

(2) Details of overdue unpaid short-term borrowings

There were no overdue unpaid short-term borrowings as at the end of the period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

20. Bills payable

Unit: RMB

Type	Balance at the end of the period	Balance at the beginning of the period
Commercial acceptance bills	66,591,079.41	—
Bank acceptance bills	—	7,128.75
Total	66,591,079.41	7,128.75

The Company had no overdue unpaid bills payable as at the end of the period.

21. Accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Trade payables for goods	319,370,969.08	215,369,555.26
Payables for construction equipment	4,249,120.73	4,287,227.46
Expense payables	74,365,658.66	74,551,095.96
Total	397,985,748.47	294,207,878.68

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

21. Accounts payable (Continued)

(2) Significant accounts payable aged over 1 year or overdue

The Company did not have any significant accounts payable aged over 1 year as at the end of the period.

Accounts payable listed on the aging basis

The aging analysis of accounts payable (including accounts payable of affiliated party) based on the transaction date is as follows:

Unit: RMB		
Item	Balance at the end of the period	Balance at the beginning of the period
Within 1 year	330,150,178.65	228,402,199.71
1-2 years	21,439,107.95	20,662,282.33
2-3 years	13,986,511.36	11,163,851.48
Over 3 years	32,409,950.51	33,979,545.16
Total	397,985,748.47	294,207,878.68

(3) Whether there are overdue and unpaid payments to small and medium-size enterprises

Whether it is a large enterprise:

☐ Yes ☒ No

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

22. Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other payables	41,087,652.71	40,123,921.92
Total	41,087,652.71	40,123,921.92

(1) Other payables

(1) Presentation of other payables by nature of payment

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Accrued energy charges	24,080,037.83	16,233,006.95
Deposits and security deposits	7,402,430.48	4,716,630.48
Rentals	4,905,108.80	18,894,197.90
Investment payable	4,500,000.00	—
Others	200,075.60	280,086.59
Total	41,087,652.71	40,123,921.92

(2) Significant other payables aged over 1 year or overdue

The Company did not have any significant other payables aged over 1 year as at the end of the period.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

23. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Advances on sales	138,946,640.35	35,099,585.13
Total	138,946,640.35	35,099,585.13

24. Salaries payable

(1) Presentation of salaries payable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
I. Short-term salaries	50,249,839.63	123,889,227.70	140,639,602.35	33,499,464.98
II. Post-employment benefits – defined contribution plans	7,154,185.30	13,832,626.26	20,986,811.56	—
Total	57,404,024.93	137,721,853.96	161,626,413.91	33,499,464.98

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

24. Salaries payable (Continued)

(2) Presentation of short-term salaries

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Wages, bonuses, allowances and subsidies	30,255,130.31	108,877,357.92	125,864,726.34	13,267,761.89
2. Employee benefit costs	—	1,819,764.46	1,819,764.46	—
3. Social insurance premiums Including: medical insurance premiums work injury insurance	433,901.82 — 433,901.82	7,332,015.11 6,782,735.68 549,279.43	7,765,916.93 6,782,735.68 983,181.25	— — —
4. Housing provident funds	1,640,438.22	2,090,664.11	2,910,600.00	820,502.33
5. Labor union expenditures and employee education funds	17,920,369.28	3,769,426.10	2,278,594.62	19,411,200.76
Total	50,249,839.63	123,889,227.70	140,639,602.35	33,499,464.98

(3) Presentation of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Basic pension insurance	6,833,552.22	13,272,566.69	20,106,118.91	—
2. Unemployment insurance expense	320,633.08	560,059.57	880,692.65	—
Total	7,154,185.30	13,832,626.26	20,986,811.56	—

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

24. Salaries payable (Continued)

(3) Presentation of defined contribution plans (Continued)

Other descriptions:

- (1) The Group is required to participate in social insurance schemes established by government agencies. Under the schemes, the Group pays contributions to the schemes in accordance with the relevant regulations of the local government. Except for the above contributions, the Group has no further payment obligations, and the Company does not have the right to dispose of the above funds after the relevant fees have been paid up. The corresponding expenses are charged to profit or loss or the cost of the related assets as incurred.
- (2) The Group's salaries payable at the end of the year included unpaid wages, bonuses and subsidies of RMB13,267,761.89. As at the date of disclosure of this report, such amount has been fully paid.
- (3) For each of the two financial years ended 31 December 2024 and 2025, no forfeited contributions under the Company's defined contribution plans (made by the employer on behalf of its employees who leave the plan prior to the full vesting of such contributions), were available to the Group to reduce its current level of contributions.

25. Tax payable

Item	Unit: RMB	
	Balance at the end of the period	Balance at the beginning of the period
Value-added tax	5,600,941.98	7,920,879.40
Enterprise income tax	5,329,218.87	5,269,622.45
Individual income tax	81,824.34	107,385.57
Urban maintenance and construction tax	388,026.86	580,538.47
Property tax	457,729.44	367,762.57
Land use tax	339,350.20	230,150.20
Stamp duty	358,692.60	189,587.69
Education surcharge	276,886.26	414,649.70
Others	52,991.67	26,422.90
Total	12,885,662.22	15,106,998.95

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

26. Non-current liabilities due within one year

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term borrowings due within one year	—	1,855,663.87
Long-term payables due within one year	38,033,067.63	20,008,514.71
Lease liabilities due within one year	182,033.10	8,177,903.10
Total	38,215,100.73	30,042,081.68

(1) Long-term borrowings due within one year

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Guaranteed borrowings	—	1,855,663.87

(2) Long-term payables due within one year

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Sale and leaseback financing	38,033,067.63	20,008,514.71

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

27. Other current liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Output tax to be transferred	17,907,683.61	4,400,344.20
Endorsed acceptance bills not yet derecognized	22,064,036.75	14,747,389.73
Total	39,971,720.36	19,147,733.93

28. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Credit borrowings	—	2,009,473.25
Less: long-term borrowings due within one year	—	-1,855,663.87
Total	—	153,809.38

Note on the classification of long-term borrowings:

Other explanations, including interest rate range:

The interest rate range of long-term borrowings in 2025 was 8.28% to 9.18%.

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

29. Lease liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Lease payments	192,259.75	8,899,109.73
Unrecognized financing costs	-10,226.65	-542,460.05
Less: lease liabilities due within one year	-182,033.10	-8,177,903.10
Total	—	178,746.58

Other explanations:

In 2025, interest expense on lease liabilities of RMB254,300 was recognised, which was included in financial costs – interest expenses.

30. Long-term payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term payables	52,698,375.15	—
Total	52,698,375.15	—

(1) Presentation of long-term payables by nature of payment

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Sale and leaseback financing	90,731,442.78	20,008,514.71
Less: long-term payables due within one year	38,033,067.63	20,008,514.71
Total	52,698,375.15	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

31. Estimated liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period	Reason(s) for occurrence
Pending litigations	5,058,038.23	4,960,656.25	Provision for litigation-related expenses
Total	5,058,038.23	4,960,656.25	—

32. Deferred revenue

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason(s) for occurrence
Government grants	6,085,498.10	—	173,871.38	5,911,626.72	Asset-related government grants
Government grants	—	1,000,000.00	450,000.00	550,000.00	Revenue-related government grants
Total	6,085,498.10	1,000,000.00	623,871.38	6,461,626.72	—

Other explanations:

Government grants included in deferred income are set out in Note XI. Government grants.

33. Share capital

Unit: RMB

Balance at the beginning of the period	Increase/decrease as a result of the change (+, -)					Balance at the end of the period
	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	
Total number of shares	797,848,400.00	—	—	—	—	797,848,400.00

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

34. Capital reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Capital premium (share capital premium)	961,667,564.73	21,393.86	—	961,688,958.59
Other capital reserves	18,109,790.84	—	—	18,109,790.84
Total	979,777,355.57	21,393.86	—	979,798,749.43

Other explanations, including current increase/decrease as a result of the change and reasons for changes:

The increase in capital reserve – share premium for the current period represents the gain arising from the acquisition by Molong Commercial, a subsidiary of the Company, of equity interests from non-controlling shareholders of Molong Business at nil consideration.

35. Other comprehensive income

Unit: RMB

Item	Balance at the beginning of the period	Current amount before income tax	Current amount					Balance at the end of the period
			Less: Pre-booked other comprehensive income transferred to profit or loss	Less: Pre-booked other comprehensive income transferred to retained income	Less: Income tax expenses	Equity attributable to owners of the parent company after tax	Equity attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified to profit or loss	14,503.12	86,672.51	—	—	21,668.13	65,004.38	—	79,507.50
Changes in fair value of investments in other equity instruments	14,503.12	86,672.51	—	—	21,668.13	65,004.38	—	79,507.50
II. Other comprehensive income that will be reclassified to profit or loss	-3,545,789.78	404,148.87	—	—	—	363,733.99	40,414.88	-3,182,055.79
Exchange differences on translation of foreign financial statements	-3,545,789.78	404,148.87	—	—	—	363,733.99	40,414.88	-3,182,055.79
Total other comprehensive income	-3,531,286.66	490,821.38	—	—	21,668.13	428,738.37	40,414.88	-3,102,548.29

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

35. Other comprehensive income (Continued)

Other explanations, including adjustments for the effective portion of cash flow hedge gains or losses reclassified to the initial carrying amount of hedged items:

Nil

36. Special reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Production safety expenses	—	7,739,267.07	7,739,267.07	—
Total	—	7,739,267.07	7,739,267.07	—

Other explanations, including current increase/decrease and reasons for changes:

The Company provided for production safety expenses in accordance with the “Administrative Measures for the Provision and Utilization of Production Safety Expenses by Enterprises” (Cai Qi [2022] No. 136) issued by the Ministry of Finance and the State Administration of Work Safety.

37. Surplus reserve

Unit: RMB

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

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

38. Undistributed profits

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Undistributed profits at the end of the previous period before adjustments	-1,469,578,894.72	-1,425,879,061.33
Undistributed profits at the beginning of the period after adjustments	-1,469,578,894.72	-1,425,879,061.33
Add: Net profit attributable to owners of the parent company for the period	5,155,602.79	-43,699,833.39
Undistributed profits at the end of the period	-1,464,423,291.93	-1,469,578,894.72

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

- 1) The effect of the retrospective adjustments according to ASBE and their new related requirements on the undistributed profits as at the beginning of the period amounted to RMB0.00.
- 2) The effect of the changes in accounting policies on the undistributed profits as at the beginning of the period amounted to RMB0.00.
- 3) The effect of corrections of significant accounting errors on the undistributed profits as at the beginning of the period amounted to RMB0.00.
- 4) The effect of the change of the scope of combination under common control on the undistributed profits as at the beginning of the period amounted to RMB0.00.
- 5) The combined effect of other adjustments on the undistributed profits as at the beginning of the period amounted to RMB0.00.

Detailed explanation of the utilisation of capital reserve to offset accumulated losses:

Nil

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal operations	1,689,429,691.30	1,518,756,646.19	1,280,852,992.04	1,215,582,987.23
Other operations	72,195,872.17	67,161,020.96	75,493,677.99	85,999,853.65
Total	1,761,625,563.47	1,585,917,667.15	1,356,346,670.03	1,301,582,840.88

The lowest of the audited total profit, net profit and net profit after deduction of extraordinary gains or losses of the Company for the reporting period is negative

✓ Yes ☐ No

Unit: RMB

Item	This year	Specific deduction	Last year	Specific deduction
Amount of operating revenue	1,761,625,563.47	Mainly comprised of income from sales of products.	1,356,346,670.03	Mainly comprised of income from sales of products.
Total amount of deductions from operating revenue	74,679,383.44	Mainly comprised of income from sales of scrap.	88,839,959.11	Mainly comprised of income from sales of scrap.
Proportion of total amounts of deductions from operating revenue in operating revenue	4.24%		6.55%	
I. Operating revenue not related to principal operations				
1. Operating revenue from operations other than normal operations, such as revenue realized from leasing fixed assets, intangible assets, packaging materials, sales of materials, exchanges for non-monetary assets with materials, engaging in entrusted management business, and revenue included in revenue from principal operations but generated from operations other than normal operations of the Company.	74,679,383.44	Income from sales of scrap not related to principal operations.	88,839,959.11	Income from sales of scrap not related to principal operations.
Subtotal of revenue from operations not related to principal operations	74,679,383.44	Income from sales of scrap.	88,839,959.11	Income from sales of scrap.
II. Income without commercial substance				
Subtotal of income without commercial substance	0.00	Nil	0.00	Nil
Revenue after deductions	1,686,946,180.03	Mainly comprised of income from sales of products.	1,267,506,710.92	Mainly comprised of income from sales of products.

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs (Continued)

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract category	Segment 1		Total	
	operating revenue	operating costs	operating revenue	operating costs
By type of operation				
Including:				
Pipe products	1,658,132,685.70	1,492,002,144.68	1,658,132,685.70	1,492,002,144.68
Three kinds of pumping units	29,474,796.09	26,205,673.86	29,474,796.09	26,205,673.86
Others	74,018,081.68	67,709,848.61	74,018,081.68	67,709,848.61
Classified by operating area	—	—	—	—
Including:				
At home	1,150,301,118.64	1,053,263,045.88	1,150,301,118.64	1,053,263,045.88
At abroad	611,324,444.83	532,654,621.27	611,324,444.83	532,654,621.27
Classified by the time of transfer of goods	—	—	—	—
Including:				
Goods transferred at a point in time	1,761,625,563.47	1,585,917,667.15	1,761,625,563.47	1,585,917,667.15
Classified by contract term	—	—	—	—
Including:	—	—	—	—
Short-term contracts	1,761,625,563.47	1,585,917,667.15	1,761,625,563.47	1,585,917,667.15
Classified by sales channel	—	—	—	—
Including:				
Direct sales	1,761,625,563.47	1,585,917,667.15	1,761,625,563.47	1,585,917,667.15
Total	1,761,625,563.47	1,585,917,667.15	1,761,625,563.47	1,585,917,667.15

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

39. Operating revenue and operating costs (Continued)

Information related to performance obligation:

Item	Time of fulfilling performance obligation	Material payment terms	Nature of goods the Company undertook to transfer	Whether as a principal	Payment expected to be returned to customers borne by the Company	Type of quality assurance provided by the Company and relevant obligations
Export sales	For export transactions settled under FOB, CIF and C&R terms, revenue is recognised when the goods are loaded, declared for export and the bill of lading is obtained. For EXW terms, revenue is recognised based on the customer's designated pick-up location.	Export operations are mainly settled by cash in advance and letters of credit. For most customers, prepayment is required, and the balance is settled before delivery or upon presentation of a copy of the bill of lading.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3-6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Information related to transaction price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of reporting period were RMB1.508 billion. The amount is expected to be recognized as incomes in 2026.

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

40. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	948,269.38	2,761,907.77
Education surcharge	676,690.26	2,008,591.04
Property tax	1,713,336.42	1,659,963.75
Land use tax	1,211,800.80	1,133,655.47
Stamp duty	1,215,532.41	1,189,253.50
Others	278,196.28	246,290.99
Total	6,043,825.55	8,999,662.52

41. Administrative costs

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Salaries	21,135,176.28	27,252,673.13
Amortization of intangible assets	4,874,327.40	6,957,035.61
Commissions	2,694,547.43	1,812,595.30
Depreciation costs	1,749,122.71	71,086,594.39
Expenses of the board of directors	1,608,901.95	2,151,100.13
Utility bills	1,424,787.34	2,205,361.78
Business entertainment expenses	1,305,306.45	1,233,257.18
Repair charges	649,595.65	614,333.81
Premiums for property insurance	590,791.62	539,795.43
Machinery material consumables	483,804.26	709,459.31
Others	3,342,582.79	4,390,675.30
Total	39,858,943.88	118,952,881.37

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1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

42. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Salaries	9,396,065.74	8,821,328.74
Commissions	2,588,394.68	1,202,263.45
Service fees	3,917,855.02	3,891,226.66
Business entertainment expenses	904,812.27	1,176,362.76
Travel expenses	852,111.44	895,777.91
Office expenses	234,808.33	288,897.27
Depreciation costs	12,783.75	153,769.51
Transportation expenses	12,413.30	18,138.75
Others	333,543.09	394,595.92
Total	18,252,787.62	16,842,360.97

43. Research and development expenditures

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Labor cost	14,685,039.94	12,603,211.04
Material cost	18,381,815.92	10,109,862.02
Gas and electricity bills	4,443,555.11	2,671,046.36
Amortization of intangible assets	1,609,185.82	2,206,512.25
Other costs	7,569,884.51	1,718,815.27
Total	46,689,481.30	29,309,446.94

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

44. Financial costs

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expense	93,838,769.72	102,961,159.42
Less: interest income	-1,385,677.63	-1,055,114.19
Exchange gain or loss	162,148.89	-7,174,471.47
Handling fees and others	1,714,598.52	1,882,541.69
Total	94,329,839.50	96,614,115.45

45. Other income

Unit: RMB

Source of other income	Amount for the current period	Amount for the previous period
Revenue-related government grants	20,604,378.19	272,460.64
Additional deduction of input VAT	4,814,751.30	9,582,861.97
Asset-related government grants	173,871.38	173,871.38
Refund of handling fees for individual income tax withholding tax payments	7,048.36	33,789.37
Total	25,600,049.23	10,062,983.36

46. Gain on change of fair value

Unit: RMB

Sources of gains arising from changes in fair value	Amount for the current period	Amount for the previous period
Other non-current financial assets	-23,524.55	—
Total	-23,524.55	—

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

47. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for using the equity method	674,408.34	32,925.85
Investment income from disposal of long-term equity investments	—	260,109,998.72
Gain on remeasurement of remaining equity interest at fair value after loss of control	—	767,204.43
Bill discounting expenses	-156,601.91	-292,668.83
Total	517,806.43	260,617,460.17

48. Loss on credit impairment

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on notes receivable	-467,250.85	541,494.90
Bad debt losses on accounts receivable	7,243,706.22	2,955,091.72
Bad debt losses on other receivables	-5,021,553.75	-4,980,810.12
Total	1,754,901.62	-1,484,223.50

49. Loss on impairment of assets

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Loss on impairment of inventories and loss on impairment of contract performance costs	-4,987,753.50	-21,035,114.57
IV. Loss on impairment of fixed assets	—	-65,114,328.22
IX. Loss on impairment of intangible assets	—	-20,840,172.65
Total	-4,987,753.50	-106,989,615.44

Notes to the Financial Statements

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

50. Income from disposal of assets

Unit: RMB

Source of income from disposal of assets	Amount for the current period	Amount for the previous period
Gain on disposal of fixed assets (loss indicated with "-")	4,177,481.93	885,975.54
Other gains on disposal (loss indicated with "-")	28,248.91	4,579,402.50
Total	4,205,730.84	5,465,378.04

51. Non-operating income

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Litigation compensation	7,486,346.36	—	7,486,346.36
Waived payments	1,205,209.10	4,605,254.79	1,205,209.10
Gain on retirement of non-current assets	—	0.02	—
Others	430,536.34	1,989,199.53	430,536.34
Total	9,122,091.80	6,594,454.34	9,122,091.80

52. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Loss on damage and retirement of non-current assets	300,652.08	189,248.20	300,652.08
Estimated liabilities	174,988.69	4,960,656.25	174,988.69
Others	1,146,489.02	755,043.97	1,146,489.02
Total	1,622,129.79	5,904,948.42	1,622,129.79

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

53. Income tax expenses

(1) Table of income tax expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	126,689.55	85,089.98
Deferred income tax expenses	22,437.21	-3,041,621.37
Total	149,126.76	-2,956,531.39

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the current period
Total profit	5,100,190.55
Income tax expenses calculated at statutory/applicable tax rates	765,028.58
Effect of different tax rates applicable to subsidiaries	-605,241.20
Effect of adjustments to income tax of prior periods	1,509.01
Effect of non-deductible costs, expenses and losses	393,201.51
Profit or loss of joint ventures and associates accounted for using the equity method	-31,995.15
Tax effect of utilization of unrecognized deductible losses and deductible temporary differences in the previous year	-588,268.02
Tax effect of unrecognized deductible losses and deductible temporary differences	8,322,192.43
Tax effect of research and development fee deduction	-8,107,300.40
Income tax expenses	149,126.76

54. Other comprehensive income

Please refer to Note VII. 35 Other comprehensive income for details.

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Items in cash flow statement

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Government grants	21,154,378.19	272,460.64
Interest income	1,354,982.20	1,101,205.70
Decrease in security deposits	2,685,800.00	5,874,380.36
Recovery of financial assistance	451,800,738.92	—
Others	8,339,473.17	8,973,246.51
Total	485,335,372.48	16,221,293.21

Other cash paid relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenditure for the development of new products	30,424,443.55	14,685,246.74
Commissions	9,873,917.35	9,029,721.32
Business entertainment expenses	2,210,118.72	1,962,540.63
Travel expenses	1,455,601.43	1,460,390.02
Repair charges	659,695.65	1,112,206.23
Handling fees charged by financial institutions	1,714,598.52	1,063,944.35
Utility bills	1,424,787.34	1,036,320.88
Consumables	479,626.55	140,085.95
Payments of operating deposits	7,809,028.80	—
Others	4,758,143.56	7,086,376.49
Total	60,809,961.47	37,576,832.61

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Items in cash flow statement (Continued)

(2) Cash relating to investing activities

Other cash received relating to investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash received from repayment of land and property purchase payments	83,702,500.00	—
Total	83,702,500.00	—

Cash received relating to significant investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash received from repayment of land and property purchase payments	83,702,500.00	—
Total	83,702,500.00	—

Other cash paid relating to investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment for land and property purchase	83,702,500.00	—
Total	83,702,500.00	—

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Items in cash flow statement (Continued)

(2) Cash relating to investing activities (Continued)

Cash paid relating to significant investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Investment in associates paid	40,000,000.00	—
Payment for land and property purchase	83,702,500.00	—
Total	123,702,500.00	—

(3) Cash relating to financing activities

Other cash received relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash received from sale-and-leaseback arrangements	90,000,000.00	—
Total	90,000,000.00	—

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

55. Items in cash flow statement (Continued)

(3) Cash relating to financing activities (Continued)

Other cash paid relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Repayment of sale-and-leaseback liabilities and interest	26,250,875.00	46,724,278.82
Payment of bill deposits	70,000,000.00	—
Repayment of principal portion and interest of lease liabilities	22,525,873.45	—
Payment of deposits for borrowings	10,000,000.00	—
Fixed deposits	6,335,122.32	—
Total	135,111,870.77	46,724,278.82

Changes in liabilities arising from financing activities

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Increase in the current period			Decrease in the current period		
	Balance at the beginning of the period	Cash changes	Non-cash changes	Cash changes	Non-cash changes	Balance at the end of the period
Short-term borrowings	1,425,765,913.39	2,212,739,142.80	—	2,262,703,008.51	24,680,296.21	1,351,121,751.47
Long-term payables (inclusive of long-term payables due within one year)	20,008,514.71	90,000,000.00	6,973,803.07	26,250,875.00	—	90,731,442.78
Lease liabilities (including lease liabilities due within one year)	8,356,649.68	—	—	4,392,276.15	3,782,340.43	182,033.10
Other payables (lease liabilities due)	18,894,197.90	—	4,144,508.20	18,133,597.30	—	4,905,108.80
Long-term borrowings	2,009,473.25	—	—	2,009,473.25	—	—
Total	1,475,034,748.93	2,302,739,142.80	11,118,311.27	2,313,489,230.21	28,462,636.64	1,446,940,336.15

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VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

56. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	4,951,063.79	-44,636,618.16
Add: Provision for impairment of assets	3,232,851.88	108,473,838.94
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	55,828,584.80	132,008,314.37
Depreciation of right-of-use assets	7,090,981.15	7,917,355.43
Amortization of intangible assets	6,483,513.22	9,163,547.86
Amortization of long-term prepaid expenses	—	—
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	-4,205,730.84	-5,465,378.04
Loss on retirement of fixed assets ("—" denotes gain)	300,652.08	189,248.18
Loss on changes in fair value ("—" denotes gain)	23,524.55	—
Finance expenses ("—" denotes gain)	93,820,016.12	96,122,601.75
Investment loss ("—" denotes gain)	-517,806.43	-260,617,460.17
Decrease in deferred income tax assets ("—" denotes increase)	—	390,170.69
Increase in deferred income tax liabilities ("—" denotes decrease)	22,437.21	-7,072,634.04
Decrease in inventories ("—" denotes increase)	-171,850,299.53	-28,218,752.74
Decrease in operating receivables ("—" denotes increase)	-261,639,319.55	-196,083,157.22
Increase in operating payables ("—" denotes decrease)	587,182,481.73	226,914,935.46
Others	-76,489.40	4,786,784.87
Net cash flows from operating activities	320,646,460.78	43,872,797.18
2. Major investing and financing activities not involving cash settlements		
Capital converted from debts	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under finance leases	—	—
3. Net change in cash and cash equivalents:		
Closing balance of cash	185,905,663.41	85,328,121.79
Less: Opening balance of cash	85,328,121.79	87,640,771.80
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	100,577,541.62	-2,312,650.01

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(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

56. Supplementary information on cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	185,905,663.41	85,328,121.79
Including: cash on hand	22,845.02	18,534.35
cash in bank readily available for payment	185,871,980.36	15,298,500.05
other monetary funds readily available for payment	10,838.03	70,011,087.39
III. Closing balance of cash and cash equivalents	185,905,663.41	85,328,121.79

(3) Monetary funds excluded from cash and cash equivalents

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Reason for being excluded from cash and cash equivalents
Frozen monetary funds	1,252,373.26	1,460,768.33	Not readily available for payment
Deposits for bank acceptance bills	70,000,000.00	—	Not readily available for payment
Deposits for bank borrowings	10,000,000.00	—	Not readily available for payment
Fixed deposits	6,335,122.32	—	Not readily available for payment
Total	87,587,495.58	1,460,768.33	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

56. Supplementary information on cash flow statement (Continued)

(4) Description of other significant activities

Supplier finance arrangements

Terms and conditions of supplier finance arrangements

Supplier finance arrangements: To fully utilize non-bank financing channels, the Company would obtain quotations from the raw material supplier before purchasing raw materials. After determining the price, the Company would contact the advancing party for a procurement arrangement. Thereafter, the advancing party would enter into a purchase contract with the raw material supplier, and the Company would negotiate over the price with the advancing party and enter into a purchase contract with it. In 2025, a total of RMB25.5122 million was paid for the differences in purchase price.

Items presented in the balance sheet and related information

Unit: RMB		
Presented item	Balance at the end of the period	Balance at the beginning of the period
Accounts payable	190,697,197.13	137,705,254.97

Range of payment due dates

Upon receipt of the invoice or payment notice from the advancing party, the Company would determine the payment period based on the agreed payment schedule under the contract.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

57. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	—	—	3,543,579.89
Including: USD	504,149.74	7.0288	3,543,567.70
EUR	0.38	8.2355	3.13
HKD	10.03	0.9032	9.06
Accounts receivable	—	—	126,490,328.45
Including: USD	17,996,006.21	7.0288	126,490,328.45
EUR	—	—	—
HKD	—	—	—
Accounts payable	—	—	11,821,985.01
Including: USD	1,681,935.04	7.0288	11,821,985.01
Other receivables	—	—	7,591,104.00
Including: USD	1,080,000.00	7.0288	7,591,104.00

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal place of business, reporting currency and basis for the selection of the currency. Reasons shall be disclosed if there is any change in the reporting currency.

☒ Applicable ☐ Not applicable

The registered office and the principal place of business of MPM Corporation, a subsidiary of the Company (owned as to 90% of its shares and voting rights by the Company) are Hong Kong, and its reporting currency is USD.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

58. Leases

(1) The Company as lessee:

☒ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of the lease liabilities

☐ Applicable ☒ Not applicable

Lease expenses for short-term leases and leases of low-value assets accounted for using the simplified approach

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount for the current period
Short-term lease expenses	1,360,541.07

(2) Transactions involving sale and leaseback arrangements

During the period, the Company entered into a Sale and Leaseback Contract with Haier Financial Services China Co., Ltd.* (海爾融資租賃股份有限公司) and a Sale and Leaseback Contract with Chengtai Financial Leasing (Tianjin) Co., Ltd. (誠泰融資租賃(天津)有限公司). Considering that prior to the occurrence of the lease transactions, the leased assets as stipulated in the contracts were assets of the Company and were controlled by the Company, and that the lessors could only lease the underlying assets to the Company, and upon expiry of the lease term the lessee would pay a nominal purchase price and the leased assets would belong to the Company, the control over the relevant leased assets under the sale and leaseback arrangements remains with the Company. Accordingly, the transfer of such assets does not constitute a sale.

Notes to the Financial Statements

1 January 2025 to 31 December 2025
(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items (continued)

58. Leases (Continued)

(3) The Company as lessor

Operating leases as lessor

☐ Applicable ☒ Not applicable

Financing leases as lessor

☐ Applicable ☒ Not applicable

Annual undiscounted lease receipts for the next five years

☐ Applicable ☒ Not applicable

Reconciliation of undiscounted lease receipts to net lease investment

(4) Recognition of selling profit or loss on finance leases as a manufacturer or dealer lessor

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

VIII. Research and development expenditures

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Labor cost	14,685,039.94	12,603,211.04
Material cost	18,381,815.92	10,109,862.02
Gas and electricity bills	4,443,555.11	2,671,046.36
Amortization of intangible assets	1,609,185.82	2,206,512.25
Other costs	7,569,884.51	1,718,815.27
Total	46,689,481.30	29,309,446.94
Including: expensed research and development expenditures	46,689,481.30	29,309,446.94

IX. Changes in scope of consolidation

1. Disposal of subsidiaries

Whether there were any transactions or events resulting in loss of control over subsidiaries during the period

☐ Yes ☒ No

Whether there was any disposal of investments in subsidiaries through multiple transactions and loss of control over the subsidiary during the period

☐ Yes ☒ No

2. Others

On 8 December 2025, the Company and its subsidiary MPM Company jointly established Shandong Xincheng. The Company contributed RMB3.58 million, representing a 71.6% equity interest, while MPM Company contributed RMB1.42 million, representing a 28.4% equity interest. Shandong Xincheng has been included in the Group's consolidated financial statements. The matter was considered and approved by the manager's office.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

X. Interests in other entities

1. Interests in subsidiaries

(1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Principal place of operation	Place of registration	Business nature	Type of enterprise	Percentage of shareholding		Type of legal person	Method of acquisition
						Direct	Indirect		
MPM Corporation	USD 1 million	Hong Kong, China	Hong Kong, China	Trading	Limited company	90.00%	—	Profit-making legal person	Business combinations not under common control
Molong Electromechanical	USD 1 million	Shouguang, China	Shouguang, China	Manufacturing	Limited company	75.00%	25.00%	Profit-making legal person	Business combinations not under common control
Molong Logistics	RMB3 million	Shouguang, China	Shouguang, China	Service industry	Limited company	100.00%	—	Profit-making legal person	Establishment through investment
Molong I&E	RMB10 million	Shouguang, China	Shouguang, China	Import and export	Limited company	100.00%	—	Profit-making legal person	Establishment through investment
Molong Commercial	RMB30 million	Shouguang, China	Shouguang, China	Trading	Limited company	100.00%	—	Profit-making legal person	Establishment through investment
Molong Business	RMB1 million	Shouguang, China	Shouguang, China	E-commerce	Limited company	100.00%	—	Profit-making legal person	Establishment through investment
Shangdong Xincheng	RMB5 million	Shouguang, China	Shouguang, China	Trading and service	Limited company	71.60%	28.40%	Profit-making legal person	Establishment through investment

(2) Significant restrictions on the use of the Group's assets and the settlement of the Group's debts

There were no significant restrictions on the use of the Group's assets and the settlement of the Group's debts.

(3) Financial support or other support provided to structured entities included in the scope of the consolidated financial statements

There was no financial support or other support provided to structured entities included in the scope of consolidated financial statements.

Other descriptions:

As at 31 December 2025, none of the Company's subsidiaries issued any share capital or debt securities.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

X. Interests in other entities (Continued)

2. Transactions with changes in ownership interests in subsidiaries without loss of control

(1) Description of changes in ownership interests in subsidiaries

Molong Commercial, a wholly-owned subsidiary of the Company, originally held a 66% equity interest in Molong Business. In June 2025, Molong Commercial entered into an equity transfer agreement with Qingdao Zidong Network Technology Co., Ltd., pursuant to which Qingdao Zidong Network Technology Co., Ltd. agreed to transfer its 34% equity interest in Molong Business to Molong Commercial at nil consideration. Upon completion of the transfer, Molong Commercial holds a 100% equity interest in Molong Business. The equity transfer has been completed.

(2) Impact on minority interests and equity attributable to owners of the parent

Unit: RMB

	Molong Business
Consideration for acquisition/disposal	—
— Cash	—
— Fair value of non-cash assets	—
Total consideration for acquisition/disposal	—
Less: carrying amount of net assets attributable to the proportion acquired/disposed	21,393.86
Difference	-21,393.86
Of which: adjustment to capital reserve	-21,393.86
Adjustment to surplus reserve	—
Adjustment to undistributed profits	—

3. Interests in joint ventures and associates

(1) Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of incorporation	Nature of business	Percentage of shareholding		Accounting treatment of investment in joint ventures or associates
				Direct	Indirect	
1. Associate Shengrui Investment	Shouguang	Shouguang	Trading and investment business	—	40.00%	Equity method

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

X. Interests in other entities (Continued)

3. Interests in joint ventures and associates (Continued)

(2) Summarised financial information of significant associate

Unit: RMB

	Balance at the end of the period/Amount for the current period Shengrui Investment	Balance at the beginning of the period/Amount for the previous period
Current assets	101,960,089.11	—
Non-current assets	—	—
Total assets	101,960,089.11	—
Current liabilities	135,616.14	—
Non-current liabilities	—	—
Total liabilities	135,616.14	—
Minority interests	—	—
Equity attributable to owners of the parent	101,824,472.97	—
Share of net assets based on ownership interest	40,729,789.19	—
Adjustments		
— Goodwill	—	—
— Unrealised profit from internal transactions	—	—
— Others	—	—
Carrying amount of investment in associate	40,729,789.19	—
Fair value of investment in associate with quoted price	—	—
Operating revenue	1,901,357.01	—
Net profit	1,824,472.97	—
Net profit from discontinued operations	—	—
Other comprehensive income	—	—
Total comprehensive income	1,824,472.97	—
Dividend received from joint ventures during the year	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

X. Interests in other entities (Continued)

3. Interests in joint ventures and associates (Continued)

(3) Aggregate financial information of insignificant joint ventures or associates

Unit: RMB

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
Joint ventures:		
Total amount of the following items based on percentage of shareholdings		
Associates:		
Total carrying amount of investments	5,611,076.49	1,666,457.34
Total amount of the following items based on percentage of shareholdings		
— Net profit	-55,380.85	-28,127.47
— Total comprehensive income	-55,380.85	-28,127.47

(4) Significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

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

(5) Excessive losses incurred by joint ventures or associates

None of the associates incurred any excessive losses.

(6) Unrecognized commitments associated with investment in joint ventures

Nil

(7) Contingent liabilities associated with investment in joint ventures or associates

The Company had no contingent liabilities associated with investment in associates.

4. Interests in structured entities not included in the scope of the consolidated financial statements

The Company had no structured entities not included in the scope of the consolidated financial statements.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XI. Government grants

1. Government grants recognized based on amounts receivable at the end of the reporting period

☐ Applicable ☒ Not applicable

Reason(s) for failing to receive the expected amount of government grants on the expected date

☐ Applicable ☒ Not applicable

2. Liabilities involving government grants

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Balance at the beginning of the period	Amount of new grants during the current period	Amount included in non-operating income during the current period	Amount transferred to other income during the current period	Other movements during the current period	Balance at the end of the period	Asset-related/ Revenue-related
Deferred revenue	6,085,498.10	—	—	173,871.38	—	5,911,626.72	Asset-related
Deferred revenue	—	1,000,000.00	—	450,000.00	—	550,000.00	Revenue-related
Total	6,085,498.10	1,000,000.00	—	623,871.38	—	6,461,626.72	—

3. Government grants recognised in current profit or loss

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Asset-related government grants	173,871.38	173,871.38
Revenue-related government grants	20,604,378.19	272,460.64

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments

(i) Risks arising from financial instruments

The Company's main financial instruments include monetary funds, bills receivable, accounts receivable, financing receivables, other receivables, other current assets, financial assets held for trading, investments in other equity instruments, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. Details of the financial instruments are disclosed in the related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within a prescribed scope.

1. Objectives and policies of risk management

Risks associated with the financial instruments of the Company mainly include credit risk, liquidity risk and market risk.

The objective of the Company's risk management is to achieve an appropriate balance between risk and return and to minimise the adverse effects of financial risks on the Company's financial results. Based on this objective, the Company has established risk management policies to identify and analyse the risks faced by the Company, set appropriate risk appetite levels and design corresponding internal control procedures to monitor the Company's risk exposure. These risk management policies and internal control systems are reviewed on a regular basis to adapt to changes in market conditions or the Company's operating activities. The internal audit department of the Company also performs regular and ad hoc reviews to assess whether the internal control system is implemented in compliance with the risk management policies.

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has established risk management policies to identify and analyse the risks it faces, covering market risk, credit risk and liquidity risk management, among others. The Company regularly evaluates changes in the market environment and its operating activities to determine whether updates to risk management policies and systems are required. Risk management is carried out by relevant departments in accordance with policies approved by the Board of Directors, and these departments work closely with other business units to identify, assess and mitigate relevant risks.

The Company diversifies financial instrument risks through appropriate investment and business portfolio diversification, and reduces concentration risk in a single industry, specific region or specific counterparty through relevant risk management policies.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

1. Objectives and policies of risk management (Continued)

(1) Credit risk

Credit risk refers to the risk associated with the default of contractual obligations by a counterparty resulting in financial losses to the Company.

The Company manages credit risk on a collective basis. Credit risks mainly arise from bank deposits, bills receivable, accounts receivable, and other receivables.

The Company's bank deposits are mainly placed in state-owned banks, other large and medium-sized listed banks and local rural banks. The Company does not expect that there will be significant credit risk on its bank deposits.

For bills receivable, accounts receivable and other receivables, the Company has formulated related policies to control exposure of credit risks. The Company evaluates customers' credit quality and sets related credit period based on their financial position, credit records and other factors such as current market situations. The Company monitors the credit history of its customers on a regular basis. For customers with poor credit history, the Company uses reminders or canceled credit periods to ensure that the Company's overall credit risk is within a manageable range.

The debtors of the Company's accounts receivable are customers distributed across different industries and regions. The Company performs ongoing credit evaluations of the financial condition of its accounts receivable.

The Company's maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company did not provide any other guarantees that may expose the Company to credit risk.

Of the Company's accounts receivable, accounts receivable from the top five customers accounted for 61.83% (2024: 73.27%) of the Company's total accounts receivable. Of the Company's other receivables, other receivables from the top five companies in terms of amount owed accounted for 99.86% (2024: 99.92%) of the Company's total other receivables.



Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments *(Continued)*

(i) Risks arising from financial instruments *(Continued)*

1. Objectives and policies of risk management *(Continued)*

(2) *Liquidity risk*

Liquidity risk refers to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilization of bank borrowings and ensures compliance with the borrowing agreements. Commitments are also obtained from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

The Company finances its operations through funds generated from operations and bank and other borrowings. As at the end of the period, the Company had unutilized bank borrowing facilities of RMB50 million (as at the end of the previous year, the Company had no unutilized bank borrowing facilities).

The Company will also consider negotiating with suppliers to adopt supplier financing arrangements to extend the payment period so as to reduce the Company's cash flow pressure.



Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

1. Objectives and policies of risk management (Continued)

(2) Liquidity risk (Continued)

As at the end of the period, the financial liabilities and off-balance sheet guarantees held by the Company are analyzed by their maturity as follows at their remaining undiscounted contractual cash flows (Unit: RMB'0,000):

Item	Balance at the end of the period			
	Within 1 year	1 to 3 years	Over 3 years	Total
Financial liabilities:				
Short-term borrowings	135,112.18	—	—	135,112.18
Bills payable	6,659.11	—	—	6,659.11
Accounts payable	39,798.57	—	—	39,798.57
Other payables	4,108.77	—	—	4,108.77
Non-current liabilities				
due within one year	3,821.51	—	—	3,821.51
Long-term payables	—	5,269.84	—	5,269.84
Other current liabilities	3,997.17	—	—	3,997.17

As at the end of the previous year, the financial liabilities and off-balance sheet guarantees held by the Company are analyzed by their maturity as follows at their remaining undiscounted contractual cash flows (Unit: RMB'0,000):

Item	Balance at the end of the previous year			
	Within 1 year	1 to 3 years	Over 3 years	Total
Financial liabilities:				
Short-term borrowings	142,576.59	—	—	142,576.59
Bills payable	0.71	—	—	0.71
Accounts payable	29,420.79	—	—	29,420.79
Other payables	4,012.39	—	—	4,012.39
Non-current liabilities				
due within one year	3,004.21	—	—	3,004.21
Other current liabilities	1,914.77	—	—	1,914.77
Long-term borrowings	—	15.38	—	15.38
Lease liabilities	—	17.87	—	17.87

The financial liabilities disclosed above are based on their undiscounted cash flows and may differ from the carrying amounts in the balance sheet.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

1. Objectives and policies of risk management (Continued)

(3) Market risk

The market risk of a financial instrument is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may arise from both recognized interest-bearing financial instruments and unrecognized financial instruments, such as certain loan commitments.

The Company's interest rate risk 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 proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring.

The Company closely monitors the impact of changes in interest rates on the Company's exposure to interest rate risk. The Company currently does not adopt any interest rate hedging policy. However, the management is responsible for monitoring interest rate risk and will consider hedging significant interest rate exposures when necessary. An increase in interest rates will increase the cost of new interest-bearing borrowings as well as the interest expenses on the Company's outstanding interest-bearing borrowings at floating rates, and may have a material adverse impact on the Company's financial performance. The management will make timely adjustments in accordance with the latest market conditions, which may include entering into interest rate swap arrangements to reduce interest rate risk.

The interest-bearing financial instruments held by the Company are as follows (Unit: RMB'0,000):

Item	Amount for the current period	Amount for the previous period
Financial instruments with fixed interest rates		
Financial liabilities	135,112.18	142,777.54
Including: Short-term borrowings	135,112.18	142,576.59
Long-term borrowings	—	200.95
Total	135,112.18	142,777.54
Financial instruments with floating interest rates	—	—
Financial assets	27,347.03	8,678.89
Including: Monetary funds	27,347.03	8,678.89
Total	27,347.03	8,678.89

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

1. Objectives and policies of risk management (Continued)

(3) Market risk (Continued)

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in a currency other than the reporting currency.

The foreign exchange risk mainly arises from the impact of fluctuations in foreign exchange rates on the Company's financial position and cash flows. Apart from subsidiaries established in Hong Kong holding assets denominated in Hong Kong dollars as their functional currency, and a small amount of investment activities in the Hong Kong market, the Company's foreign currency assets and liabilities account for an insignificant proportion of its total assets and liabilities. Therefore, the Company considers that it is not exposed to significant foreign exchange risk.

The amounts of the Company's foreign-currency financial assets and foreign-currency financial liabilities translated into Renminbi as at the end of the period are as follows (Unit: RMB'0,000):

Item	Foreign-currency liabilities		Foreign-currency assets	
	Balance at the end of the period	Balance at the end of the previous year	Balance at the end of the period	Balance at the end of the previous year
USD	1,182.20	1,131.18	29,534.54	5,842.69
EUR	—	—	—	243.84
HKD	—	94.71	—	—
Total	1,182.20	1,225.89	29,534.54	6,086.53

The Company closely monitors the impact of changes in exchange rates on the Company's exposure to exchange rate risk. Currently, the Company does not have any measures in place to hedge its exposure to exchange rate risk. However, the management is responsible for monitoring the exchange rate risk and will consider hedging significant exchange rate exposures if necessary.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

1. Objectives and policies of risk management (Continued)

(3) Market risk (Continued)

Exchange rate risk (Continued)

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currencies against Renminbi on the current profit or loss of the Company is as follows (Unit: RMB'0,000):

Increase (decrease) in profit after tax	Amount for the period		Amount for the previous period	
Increase in exchange rate of USD	5%	1,201.46	5%	200.05
Decrease in exchange rate of USD	-5%	-1,201.46	-5%	-200.05
Increase in exchange rate of EUR	5%	—	5%	10.36
Decrease in exchange rate of EUR	-5%	—	-5%	-10.36
Increase in exchange rate of HKD	5%	—	5%	-4.03
Decrease in exchange rate of HKD	-5%	—	-5%	4.03

2. Capital management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern so as to provide returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust financing arrangements, adjust dividend payments to shareholders, return capital to shareholders, issue new shares and other equity instruments, or dispose of assets to reduce debt.

The Company monitors its capital structure on the basis of the gearing ratio (i.e. total liabilities divided by total assets). As at the end of the period, the Company's gearing ratio was 81.45% (as at the end of the previous year: 79.68%).

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

3. Transfer of financial assets

(1) By transfer method

Transfer method	Nature of financial assets transferred	Amount of financial assets transferred	Derecognized or not	Basis for determining derecognition
Endorsement	Bank acceptance bills	5,738,229.17	Derecognized	The Company transferred substantially all of its risks and rewards
Discounted	Bank acceptance bills	5,000,000.00	Derecognized	The Company transferred substantially all of its risks and rewards
Discounted	Digital debt certificates of accounts receivables	24,385,312.59	Derecognized	The Company transferred substantially all of its risks and rewards
Endorsement	Bank acceptance bills	4,826,854.88	Not derecognized	The Company retained substantially all of its risks and rewards, including the risk of default associated with it
Endorsement	Bank acceptance bills	17,237,181.87	Not derecognized	The Company retained substantially all of its risks and rewards, including the risk of default associated with it
Discounted	Bills receivable	12,097,729.35	Not derecognized	The Company retained substantially all of its risks and rewards, including the risk of default associated with it
Total	—	69,285,307.86	—	—

(2) Financial assets derecognized due to transfer

Item	Transfer method	Amount of derecognition	Gain or loss related to derecognition
Financing receivables	Endorsement	5,738,229.17	—
Financing receivables	Discounted	5,000,000.00	19,038.89
Digital debt certificates of accounts receivables	Discounted	24,385,312.59	268,709.11
Total	—	35,123,541.76	287,748.00

The Company has endorsed bank acceptance bills to suppliers for settlement of accounts payable and discounted bank acceptance bills with banks, with a total carrying amount of RMB35,123,541.76. The Company considers that bank acceptance bills with a carrying amount of RMB35,123,541.76 (31 December 2024: RMB26,273,762.51) have transferred substantially all risks and rewards upon endorsement and discounting, and therefore meet the criteria for derecognition of financial assets. Accordingly, the related bills receivable have been derecognized.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments (Continued)

(i) Risks arising from financial instruments (Continued)

3. Transfer of financial assets (Continued)

(3) Amount of assets and liabilities arising from continuing involvement after transfer of financial assets

Item	Transfer method	Assets arising from continuing involvement	Liabilities arising from continuing involvement
Bills receivable	Endorsement	22,064,036.75	22,064,036.75
Bills receivable	Discounted	12,097,729.35	12,097,729.35
Total	—	34,161,766.10	34,161,766.10

The Company has endorsed bank acceptance bills to suppliers for settlement of trade payables and discounted bank acceptance bills with banks, with a total carrying amount of RMB34,161,766.10. The Company considers that bank acceptance bills with a carrying amount of RMB34,161,766.10 (31 December 2024: RMB28,310,078.75) neither transferred nor retained substantially all risks and rewards of ownership upon endorsement and discounting, and therefore do not meet the criteria for derecognition of financial assets. Accordingly, relevant assets and liabilities are recognized to the extent of the Company's continuing involvement in the transferred bills receivable.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIII. Disclosure of fair value

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value at the end of the period			Total
	Fair value measurements categorized into	Fair value measurements categorized into	Fair value measurements categorized into	
	Level 1	Level 2	Level 2	
I. Recurring fair value measurements	—	—	—	—
(2) Other non-current financial assets	—	—	476,475.45	476,475.45
(iii) Investments in other equity instruments	—	—	3,403,349.84	3,403,349.84
Total assets measured at				
fair value on a recurring basis	—	—	3,879,825.29	3,879,825.29
II. Non-recurring fair value measurements	—	—	—	—

2. Basis for determining the market price of recurring and non-recurring fair value measurements categorized into level 1

Unadjusted quoted prices in an active market for identical assets or liabilities.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized into level 2

Inputs other than level 1 inputs that are either directly (i.e. price) or indirectly (i.e. derived from the price) observable for underlying assets or liabilities.

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized into level 3

Inputs that are unobservable for underlying assets or liabilities.

Content	Fair value at end of period	Valuation technique	Unobservable inputs	Range (weighted average)
Equity instrument investments:				
Unlisted equity investments	—	Net asset value	N/A	N/A

5. Fair value of financial assets and financial liabilities not measured at fair value

The Company's financial assets and financial liabilities measured at amortized cost mainly include: monetary funds, bills receivable, accounts receivable, other receivables, short-term borrowings, bills payable, accounts payable, other payables, non-current liabilities due within one year, long-term payables and long-term borrowings.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital (RMB'0,000)	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Molong Holdings	Shouguang	Other financial services	150,000.00	29.53%	29.53%

Description of the parent company of the Company

Molong Holdings is a wholly owned subsidiary of Shouguang Jinxin, which is in turn wholly owned by Shouguang SAB.

The ultimate controller of the Company is Shouguang SAB.

2. Subsidiaries of the Company

Details of subsidiaries of the Company are set out in Note X.1. (1) Composition of the Group.

3. Joint ventures and associates of the Company

Details of joint ventures and associates of the Company are set out in Note X.3. Interests in joint arrangements or associates.

The following joint ventures or associates entered into related party transactions with the Company during the current period or had balances of related party transactions with the Company from the previous period:

Name of joint ventures or associates	Relationship with the Company
Yalong Machinery	Associate of the Company
Shengrui Investment	Associate of the Company

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Shouguang SAB	The actual controller
Molong Holdings	The controlling shareholder of the Company
Shouguang Jinxin	The legal person that indirectly controls the Company
Shouguang Jinxu Industrial Development Group Co., Ltd.	The legal person that indirectly controls the Company
Shouguang Jinwei Investment, Development and Construction Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Yincheng New Energy Development Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Guangfa Power Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Education Development Group Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Desheng Education Information Service Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Dexin Commerce and Trade Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Deyuan Education Consulting Co., Ltd.	A subsidiary of Shouguang Jinxu
Weifang Mimosa Personal Care Technology Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Senyue Woodwork Co., Ltd.	A subsidiary of Shouguang Jinxu
Shandong Chengxin Biotechnology Co., Ltd.	A subsidiary of Shouguang Jinxu
Hainan Jintou Chufeng Agriculture Science and Technology Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Fuyuan Salt Industry Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Jinxu Health Development Group Co., Ltd. (壽光市金旭衛生健康發展集團有限公司)	A subsidiary of Shouguang Jinxu
Weifang Jinwei Commerce and Trade Co., Ltd.	A subsidiary of Shouguang Jinxu
Weifang Jinheng Pharmaceutical Co., Ltd.	A subsidiary of Shouguang Jinxu
Weifang Jinyue Medical Equipment Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Zhongpukang Pharmaceutical Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Jincheng Venture Capital Partnership (Limited Partnership)	A subsidiary of Shouguang Jinxu
Shouguang Jindun Motor Vehicle Driver Training Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Rongyuan Agriculture Science and Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Chuangcai Asset Management Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jintou Medical Service Co., Ltd.	A subsidiary of Shouguang Jinxin
Xiangrun Industrial	A subsidiary of Shouguang Jinxin
Shouguang Construction Project Quality Inspection Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Xinjing Tourism Development Co., Ltd.	A subsidiary of Shouguang Jinxin

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Shouguang Fenghui Agriculture Science and Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Xinhui Real Estate Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang High-tech Zone Investment and Development Group Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Huibang Construction and Installation Engineering Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Gaotou Shenghui Photovoltaic Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jinsheng Investment Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Ronggeng Agriculture Science and Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Tianyi New Energy Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Qiyuan Operation Management Co., Ltd.	A subsidiary of Shouguang Jinxin
Shandong Qingtai Medical Equipment Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Chenghui Media Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shandong Chiming Salt Chemical Co., Ltd.	A subsidiary of Shouguang Jinxin
Shandong Bolan Biotechnology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Hengze Industrial Development Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jinrui Media Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jinhan Supply Chain Management Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jinshichen Media Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jinying Media Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shandong Longxing Plastic Film Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang High-tech Zone Infrastructure Development Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jintou Thermal Power Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Guoyu New Energy Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Kefa Investment Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Fruit and Vegetable Variety Right Trading Center Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Industrial Investment Holding Group Co., Ltd.	A company where a director of the Company holds an office
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd.	A company where a director of the Company holds an office

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Weifang Xingchen Investment Co., Ltd.	A company where a director of the Company holds an office
Shouguang Jintou Equity Investment Fund Management Co., Ltd.	A company where a director of the Company holds an office
Shandong Univalsoft Co., Ltd.	A company where a director of the Company holds an office
Shouguang Shengcheng Limited Liability Accounting Firm	A company where a director of the Company holds an office
Shouguang Shengcheng Asset Appraisal Co., Ltd.	A company where a director of the Company holds an office
Shouguang Financial Investment Group Co., Ltd.	A company where a related natural person of the Company holds an office
Shouguang Haihengwei Real Estate Development Co., Ltd.	A company where a related natural person of the Company holds an office
Shouguang Jintou Investment Property Management Co., Ltd.	A company where a related natural person of the Company holds an office
Shouguang Xianglin Enterprise Management Co., Ltd.	A company where a related natural person of the Company holds an office
Shouguang Jintou Yudaxiang Agricultural Co., Ltd.	A company where a related natural person of the Company holds an office
Chenming Holdings Company Limited	A company where senior management served in the past 12 months
Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司)	A company where senior management served in the past 12 months
Shandong Zhimeng Holdings Co., Ltd.	A legal person holding more than 5% of the Company's shares and parties acting in concert with it in the past 12 months
Shouguang Panjin Property Co., Ltd.	A legal person holding more than 5% of the Company's shares and parties acting in concert with it in the past 12 months
Shouguang Hongsen Logistics Co., Ltd.	A legal person holding more than 5% of the Company's shares and parties acting in concert with it in the past 12 months
Shouguang Ruisen New Building Materials Co., Ltd.	A legal person holding more than 5% of the Company's shares and parties acting in concert with it in the past 12 months

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions

(1) Related party transactions regarding purchase and sale of goods and rendering and receipt of services

List of purchase of goods/receipt of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount for the previous period
Weifang Huiyi Property Management Co., Ltd.	Property service fees	366,078.57	—	No	457,587.80
Shengrui Investment	Castings	1,251,557.52	—	No	—
Yalong Machinery	Oil pipes, couplings and oil pumps	5,013,266.49	—	No	—

List of sale of goods/rendering of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Amount for the last period
Yalong Machinery	Oil pumps and pipes	484,695.58	957,426.99

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(2) Related party leasing

The Company as a lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease expenses for short-term leases and leases of low-value assets accounted for using the simplified approach (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rentals paid		Interest expenses on lease liabilities assumed		Increased right-to-use assets	
		Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Xiangrun Industry	Houses and buildings	—	—	—	—	221,205.52	-86,197.05	23,589.14	6,524.65	—	568,482.09

(3) Related party guarantees

The Company as a guaranteed party

Unit: RMB

Guarantor	Guarantee amount	Commencement date of the guarantee	Expiry date of the guarantee	Has the guarantee been fulfilled
Shouguang Baolong and Molong Logistics	50,000,000.00	7 March 2024	5 March 2025	Yes
Shouguang Jinxin	85,000,000.00	22 August 2022	22 August 2025	Yes
Molong Commercial and Molong Logistics	40,000,000.00	11 March 2025	10 March 2026	No
Molong Commercial and Molong Logistics	10,000,000.00	26 August 2025	10 March 2026	No
Molong Holdings	95,000,000.00	24 January 2025	23 January 2026	No
Molong Holdings	120,000,000.00	26 January 2025	25 January 2026	No
Molong Holdings	44,400,000.00	12 February 2025	11 February 2026	No

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(4) Borrowings from/lending to related parties

Unit: RMB

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Borrowings				
Shouguang Jinxin	26,638,931.51	18 November 2024	11 August 2025	—
Shouguang Jinxin	40,000,000.00	6 March 2025	7 March 2025	—

In order to support the Company's business development and reduce financing costs, upon consideration and approval at the third extraordinary meeting of the eighth session of the Board of Directors of the Company on 24 February 2025, Shouguang Jinxin, the indirect controlling shareholder of the Company, provided the Company with financial assistance of no more than RMB300 million (inclusive), with a loan term of no more than 1 year (inclusive) at a loan interest rate of no higher than the one-year loan market quotation rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide financial assistance in installments in light of the actual situation, calculate interest based on the actual use days of the loan, and the Company may repay the loan in advance. This financial assistance does not require the Company to provide warranty, mortgage, pledge, or any other forms of guarantee.

As of 31 December 2025, the Company has repaid all its borrowings. If the above borrowings are repaid in installments during the use period, the maturity date is the last repayment date of each borrowing.

(5) Compensation of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration of key management personnel	2,519,837.75	1,867,177.07

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

- ① The remuneration details of the directors, supervisors and senior management of the Company in 2025 are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
Han Gao Gui	—	—	—	—	—
Yuan Rui	—	—	—	—	—
Zhang Zhi Yong (Resigned)	—	—	—	—	—
Wang Tao	—	200,587.98	57,042.61	69,212.35	326,842.94
Song Guang Jie	—	195,837.04	51,080.71	32,820.00	279,737.75
Sub-total	—	396,425.02	108,123.32	102,032.35	606,580.69
Non-executive director					
Huang Bing De	—	—	—	—	—
Zhang Min	—	—	—	—	—
Ma Qing Wen (Resigned)	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive director					
Zhang Zhen Quan	120,000.00	—	—	—	120,000.00
Dong Shao Hua	120,000.00	—	—	—	120,000.00
Zhang Bing Gang	120,000.00	—	—	—	120,000.00
Sub-total	360,000.00	0.00	0.00	0.00	360,000.00
Supervisor					
Liang Guo Liang	—	114,751.99	31,042.65	40,843.80	186,638.44
Li Jing Wei	66,666.67	—	—	—	66,666.67
Jiang Zhen Jian	66,666.67	—	—	—	66,666.67
Sub-total	133,333.34	114,751.99	31,042.65	40,843.80	319,971.78
Senior management					
Wang Zhong Wen	—	—	—	29,800.00	29,800.00
Han Lei Fang	—	283,836.85	55,044.47	57,753.16	396,634.48
Bao Mo Gang	—	—	—	29,223.08	29,223.08
Zhao Xiao Tong	—	200,378.92	54,865.71	55,540.13	310,784.76
Zhu Lin	—	201,608.11	33,201.77	62,544.84	297,354.72
Zhu Yan Li (Resigned)	—	135,111.59	30,714.38	3,662.27	169,488.24
Sub-total	—	820,935.47	173,826.33	238,523.48	1,233,285.28
Total	493,333.34	1,332,112.48	312,992.30	381,399.63	2,519,837.75

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

- ② The remuneration details of the directors, supervisors and senior management of the Company in 2024 are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
Han Gao Gui	—	—	—	—	—
Yuan Rui	—	—	—	—	—
Zhang Zhi Yong	—	—	—	—	—
Wang Tao	—	198,207.91	69,795.86	33,702.28	301,706.05
Yao You Ling (Resigned)	—	122,882.00	0.00	2,041.89	124,923.89
Li Zhi Xin (Resigned)	—	76,851.57	24,413.97	3,929.79	105,195.33
Sub-total	—	397,941.47	94,209.83	39,673.96	531,825.26
Non-executive director					
Zhang Min	—	—	—	—	—
Ma Qing Wen	—	—	—	—	—
Ding Yi (Resigned)	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive director					
Zhang Zhen Quan	13,000.00	—	—	—	13,000.00
Dong ShaoHua	13,000.00	—	—	—	13,000.00
Zhang Bing Gang	13,000.00	—	—	—	13,000.00
Tang Qing Bin (Resigned)	107,000.00	—	—	—	107,000.00
Song Zhi Wang (Resigned)	107,000.00	—	—	—	107,000.00
Cai Zhong Jie (Resigned)	107,000.00	—	—	—	107,000.00
Sub-total	360,000.00	0.00	0.00	0.00	360,000.00

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

- ② The remuneration details of the directors, supervisors and senior management of the Company in 2024 are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Supervisor					
Liang Guo Liang	—	12,141.89	4,179.84	4,413.33	20,735.07
Li Jing Wei	80,000.00	—	—	—	80,000.00
Jiang Zhen Jian	8,666.67	—	—	—	8,666.67
Liu Shu Bao (Resigned)	—	81,865.39	26,216.11	13,610.77	121,692.27
Liu Cheng An (Resigned)	71,333.33	—	—	—	71,333.33
Sub-total	160,000.00	94,007.29	30,395.95	18,024.10	302,427.33
Senior management					
Han Lei Fang	—	127,399.99	35,416.32	13,015.91	175,832.23
Zhu Yan Li	—	126,194.25	33,556.99	5,651.26	165,402.50
Song Guang Jie	—	20,415.50	—	6,144.00	26,559.50
Bao Mo Gang	—	—	—	—	0.00
Zhao Xiao Tong	—	123,878.68	37,324.46	6,916.94	168,120.08
Zhu Lin	—	18,861.36	3,278.04	3,574.44	25,713.84
Zhang Quan Jun (Resigned)	—	82,429.71	24,189.91	4,676.72	111,296.34
Sub-total	—	499,179.48	133,765.72	39,979.27	672,924.48
Total	520,000.00	991,128.24	258,371.50	97,677.34	1,867,177.07

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

- ③ During the year, the five highest paid individuals of the Company included one director (previous year: one) and four other personnel (previous year: four), and the salary range of the four other personnel was RMB0 – 900,000.

The salaries of the highest paid individuals are as follows:

Unit: RMB

Item	Amount for the year	Amount for the previous year
Fees (or allowance)	—	—
Salary	1,178,776.42	1,032,170.17
Contribution to pension plan	221,010.14	276,094.13
Subsidies and benefits	275,492.97	103,143.33
Total	1,675,279.53	1,411,407.64

The number of the highest paid individuals by pay group is as follows (by number):

Annual remuneration range	Number of persons in this year	Number of persons in the previous year
RMB0 to 900,000 (equivalent to approximately HKD0 to 1million)	5	5
Total	5	5

- ④ For the financial year ended 31 December 2025, no other bonuses, either discretionary or based on the Company's, the Group's or any Group member's performance, were paid to or receivable by the five highest paid individuals, and no other emoluments were paid by the Company to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions (continued)

5. Related party transactions (Continued)

(6) Other related party transactions

The Company did not conduct other related party transactions or continuing related party transactions.

6. Amounts due from and due to related parties

(1) Receivables

Unit: RMB

Item	Related party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivables	Yalong Machinery	330,432.25	3,304.32	1,395,150.60	13,951.51
Prepayments	Weifang Huiyi Property Management Co., Ltd.	77,404.09	—	160,909.60	—

(2) Payables

Unit: RMB

Item	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Other payables	Xiangrun Industry	1,827,046.08	1,624,105.24
Non-current liabilities due within one year	Xiangrun Industry	182,033.10	182,638.22
Lease liabilities	Xiangrun Industry	—	178,746.58

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XV. Share-based payment

1. General situation of share-based payment

☐ Applicable ☒ Not applicable

2. Share-based payment settled by equity

☐ Applicable ☒ Not applicable

3. Share-based payment 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

Nil

6. Others

Nil

XVI. Commitments and contingencies

1. Significant commitments

Significant commitments existing on the balance sheet date

As at 31 December 2025, the Company had no discloseable commitments.

2. Contingencies

(1) Significant contingencies on the balance sheet date

Shouguang Maolong, originally a wholly-owned subsidiary of the Company, was sued in respect of the dispute over the "Renovation and Construction and Lease Framework Agreement in relation to the 600-ton Lime Production Line of Shouguang Maolong" (《壽光懋隆600噸石灰生產線改造建設及租賃框架協議》), while the Company and Shouguang Maolong were sued in respect of the dispute over the "Cooperative Production Agreement in relation to Shouguang Maolong's 600-ton Lime Production Line" (《壽光懋隆600噸石灰生產線合作生產協議》). As at the end of 2024, the Company provided for estimated liabilities of RMB4.9607 million based on the best estimate. There were no other changes during the current period and the best estimate remained unchanged. As at the date of the financial report, the case was still in the process of trial.

As at 31 December 2025, the Company had no other contingent matters that should be disclosed.

(2) The Company shall give an explanation if it has no discloseable significant contingencies

The Company has no discloseable significant contingencies.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XVII. Events subsequent to the balance sheet date

1. Significant non-adjusting events

Unit: RMB

Item	Details	Impact on financial position and operating results	Reason for not being able to estimate the impact
Implementation of debt transfer, debt restructuring and recovery of outstanding amounts	In November 2024, the Company transferred its directly held 100% equity interest in Shouguang Maolong to Huarong Agriculture at a consideration of RMB203.0385 million, and passive financial assistance of RMB714.1417 million was formed in respect of Shouguang Maolong. Upon acquisition of the equity interest in Shouguang Maolong, Huarong Agriculture assumed the aforesaid liabilities. As at the end of 2025, the Company had receivables from Huarong Agriculture amounting to RMB452 million, including an outstanding balance of RMB100.0385 million in respect of the equity transfer consideration payable by Huarong Agriculture; and an outstanding balance of RMB352.4149 million in respect of passive financial assistance, resulting in an aggregate outstanding balance of RMB452.4534 million.	No material impact	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XVII. Events subsequent to the balance sheet date (Continued)

1. Significant non-adjusting events (Continued)

Unit: RMB

Item	Details	Impact on financial position and operating results	Reason for not being able to estimate the impact
	On 29 December 2025, the Company convened the tenth extraordinary meeting of the eighth session of the board of directors, and on 23 January 2026, the Company convened the first extraordinary general meeting of 2026, at which the Resolution on the Implementation of Debt Restructuring was considered and approved. It was agreed that the Company and the Vegetable Wholesale Company would enter into a tripartite agreement with Huarong Agriculture, pursuant to which the Vegetable Wholesale Company would repay debts owed by Huarong Agriculture to the Company in the amount of RMB361 million by way of transferring assets it held, including land use rights, buildings and structures, and machinery and equipment located in the Science and Technology Industrial Park in Shouguang, with an appraised value of RMB361.8502 million. In February 2026, the transfer procedures for the above-mentioned assets were completed. In March 2026, Huarong Agriculture repaid RMB30 million in cash. As at the date of the financial report, the outstanding balance of financial assistance provided to Huarong Agriculture amounted to RMB61.4534 million.		

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XVII. Events subsequent to the balance sheet date (Continued)

2. Profit Distribution

Amount of dividends to be distributed for every ten shares (RMB)	0
Number of bonus shares to be distributed for every ten shares (shares)	0
Number of shares to be transferred into share capital for every ten shares (shares)	0
Amount of dividends declared for every ten shares upon consideration and approval (RMB)	0
Number of bonus shares declared for every ten shares upon consideration and approval (shares)	0
Number of shares declared to be transferred into share capital for every ten shares upon consideration and approval (shares)	0
Profit distribution plan	

According to the annual profit distribution plan approved at the fifth meeting of the eighth session of the board of directors of the Company held on 31 March 2026, the Company intended not to pay a final dividend for the year ended 31 December 2025. The above profit distribution plan is yet to be considered and approved by the general meeting.

3. Sales return

As of the date of the financial report, there was no major sales return of the Company.

4. Description of other events subsequent to the balance sheet date

As of 31 March 2026, there were no other discloseable events subsequent to the balance sheet date.

XVIII. Other important matters

1. Segment information

(1) Basis for the determination of reporting segments and their accounting policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into three reporting segments, which are determined for the basis of internal organizational structure, management requirements and internal reporting system. The management of the Company regularly evaluates 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 Company include oil casing, three kinds of pumping units and others.

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards used by each segment in reporting to management on a basis consistent with the accounting and measurement basis used in the preparation of the financial statements.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XVIII. Other important matters (Continued)

1. Segment information (Continued)

(2) Financial Information of Reporting Segments

Unit: RMB

Item	Pipe products	Three kinds of pumping units	Others	Unassigned items	Inter-segment offset	Total
Operating revenue						
Revenue from external sales	1,658,132,685.70	29,474,796.09	74,018,081.68	—	—	1,761,625,563.47
Revenue from inter-segment transactions	—	—	—	—	—	—
Total segment operating revenue	1,658,132,685.70	29,474,796.09	74,018,081.68	—	—	1,761,625,563.47
Total operating revenue as reported	1,658,132,685.70	29,474,796.09	74,018,081.68	—	—	1,761,625,563.47
Segment expenses	1,519,859,121.52	26,612,194.82	68,730,717.48	-1,754,901.62	—	1,613,447,132.20
Segment operating profit	138,273,564.18	2,862,601.27	5,287,364.20	1,754,901.62	—	148,178,431.27
Adjusted for:	—	—	—	—	—	0.00
Administrative expenses	—	—	—	39,858,943.88	—	39,858,943.88
Research and development expenses	—	—	—	46,689,481.30	—	46,689,481.30
Finance costs	—	—	—	94,329,839.50	—	94,329,839.50
Gains on disposal of assets	—	—	—	4,205,730.84	—	4,205,730.84
Other gains	—	—	—	25,600,049.23	—	25,600,049.23
Gain or loss on changes in fair value	—	—	—	-23,524.55	—	-23,524.55
Investment income	—	—	—	517,806.43	—	517,806.43
Operating profit as reported	138,273,564.18	2,862,601.27	5,287,364.20	-148,823,301.11	—	-2,399,771.46
Non-operating income	—	—	—	9,122,091.80	—	9,122,091.80
Non-operating expenses	—	—	—	1,622,129.79	—	1,622,129.79
Total profit	138,273,564.18	2,862,601.27	5,287,364.20	-141,323,339.10	—	5,100,190.55
Income tax	—	—	—	149,126.76	—	149,126.76
Net profit	138,273,564.18	2,862,601.27	5,287,364.20	-141,472,465.86	—	4,951,063.79
Total segment assets	2,192,961,645.12	63,898,706.84	178,272,462.85	246,993,267.84	—	2,682,126,082.65
Total segment liabilities	1,002,369,898.41	17,133,864.68	18,268,808.44	1,146,799,228.99	—	2,184,571,800.52

2. Other important transactions and matters that have an impact on investors' decision-making

(1) Change in the timing of revenue recognition under the export EXW trading model

The Company's export products are primarily settled under various trade terms, including FOB, CIF, C&R, FCA and EXW. In prior years, sales under the EXW trading model accounted for a relatively small proportion, and the Company recognized revenue upon shipment of goods, completion of export customs declaration and obtaining the bill of lading. During the current period, sales of export products under the EXW trading model increased significantly, and the Company expects that such trading model will continue to be more frequently adopted in the future. According to contractual arrangements and standard trade terms, control of the goods is transferred when the customer collects the goods from the factory. Accordingly, the Company has changed the timing of revenue recognition for export products under the EXW trading model to recognize revenue upon the customer collecting the goods from the Company's plant or designated location in accordance with the contractual terms. This change had no impact on the financial data for the year 2024. For the current period, the change resulted in an increase in revenue of RMB10,797,169.20, an increase in cost of sales of RMB9,401,316.62 and an increase in net profit of RMB1,395,852.58.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XVIII. Other important matters (Continued)

2. Other important transactions and matters that have an impact on investors' decision-making (Continued)

(2) Debt transfer

In January 2024, following the disposal of 70% equity interest in Shouguang Baolong, passive financial assistance of RMB461.7095 million was formed in respect of Shouguang Baolong. On 12 February 2025, the Company convened the second extraordinary meeting of the eighth session of the board of directors, at which the Resolution on the Implementation of Receivables Assignment and Debt Restructuring was considered and approved. It was agreed that the Company and the Vegetable Wholesale Company would enter into a tripartite agreement with Shouguang Baolong, pursuant to which the Company would assign receivables due from Shouguang Baolong in the amount of RMB169.1198 million to the Vegetable Wholesale Company. The consideration for the assignment comprised cash of RMB84 million and land use rights and buildings and structures held by the Vegetable Wholesale Company with an appraised value of RMB85.1198 million. The cash consideration of RMB84 million has been received, and the transfer procedures for the relevant land and buildings and structures have been completed.

3. Others

(1) Acceptance of bankruptcy liquidation application against a debtor of the Company

At the end of November 2025, the second creditors' meeting was convened in relation to the bankruptcy liquidation proceedings of Shouguang Baolong. The appraised liquidation value of the assets amounted to RMB335 million. The next step in the bankruptcy liquidation process will be judicial auction of the assets. As at present, such judicial auction has not yet been conducted.

(2) Share pledge by the controlling shareholder

As at 31 December 2025, Molong Holdings, the controlling shareholder of the Company, had pledged 99,355,556 shares of the Company, representing 42.17% of the shares held by it and 12.45% of the total issued shares of the Company.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company

1. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	454,214,351.78	221,335,663.51
1–2 years	227,967.83	2,226,344.02
Over 3 years	56,377,807.85	63,982,578.21
Over 5 years	56,377,807.85	63,982,578.21
Total	510,820,127.46	287,544,585.74

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

1. Accounts receivable (Continued)

(2) Classified disclosure by the bad debt provision method

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Accounts receivable provided for bad debts on a collective basis	510,820,127.46	100.00%	39,059,872.31	7.65%	471,760,255.15	287,544,585.74	100.00%	46,349,808.18	16.12%	241,194,777.56
Including:										
Receivables from customers	251,150,420.45	49.17%	39,059,872.31	15.55%	212,090,548.14	266,585,287.06	92.71%	46,349,808.18	17.39%	220,235,478.88
Letter of credit	239,175,755.85	46.82%	—	—	239,175,755.85	—	—	—	—	—
Receivables from related parties within the scope of consolidation	20,493,951.16	4.01%	—	—	20,493,951.16	20,959,298.68	7.29%	—	—	20,959,298.68
Total	510,820,127.46	100.00%	39,059,872.31	7.65%	471,760,255.15	287,544,585.74	100.00%	46,349,808.18	16.12%	241,194,777.56

Provision for bad debts on a collective basis: Receivables from customers

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	215,038,595.94	3,062,031.71	1.42%
1~2 years	227,967.83	113,983.92	50.00%
2~3 years	—	—	—
2~4 years	—	—	—
4~5 years	—	—	—
Over 5 years	35,883,856.68	35,883,856.68	100.00%
Total	251,150,420.45	39,059,872.31	—

Basis for determining the group:

Provision for bad debts on a collective basis: Letter of credit

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

1. Accounts receivable (Continued)

(2) Classified disclosure by the bad debt provision method (Continued)

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	239,175,755.85	—	—
Total	239,175,755.85	—	—

Basis for determining the group:

Provision for bad debts on a collective basis: Receivables from related parties within the scope of consolidation

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Book balance
Within 1 year	—	—	—
1~2 years	—	—	—
2~3 years	—	—	—
2~4 years	—	—	—
4~5 years	—	—	—
Over 5 years	20,493,951.16	—	—
Total	20,493,951.16	—	—

Basis for determining the group:

If provision for bad debts of bills receivable was made using the general approach of expected credit loss:

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

1. Accounts receivable (Continued)

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	46,349,808.18	—	7,289,935.87	—	—	39,059,872.31
Total	46,349,808.18	—	7,289,935.87	—	—	39,059,872.31

(4) Accounts receivable actually written off in the current period

There were no accounts receivable actually written off in the current period.

(5) Accounts receivable and contract assets with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion to the total balance of accounts receivable and contract assets at the end of the period	Balance of provision for bad debts of accounts receivable and contract asset impairment at the end of the period
AHGTC Corporation	172,943,578.59	—	172,943,578.59	33.86%	—
China Petroleum & Chemical Corporation	64,835,737.89	—	64,835,737.89	12.69%	920,667.48
CUNADO	55,848,612.27	—	55,848,612.27	10.93%	—
CNOOC China Limited	38,744,993.70	—	38,744,993.70	7.58%	550,178.91
PetroChina Company Limited	35,874,278.39	—	35,874,278.39	7.02%	509,414.75
Total	368,247,200.84	—	368,247,200.84	72.08%	1,980,261.14

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	741,753,749.61	1,271,310,029.86
Total	741,753,749.61	1,271,310,029.86

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Employee working capital	—	530,000.00
Deposits and security deposits	14,901,026.00	2,214,528.00
Accounts due from/to other entities	744,135,528.43	1,281,156,752.93
Receivables from related parties		
within the scope of consolidation	94,848,117.85	94,518,117.85
Less: Provision for bad debts of other receivables	-112,130,922.67	-107,109,368.92
Total	741,753,749.61	1,271,310,029.86

2) Disclosure by age

Unit: RMB

Age	Book balance at the end of the period	Book balance at the beginning of the period
Within 1 year (inclusive)	110,811,363.24	944,493,377.68
1–2 years	487,130,127.10	433,905,337.49
2–3 years	255,932,498.33	—
Over 3 years	10,683.61	20,683.61
3–4 years	—	10,000.00
Over 5 years	10,683.61	10,683.61
Total	853,884,672.28	1,378,419,398.78

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts

Unit: RMB

Type	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Provision for bad debts on an individual basis	744,040,507.80	87.14%	112,086,068.50	15.06%	631,954,439.30	1,281,028,523.99	92.93%	107,066,909.29	8.36%	1,173,961,614.70
Including:										
Huarong Agricultural	452,453,392.51	52.99%	5,487,203.55	1.21%	446,966,188.96	812,453,392.51	58.94%	—	—	812,453,392.51
Shouguang Baolong	291,587,115.29	34.15%	106,598,864.95	36.56%	184,988,250.34	460,774,392.56	33.43%	106,598,864.95	23.13%	354,175,527.61
Weihai Baolong	—	—	—	—	—	7,800,738.92	0.57%	468,044.34	6.00%	7,332,694.58
Provision for bad debts on a collective basis	109,844,164.48	12.86%	44,854.17	0.04%	109,799,310.31	97,390,874.79	7.07%	42,459.63	0.04%	97,348,415.16
Including:										
Employee working capital	—	—	—	—	—	530,000.00	0.04%	—	—	530,000.00
Receivables from related parties within the scope of consolidation	94,848,117.85	11.11%	0.00	—	94,848,117.85	94,518,117.85	6.86%	—	—	94,518,117.85
Deposits and security deposits	14,901,026.00	1.74%	0.00	—	14,901,026.00	2,214,528.00	0.16%	—	—	2,214,528.00
Accounts due from/to other entities	95,020.63	0.01%	44,854.17	47.20%	50,166.46	128,228.94	0.01%	42,459.63	33.11%	85,769.31
Total	853,884,672.28	100.00%	112,130,922.67	13.13%	741,753,749.61	1,378,419,398.78	100.00%	107,109,368.92	7.77%	1,271,310,029.86

Provision for bad debts on an individual basis: Huarong Agricultural

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Huarong Agricultural	812,453,392.51	0.00	452,453,392.51	5,487,203.55	1.21%	—
Total	812,453,392.51	0.00	452,453,392.51	5,487,203.55	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Shouguang Baolong	460,774,392.56	106,598,864.95	291,587,115.29	106,598,864.95	36.56%	—
Total	460,774,392.56	106,598,864.95	291,587,115.29	106,598,864.95	—	—

Provision for bad debts on an individual basis: Weihai Baolong

Unit: RMB

Name	Balance at the beginning of the period		Balance at the end of the period			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Weihai Baolong	7,800,738.92	468,044.34	—	—	—	—
Total	7,800,738.92	468,044.34	—	—	—	—

Provision for bad debts on a collective basis: Receivables from related parties within the scope of consolidation

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Receivables from related parties within the scope of consolidation	94,848,117.85	—	—
Total	94,848,117.85	—	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Basis for determining the group:

Provision for bad debts on a collective basis: Deposits and security deposits

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Deposits and security deposits	14,901,026.00	—	—
Total	14,901,026.00	—	—

Basis for determining the group:

Provision for bad debts on a collective basis: Accounts due from/to other entities

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Provision for bad debts	Provision rate
Accounts due from/to other entities	95,020.63	44,854.17	47.20%
Total	95,020.63	44,854.17	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of provision for bad debts (Continued)

Basis for determining the group:

Provision for bad debts was made using the general approach of expected credit losses:

Unit: RMB

	Phase 1	Phase 2	Phase 3	
	Expected credit	Lifetime	Lifetime	
	losses in the	expected credit	expected credit	
	next 12 months	losses (not credit-	losses (credit-	
Provision for bad debts		impaired)	impaired)	Total
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 Phase 2	-8,070.01	8,070.01	—	—
Provision for the				
current period	4,580.54	5,508,723.56	—	5,513,304.10
Reversal for the				
current period	9,190.91	482,559.44	—	491,750.35
Balance on				
31 December 2025	4,580.54	5,516,793.57	106,609,548.56	112,130,922.67

Classification basis and provision rate of bad debt provision for each stage

Significant changes in the book balance of loss allowance in the current period

☐ Applicable ☒ Not applicable

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Transfer or write-off	Others	
Provision for bad debts of other receivables	107,109,368.92	5,513,304.10	491,750.35	—	—	112,130,922.67
Total	107,109,368.92	5,513,304.10	491,750.35	—	—	112,130,922.67

5) Other receivables actually written off in the current period

There were no other receivables actually written off in the year.

6) Other receivables with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
Huarong Agricultural	Accounts due from/to other entities	452,453,392.51	1–2 years	52.99%	5,487,203.55
Shouguang Baolong	Accounts due from/to other entities	291,587,115.29	Within 1 year, 1–2 years, 2–3 years	34.15%	106,598,864.95
Molong Logistics	Receivables from related parties within the scope of consolidation	94,848,117.85	Within 1 year	11.11%	—
TÜRKİYE PETROLLERİ A.O.(TPAO)	Deposits and security deposits	7,591,104.00	Within 1 year	0.89%	—
Haier Financial Services China Co., Ltd.*(海爾融資租賃股份有限公司)	Deposits and security deposits	5,000,000.00	Within 1 year	0.59%	—
Total	—	851,479,729.65	—	99.73%	112,086,068.50

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

7) Presented as other receivables due to centralized management of capital

Nil

3. Long-term equity investments

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	72,280,516.44	—	72,280,516.44	72,280,516.44	—	72,280,516.44
Investments in associates and joint ventures	3,994,020.05	—	3,994,020.05	—	—	—
Total	76,274,536.49	—	76,274,536.49	72,280,516.44	—	72,280,516.44

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Balance of impairment provision at the beginning of the period	Movements during the current period				Balance at the end of the period (Book value)	Balance of impairment provision at the end of the period
			Added investment	Reduced investment	Provision for impairment	Others		
MPM Corporation	7,276,230.00	—	—	—	—	—	7,276,230.00	—
Molong Logistics	3,000,000.00	—	—	—	—	—	3,000,000.00	—
Molong I&E	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Commercial	10,000,000.00	—	—	—	—	—	10,000,000.00	—
Molong Electro-mechanical	42,004,286.44	—	—	—	—	—	42,004,286.44	—
Total	72,280,516.44	—	—	—	—	—	72,280,516.44	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

3. Long-term equity investments (Continued)

(2) Investments in associates and joint ventures

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Balance of impairment provision at the beginning of the period	Movements during the current period								Others	Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period
			Added investment	Reduced investment	Investment gains and losses recognized under the equity method	Adjustments to other comprehensive income	Other equity changes	Cash dividend or profit declaring to be paid	Provision for impairment				
1. Joint venture	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Associate	—	—	—	—	—	—	—	—	—	—	—	—	—
Molong Bicheng	—	—	4,000,000.00	—	-5,979.95	—	—	—	—	—	—	3,994,020.05	—
Sub-total	—	—	4,000,000.00	—	-5,979.95	—	—	—	—	—	—	3,994,020.05	—
Total	—	—	4,000,000.00	—	-5,979.95	—	—	—	—	—	—	3,994,020.05	—

The recoverable amount is determined based on fair value less the disposal expenses

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal operations	1,683,859,890.42	1,519,568,866.52	1,264,821,609.22	1,199,493,548.30
Other operations	71,307,893.20	66,385,463.11	77,658,061.79	85,940,008.98
Total	1,755,167,783.62	1,585,954,329.63	1,342,479,671.01	1,285,433,557.28

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

4. Operating revenue and operating costs (Continued)

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract category	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
By type of operation				
Including:				
Pipe products	1,653,026,712.95	1,492,651,618.57	1,653,026,712.95	1,492,651,618.57
Three kinds of pumping units	29,474,796.09	26,205,673.86	29,474,796.09	26,205,673.86
Others	72,666,274.58	67,097,037.20	72,666,274.58	67,097,037.20
Classified by operating area				
Including:				
At home	1,145,531,893.46	1,052,887,688.13	1,145,531,893.46	1,052,887,688.13
At abroad	609,635,890.16	533,066,641.50	609,635,890.16	533,066,641.50
Classified by the time of transfer of goods				
Including:				
Goods transferred at a point in time	1,755,167,783.62	1,585,954,329.63	1,755,167,783.62	1,585,954,329.63
Classified by contract term				
Including:				
Short-term contracts	1,755,167,783.62	1,585,954,329.63	1,755,167,783.62	1,585,954,329.63
Classified by sales channel				
Including:				
Direct sales	1,755,167,783.62	1,585,954,329.63	1,755,167,783.62	1,585,954,329.63
Total	1,755,167,783.62	1,585,954,329.63	1,755,167,783.62	1,585,954,329.63

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

4. Operating revenue and operating costs (Continued)

Information related to performance obligation:

Item	Time of fulfilling performance obligation	Material payment terms	Nature of goods the Company undertook to transfer	Whether as a principal	Payment expected to be returned to customers borne by the Company	Type of quality assurance provided by the Company and relevant obligations
Export sales	For export transactions settled under FOB, CIF and C&R terms, revenue is recognized when the goods are loaded, declared for export and the bill of lading is obtained. For EXW terms, revenue is recognized based on the customer's designated pick-up location.	Export operations are mainly settled by cash in advance and letters of credit. For most customers, prepayment is required, and the balance is settled before delivery or upon presentation of a copy of the bill of lading.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3-6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Information related to transaction price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of report period are RMB1.508 billion. The amount is expected to be recognized as incomes in 2026.

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company (Continued)

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for using the equity method	-5,979.95	—
Investment income from disposal of long-term equity investments	—	-38,042,746.82
Bill discounting expenses	-6.24	—
Total	-5,986.19	-38,042,746.82

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XX. Supplementary information

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

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains or losses on disposal of non-current assets	3,905,078.76	Mainly comprised of the income generated from the disposal and scrapping of some assets by the Company.
Government grants (except for government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) recognized in current profit or loss	20,604,378.19	Mainly comprised of the special funds for supporting enterprise development received during the current period.
Write-back of provision for receivables subject to individual impairment test	468,044.34	Mainly comprised of the recovery of the receivables subject to individual impairment provision.
Gains or losses arising from contingencies not related to the normal operation of the Company	-174,988.69	Mainly comprised of the interests payable for the adjudicated litigation provided during the current period.
Non-operating income and expenses other than the above items	7,975,602.78	Mainly comprised of the litigation compensation received during the current period.
Less: Effect on income tax	0.02	—
Total	32,778,115.36	—

Notes to the Financial Statements

1 January 2025 to 31 December 2025

(Unless otherwise indicated, all figures are stated in RMB)

XX. Supplementary information (Continued)

1. Breakdown of extraordinary gains or losses for the current period (continued)

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

☐ Applicable ☒ Not applicable

The Company did not have other profit or loss items that fall within the definition of extraordinary gains or losses.

Explanation for defining the extraordinary gain or loss items listed in the “Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses” as recurring gain or loss items

☐ Applicable ☒ Not applicable

2. Return on net assets and earnings per share

	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Profit for the reporting period			
Net profit attributable to ordinary shareholders of the Company	1.04%	0.01	0.01
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-5.58%	-0.03	-0.03

It was calculated based on Article 4 “Companies should calculate basic earnings per share by dividing net profit for the period attributable to ordinary shareholders by weighted average number of ordinary shares in issue” under ASBE 34 “earnings per share”.

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

(1) Differences in net profit and net assets in the financial report as disclosed in accordance with IASs and PRC GAAP

☐ Applicable ☒ Not applicable

(2) Differences in net profit and net assets in the financial report as disclosed under the overseas accounting standards and PRC GAAP

☐ Applicable ☒ Not applicable

(3) Reason(s) for accounting difference between domestic and international accounting standards; if adjustment has been made to data audited by overseas audit firm, specify the name of the overseas audit firm

☐ Applicable ☒ Not applicable