



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)

2026 Interim Report



*For identification purpose only

SECTION I IMPORTANT NOTES, CONTENTS AND DEFINITIONS

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

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

All directors have attended the Board Meeting reviewing this interim report.

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

The Company has provided a detailed description of the possible risks in the part – “X. Risk exposures and countermeasures of the Company” of Section III “Management Discussion and Analysis” of this report. We kindly ask all investors to pay attention and review it.

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

Contents

SECTION I	IMPORTANT NOTES, CONTENTS AND DEFINITIONS	1
SECTION II	COMPANY PROFILE AND KEY FINANCIAL INDICATORS	4
SECTION III	MANAGEMENT DISCUSSION AND ANALYSIS	7
SECTION IV	CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY	20
SECTION V	MATERIAL MATTERS	22
SECTION VI	CHANGES IN SHARES AND SHAREHOLDERS	36
SECTION VII	RELEVANT INFORMATION ON BONDS	40
SECTION VIII	FINANCIAL REPORT	41

Documents Available for Inspection

- (I) Financial statements bearing the signatures and seals of the persons in charge of the Company, the person in charge of accounting work and the person in charge of the accounting department (accounting supervisor).
- (II) The original text of the 2026 interim report bearing the Company's seal and the signature of the legal representative.
- (III) Official copies of all publicly disclosed documents of the Company and original announcements published on the designated website of China Securities Regulatory Commission during the reporting period.
- (IV) Place for inspecting the above documents: office of the Board of Directors of the Company.

Definitions

Term	Definition
Company, parent company and 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
Shandong Xincheng	Shandong 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 Bicheng	Shanghai Molong Bicheng International Trade Co., Ltd. (上海墨龍幣誠國際貿易有限公司)
Petroleum Technology	Shandong Molong Petroleum Technology Co., Ltd. (山東墨龍石油科技有限公司)
Energy Technology	Shandong Molong Energy Technology Co., Ltd. (山東墨龍能源科技有限公司)
Precision Technology	Shandong Molong Precision Technology Co., Ltd. (山東墨龍精密科技有限公司)
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)
Changxu Thermal Power	Shouguang Changxu Thermal Power Co., Ltd. (壽光昶旭熱力有限公司)
SZSE	The Shenzhen Stock Exchange
SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules of SEHK	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CSRC	China Securities Regulatory Commission
reporting period	From 1 January 2026 to 30 June 2026
RMB, RMB'000 and RMB'0,000	Renminbi, thousand Renminbi, and ten thousand Renminbi

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company profile

Stock name abbreviation	Shandong Molong	Stock Code	002490, 00568
Abbreviation of shares before changes (if any)			
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 (if any)	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		

II. Contact persons and contact information

	Board Secretary	Securities Affairs Representative
Name	Zhao Xiao Tong	Xiao Rui
Contact address	No. 999 Wensheng Street, Shouguang City, Shandong Province	No. 999 Wensheng Street, Shouguang City, Shandong Province
Tel.	0536-5100890	0536-5100890
Fax	0536-5100888	0536-5100888
Email	dsh@molonggroup.com	dsh@molonggroup.com

III. Other circumstances

1. Company contact information

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

☐ Applicable ☒ Not applicable

The Company's registered address, office address, postal code, website, e-mail address, etc. remained unchanged during the reporting period. Refer to the Annual Report 2025 for the detail.

2. Information disclosure and keeping location

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

☐ Applicable ☒ Not applicable

The website of the stock exchange and media name and website in the interim report of the Company as well as the location where the Company's interim report was prepared remained unchanged during the reporting period. Refer to the Annual Report 2025 for the detail.

3. Other relevant information

Any changes in other relevant information changed during the reporting period

☐ Applicable ☒ Not applicable

IV. Key accounting data and financial indicators

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

☐ Yes ☒ No

	The reporting period	The corresponding period of the previous year	Increase/decrease in the reporting period compared to the corresponding period of the previous year
Operating revenue (RMB)	1,252,901,274.61	797,520,309.74	57.10%
Net profits attributable to shareholders of the listed company (RMB)	4,210,815.79	12,163,676.06	-65.38%
Net profits attributable to shareholders of the listed company after deducting extraordinary gain or loss (RMB)	413,430.59	787,989.73	-47.53%
Net cash flow generated from operating activities (RMB)	20,448,235.54	255,116,610.76	-91.98%
Basic earnings per share (RMB/share)	0.0053	0.0152	-65.13%
Diluted earnings per share (RMB/share)	0.0053	0.0152	-65.13%
Weighted average rate of return on net assets	0.84%	2.44%	-1.60%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared to the end of the previous year
Total assets (RMB)	2,835,345,109.92	2,682,126,082.65	5.71%
Net assets attributable to shareholders of listed company (RMB)	502,629,182.10	497,875,233.09	0.95%

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VI. Extraordinary gain or loss items and amounts

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Gain or loss from the disposal of non-current assets (including the written-offs that have been provided for impairment of assets)	-44,822.45	Mainly due to the loss arising from the disposal and scrapping of some assets by the Company.
Government grants included into current profits and losses (except for government grants closely related to the normal business operations of the Company, complying with national policies, enjoyed according to determined standards and having continuous influence on the profits and losses of the Company)	579,079.69	Mainly due to the deferred revenue related to assets that is recognised as profits in the current period.
Reversal of impairment provisions for receivables subject to individual impairment testing	1,800,000.00	Mainly due to the partial recovery of receivables subject to individual impairment provisions.
Other non-operating income and expenses except for the above items	1,510,838.86	Mainly due to income recognised from receipts in advance due to customer's breach of contract in the current period
Less: Effect on income tax	47,710.90	
Total	3,797,385.20	

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

The Company did not define any extraordinary gain or loss listed in the "Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public– Extraordinary Gain or Loss" are classified as recurring profits and losses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. Principal businesses of the Company during the reporting period

(I) Descriptions of the Company's principal businesses during the reporting period

The Company is 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 were oil pipes, casing, oil country tubular goods (OCTG), boiler pipes, hydraulic supporting pipes, gas cylinder pipes, ship pipes, as well as sucker rods, oil pumps, pumping units and various downhole tools, among which pipe products accounted for over 95% of the Company's operating 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 based on the market sales initiatives of the sales department combined with customer order plans. 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 continued to intensify its market development efforts, with a sufficient number of product orders, full utilisation of production capacity, and a significant year-on-year increase in production and sales volume. The well-targeted overseas strategy achieved remarkable results, as the Company gradually established a "five-in-one" overseas sales model integrating "products + services + trade + warehousing + offices", with overseas revenue increasing by over 70% year-on-year. The Company continued to press ahead with technological research and development, stepped up equipment renewal, strictly observed the red line for production safety, and focused on product quality improvement. By improving product quality and service standards, the Company built a sound brand image for Shandong Molong. In parallel, the Company implemented refined management and full-process cost control, achieved good results in cost reduction and efficiency improvement, and maintained steady improvement in the profitability of its core business.

At the end of the reporting period, the Company's total assets were approximately RMB2.835 billion, with an increase of 5.71% compared to that at the beginning of the year; the net assets attributable to shareholders of the listed company were approximately RMB503 million, with an increase of 0.95% compared with that at the beginning of the year. During the reporting period, the Company achieved the operating revenue of approximately RMB1.253 billion, with a year-on-year growth of 57.10%; the net profits attributable to shareholders of the listed company were RMB4.2108 million.

(II) General overview of the Company's industry during the reporting period

The Company specialises in the energy equipment manufacturing sector. Its main business covers the manufacturing of specialised equipment for energy extraction such as oil, natural gas, shale gas, coal, and coalbed methane, and falls within the scope of the oil and natural gas specialised equipment manufacturing and service industry. The prospects of this industry are directly relevant to the development of the oil and gas extraction industry. In the long term, the global macroeconomic growth rate, the price trend and consumer demand for oil and gas, global exploration and development capital expenditure, and the overall scale of extraction constitute the core driving factors determining the prospects of the industry.

In the first half of 2026, international crude oil prices remained at a relatively high level with volatility. The global oil and gas industry maintained prosperity. Oil and gas companies at home and abroad have increased their upstream exploration and development, driving a steady recovery in market demand for oil and gas equipment. Domestically, with the in-depth implementation of the "15th Five-Year Plan for the Construction of a New Energy System", the state has placed the bottom line of energy strategic security at its core and explicitly called for intensified efforts to increase reserves and production of oil and gas. Focusing on four key areas: deep earth, deep sea, unconventional resources, and mature oil and gas fields, the policies vigorously promote the "stabilising oil output and increasing gas production" policy, coordinate the capacity expansion of infrastructure such as pipeline networks and gas storage facilities, and ensure that annual crude oil production remains stable at around 200 million tons, thus providing solid policy support for the medium- and long-term development of the oil and gas industry.

Meanwhile, against the backdrop of the global industrial system transforming towards green and high-end development, seamless steel pipes, as a key basic material, are seeing their application scenarios expand substantially from traditional oil and gas extraction to a wide range of industrial sectors. In the power sector, demand for energy supply security and peak shaving has driven growth in high-pressure boiler pipes and supporting pipes for new energy power stations. In the high-end equipment manufacturing sector, demand for high-precision, high-strength pipes from engineering machinery, hydraulic supports and automobile manufacturing continues to rise. In the chemical industry, high-quality seamless pipes resistant to high temperature, high pressure and corrosion are an indispensable core material.

In summary, underpinned by the "stabilising oil output and increasing gas production" policy, the fundamental demand for oil and gas equipment remains robust; coupled with the coordinated expansion in multiple downstream segments for seamless steel pipes, the overall development resilience of the industry is continuously strengthening.

II. Analysis of core competitiveness

1. Advantages of brand and state-owned enterprise endorsement

As an A+H-share state-controlled listed company, the Company is a qualified supplier for the four major petroleum group companies in China, boasting state-owned enterprise credit endorsement and industry access barriers. Upholding the corporate spirit of "Loyalty, Integrity, Dedication, and Innovation", the Company has secured a solid industry position in the energy equipment market through scale expansion and industrial chain extension. Its "Molong" trademark is honoured as a well-known trademark in Shandong Province and its products are listed as key export brands that are cultivated. In recent years, the Company has continuously been deepening the improvement of product quality and the construction of service follow-up systems, empowered brand value with high-quality after-sales services, and further consolidated the sound reputation and brand image of "Shandong Molong" in domestic and overseas markets.

2. *Technological research and development and innovation barriers*

Engaged in the field of specialised energy equipment, the Company is a high-tech enterprise and a leading enterprise in China's energy equipment base, and has undertaken more than 80 national and provincial-level scientific research projects. Relying on multiple innovation platforms including the Shandong Provincial Enterprise Technology Centre and a CNAS-accredited national laboratory, the Company has been rated as a National Intellectual Property Demonstration Enterprise and has been recognised as an "outstanding scenario of provincial-level intelligent manufacturing in Shandong Province" and a "Green Factory" and an "Intelligent Factory" at the municipal level of Weifang. During the reporting period, the Company maintained robust R&D and innovation momentum, developing a total of 13 new products, filing 16 patent applications, and newly obtaining 13 authorised patents. Through in-depth industry-university-research institute collaboration with renowned universities such as Zhejiang University and Beijing Jiaotong University, the Company has continuously made breakthroughs in cutting-edge technology fields including new materials.

In terms of product commercialisation, the Company has achieved remarkable high-end transformation results. First, it has achieved large-scale mass production of high-grade corrosion-resistant oil casing resistant to H_2S , CO_2 , and other corrosive agents, and made pioneering breakthroughs in the field of high-end oil casing for harsh operating conditions. Second, the incremental supply volume of high gas seal special threaded oil casings and tubing exceeded 10,000 tons. Third, to meet specific overseas requirements, independently-developed products including Super 13Cr tubing, anti-corrosion oil pumps and large-torque anti-corrosion sucker rods have been successfully delivered in batches to markets in Africa, Central Asia, Europe and South America, demonstrating the Company's robust R&D and large-scale manufacturing capabilities in high-end petroleum equipment.

3. *Advantages of special-purpose equipment product matrix*

Targeting extremely complex operating conditions such as shale oil and gas, deep-sea oil and gas, deep-earth coalbed methane, gas storage facilities, and ultra-deep wells, the Company has developed a special-purpose energy-equipment product matrix featuring high strength, high gas-sealing performance, high torsion resistance, high corrosion resistance, low-temperature resistance, intelligence and environmental friendliness. Core products include: the Molong series high sealing performance special oil-retaining casing, direct connection type/stepped threaded oil pipe, quick connection structure casing for marine drilling, and high-performance, anti-collapse, anti-corrosion and special-specification tubing and casing suitable for harsh underground environments. In addition, special sucker rods, anti-torsion sucker rod series products for screw pumps, intelligent sucker rod systems, and series products of special-purpose oil pumps are widely applied in domestic and international oilfields, effectively enhancing the Company's comprehensive competitiveness and differentiated edges in market segments.

4. *Advantages of full lifecycle quality control*

The Company has established an independent and sound quality management system equipped with advanced inspection, testing and monitoring-measurement equipment. Its leading products (including oil casing, pipeline tubes, and sucker rods) have passed the American Petroleum Institute (API) logo certification and been awarded with API Q1 certification. These products have also been awarded with certifications of three major international management systems, i.e., ISO9001, ISO14001 and ISO45001, at an early stage, securing a “pass” to access to high-end domestic and international oilfield markets. The Company’s experimental centre has also smoothly entered the CNAS national laboratory accreditation, with comprehensive inspection and testing capabilities covering corrosion testing, metallographic test, tensile test and impact test. In recent years, the Company has kept increasing its investment in intelligent upgrades and installed more than 10 intelligent robotic devices. Through upgrading key production processes, production efficiency has been greatly improved while the stability and consistency of product quality have been further strengthened.

5. *Advantages of global market layout and channels*

Based in China and facing the world, the Company has established a long-term, stable, fast and effective sales service network. Domestically, it maintains deep-rooted ties with core customers including China National Petroleum Corporation (CNPC), SINOPEC, China National Offshore Oil Corporation (CNOOC), and Shaanxi Yanchang Petroleum (Group) Co., Ltd., with high customer stickiness. Internationally, its business covers more than 50 countries and regions across the Middle East, Central Asia, Southeast Asia, Africa, and South America.

In the first half of 2026, the Company’s precise overseas strategy delivered notable outcomes with further increased market share. The Company has passed the qualification certification of oil or gas companies in such countries as Kuwait, Iraq, Hungary, Australia, Chile, and Colombia and developed 11 new market regions and 39 new customers in terms of overseas market; has passed the product certification for and developed 7 new market areas and 24 new customers in terms of domestic oilfield market; has been successfully shortlisted as a designated supplier of pipe materials for the State Energy Group and developed 6 new market regions and 23 new customers. Meanwhile, the Company has set up three offices in the United Arab Emirates, Uzbekistan, and Nigeria, initially establishing a “five-in-one” overseas sales model integrating “products + services + trade + warehousing + offices”, which has laid a solid foundation for further advancement of its globalisation strategy.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 29 July 2026, completion of the placing agreement dated 22 July 2026 entered into by the Company (as issuer) and China Merchants Securities (HK) Co., Limited (as placing agent) has taken place. An aggregate of 25,678,400 new H Shares (the “Placing Shares”) (representing approximately 9.11% of the total number of issued H Shares as enlarged by the allotment and issue of the Placing Shares and approximately 3.12% of the total number of issued shares as enlarged by the allotment and issue of the Placing Shares) were successfully allotted and issued by the Company at the placing price of HK\$4.58 per Placing Share to not less than six placees (all being independent third parties). The aggregate net proceeds from the Placing (after deducting commissions and estimated expenses) amounted to approximately HK\$115.68 million. Approximately 90% or HK\$104.11 million of the net proceeds will be used for the enhancement of the financial structure of the Group by repaying outstanding borrowings, and approximately 10% or HK\$11.57 million net proceeds will be used for working capital and general corporate purposes.

Save as disclosed above, the Group had no significant events after the reporting period.

PROSPECTS

The Company is deeply engaged in the energy equipment manufacturing sector. Its main business covers the manufacturing of specialised equipment for energy extraction such as oil, natural gas, shale gas, coal, and coalbed methane, and falls within the scope of the oil and natural gas specialised equipment manufacturing and service industry. The prospects of this industry are tied to the development of the oil and gas extraction industry. In the long term, the global macroeconomic growth rate, the price trend and consumer demand for oil and gas, global exploration and development capital expenditure, and the overall scale of extraction constitute the core driving factors determining the prospects of the industry.

In the first half of 2026, international crude oil prices remained at a relatively high level amid significant volatility. The global oil and gas industry maintained prosperity. Domestic and overseas oil and gas companies have increased their upstream exploration and development, driving a steady recovery in market demand for oil and gas equipment. Domestically, with the in-depth implementation of the 15th Five-Year Plan for the Construction of a New Energy System”, the state has placed strategic energy security at its core bottom-line consideration and explicitly called for intensified efforts to increase reserves and production of oil and gas. Focusing on four key areas: deep earth, deep sea, unconventional resources, and mature oil and gas fields, the policies vigorously promoted the “stabilising oil output and increasing natural gas production”, coordinated the capacity expansion of infrastructure such as pipeline networks and gas storage facilities, and ensured that annual crude oil production remains stable at around 200 million tons, thus providing solid policy support for the medium- and long-term development of the oil and gas industry.

Meanwhile, against the backdrop of the global industrial system transforming towards green and high-end development, seamless steel pipes, as a key basic material, are seeing their application scenarios expand substantially from traditional oil and gas extraction to a wide range of industrial sectors. In the power sector, demand for energy supply security and peak shaving has driven growth in high-pressure boiler pipes and supporting pipes for new energy power stations. In the high-end equipment manufacturing sector, demand for high-precision, high-strength pipes from engineering machinery, hydraulic supports and automobile manufacturing continues to rise. In the chemical industry, high-quality seamless pipes resistant to high temperature, high pressure and corrosion are an indispensable core material.

In summary, underpinned by the “stabilising oil output and increasing gas production” policy, the fundamental demand for oil and gas equipment remains robust; coupled with the coordinated expansion in multiple downstream segments for seamless steel pipes, the overall development resilience of the industry is continuously strengthening.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2026, the Company did not hold any significant investments.

III. Analysis of principal business

Overview

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

Year-on-year changes in key financial data

Unit: RMB

	For the reporting period	For the corresponding period of the previous year	Year-on-year increase/ decrease	Reason for change
Operating revenue	1,252,901,274.61	797,520,309.74	57.10%	Mainly due to sufficient orders in the current period and a significant increase in product production and sales.
Operating costs	1,131,276,276.57	719,465,857.46	57.24%	Mainly due to the increase in operating revenue in the current period and corresponding increase in operating costs.
Selling expenses	6,838,014.54	6,242,978.05	9.53%	
Administrative expenses	27,693,323.58	18,546,581.79	49.32%	Mainly due to the increase in business volume in the current period, corresponding increase in relevant expenses, and the increase in depreciation and amortisation of relevant assets.
Finance costs	66,763,914.85	43,063,810.74	55.03%	Mainly due to foreign exchange losses and the increase in financing amount in the current period.
Income tax expenses	7,142.85	73,847.69	-90.33%	Mainly due to the decrease in income tax realised in the current period.
R&D investment	30,088,469.83	18,817,802.57	59.89%	Mainly due to the increased investment in the research and development of new products in the current period.
Net cash flow generated from operating activities	20,448,235.54	255,116,610.76	-91.98%	Mainly due to the large amount of passive financial assistance funds recovered in the corresponding period of the previous year.
Net cash flows from investing activities	-84,590,649.00	-29,357,979.13	-188.14%	Mainly due to the decrease in cash proceeds from the disposal of assets in the current period.
Net cash flows from financing activities	-16,641,225.83	-157,235,634.43	89.42%	Mainly due to a higher proportion of loan repayments in the current period compared with that of last year.
Net increase in cash and cash equivalents	-74,063,146.62	66,084,701.72	-212.07%	Mainly due to the combined influence of net cash flows generated from operating activities, investing activities, and financing activities.

Significant changes in profit composition or sources

☐ Applicable ☒ Not applicable

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

Composition of operating revenue

Unit: RMB

	For the reporting period		For the corresponding period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	1,252,901,274.61	100%	797,520,309.74	100%	57.10%
By industry					
Manufacturing of specialised equipment	1,252,901,274.61	100.00%	797,520,309.74	100.00%	57.10%
By product					
Pipe products	1,196,306,347.49	95.48%	755,173,945.20	94.69%	58.41%
Oil well pumps, sucker rods and oil pumps	14,115,064.64	1.13%	13,830,858.84	1.73%	2.05%
Petroleum machinery components			12,976.43	0.00%	-100.00%
Others	42,479,862.48	3.39%	28,502,529.27	3.58%	49.04%
By region					
Domestic regions	798,599,581.05	63.74%	540,724,609.12	67.80%	47.69%
Overseas regions	454,301,693.56	36.26%	256,795,700.62	32.20%	76.91%

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

☒ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin	Increase/decrease of operating revenue in comparison with the corresponding period of the previous year	Increase/decrease of operating costs in comparison with the corresponding period of the previous year	Increase/decrease of gross profit margin in comparison with the corresponding period of the previous year
By industry						
Manufacturing of specialised equipment	1,252,901,274.61	1,131,276,276.57	9.71%	57.10%	57.24%	Decreased by 0.08%
By product						
Pipe products	1,196,306,347.49	1,078,983,470.63	9.81%	58.41%	58.54%	Decreased by 0.07%
By region						
Domestic regions	798,599,581.05	740,026,739.21	7.33%	47.69%	49.90%	Decreased by 1.37%
Overseas regions	454,301,693.56	391,249,537.36	13.88%	76.91%	73.29%	Increased by 1.80%

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

☐ Applicable ☒ Not applicable

IV. Analysis of non-principal business

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s) for the incurrence	Is it recurring
Investment income	23,524.55	0.56%	Mainly due to the income recognised from the transfer of equity in an invested company in the current period.	No
Non-operating income	1,542,100.49	36.55%	Mainly due to the income recognised from receipts in advance due to the customer's breach of contract and payables no longer required to be settled in the current period.	No
Non-operating expenses	171,500.60	4.06%	Mainly due to the losses arising from the scrapping of some equipment in the current period.	No
Asset impairment losses (the loss is expressed with "-")	-3,513,012.59	-83.27%	Mainly due to the fact that the inventory impairment test was conducted as per the requirements of the enterprise accounting standards in the current period and the impairment loss of inventory was accrued.	No
Credit impairment losses (the loss is expressed with "-")	3,205,677.50	75.98%	Mainly due to the recovery of accounts receivable for which credit impairment had already been provided in the current period.	No
Other gains	1,247,252.79	29.56%	Mainly due to income recognised under the VAT additional-deduction policy and income recognised from asset-related deferred revenue in the current period.	No
Gains on disposal of assets	95,416.52	2.26%	Mainly due to the income generated from the disposal of related assets in the current period.	No

V. Analysis of assets and liabilities

1. Significant changes in assets composition

Unit: RMB

	As at the end of the reporting period		As at the end of previous year		Increase/ decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	218,387,887.52	7.70%	273,493,158.99	10.20%	-2.50%	
Accounts receivable	367,057,822.44	12.95%	464,170,047.25	17.31%	-4.36%	Mainly due to the timely recovery of outstanding debts in the current period.
Inventories	773,953,172.63	27.30%	564,595,771.94	21.05%	6.25%	Mainly due to abundant orders in the current period and undelivered partially-completed and finished-goods at the end of the period.
Long-term equity investments	46,340,865.68	1.63%	46,340,865.68	1.73%	-0.10%	
Fixed assets	453,383,761.53	15.99%	297,484,473.82	11.09%	4.90%	Mainly due to the acquisition of relevant assets through a tripartite agreement in the current period.
Construction-in-progress	1,426,352.11	0.05%	139,310.39	0.01%	0.04%	Mainly due to the fact that the projects under construction in the current have not yet been completed.
Right-of-use assets			331,614.54	0.01%	-0.01%	Mainly due to the fact that right-of-use assets were no longer leased in the current period.
Short-term borrowings	1,376,322,377.32	48.54%	1,351,121,751.47	50.38%	-1.84%	
Contract liabilities	78,880,106.31	2.78%	138,946,640.35	5.18%	-2.40%	Mainly due to the delivery of goods corresponding to the advance-payment orders in the current period.
Bills receivable	31,440,147.57	1.11%	77,020,624.57	2.87%	-1.76%	Mainly due to the decrease in the number of unmatured commercial acceptance bills received in the current period compared to the end of previous year.
Financing receivables	13,385,921.36	0.47%	0.00	0.00%	0.47%	Mainly due to the increase in the number of outstanding bank acceptances received at the end of the current period.
Prepayments	164,209,507.81	5.79%	112,468,236.53	4.19%	1.60%	Mainly due to the increase in prepayments for raw materials in the current period.
Other receivables	256,413,251.82	9.04%	646,926,136.76	24.12%	-15.08%	Mainly due to the offset of creditor's rights with relevant assets via a tripartite agreement in the current period.
Other current assets	31,912,926.78	1.13%	2,143,508.70	0.08%	1.05%	Mainly due to the increase in deductible input VAT at the end of the current period.
Other equity instrument investments	33,403,349.84	1.18%	3,403,349.84	0.13%	1.05%	Mainly due to external investments made in the current period.
Other non-current financial assets			476,475.45	0.02%	-0.02%	Mainly due to the transfer of equity in an invested company in the current period.

	As at the end of the reporting period		As at the end of previous year		Increase/ decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Intangible assets	345,799,197.56	12.20%	190,074,048.99	7.09%	5.11%	Mainly due to the acquisition of relevant land through a tripartite agreement in the current period.
R&D expenditures	18,648,671.50	0.66%			0.66%	Mainly due to the fact that the current R&D project has not been completed.
Other non-current assets	79,582,273.77	2.81%	3,058,459.20	0.11%	2.70%	Mainly due to the increase in prepayments for engineering equipment in the current period.
Bills payable	197,372,320.95	6.96%	66,591,079.41	2.48%	4.48%	Mainly due to the increase in payments settled by bills in the current period.
Non-current liabilities due within one year	64,761,265.04	2.28%	38,215,100.73	1.42%	0.86%	Mainly due to the increase in financing fund due within one year.
Other current liabilities	12,648,936.00	0.45%	39,971,720.36	1.49%	-1.04%	Mainly due to the decrease in output tax to be carried forward and in acceptance bills endorsed but not derecognised in the current period.
Deferred income tax liabilities	26,502.51	0.00%	48,939.72	0.00%	0.00%	Mainly due to the fact that right-of-use assets were no longer leased in the current period.
Long-term payables	74,211,436.92	2.62%	52,698,375.15	1.96%	0.66%	Mainly due to the increase in financing activities in the current period.

2. Major overseas assets

☐ Applicable ☒ Not applicable

3. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or Loss from changes in fair value in the current period	Changes in the cumulative fair value included into equity	Impairment provided in the current period	Purchase during the current period	Disposals during the current period	Other changes	Amount at the end of the period
Financial assets								
Other equity instrument investments	3,403,349.84				30,000,000.00			33,403,349.84
Other non-current financial assets	476,475.45					476,475.45		0.00
Subtotal of financial assets	3,879,825.29				30,000,000.00	476,475.45		33,403,349.84
Financing receivables							13,385,921.36	13,385,921.36
Total of the above	3,879,825.29				30,000,000.00	476,475.45	13,385,921.36	46,789,271.20
Financial liabilities	0.00							0.00

Other changes

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

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

☐ Yes ☒ No

4. *Restriction on asset right as at the end of the reporting period*

Unit: RMB

Item	End of the period			
	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	70,000,000.00	70,000,000.00	Bill deposit	Deposit tying up
Fixed assets	369,879,993.36	93,062,887.04	Mortgage/seizure	Mortgage financing
Intangible assets	177,046,812.02	128,673,136.22	Mortgage/seizure	Mortgage financing/ litigation seizure
Monetary funds	10,000,000.00	10,000,000.00	Loan security deposit	Pledge
Monetary funds	1,021,208.89	1,021,208.89	Litigation freeze	Freeze
Monetary funds	25,524,161.84	25,524,161.84	Letter-of-guarantee deposit/currency hedging deposit	Deposit tying up
Total	653,472,176.11	328,281,393.99		

VI. Analysis of investment

1. *General*

☒ Applicable ☐ Not applicable

Investment amount during the reporting period (RMB)	Investment amount in the corresponding period of the previous year (RMB)	Amount of variation
33,880,000.00	40,000,000.00	-15.30%

2. *Significant equity investment 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) Investments in securities

☐ Applicable ☒ Not applicable

The Company involved no securities investment during the reporting period.

(2) Investments in derivatives

☐ Applicable ☒ Not applicable

The Company had no derivative investments during the reporting period.

5. Use of the raised funds

☐ Applicable ☒ Not applicable

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

VII. Disposals of material assets and equity interests

1. Sale of significant assets

☐ Applicable ☒ Not applicable

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

2. Sale of significant equity interests

☐ Applicable ☒ Not applicable

VIII. Analysis of major controlled and invested companies

☒ Applicable ☐ Not applicable

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

Unit: RMB10,000.00

Company name	Company type	Principal business	Registered capital	Total assets	Net asset	Operating revenue	Operating profits	Net profit
Molong Logistics	Subsidiary	Goods storage, loading, and unloading	300.00	9,791.75	-290.09	0.00	-123.62	-123.56
Molong I&E	Subsidiary	Import and export trade	1,000.00	2,490.95	2,268.69	559.03	59.16	151.62

Acquisition and disposal of subsidiaries during the reporting period

☒ Applicable ☐ Not applicable

Company name	Acquisition and disposal of subsidiaries during the reporting period	Impact on overall production, operations, and performance
Energy Technology	Newly established	No significant impact
Precision Technology	Newly established	No significant impact
Petroleum Technology	Newly established	No significant impact

Information on major controlled and invested companies

None

IX. Structured entities controlled by the Company

☐ Applicable ☒ Not applicable

X. Risk exposures and countermeasures of the Company

(1) Risk of fluctuations in raw material prices

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

(2) Exchange rate risk

The changes in the RMB exchange rate have an impact on the Company's operating performance. The Company will keep an eye on exchange rate fluctuations and take measures timely to avoid risks caused by changes in the RMB exchange rate.

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

Has the Company established a market value management system?

☐ Yes ☒ No

Has the Company disclosed its valuation increase plan?

☐ Yes ☒ No

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

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

☐ Yes ☒ No

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

I. Changes in the Company's directors and senior executives

☐ Applicable ☒ Not applicable

The Company's directors and senior executives remained unchanged during the reporting period. Refer to the 2025 annual report for details.

II. Profit distribution and conversion of capital reserve to 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 half year.

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

☐ Applicable ☒ Not applicable

During the reporting period, the Company had no stock incentive plans, employee shareholding plans or other employee incentive measures and their implementation status.

IV. Environmental information disclosure

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

☒ Yes ☐ No

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

1

S/N	Enterprise name	Query index for environmental information disclosure reports according to law
1	Shandong Molong	http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&id=91370000734705456P

V. Social responsibility

During the reporting period, the Company has always regarded the fulfillment of social responsibilities as an intrinsic requirement for sustainable corporate development, actively performed its obligations as a corporate citizen, and made continuous efforts in protecting shareholders' rights and interests, protecting the rights and interests of employees, and participating in social public welfare undertakings, striving to achieve harmonious integration of corporate development and social value.

1. Protection of shareholders' rights and interests

The Company has established a relatively complete corporate governance structure and internal control management system, forming a governance mechanism with clear rights and obligations, effective checks and balances and standardised operations, which provides solid institutional guarantees for the scientific, compliant and controllable decision-making by the Company on major matters.

During the reporting period, the Company's Shareholders' Meeting was convened through a combination of on-site voting and online voting, which effectively broadened channels for shareholders to participate in corporate governance and enhanced the participation and voice of minority shareholders. The convening, holding and voting procedures of the Shareholders' Meeting are in strict compliance with the Company Law, the Rules for Shareholders' Meetings of Listed Companies and other applicable laws and regulations as well as relevant provisions of the Company's Articles of Association, and the resolutions of the meetings are legally valid.

In terms of investor-relation management, the Company keeps unobstructed communication channels for investors, and builds a multi-level and all-round investor-communication mechanism through diversified platforms including investor hotline, official website, WeChat official account and corporate Douyin account to actively respond to investors' concerns.

In respect of information disclosure, the Company strictly performs its information-disclosure obligations in accordance with the Securities Law, the Administrative Measures for Information Disclosure of Listed Companies and other applicable laws and regulations, as well as relevant provisions of the Company's Articles of Association and internal information-disclosure management systems. It ensures the timeliness, truthfulness, accuracy and completeness of disclosed information and guarantees that all shareholders can obtain corporate information in a fair, just, open and sufficient manner, and that all shareholders equally enjoy all legitimate rights and interests conferred by laws, regulations and rules.

2. *Protecting the rights and interests of employees*

The Company always regards talent as a core strategic resource and is committed to building a sound system for employee development and care. In terms of talent cultivation, through systematic career-planning guidance and a multi-level, multi-dimensional training system, the Company continuously improves employees' professional competence and comprehensive capabilities, and promotes mutual reinforcement and two-way empowerment between employees' personal growth and the enterprise's high-quality development.

In terms of rights and interests protection and welfare programs, the Company pays all social insurance contributions for all employees according to law, establishes and improves a market-competitive remuneration and welfare system, and sets up a special hardship-assistance fund to provide timely care and financial support to employees in financial difficulties, so as to foster a harmonious labour relationship featuring respect, inclusiveness, and mutual assistance.

In 2026, the Company's employee-care initiatives yielded significant results: a total of RMB25,000 of hardship-assistance fund was disbursed specifically for supporting employees with family difficulties; souvenirs worth RMB35,000 were provided for female employees during the International Women's Day to convey the Company's humanistic care; a grant-in-aid programme for employees' children pursuing higher education was launched, providing reward subsidies totalling RMB37,000 for 18 children of employees admitted to undergraduate institutions, taking practical actions to support educational development of employees' families.

3. *Actively participating in social public welfare undertakings*

Upholding the value philosophy of "pursuing both righteousness and benefits and giving back to society", the Company embeds social responsibility fulfilment into its corporate development strategy, takes the initiative to engage in social public welfare and charity undertakings, and keeps creating social value within its capacity. The Company actively collaborates with local public cultural organisations to participate in and support local cultural inheritance and promotion activities.

In the first half of 2026, the Company joined hands with the Shouguang Municipal Bureau of Culture and Tourism and Shouguang Historical and Cultural Centre to host a Dragon Boat Festival-themed cultural event, facilitating the promotion and dissemination of traditional festival culture. During the events, the Company allocated RMB30,000 as activity funds and donated a batch of commemorative items. We have taken practical actions to support the development of local public cultural undertakings and demonstrated the enterprise's sense of social responsibility and commitment.

SECTION V MATERIAL MATTERS

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

III. Non-compliant external guarantee

☐ Applicable ☒ Not applicable

The Company had no non-compliant external guarantees during the reporting period.

IV. Appointment and dismissal of accounting firm

Has the interim financial report been audited?

☐ Yes ☒ No

The Company's interim report has not been audited.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VII. Bankruptcy and reorganisation matters

☐ Applicable ☒ Not applicable

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

VIII. Litigation matters

Material litigation and arbitration matters

☐ Applicable ☒ Not applicable

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

Other litigation matters

☒ Applicable ☐ Not applicable

Basic information on litigation (arbitration)	Amount involved (RMB10,000.00)	Recognised as provision for liability	Litigation (arbitration) progress	Outcome and impact of litigation (arbitration) hearings	Implementation of litigation (arbitration) judgments	Disclosure date	Disclosure index
Other litigation and arbitration matters that do not reach the disclosure threshold	20.87	No	Stage of case filing, review, or enforcement	No significant impact on the Company	Some lawsuit (arbitration) judgments have been fully executed, some lawsuit (arbitration) judgments are under execution or have not yet been executed, and some lawsuit (arbitration) judgments are under trial or have not yet been heard in court.	Not applicable	Not applicable

IX. Penalties and rectifications

☐ Applicable ☒ Not applicable

There are no penalties or rectifications during the reporting period.

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

☐ Applicable ☒ Not applicable

XI. Material related party transactions

1. *Related party transactions related to daily operations*

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

3. *Related party transactions in connection with joint external investment*

☐ Applicable ☒ Not applicable

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

4. *Amounts due from/to related parties*

☒ Applicable ☐ Not applicable

Any non-trade amounts due from/to related parties

☒ Yes ☐ No

Debts due to related parties

Related party	Related relationship	Reason(s) for the incurrence	Balance at the beginning of the period (RMB10,000.00)	Newly added amount in the current period (RMB10,000.00)	Repayment amount in the current period (RMB10,000.00)	Interest rate	Interest for the current period (RMB10,000.00)	Ending balance (RMB10,000.00)
Shouguang Jinxin	Controlling shareholder of controlling shareholder	Accepting financial assistance	0.00	1,000	1,000	3.00%	0.08	0.00
Xiangrun Industry	Company that is also controlled by the parent company of the controlling shareholder	Rental expenses	199.15	9.15				208.30

Impact of related debts on the Company's operating results and financial position In October 2024, the Company signed a lease contract with Xiangrun Industry to lease the office building for daily business operations. Due to adjustments to its business plan, the Company terminated the lease on 31 May 2026. As of the end of the reporting period, the balance of lease expenses payable under this lease contract, amounting to RMB2.083 million, has not been paid.

5. Amounts due from/to related financial companies

☐ Applicable ☒ Not applicable

There is no deposit, loan, credit granting or other financial business between the Company and 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

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

7. Other material related party transactions

☐ Applicable ☒ Not applicable

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

XII. Material contracts and their performance

1. Entrustment, contracting and leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

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

(2) Contracting

☐ Applicable ☒ Not applicable

The Company had no contracting during the reporting period.

(3) Leasing

☒ Applicable ☐ Not applicable

Lease description

In October 2024, the Company signed a lease contract with Xiangrun Industry to lease the office building for daily business operations. Due to adjustments to its business plan, the Company terminated the lease on 31 May 2026. As of the end of the reporting period, the balance of lease expenses payable under this lease contract, amounting to RMB2.083 million, has not been paid.

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

☐ Applicable ☒ Not applicable

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

2. *Material guarantees*

☐ Applicable ☒ Not applicable

The company had no significant guarantees during the reporting period.

3. *Entrusted wealth management*

☐ Applicable ☒ Not applicable

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

4. *Other material contracts*

☐ Applicable ☒ Not applicable

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

XIII. Registration form for activities including reception of research visits, communications, and interviews during the reporting period

☒ Applicable ☐ Not applicable

Date of reception	Location of reception	Mode of reception	Type of Visitors	Visitors	Main contents discussed and materials provided	Index for basic information of research visits
20 April 2026	"Cloud Interview" column on SZSE's "Easy Interaction" Platform (http://irm.cninfo.com.cn)	Online communication via web-based platform	Others	Investors	Operating conditions of the Company in 2025	For details, refer to the Investor Relations Activity Record Form of Shandong Molong Petroleum Machinery Company Limited (No. 2026-001) published by the Company on CNINFO's website.
15 May 2026	The Company held an online performance briefing "Investor Relations Interactive Platform" on the P5W website (https://ir.p5w.net).	Online communication via web-based platform	Others	Investors	Operating conditions of the Company in 2025	For details, refer to the Investor Relations Activity Record Form of Shandong Molong Petroleum Machinery Company Limited (No. 2026-002) published by the Company on CNINFO's website.

XIV. Description of other material matters

☒ Applicable ☐ Not applicable

1. *Matters related to the implementation of debt restructuring*

On 29 December 2025, the Company convened the 10th extraordinary meeting of the 8th session of the Board of Directors. On 23 January 2026, the First Extraordinary Shareholders' Meeting in 2026 was held, and the Proposal on Implementing Debt Restructuring was reviewed and approved. The meeting agreed that the Company, the Vegetable Wholesale Corporation, and Huarong Agricultural would sign a Tripartite Agreement, stipulating that the Vegetable Wholesale Corporation would repay on behalf of Huarong Agricultural the RMB361.00 million owed to the Company by contributing land use rights, buildings and structures, machinery and equipment and other assets located in Shouguang Science and Technology Industrial Park held by it with an appraised value of RMB361.8502 million. As of the end of the reporting period, the transfer of the aforementioned assets has 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. The amount was the amount of fund intercourse between the Company and its subsidiary during the period when the aforementioned company was the subsidiary of the Company. As of the disclosure date of this report, the balance of financial assistance of Shouguang Baolong was RMB292 million. In February 2025, due to its inability to repay matured debts, the application for bankruptcy liquidation of Shouguang Baolong was accepted by court ruling. On 28 May 2026, the People's Court of Shouguang City issued a ruling to declare Shouguang Baolong bankrupt. At present, the bankruptcy administrator has listed the assets of Shouguang Baolong for auction on the People's Court Litigation Assets Network, and no transaction has been concluded yet.

On 14 October 2024, the Company held the 14th extraordinary meeting of the 7th Board of Directors. On 21 November 2024, the 5th Extraordinary Shareholders' Meeting in 2024 was held, and the Proposal Regarding the Passive Formation of Financial Assistance after the Sale of Assets was reviewed and approved. The amount of the Company's claim against Shouguang Maolong was RMB714.1417 million. The amount was the amount of capital transaction between the Company and its subsidiaries during the period when Shouguang Maolong was a subsidiary of the Company. As of the disclosure date of this report, the balance of the above-mentioned financial assistance is approximately RMB61.4534 million.

XV. Major matters of the Company's subsidiaries

☐ Applicable ☒ Not applicable

XVI. Disclosure in accordance with the SEHK Listing Rules

1. *Performance*

The revenue of the Group and the financial situation of the Group and the Company in the first half of 2026 are set out in the financial statements under the "Financial Report" Section of the interim report.

2. *Financial summary*

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

Performance

Item	Half a year ended on 30 June	
	2026	2025
	RMB'000	RMB'000
Total operating revenue	1,252,901	797,520
Operating (loss)/profit	2,848	4,781
Total (losses)/profits	4,219	12,035
Net profit/(loss)	4,212	11,961
Profits and losses of minority shareholders	(260)	(202)
Net (loss)/profit attributable to the shareholders of the parent company	4,211	12,164
Basic (loss)/earnings per share (RMB)	0.0053	0.0152

Assets and liabilities

Item	On 30 June 2026	On 30 June 2025
	RMB'000	RMB'000
Total assets	2,835,345	2,326,666
Total liabilities	2,332,975	1,822,516
Net assets	502,370	504,150

3. *Change in share capital*

Refer to “Changes in Shares and Shareholders” Section for the details of changes in share capital of the Company in the first half of 2026.

4. *Reserves and distributable reserves*

Details of the changes in the Group’s reserves and distributable reserves in the first half of 2026 are set out in the “Undistributed Profits” Section of the Explanatory Notes to Consolidated Financial Statement Items of the financial report.

5. *Property, plant and equipment*

Details of the changes in the Group’s properties, plants and equipment in the first half of 2026 are set out in the “Financial Report” Section.

6. *Capitalised interests*

The capitalised interests of the Group was RMB zero in the first half of 2026.

7. *Service contracts or letter of appointment for directors*

All directors (including independent non-executive directors) have respectively entered into service contracts or letters of appointment with the Company. No director has entered into any service contract with the Company which restricts the Company from terminating such contract within one year without payment of compensation (other than statutory compensation).

8. *Employees and remuneration policies*

Employees

As at 30 June 2026, the Group had 1,311 employees totally.

Remuneration policies

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

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

1. Decision-making procedure

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

2. Determination basis

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

3. Actual payment

During the reporting period, there were 14 directors and senior executives totally, and the actual remuneration paid was RMB1.9541 million.

Training plan

The Company always attaches great importance to employee training. It has established a training system that combines long-term and short-term programmes, along with employee training management policies, and formulates annual training plans. Committed to building the workforce into a learning-oriented organisation, the Company strives to improve employees' professional competencies and unlock their potential. Meanwhile, the Company focuses on updating the knowledge structure of existing staff, achieving a 100% employee training participation rate every year, which has significantly enhanced employees' operational skills and management capabilities.

During the reporting period, the Company actively organised directors to participate in relevant training sessions on duty performance. By attending special training sessions organised by the Securities Regulatory Bureau and the stock exchanges, directors have gained a thorough understanding of the latest regulatory requirements and improved their ability to perform their duties.

9. *Interest in securities of directors and chief executives pursuant to Securities and Futures Ordinance of Hong Kong*

As at 30 June 2026, to the knowledge of the directors and chief executives, none of the directors or chief executives held any shares, underlying shares or debentures (as defined in Part XV of Securities and Futures Ordinance) of the Company and any of its associated corporations, which is required to be notified to the Company and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are taken or deemed to have under the Securities and Futures Ordinance) or will be required pursuant to section 352 of the Securities and Futures Ordinance 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 as set out in Appendix C3 of the Listing Rules of SEHK.

10. *Right of directors to purchase shares or debentures*

None of the directors of the Company or any of their respective associates (as defined under Rule 1.01 of the Listing Rules of SEHK) 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 the first half of 2026.

11. *Share scheme*

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

12. *Substantial shareholders*

Details are recorded in the "Number of Shareholders of the Company and their Shareholding" Section of the "Changes in Shares and Shareholders" Section in the interim report.

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

The directors or any entities related to any director of the Company have no direct or indirect material rights and interests in any transaction, arrangement or contract with the Company or any of its subsidiary companies as a contracting party which was or was still in effect in the first half of 2026 or as of 30 June 2026 and is materially related to the business of the Group.

14. *Material contracts*

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

15. *Purchase, sales or redemption of securities*

As of the first half of 2026, neither the Company nor any of its subsidiary companies had repurchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2026, the Company did not hold any treasury shares.

16. *Pre-emptive rights*

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

17. *Corporate governance*

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

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

18. *Directors' securities transactions*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix C3 to the Listing Rules of SEHK, requiring directors to conduct securities transactions in terms of the Model Code which is also applicable to the senior executives of the Company. Having made specific enquiry of all directors, all directors had confirmed that they had fully complied with the Model Code for the six months ended 30 June 2026.

19. *Sufficiency of public float*

In accordance with the public information of the Company and to the knowledge of the directors of the Company, the Company maintained the public float specified in the Listing Rules of SEHK for the first half of 2026 and as of the date of this interim report.

20. Substantial shareholders' interests in securities

On 30 June 2026, to the knowledge of the directors of the Company and as shown in the register of interests in shares and/or short positions required to be kept under Divisions 2 and 3 of Securities and Futures Ordinance or the registration that has been maintained pursuant to section 336 of Securities and Futures Ordinance, the rights and interests and/or short positions of the shares or underlying shares of the Company held by substantial shareholders and other persons (except for directors or the chief executives of the Company) were as follows:

Long position in the Company's shares

Substantial shareholders	Nature of interest	Number of A shares/ H shares	Approximate shareholding percentage of A shares/ H shares	Approximate percentage of the total registered share capital
Shouguang Molong Holdings Co., Ltd.	Beneficial interests	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) Shouguang Molong Holdings Co., Ltd. is a wholly-owned subsidiary of Shandong Shouguang Jinxin Investment Development Holdings Group Limited. Therefore, in accordance with Part XV of Securities and Futures Ordinance, Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd. is deemed to be interested in 235,617,000 A shares in which Shouguang Molong Holdings Co., Ltd. is interested.
- (2) The approximate percentage is based on 541,722,000 A shares, 256,126,400 H shares and a total of 797,848,400 shares in issue as of 30 June 2026.

Save as disclosed above, to the knowledge of the directors of the Company, as of 30 June 2026, no person other than the directors or chief executive of the Company owned the rights and interests or short positions in the shares, underlying shares and debentures of the Company that would be required to be disclosed to the Company and SEHK as per the provisions of Divisions 2 and 3 of Part XV of Securities and Futures Ordinance and must be recorded in the register required to be kept under section 336 of Securities and Futures Ordinance.

21. Liquidity and financial resources

On 30 June 2026, the current ratio of the Group was 82.60%, the quick ratio was 48.17%, the turnover rate of accounts receivable was 602.92%, and the inventory turnover ratio was 338.06%. The main sources of funds for the Group are cash inflows generated from operating activities and borrowing from financial institutions. There is no obvious seasonal pattern in the capital demand of the Group.

On 30 June 2026, the total borrowings of the Group were RMB1.515 billion (the total borrowings of the Group were RMB1.442 billion at the end of the previous year). On 30 June 2026, the total currency funds of the Group reached to RMB218.3879 million (the currency funds at the end of the previous year were RMB273.4932 million).

22. Gearing ratio

On 30 June 2026, the gearing ratio of the Group was approximately 82.28% (2025: approximately 81.45%) which was calculated based on the total liabilities of the Group: RMB2,332,975.49 thousand (approximately RMB2,184,571.80 thousand at the end of the previous year) and the total assets: approximately RMB2,835,345.11 thousand (approximately RMB2,682,126.08 thousand at the end of the previous year).

23. Treasury policy

The Group has established and improved a strict internal control system in terms of cash and fund management and strengthened the financial management. Most of the revenue of the Group is settled in RMB. On 30 June 2026, the Group was not exposed to material foreign exchange fluctuation risks and had not entered into any separate related hedging arrangements. The capital liquidity and debt paying ability of the Group are both in a good state.

24. Assets with restricted ownership

On 30 June 2026, the assets of the Group with restricted ownership are as follows:

Unit: RMB

Item	End of the period			
	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	70,000,000.00	70,000,000.00	Bill deposit	Deposit tying up
Fixed assets	369,879,993.36	93,062,887.04	Mortgage/seizure	Mortgage financing
				Mortgage financing/
Intangible assets	177,046,812.02	128,673,136.22	Mortgage/seizure	litigation seizure
Monetary funds	10,000,000.00	10,000,000.00	Loan security deposit	Pledge
Monetary funds	1,021,208.89	1,021,208.89	Litigation freeze	Freeze
			Letter-of-guarantee	
			deposit/currency	
Monetary funds	25,524,161.84	25,524,161.84	hedging deposit	Deposit tying up
Total	653,472,176.11	328,281,393.99		

25. Contingent liabilities

On 30 June 2026, except for those disclosed in the "Commitments and Contingencies" of this report, the Group had no contingent liabilities.

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

For the half year ended 30 June 2026, except for those disclosed in this report, the Group did not conduct any material acquisitions or sales of subsidiaries, associates and joint ventures or any material investments or have any plans for future material investments or purchase of capital assets.

27. Tax relief and exemption

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

28. Equity-linked agreement

The Company did not enter into any equity-linked agreements on the end date of the half year ended 30 June 2026 or at any time within half a year.

29. Business review

Key financial and performance indicators

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

Risk management

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

Sustainable development plan

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

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

30. Interim dividend

The Board of Directors does not recommend the payment of any interim dividend during the six months ended 30 June 2026.

31. Audit Committee and review of interim results

The Company has established an Audit Committee according to the provisions of Rule 3.21 of the Listing Rules of SEHK and Code Provision D.3 of the Corporate Governance Code to be responsible for reviewing and supervising the financial reporting procedures, risk management and internal audit and control of the Group. The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company, including reviewing the interim results and financial statements of the Group for the six months ended 30 June 2026. However, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2026 were not audited by the Company's auditors.

32. Changes in the information of the directors

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

33. Disclosure matters based on Rule 13.20 of the Listing Rules of SEHK

Shouguang Baolong Repayment Agreement

The sale of all the shares of Shouguang Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) was completed in March 2024 ("sale completion"), and Shouguang Baolong was no longer a subsidiary company of the Company.

On 9 January 2024, the Company (as the creditor) and Shouguang Baolong (as the debtor) had entered into a repayment agreement (the "Shouguang Baolong Repayment Agreement"), and accordingly, (among them) Shouguang Baolong agreed to repay such debts of RMB461,709,466.37 (such debts did not bear interest) to the Company.

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

Shouguang Baolong has mortgaged its fixed assets and intangible assets (including land, properties and equipment, etc.) to the Company as the collateral for repaying such debts under the 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. After the completion of the sale, the outstanding debt balance under the Shouguang Baolong Repayment Agreement was RMB292,486,594.29.

In February 2025, due to its inability to repay matured debts, the application for bankruptcy liquidation of Shouguang Baolong was accepted by the People's Court of Shouguang City. On 28 May 2026, the Court issued a ruling to declare Shouguang Baolong bankrupt. At present, the bankruptcy administrator has listed the assets of Shouguang Baolong for auction on the People's Court Litigation Assets Network, and no transaction has been concluded yet.

On 30 June 2026, the outstanding balance of the debts under the Shouguang Baolong Repayment Agreement was RMB292,486,594.29.

Huarong Agricultural Repayment Agreement

As of 31 December 2025, Shouguang Maolong owed the Company RMB712,414,892.51. The sale of all the shares of Shouguang Maolong to Huarong Agricultural was completed in December 2024 (“**sale completion of Shouguang Maolong**”), and Shouguang Maolong was no longer a subsidiary company of the Company.

On 14 October 2024, the Company (as creditor) has signed a repayment agreement (the “**Huarong Agricultural Repayment Agreement**”) with Huarong Agricultural (as debtor) and Shouguang Maolong. According to this agreement, (among other things) Huarong Agricultural shall bear the debts of RMB714,141,700 that Shouguang Maolong is required to repay to the Company (such debts did not bear interest). Pursuant to the repayment agreement of Huarong Agricultural, Huarong Agricultural shall repay such debts in the following manner: Repay all payments within 12 months from the date of completion of the industrial and commercial change registration.

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

On 29 December 2025, the Company, Huarong Agricultural, and Vegetable Wholesale Corporation entered into a debt payment agreement (the “**Debt Payment Agreement**”), pursuant to which Vegetable Wholesale Corporation agreed to pay, on behalf of Huarong Agricultural, the outstanding debt balance of RMB361,000,000 under Huarong Agricultural Repayment Agreement. Upon completion of the Debt Payment Agreement, the outstanding balance of the debts under the Huarong Agricultural Repayment Agreement was RMB91,453,392.51.

On 30–31 March 2026, the Company received cash repayment of RMB30,000,000 from Huarong Agricultural in respect of the accounts receivable payable to the Company under the Huarong Agricultural Repayment Agreement. Subsequent thereto, the outstanding balance of accounts receivable payable to the Company under the Huarong Agricultural Repayment Agreement amounted to RMB61,453,392.51.

On 30 June 2026, the outstanding balance of the debts under the Huarong Agricultural Repayment Agreement was RMB61,453,392.51.

SECTION VI CHANGES IN SHARES AND SHAREHOLDERS

I. Changes in shares

1. Changes in shares

Unit: Share

	Before this change		New Share Issuance	Increase or decrease in this change (+, -)				After this change	
	Quantity	Proportion		Share donation	Conversion of capital reserve to share capital	Others	Subtotal	Quantity	Proportion
I. Shares with limited sale conditions	0	0.00%						0	0.00%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic capitals									
Including: Shareholding by domestic legal persons									
Shares held by domestic natural person									
4. Shares held by foreign capitals									
Including: Shares held by overseas legal person									
Shares held by overseas natural person									
II. Shares with no restricted sale conditions	797,848,400	100.00%						797,848,400	100.00%
1. RMB ordinary share	541,722,000	67.90%						541,722,000	67.90%
2. Foreign capital shares listed domestically									
3. Foreign capital shares listed overseas	256,126,400	32.10%						256,126,400	32.10%
4. Others									
III. Sum of shares	797,848,400	100.00%						797,848,400	100.00%

Reasons for the changes in shares

☐ Applicable ☒ Not applicable

Approval status of share changes

☐ Applicable ☒ Not applicable

Transfer situation of share changes

☐ Applicable ☒ Not applicable

Progress of the implementation of share repurchase

☐ Applicable ☒ Not applicable

Progress of the implementation of the reduction of repurchased shares through centralised bidding

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes in locked-up shares

☐ Applicable ☒ Not applicable

II. Issuance and listing of Securities

☐ Applicable ☒ Not applicable

III. Number of shareholders of the Company and their shareholdings

Unit: Share

Total number of ordinary share shareholders at the end of the reporting period	77,408 (including 77,373 A share shareholders and 35 H share shareholders)	Total number of preferred share shareholders recovering voting rights at the end of reporting period (if any)	0
--	--	---	---

Shareholding situation of shareholders with more than 5% of the shares or the top 10 shareholders (excluding shares lent through securities lending and borrowing)

Shareholder name	Nature of shareholder	Shareholding ratio	Shareholding quantity at the end of the reporting period	Increase or decrease during the reporting period	Number of shares held with restricted sale conditions	Number of shares held without restricted sale conditions	Pledge, marking or freezing Share status	Quantity
HKSCC Nominees Limited	Foreign legal person	32.08%	255,988,180	21,200	0	255,988,180	Not applicable	0
Shouguang Molong Holdings Co., Ltd.	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledge	117,655,556
Zhang Yun San	Domestic natural person	2.02%	16,108,000	0	0	16,108,000	Not applicable	0
HKSCC	Foreign legal person	0.30%	2,429,911	1,211,114	0	2,429,911	Not applicable	0
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign legal person	0.23%	1,803,252	1,803,252	0	1,803,252	Not applicable	0
BARCLAYS BANK PLC	Foreign legal person	0.18%	1,446,600	816,600	0	1,446,600	Not applicable	0
Yuan Shu Fen	Domestic natural person	0.14%	1,150,000	1,150,000	0	1,150,000	Not applicable	0
J. P. Morgan Securities PLC	Foreign legal person	0.14%	1,093,432	1,093,432	0	1,093,432	Not applicable	0
Liu Bei Feng	Domestic natural person	0.13%	1,000,000	1,000,000	0	1,000,000	Not applicable	0
Wang Yong Zheng	Domestic natural person	0.11%	915,000	915,000	0	915,000	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	

Shareholdings of the top 10 shareholders without restricted sale conditions (excluding shares lent through refinancing, executive officers lock-in stock)

Shareholder name	Number of unrestricted shares held at the end of the reporting period	Type of shares	Quantity
HKSCC Nominees Limited	255,988,180	Foreign capital shares listed overseas	255,988,180
Shouguang Molong Holdings Co., Ltd.	235,617,000	RMB ordinary shares	235,617,000
Zhang Yun San	16,108,000	RMB ordinary shares	16,108,000
HKSCC	2,429,911	RMB ordinary shares	2,429,911
MORGAN STANLEY & CO. INTERNATIONAL PLC.	1,803,252	RMB ordinary shares	1,803,252
BARCLAYS BANK PLC	1,446,600	RMB ordinary shares	1,446,600
Yuan Shu Fen	1,150,000	RMB ordinary shares	1,150,000
J. P. Morgan Securities PLC	1,093,432	RMB ordinary shares	1,093,432
Liu Bei Feng	1,000,000	RMB ordinary shares	1,000,000
Wang Yong Zheng	915,000	RMB ordinary shares	915,000
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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Yes ☒ No

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

IV. Changes in shareholding of directors and senior executives

☐ Applicable ☒ Not applicable

The shareholding situation of the Company's directors and senior executives remained unchanged during the reporting period. Refer to the 2025 annual report for the detail.

V. Changes in controlling shareholders or actual controllers

If the Company has previously disclosed that the actual controllers are planning a change in control but the change has not yet been completed, please describe the progress of the change in control.

☐ Applicable ☒ Not applicable

Change in controlling shareholder during the reporting period

☐ Applicable ☒ Not applicable

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

Change in actual controller during the reporting period

☐ Applicable ☒ Not applicable

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

VI. Relevant information on preferred shares

☐ Applicable ☒ Not applicable

The Company had no preferred shares during the reporting period.

SECTION VII RELEVANT INFORMATION ON BONDS

☐ Applicable ☒ Not applicable

SECTION VIII FINANCIAL REPORT

I. Audit report

Has the interim report been audited

☐ Yes ☒ No

The Company's interim financial report has not been audited.

II. Financial statements

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

1. Consolidated balance sheet

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

30 June 2026

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	218,387,887.52	273,493,158.99
Settlement reserve fund		
Lending funds		
Trading financial assets		
Derivative financial assets		
Bills receivable	31,440,147.57	77,020,624.57
Accounts receivable	367,057,822.44	464,170,047.25
Financing receivables	13,385,921.36	
Prepayments	164,209,507.81	112,468,236.53
Premium receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	256,413,251.82	646,926,136.76
Including: Interests receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventories	773,953,172.63	564,595,771.94
Including: Data resources		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	31,912,926.78	2,143,508.70
Total current assets	1,856,760,637.93	2,140,817,484.74

Unit: RMB

Item	Ending balance	Beginning balance
Non-current assets:		
Offering loans and monies advanced		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	46,340,865.68	46,340,865.68
Other equity instrument investments	33,403,349.84	3,403,349.84
Other non-current financial assets		476,475.45
Investment real estate		
Fixed assets	453,383,761.53	297,484,473.82
Construction-in-progress	1,426,352.11	139,310.39
Productive biological assets		
Oil and gas assets		
Right-of-use assets		331,614.54
Intangible assets	345,799,197.56	190,074,048.99
Including: Data resources		
R&D expenditures	18,648,671.50	
Including: Data resources		
Goodwill		
Long-term unamortised expenses		
Deferred income tax assets		
Other non-current assets	79,582,273.77	3,058,459.20
Total non-current assets	978,584,471.99	541,308,597.91
Total assets	2,835,345,109.92	2,682,126,082.65

Unit: RMB

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	1,376,322,377.32	1,351,121,751.47
Borrowings from the central bank		
Loans from other banks and other financial institutions		
Trading financial liabilities		
Derivative financial liabilities		
Bills payable	197,372,320.95	66,591,079.41
Accounts payable	439,984,793.29	397,985,748.47
Receipts in advance		
Contract liabilities	78,880,106.31	138,946,640.35
Proceeds from the sale of repurchased financial assets		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Salaries payable	30,836,921.52	33,499,464.98
Taxes payable	10,433,593.00	12,885,662.22
Other payables	36,615,874.62	41,087,652.71
Including: Interests payable		
Dividends payable		
Brokerage and commission payables		
Dividend payable for reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within one year	64,761,265.04	38,215,100.73
Other current liabilities	12,648,936.00	39,971,720.36
Total current liabilities	2,247,856,188.05	2,120,304,820.70
Non-current liabilities:		
Reserve fund for insurance contracts		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	74,211,436.92	52,698,375.15
Long-term salaries payable		
Estimated liabilities	4,976,675.84	5,058,038.23
Deferred revenue	5,904,691.03	6,461,626.72
Deferred income tax liabilities	26,502.51	48,939.72
Other non-current liabilities		
Total non-current liabilities	85,119,306.30	64,266,979.82
Total liabilities	2,332,975,494.35	2,184,571,800.52

Unit: RMB

Item	Ending balance	Beginning balance
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	979,798,749.43
Less: Treasury stock		
Other comprehensive income	-2,559,415.07	-3,102,548.29
Special reserve		
Surplus reserve	187,753,923.88	187,753,923.88
General risk reserve		
Undistributed profits	-1,460,212,476.14	-1,464,423,291.93
Total owners' equity attributable to the parent company	502,629,182.10	497,875,233.09
Minority interests	-259,566.53	-320,950.96
Total owners' equity	502,369,615.57	497,554,282.13
Total liabilities and owner's equities	2,835,345,109.92	2,682,126,082.65

Legal representative:

Han Gao Gui

Person in charge of
accounting work:

Zhu Lin

Person in charge of the
accounting department:

Zhu Lin

2. Balance sheet of parent company

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	197,990,554.30	258,821,931.81
Trading financial assets		
Derivative financial assets		
Bills receivable	31,440,147.57	77,020,624.57
Accounts receivable	386,833,511.77	471,760,255.15
Financing receivables	13,385,921.36	0.00
Prepayments	228,984,818.84	159,734,087.33
Other receivables	351,222,882.74	741,753,749.61
Including: Interests receivable		
Dividends receivable		
Inventories	771,965,358.80	563,055,525.72
Including: Data resources		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	31,265,066.65	307,435.16
Total current assets	2,013,088,262.03	2,272,453,609.35
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	80,154,536.49	76,274,536.49
Other equity instrument investments		
Other non-current financial assets		476,475.45
Investment real estate		
Fixed assets	434,090,258.16	277,874,140.33
Construction-in-progress	1,426,352.11	139,310.39
Productive biological assets		
Oil and gas assets		
Right-of-use assets		331,614.54
Intangible assets	266,979,518.23	110,227,980.20
Including: Data resources		
R&D expenditures	18,648,671.50	
Including: Data resources		
Goodwill		
Long-term unamortised expenses		
Deferred income tax assets		
Other non-current assets	79,582,273.77	3,058,459.20
Total non-current assets	880,881,610.26	468,382,516.60
Total assets	2,893,969,872.29	2,740,836,125.95

Unit: RMB

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	1,226,479,369.60	1,189,315,130.45
Trading financial liabilities		
Derivative financial liabilities		
Bills payable	337,372,320.95	212,591,079.41
Accounts payable	491,277,769.37	448,448,639.45
Receipts in advance		
Contract liabilities	75,979,038.12	137,718,517.94
Salaries payable	30,725,354.91	33,430,242.32
Taxes payable	8,172,990.44	12,039,489.63
Other payables	53,554,238.20	48,742,990.65
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	64,761,265.04	38,215,100.73
Other current liabilities	12,389,629.97	51,909,793.80
Total current liabilities	2,300,711,976.60	2,172,410,984.38
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	74,211,436.92	52,698,375.15
Long-term salaries payable		
Estimated liabilities	4,976,675.84	5,058,038.23
Deferred revenue	80,000.00	550,000.00
Deferred income tax liabilities		22,437.21
Other non-current liabilities		
Total non-current liabilities	79,268,112.76	58,328,850.59
Total liabilities	2,379,980,089.36	2,230,739,834.97

Unit: RMB

Item	Ending balance	Beginning balance
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 stock		
Other comprehensive income		
Special reserve		
Surplus reserve	187,753,923.88	187,753,923.88
Undistributed profits	-1,249,866,316.93	-1,253,759,808.88
Total owners' equity	513,989,782.93	510,096,290.98
Total liabilities and owner's equities	2,893,969,872.29	2,740,836,125.95

3. Consolidated profit statement

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
I. Total operating revenue	1,252,901,274.61	797,520,309.74
Including: Operating revenue	1,252,901,274.61	797,520,309.74
Interest income		
Earned premium		
Brokerage and commission income		
II. Total operating costs	1,251,111,738.35	801,231,181.44
Including: Operating costs	1,131,276,276.57	719,465,857.46
Interest expenditure		
Brokerage and commission expenses		
Surrender value		
Net amount of compensation expenses		
Withdrawal of net amount of insurance liability reserve		
Policy dividend expenditure		
Reinsurance fee		
Taxes and surcharges	6,707,248.67	2,818,845.59
Selling expenses	6,838,014.54	6,242,978.05
Administrative expenses	27,693,323.58	18,546,581.79
R&D expenses	11,832,960.14	11,093,107.81
Finance costs	66,763,914.85	43,063,810.74
Including: Interest expenses	55,196,364.02	45,322,629.95
Interest income	1,372,767.12	799,536.45
Add: Other gains	1,247,252.79	1,368,676.13
Income from investment (the loss is expressed with “-”)	23,524.55	-96,433.34
Including: Gain on investment in associates and joint ventures		
Income from derecognition of financial assets measured at amortised cost		
Exchange earning (the loss is expressed with “-”)		
Incomes from net exposure hedging (loss is expressed with “-”)		
Gains on changes in fair value (loss is expressed with “-”)		
Credit impairment losses (the loss is expressed with “-”)	3,205,677.50	2,989,050.80
Asset impairment losses (the loss is expressed with “-”)	-3,513,012.59	116,035.70
Gains on disposal of assets (the loss is expressed with “-”)	95,416.52	4,114,238.28
III. Operating profit (the loss is expressed with “-”)	2,848,395.03	4,780,695.87
Add: Non-operating income	1,542,100.49	8,411,353.29
Less: Non-operating expenses	171,500.60	1,156,954.87
IV. Total profits (the total loss is expressed with “-”)	4,218,994.92	12,035,094.29
Less: Income tax expenses	7,142.85	73,847.69

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
V. Net profit (the net loss is expressed with “-”)	4,211,852.07	11,961,246.60
(I) Classification by operation continuity		
1. Net profit from going concern (the net loss is expressed with “-”)	4,211,852.07	11,961,246.60
2. Net profit from discontinuing operation (the net loss is expressed with “-”)		
(II) Classification by ownership		
1. Net profit attributable to the shareholders of parent company (the net loss is expressed with “-”)	4,210,815.79	12,163,676.06
2. Minority shareholders’ profit and loss (the net loss is expressed with “-”)	1,036.28	-202,429.46
VI. After-tax net amount of other comprehensive income	603,481.36	76,484.82
After-tax net amount of other comprehensive revenues attributable to the owners of the parent company	543,133.22	68,836.34
(I) Other comprehensive income that cannot be reclassified into profits and losses		
1. Changes on remeasurement of defined benefit plans		
2. Other comprehensive income that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of enterprise’s own credit risk		
5. Others		
(II) Other comprehensive income to be re-classified into the profit and loss	543,133.22	68,836.34
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in the fair value of other equity investments		
3. Amount of financial assets reclassified to other comprehensive income		
4. Credit-impaired provision for other debt investments		
5. Cash flow hedging reserve		
6. Conversion difference in foreign currency financial statements	543,133.22	68,836.34
7. Others		
Net after-tax amount of other comprehensive income attributable to minority shareholders	60,348.14	7,648.48

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
VII. Total comprehensive income	4,815,333.43	12,037,731.42
Total comprehensive income attributable to the owners of the parent company	4,753,949.01	12,232,512.40
Total comprehensive income attributable to minority shareholders	61,384.42	-194,780.98
VIII. Earnings per share:		
(I) Basic earnings per share	0.0053	0.0152
(II) Diluted earnings per share	0.0053	0.0152

Legal representative:

Han Gao Gui

Person in charge of
accounting work:

Zhu Lin

Person in charge of the
accounting department:

Zhu Lin

4. Profit statement of parent company

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
I. Operating revenue	1,250,154,270.24	794,458,637.77
Less: Operating costs	1,131,020,414.34	718,960,424.13
Taxes and surcharges	6,696,714.40	2,725,506.22
Selling expenses	6,833,007.00	6,143,019.39
Administrative expenses	26,124,440.87	16,600,562.51
R&D expenses	11,832,960.14	11,093,107.81
Finance costs	65,087,463.97	41,946,413.21
Including: Interest expenses	53,580,436.49	43,912,826.96
Interest income	1,167,298.89	471,358.49
Add: Other gains	1,160,280.70	1,368,676.13
Income from investment (the loss is expressed with “-”)	23,524.55	
Including: Gain on investment in associates and joint ventures		
Gains on derecognition of financial assets measured at amortised cost (the loss is expressed with “-”)		
Incomes from net exposure hedging (loss is expressed with “-”)		
Gains on changes in fair value (loss is expressed with “-”)		
Credit impairment losses (the loss is expressed with “-”)	3,174,247.12	2,966,855.55
Asset impairment losses (the loss is expressed with “-”)	-3,513,012.59	116,035.70
Gains on disposal of assets (the loss is expressed with “-”)	95,416.52	4,114,238.28
II. Operating profit (the net loss is expressed with “-”)	3,499,725.82	5,555,410.16
Add: Non-operating income	542,829.52	8,343,734.26
Less: Non-operating expenses	171,500.60	1,140,405.49
III. Total profits (the total loss is expressed with “-”)	3,871,054.74	12,758,738.93
Less: Income tax expenses	-22,437.21	31,768.16
IV. Net profit (the net loss is expressed with “-”)	3,893,491.95	12,726,970.77
(I) Net profit from going concern (the net loss is expressed with “-”)	3,893,491.95	12,726,970.77
(II) Net profit from discontinuing operation (the net loss is expressed with “-”)		

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
V. After-tax net amount of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified into profits and losses		
1. Changes on remeasurement of defined benefit plans		
2. Other comprehensive income that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of enterprise's own credit risk		
5. Others		
(II) Other comprehensive income to be re-classified into the profit and loss		
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in the fair value of other equity investments		
3. Amount of financial assets reclassified to other comprehensive income		
4. Credit-impaired provision for other debt investments		
5. Cash flow hedging reserve		
6. Conversion difference in foreign currency financial statements		
7. Others		
VI. Total comprehensive income	3,893,491.95	12,726,970.77
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
I. Cash flows generated from operating activities		
Cash received from the sales of goods or providing labour services	1,307,771,699.51	861,151,904.79
Net increase amount in customer deposits and interbank deposits		
Net increase amount in borrowings from the central bank		
Net increase amount in borrowing funds from other financial institutions		
Cash received from the original insurance contract premium		
Net amount of cash received from reinsurance business		
Net increase amount in insured savings and investment		
Cash for collecting interests, brokerage and commission		
Net increase in borrowed funds		
Net increase amount in repurchase business funds		
Net cash received from vicariously traded securities		
Received tax refund	2,185.84	109,063.43
Other cash received related to operating activities	32,840,115.84	374,965,362.70
Subtotal of cash inflows from operating activities	1,340,614,001.19	1,236,226,330.92
Cash paid for the purchase of goods and the reception of labour services	1,147,156,880.34	854,338,885.91
Net increase amount in customer loans and monies advanced		
Net increase amount in deposit in the central bank and interbank payments		
Cash paid for the compensation payment of the original insurance contract		
Net increase amount in lending funds		
Cash paid for interests, brokerage and commission		
Cash paid for policy dividends		
Cash paid to and for employees	81,072,798.39	86,348,635.21
Taxes and dues paid	34,242,621.58	20,087,867.31
Payment of other cash related to operating activities	57,693,465.34	20,334,331.73
Subtotal of cash outflow from operating activities	1,320,165,765.65	981,109,720.16
Net cash flow generated from operating activities	20,448,235.54	255,116,610.76

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
II. Cash flow generated from investing activities		
Cash received from recouping investment		
Cash received from obtaining a return on investment		
Net amount of cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	120,603.00	97,175,176.87
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investing activities		
Subtotal of cash inflows from investing activities	120,603.00	97,175,176.87
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	50,711,252.00	86,533,156.00
Cash paid for investments	34,000,000.00	40,000,000.00
Net increase in pledge loans		
Net cash paid for the acquisition of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflows from investing activities	84,711,252.00	126,533,156.00
Net cash flows from investing activities	-84,590,649.00	-29,357,979.13
III. Cash flows generated from financing activities		
Cash received from absorbing investments		240,000.00
Including: Cash received from subsidiaries absorbing minority shareholders' investments		
Cash received from obtaining loans	1,164,614,653.47	1,441,072,390.25
Other cash received related to financing activities	48,000,000.00	
Subtotal of cash inflows from financing activities	1,212,614,653.47	1,441,312,390.25
Cash paid for repaying debts	1,148,351,860.64	1,546,992,090.28
Cash paid for distributing dividend and profits or paying interest	55,056,004.42	51,555,934.40
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financial activities	25,848,014.24	
Subtotal of cash outflows from financing activities	1,229,255,879.30	1,598,548,024.68
Net cash flows from financing activities	-16,641,225.83	-157,235,634.43
IV. Impact of exchange rate fluctuations on cash and cash equivalents	6,720,492.67	-2,438,295.48
V. Net increase in cash and cash equivalents	-74,063,146.62	66,084,701.72
Add: Balance of cash and cash equivalents at the beginning of the period	185,905,663.41	85,328,121.79
VI. Balance of cash and cash equivalents at the end of the period	111,842,516.79	151,412,823.51

6. Cash flow statement of parent company

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
I. Cash flows generated from operating activities		
Cash received from the sales of goods or providing labour services	1,253,090,630.37	782,867,850.54
Received tax refund		95,764.09
Other cash received related to operating activities	32,629,937.04	370,300,002.01
Subtotal of cash inflows from operating activities	1,285,720,567.41	1,153,263,616.64
Cash paid for the purchase of goods and the reception of labour services	1,127,322,170.22	817,143,795.73
Cash paid to and for employees	80,593,036.82	85,670,187.54
Taxes and dues paid	33,354,609.11	19,463,533.99
Payment of other cash related to operating activities	57,612,452.24	19,515,519.95
Subtotal of cash outflow from operating activities	1,298,882,268.39	941,793,037.21
Net cash flow generated from operating activities	-13,161,700.98	211,470,579.43
II. Cash flow generated from investing activities		
Cash received from recouping investment		
Cash received from obtaining a return on investment		
Net amount of cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	120,603.00	97,175,176.87
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investing activities		
Subtotal of cash inflows from investing activities	120,603.00	97,175,176.87
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	50,711,252.00	86,519,464.00
Cash paid for investments	7,880,000.00	
Net cash paid for the acquisition of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflows from investing activities	58,591,252.00	86,519,464.00
Net cash flows from investing activities	-58,470,649.00	10,655,712.87

Unit: RMB

Item	Half a year of 2026	Half a year of 2025
III. Cash flows generated from financing activities		
Cash received from absorbing investments		
Cash received from obtaining loans	1,024,614,653.47	1,298,981,077.96
Other cash received related to financing activities	48,000,000.00	
Subtotal of cash inflows from financing activities	1,072,614,653.47	1,298,981,077.96
Cash paid for repaying debts	1,008,351,860.64	1,403,151,254.25
Cash paid for distributing dividend and profits or paying interest	53,553,110.90	51,460,119.35
Other cash paid related to financial activities	25,848,014.24	
Subtotal of cash outflows from financing activities	1,087,752,985.78	1,454,611,373.60
Net cash flows from financing activities	-15,138,332.31	-155,630,295.64
IV. Impact of exchange rate fluctuations on cash and cash equivalents	6,981,429.63	-2,434,143.30
V. Net increase in cash and cash equivalents	-79,789,252.66	64,061,853.36
Add: Balance of cash and cash equivalents at the beginning of the period	181,234,436.23	82,265,307.09
VI. Balance of cash and cash equivalents at the end of the period	101,445,183.57	146,327,160.45

7. Consolidated statement of changes in owners' equity

Amount in the current period

Unit: RMB

Half a year of 2026															
Owners' equity attributable to the parent company															
Item	Other equity instruments				Capital reserve	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others											
I. Balance at the end of the previous year	797,848,400.00				979,798,749.43		-3,102,548.29		187,753,923.88		-1,464,423,291.93		497,875,233.09	-320,950.96	497,554,282.13
Add: Changes in accounting policies															
Correction of prior errors															
Others															
II. Balance at the beginning of this year	797,848,400.00				979,798,749.43		-3,102,548.29		187,753,923.88		-1,464,423,291.93		497,875,233.09	-320,950.96	497,554,282.13
III. Increase/decrease amount of the current period (the decrease is expressed with "-")															
(I) Total comprehensive income							543,133.22				4,210,815.79		4,753,949.01	61,384.43	4,815,333.44
(II) Owners' capital injection and reduction							543,133.22				4,210,815.79		4,753,949.01	61,384.43	4,815,333.44
1. Ordinary shares contributed by the owners															
2. Capital contributed by holders of other equity instruments															
3. Share-based payments included in owners' equity															
4. Others															
(III) Profit appropriations															
1. Appropriations of surplus reserve															
2. Appropriations of general risk reserve															
3. Appropriations to the owners(or shareholders)															
4. Others															
(IV) Internal carry-over of owners' equity															
1. Paid-in capital (or share capital) transferred from capital reserve															
2. Paid-in capital (or share capital) transferred from surplus reserve															
3. Surplus reserve covering the deficit															
4. Retained incomes of the changed amount carry-over in the defined benefit plan															
5. Retained earnings of the carry-over in other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in the current period								2,941,899.44					2,941,899.44		2,941,899.44
2. Use in the current period								2,941,899.44					2,941,899.44		2,941,899.44
(VI) Others															
IV. Ending balance in the current period	797,848,400.00				979,798,749.43		-2,559,415.07		187,753,923.88		-1,460,212,476.14		502,629,182.10	-259,566.53	502,369,615.57

Amount of the previous year

Unit: RMB

Half a year of 2025															
Owners' equity attributable to the parent company															
Item	Share capital	Other equity instruments			Capital reserve	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of the previous year	797,848,400.00				979,777,355.57		-3,537,286.66		187,753,923.88		-1,489,578,894.72		492,269,498.07	-375,432.98	491,894,065.09
Add: Changes in accounting policies															
Correction of prior errors															
Others															
II. Balance at the beginning of this year	797,848,400.00				979,777,355.57		-3,537,286.66		187,753,923.88		-1,489,578,894.72		492,269,498.07	-375,432.98	491,894,065.09
III. Increase/decrease amount of the current period															
(the decrease is expressed with "-")							68,836.34				12,163,676.06		12,232,512.40	23,825.16	12,256,393.56
(I) Total comprehensive income							68,836.34				12,163,676.06		12,232,512.40	23,825.16	12,256,393.56
(II) Owners' capital injection and reduction															
1. Ordinary shares contributed by the owners															
2. Capital contributed by holders of other equity instruments															
3. Share-based payments included in owners' equity															
4. Others															
(III) Profit appropriations															
1. Appropriations of surplus reserve															
2. Appropriations of general risk reserve															
3. Appropriations to the owners (or shareholders)															
4. Others															
(IV) Internal carry-over of owners' equity															
1. Paid-in capital (or share capital) transferred from capital reserve															
2. Paid-in capital (or share capital) transferred from surplus reserve															
3. Surplus reserve covering the deficit															
4. Retained incomes of the changed amount carry-over in the defined benefit plan															
5. Retained earnings of the carry-over in other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in the current period								4,036,068.36					4,036,068.36		4,036,068.36
2. Use in the current period								4,036,068.36					4,036,068.36		4,036,068.36
(VI) Others															
IV. Ending balance in the current period	797,848,400.00				979,777,355.57		-3,462,450.32		187,753,923.88		-1,457,415,218.66		504,502,010.47	-351,607.82	504,150,402.65

8. Statement of changes in owners' equity of parent company

Amount in the current period

Unit: RMB

	Half a year of 2026											
	Other equity instruments					Less:	Other			Undistributed		Total
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	comprehensive income	Special reserve	Surplus reserve	profits	Others	owners' equity
I. Balance at the end of the previous year	797,848,400.00				778,253,775.98				187,753,923.88	-1,253,759,808.88		510,096,290.98
Add: Changes in accounting policies												
Correction of prior errors												
Others												
II. Balance at the beginning of this year	797,848,400.00				778,253,775.98				187,753,923.88	-1,253,759,808.88		510,096,290.98
III. Increase/decrease amount of the current period (the decrease is expressed with "-")										3,893,491.95		3,893,491.95
(I) Total comprehensive income										3,893,491.95		3,893,491.95
(II) Owners' capital injection and reduction												
1. Ordinary shares contributed by the owners												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments included in owners' equity												
4. Others												
(III) Profit appropriations												
1. Appropriations of surplus reserve												
2. Appropriations to the owners (or shareholders)												
3. Others												
(IV) Internal carry-over of owners' equity												
1. Paid-in capital (or share capital) transferred from capital reserve												
2. Paid-in capital (or share capital) transferred from surplus reserve												
3. Surplus reserve covering the deficit												
4. Retained incomes of the changed amount carry-over in the defined benefit plan												
5. Retained earnings of the carry-over in other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in the current period								2,941,899.44				2,941,899.44
2. Use in the current period								2,941,899.44				2,941,899.44
(VI) Others												
IV. Ending balance in the current period	797,848,400.00				778,253,775.98				187,753,923.88	-1,249,866,316.93		513,989,782.93

Amount of the previous year

Unit: RMB

Half a year of 2025												
Item	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of the previous year	797,848,400.00				778,253,775.98				187,753,923.88	-1,257,821,701.44		506,034,398.42
Add: Changes in accounting policies												
Correction of prior errors												
Others												
II. Balance at the beginning of this year	797,848,400.00				778,253,775.98				187,753,923.88	-1,257,821,701.44		506,034,398.42
III. Increase/decrease amount of the current period (the decrease is expressed with "-")										12,726,970.77		12,726,970.77
(I) Total comprehensive income										12,726,970.77		12,726,970.77
(II) Owners' capital injection and reduction												
1. Ordinary shares contributed by the owners												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments included in owners' equity												
4. Others												
(III) Profit appropriations												
1. Appropriations of surplus reserve												
2. Appropriations to the owners (or shareholders)												
3. Others												
(IV) Internal carry-over of owners' equity												
1. Paid-in capital (or share capital) transferred from capital reserve												
2. Paid-in capital (or share capital) transferred from surplus reserve												
3. Surplus reserve covering the deficit												
4. Retained incomes of the changed amount carry-over in the defined benefit plan												
5. Retained earnings of the carry-over in other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in the current period									4,036,068.36			4,036,068.36
2. Use in the current period									4,036,068.36			4,036,068.36
(VI) Others												
IV. Ending balance in the current period	797,848,400.00				778,253,775.98				187,753,923.88	-1,245,094,730.67		518,761,369.19

III. Basic information of the Company

Shandong Molong is a joint stock limited company registered in Shandong Province as well as was approved by Shandong Provincial Office for Economic System Reform on 27 December 2001, with the document of LTGH Zi [2001] No. 53 and jointly initiated and established by Zhang 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.

Approved by CSRC with the document of Zheng Jian Guo He Zi [2003] No. 50 (證監國合字[2003] 50號文), the Company issued additional 138,276,000 foreign shares (H shares) listed overseas at an issue price of HKD0.70 per share on 15 April 2004, including 3,278,000 state-owned legal person shares reduced by Gansu University of Technology Alloy Material General Factory, with a par value per share of RMB0.10, and they were listed via the GEM of SEHK.

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

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

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

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

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

On 30 June 2026, the registered capital of the Company was RMB797,848,400.00, and the total number of shares was 797,848,400.

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

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

Main operating activities: The Company falls into the specialised equipment manufacturing industry and mainly engages in the design and research and development, processing and manufacturing, sales service and export trade of products required by the energy equipment industry. Its main products included petroleum drilling and production machinery and equipment, petroleum and gas transportation equipment, oil and gas extraction equipment, etc. The products are widely used in various fields including petroleum, natural gas, shale gas, coalbed methane, hydrogen energy, oil refining, coal mining machinery, boiler manufacturing, engineering machinery manufacturing, and oilfield services.

The financial statement and the notes to the financial statement were approved by the seventh meeting of the eighth Board of Directors of the Company on 28 August 2026.

IV. Preparation basis of the financial statements

1. *Preparation basis*

The financial statement is prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance and their application guidelines and explanations as well as other relevant regulations (collectively referred to as “ASBEs”). In addition, the Company discloses relevant financial information in accordance with the 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 CSRC.

The financial statement is presented on a going concern basis.

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

2. *Going concern*

The Company has no events or conditions that may cast significant doubt on the Company’s going-concern ability within 12 months from the end of the reporting period.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimation prompt:

Pursuant to its own production and operation characteristics, the Company determines the conditions for depreciation of fixed assets, amortisation of intangible assets and capitalisation of research and development expenses and revenue recognition policies. For specific accounting policies, please refer to V. 21, V. 25, V. 26 and V. 32 in this Section.

1. *Declaration of complying with Accounting Standards for Business Enterprises*

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the consolidated and the Company’s financial position as at 30 June 2026, as well as the consolidated and the Company’s operating results and consolidated and the Company’s cash flows and other relevant information for the year 2026.

2. *Accounting period*

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

3. *Operating cycle*

The Company’s operating cycle is 12 months.

4. *Recording currency*

The Company and its domestic subsidiaries choose RMB as recording currency. The Company’s overseas subsidiaries determine U.S. dollar as their recording currency based on the currency of the primary economic environment in which they operate. The currency adopted by the Company when preparing the financial statements is RMB.

5. *Method for determining importance criteria and selection bases*

✓ Applicable ☐ Not applicable

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

6. *Accounting treatment methods for business merger under common control and not under common control*

(1) Business merger under common control

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

The business merger under common control can be realised through multiple transactions step by step.

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

(2) Business merger not under common control

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

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

The business merger not under common control can be realised through multiple transactions step by step.

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

(3) Treatment of transaction costs in the business merger

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

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

(1) Judgment criteria for control

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

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

(2) Preparation method of consolidated financial statements

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

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

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

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

(3) Acquisition of minority shareholders' equity of subsidiaries

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

(4) Disposal of losing the control right of subsidiaries

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

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

8. *Classification of joint arrangement and accounting treatment of joint management*

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

(1) Joint operation

Joint operation refers to the joint arrangement in which the Company has rights to the assets and obligations for the liabilities relating to the arrangement.

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

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

(2) Joint venture

Joint venture refers to the joint arrangement in which the Company has rights to the net assets in such arrangement.

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

9. *Determination standards of cash and cash equivalents*

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

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

(1) Foreign currency transaction

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

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

(2) Conversion of financial statements of foreign currency

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

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

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

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

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

11. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

(2) Classification and measurement of financial assets

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

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

Financial assets measured at amortised cost

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

- The business model of the Company for managing the financial asset is aimed at collecting contractual cash flows;
- In accordance with the contract terms of the financial assets, the cash flow generated on the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount.

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

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

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

- The business model of the Company for managing such financial assets is aimed at collecting contractual cash flows and selling the financial assets;
- In accordance with the contract terms of the financial assets, the cash flow generated on the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount.

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

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

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

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

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

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

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

(3) Classification and measurement of financial liabilities

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

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

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

Financial liabilities measured at the amortized cost

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

Distinction between financial liabilities and equity instruments

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

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

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

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

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

(4) Derivative financial instruments and embedded derivative instruments

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

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

(5) Fair values of financial instruments

For the methods used to determine the fair value of financial assets and financial liabilities, see V.12 in this Section.

(6) Impairment of financial assets

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

- Financial assets measured at amortised cost;
- Receivables and debt instrument investments measured at fair value with changes included in other comprehensive income;
- Contract assets as defined in Accounting Standard for Business Enterprises No. 14 – Revenue;
- Lease receivables;
- Financial guarantee contracts (excluding those measured at fair value with changes included into current profits and losses with transfer of financial assets failing to meet the conditions for derecognition or continuing to involve the transferred financial assets).

Measurement of the expected credit losses

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

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

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

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

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

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

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

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

Bills receivable and accounts receivable

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

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

A. Bills receivable

- Portfolio of bills receivable 1: Bank acceptance bills
- Portfolio of bills receivable 2: Commercial acceptance bills

B. Accounts receivable

- Portfolio of accounts receivable 1: Receivables from customers
- Portfolio of accounts receivable 2: Letter of credit
- Portfolio of accounts receivable 3: Related party balances within the scope of consolidation

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

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

Other receivables

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

- Portfolio of other receivables 1: Employee revolving fund
- Portfolio of other receivables 2: Deposit and security deposit
- Portfolio of other receivables 3: Receivables and payables of administrative institutions and public institutions
- Portfolio of other receivables 4: Export drawback receivable
- Portfolio of other receivables 5: Accounts due from/to other entities
- Portfolio of other receivables 6: Related party balances within the scope of consolidation

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

Debt investments and other debt investments

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

Assessment of the significant increase of the credit risks

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

At the time of confirming whether the credit risk has obviously increased after initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including forward-looking information. The information considered by the Company includes:

- The situation that the debtor fails to pay the principal and interest pursuant to the due date in the contract;
- Significant deterioration that has occurred or is expected to occur in the external or internal credit rating of the financial instrument (if any);
- Serious deterioration of debtor operating results incurred or expected;
- Existing or expected changes in technological, market, economic or legal environments that will have a material adverse impact on the debtor's repayment ability to the Company.

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

Financial assets with incurred credit impairment

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

- The issuer or the debtor has experienced significant financial difficulties;
- The debtor violates the contract, such as defaulting or being overdue in paying interest or principal;
- The Company, for economic or contractual considerations related to the debtor's financial difficulties, makes concessions to the debtor that it would not make under any other circumstances;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market for the financial asset.

Presentation of expected credit loss provisions

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

Write-off

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

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

(7) Transfer of financial assets

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

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

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

(8) Offset of financial assets and financial liabilities

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

12. Fair value measurement

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

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

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

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

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

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

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

13. Bills receivable

For the determination method and accounting treatment method for expected credit losses of bills receivable, refer to "V. 11. Financial instruments" in this Section.

14. Accounts receivable

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

15. Financing receivables

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

16. Other receivables

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

17. Contract assets

For the determination method and accounting treatment method for expected credit losses of contract assets, refer to “V. 11. Financial instruments” in this Section.

18. Inventory

(1) Classification of inventories

The inventory of the Company is classified into raw materials, work-in-progress, goods-in-stock, goods shipped in transit and materials for consigned processing.

(2) Valuation method of inventory delivered

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

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

On the balance sheet date, the inventory is measured based on cost or net realizable value, whichever is lower. Provision for inventory impairment is made when the cost is higher than the net realisable value.

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

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.

On the balance sheet date, if the influencing factors of the previous write-down of inventory value have disappeared, the original provision for inventory impairment shall be reversed.

(4) Inventory system

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

(5) Amortisation method for low-value consumables and packaging materials

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

19. Long-term equity investment

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

(1) Determination of initial investment cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Methods of impairment testing and impairment provision

Refer to V. 27 in this Section for the method for provision for impairment of assets in subsidiaries, associates and joint ventures.

20. *Investment real estate*

Investment real estate measurement model

Not applicable

21. *Fixed assets*

(1) Recognition condition

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

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

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

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

(2) Depreciation method

Type	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20	5	4.75
Machinery and equipment	Straight-line method	5-20	5	19.00-4.75
Transportation equipment	Straight-line method	5	5	19.00
Electronic equipment and others	Straight-line method	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 type, estimated service life, and estimated residual value of the fixed assets. For fixed assets for which impairment losses have been recognised, accumulated impairment losses are deducted in determining the depreciation base.

(3) Refer to V. 27 in this Section for the methods of impairment testing and impairment provision for fixed assets.

(4) At the end of each year, the Company shall review the service life of the fixed assets, the estimated residual value and depreciation method.

If there is any difference between the expected service life and the previously estimated service life, the expected service life of the fixed assets shall be adjusted; if there is any difference between the amount of estimated residual value and the original estimate, the estimated residual value shall be adjusted.

(5) Disposal of fixed assets

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

22. Construction-in-progress

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

The construction-in-progress shall be transferred to the fixed assets when it reaches the expected serviceable condition.

Refer to V. 27 in this Section for the method of provision for asset impairment of the construction-in-progress.

23. *Materials for construction in progress*

The Company'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. After the completion of the project, the remaining materials for construction-in-progress are transferred to inventories.

Refer to V. 27 in this Section for the method of provision for asset impairment of the materials for construction-in-progress.

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

24. *Borrowing costs*

(1) Confirmation principles of capitalisation of borrowing costs

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

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

(2) Capitalisation period of borrowing costs

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

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

(3) Calculation method of capitalisation rate and capitalisation amount of borrowing costs

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

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

25. Intangible assets

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

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

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

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

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

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

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

Refer to V. 27 in this Section for the method of impairment provision for intangible assets.

26. R&D expenditures

The Company's R&D expenditures are expenses directly related to the Company's research and development activities, including the remuneration of research and development personnel, direct input costs, depreciation expenses, design expenses, amortisation of intangible assets, outsourced research and development expenses and other expenses. The remuneration of R&D personnel is allocated to R&D expenditures according to project man-hours. The equipment, production lines and sites shared by R&D activities and other production and operation activities are allocated and included into R&D expenditures according to the weight ratio of the material input.

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

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

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

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

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

27. Impairment of long-term assets

The impairment of asset of long-term equity investments in subsidiaries, associates and joint ventures, fixed assets, construction-in-progress, right-of-use assets, intangible assets, etc. (except for inventories, investment real estates measured at fair value, deferred income tax assets and financial assets) is determined as per the following method:

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

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

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

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

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

Once asset impairment losses are recognised, they will not be reversed in subsequent accounting periods.

28. Long-term unamortised expenses

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

29. Contract liabilities

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

30. Employee remuneration

(1) Accounting treatment method for short-term remuneration

① Scope of employee remuneration

Employee remuneration refers to all forms of remuneration or compensation given by an enterprise in exchange for services provided by employees or for the termination of employment relationship. Employee remuneration includes short-term remuneration, post-employment benefits, severance benefits and other long-term employee benefits. Benefits provided by the enterprise to employees' spouses, children, dependants, survivors of deceased employees and other beneficiaries also fall within the scope of employee remuneration.

Based on liquidity, employee remuneration is presented under the items of "Salaries payable" and "Long-term salaries payable" in the balance sheet respectively.

② Short-term remuneration

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

(2) Accounting treatment method for post-employment benefits

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

Defined contribution plan

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

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

Defined benefit plan

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

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

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

(3) Accounting treatment methods for severance benefits

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

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

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

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

31. Estimated liabilities

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

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

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

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

32. Revenue

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

(1) General principle

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

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

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

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

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

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

- ① The Company has the right to receive payment for the goods or services at present, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal ownership of the goods to the customer, which is when the client possesses the legal ownership of the goods.
- ③ The Company has transferred the physical goods of the product 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 obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ The customers have accepted the goods or services.
- ⑥ Other indications demonstrating that the customer has obtained control of the goods.

(2) Specific methods

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

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

The Company's sale of pipe products, oil well pumps, sucker rods and oil pumps, and petroleum machinery parts to customers falls into the fulfillment of the performance obligation at a certain time point, and the revenue is recognised when the performance obligation is fulfilled.

- ① Conditions for recognising the revenue from domestic sales products: The goods are delivered to the customer as per the delivery method stipulated in the sales contract. After the customer signs for the goods upon receipt, the Company will recognise the revenue when it obtains the customer's receipt of goods. After the oil casing sold through the consignment stock method is received by the customer, the income shall be settled and recognised with the Company.
- ② Conditions for recognising revenue from export 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.

Circumstances where different business models adopted for similar businesses involve different revenue recognition methods and measurement approaches

33. Contract cost

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

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

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

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

Assets recognised for contract acquisition cost and assets recognised for contract performance cost ("assets related to contract cost") shall be amortised on the same basis as the revenue recognition of goods or services related to such assets and included into current profits and losses. If the amortisation period does not exceed one year, it is recognised in profit or loss in the period incurred.

Where the book value of assets related to contract costs is higher than the difference between the following two items, the Company shall make impairment provision for the exceeding part and recognises asset impairment losses:

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

34. Government grants

The government grants shall be recognised when the conditions are met and the grants can be received.

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

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

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

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

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

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

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

35. *Deferred income tax assets/deferred income tax liabilities*

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

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

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

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

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

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

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

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

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

- (1) Within the Company, this taxable entity has the legal right to net off current income tax assets against current income tax liabilities;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer within the Company.

36. Lease

(1) Accounting treatment method for leasing as a lessee

(1) Identification of leases

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

(2) The Company as a lessee

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

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

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

Short-term lease

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

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

Low-value asset lease

Low-value asset lease refers to a lease where the value of a single leased asset is lower than RMB40,000 when the asset is new.

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

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

Lease change

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

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

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

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

(2) Accounting treatment method for leasing as a lessor

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

Financial lease

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

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

Operating lease

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

Lease change

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

The Company accounts for a change in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the change 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 changed and not accounted for as a separate lease, the Company accounts for the changed lease in the following circumstances: ① If the change 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 changed, and use the net lease investment before the effective date of the lease changed as the book value of the lease asset; ② If the change 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 Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

Leaseback

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

If the transfer of assets in the leaseback transaction is considered a sale, the lessee shall measure the right-of-use assets formed by the leaseback in line with the portion of the original asset book value related to the right to use obtained through leaseback and only recognise the relevant gains or losses from the rights transferred to the lessor. The lessor shall carry out accounting treatment for the purchase of assets as per other applicable accounting standards for business enterprises and for the lease of assets pursuant to Accounting Standard for Business Enterprises No. 21 – Lease.

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

37. *Right-of-use assets*

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

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

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

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

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

(3) Refer to V. 27 in this Section for the methods of impairment testing and impairment provision for right-of-use assets.

38. *Other significant accounting policies and accounting estimates*

(1) Significant accounting judgments and estimates

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

Classification of financial assets

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

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

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

Measurement of the expected credit loss of accounts receivable

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

Deferred income tax assets

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

Confirmation of the fair value of unlisted equity investment

The fair value of unlisted equity investment is the forecast future cash flow discounted according to the current discount rate of the item with similar terms and risk characteristics. The valuation requires the Company to estimate expected future cash flow and discount rate, thus it is uncertain. If the information for confirming the fair value is insufficient or the distribution range of the possible estimated amount of the fair value is extensive in limited circumstances and the cost represents the best estimate of fair value within the range, such cost can represent an appropriate estimate of the fair value within the distribution range.

(2) Debt restructuring

The Company as a debtor

The Company derecognises a debt when its current obligation is discharged. Specifically, the gains or losses related to debt restructuring shall be recognised when the uncertainties in the execution process and result of the debt restructuring agreement are eliminated.

If debt restructuring is carried out by means of settlement of a debt with an asset, the Company will carry out derecognition when the relevant assets and the debts settled meet the conditions for derecognition, and the difference between the book value of the debt settled and the book value of the transferred assets shall be included into the current profits and losses.

If the debts are converted into equity instruments for debt restructuring, the Company will conduct derecognition when debts settled meet the conditions for derecognition. The Company initially recognises 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 book value of the debt settled and the recognition amount of equity instruments is included into the current profits and losses.

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

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

The Company as a creditor

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

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

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

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

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

(3) Production safety expenses and maintenance expenses

The Company provided for production safety expenses as per the Administrative Measures for the Provision and Utilisation of Production Safety Expenses by Enterprises (CQ [2022] No. 136) jointly 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 relevant products or current profits and losses as well as 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 recognised 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 special reserve with the same amount recognised in accumulated depreciation. Such fixed assets are not depreciated in subsequent periods.

39. Changes in significant accounting policies and 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 2026 onward

☐ Applicable ☒ Not applicable

VI. Tax

1. *Main tax types and tax rates*

Tax type	Tax basis	Tax rate
Value-added tax	Taxable value-added amount	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax amount actually paid	7%
Corporate income tax	Taxable income	25%
Education surcharges	Turnover tax amount actually paid	3%
Local education surcharges	Turnover tax amount actually paid	2%
Profits tax in Hong Kong, China	Taxable income	8.25%, 16.5%

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

Names of the taxpayer	Income tax rate
Shandong Molong	15%
Molong Logistics	25%
MPM Corporation	8.25%, 16.5%
Molong Electro-mechanical	25%
Molong I&E	20%
Molong Commercial	25%
Molong E-commerce	20%
Shandong Xincheng	20%
Precision Technology	20%
Energy Technology	25%
Petroleum Technology	20%

2. *Tax incentives*

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. The subsidiaries (namely, Molong I&E, Molong E-commerce, Shandong Xincheng, Precision Technology, and Petroleum Technology) meet the relevant standards and enjoy a preferential income tax rate of 20% for small and low-profit enterprises.

VII. Explanatory Notes to consolidated financial statement items

1. *Monetary funds*

Unit: RMB

Item	Ending balance	Beginning balance
Cash on Hand	42,061.80	22,845.02
Bank deposit	94,103,745.65	186,958,717.18
Other monetary funds	124,242,080.07	86,511,596.79
Total	218,387,887.52	273,493,158.99
Including: Total amount of payments deposited overseas	1,901,788.20	1,027,626.30

Other descriptions

- (1) The funds deposited by the Company overseas are the monetary capitals of Hong Kong subsidiary – MPM Corporation.
- (2) At the end of the period, the amount of deposit in bank frozen due to litigation was RMB1,021,208.89; 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, and the amount of letter-of-guarantee deposit/currency hedging deposit was RMB25,524,161.84.

2. *Bills receivable*

(1) Bills receivable by type

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills		7,600,612.66
Commercial acceptance bills	31,440,147.57	69,420,011.91
Total	31,440,147.57	77,020,624.57

(2) Disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Including:										
Bills receivable subject to provision for										
bad debts on a portfolio basis	31,757,724.82	100.00%	317,577.25	1.00%	31,440,147.57	77,721,836.82	100.00%	701,212.25	0.90%	77,020,624.57
Including:										
Banker acceptance						7,600,612.66	9.78%			7,600,612.66
Commercial acceptance bill	31,757,724.82	100.00%	317,577.25	1.00%	31,440,147.57	70,121,224.16	90.22%	701,212.25	1.00%	69,420,011.91
Total	31,757,724.82	100.00%	317,577.25	1.00%	31,440,147.57	77,721,836.82	100.00%	701,212.25	0.90%	77,020,624.57

Category name of provision for bad debts by portfolio: commercial acceptance bills

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Commercial acceptance bill	31,757,724.82	317,577.25	1.00%
Total	31,757,724.82	317,577.25	

Descriptions for determining the portfolio basis:

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

☐ Applicable ☒ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of						
bills receivable	701,212.25		383,635.00			317,577.25
Total	701,212.25		383,635.00			317,577.25

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

☐ Applicable ☒ Not applicable

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

Unit: RMB

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Commercial acceptance bills		40,103,510.92
Total		40,103,510.92

(5) Bills receivable actually written off in the current period

There are no bills receivable actually written off in the current period.

3. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	370,623,926.77	467,135,179.25
1-2 years	258,031.83	258,031.83
More than 3 years	32,554,598.18	35,883,856.68
More than 5 years	32,554,598.18	35,883,856.68
Total	403,436,556.78	503,277,067.76

(2) Disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Provision rate	Book value	Amount	Proportion	Amount	Provision rate	Book value
Including:										
Accounts receivable subject to provision for bad debts on a portfolio basis	403,436,556.78	100.00%	36,378,734.34	9.02%	367,057,822.44	503,277,067.76	100.00%	39,107,020.51	7.77%	464,170,047.25
Including:										
Amounts due from customers	402,324,654.74	99.72%	36,378,734.34	9.04%	365,945,920.40	254,392,104.47	50.55%	39,107,020.51	15.37%	215,285,083.96
Letter of credit	1,111,902.04	0.28%			1,111,902.04	248,884,963.29	49.45%			248,884,963.29
Total	403,436,556.78	100.00%	36,378,734.34	9.02%	367,057,822.44	503,277,067.76	100.00%	39,107,020.51	7.77%	464,170,047.25

Category name of provision for bad debts by portfolio: amounts due from customers

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	369,512,024.73	3,695,120.24	1.00%
1–2 years	258,031.83	129,015.92	50.00%
2–3 years			
3–4 years			
4–5 years			
More than 5 years	32,554,598.18	32,554,598.18	100.00%
Total	402,324,654.74	36,378,734.34	

Category name of provision for bad debts by portfolio: letters of credit

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	1,111,902.04		
Total	1,111,902.04		

If the provision for bad debts of accounts receivable is calculated and withdrawn in accordance with the general model of expected credit losses

☐ Applicable ☒ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debt of accounts receivable	39,107,020.51		2,728,286.17			36,378,734.34
Total	39,107,020.51		2,728,286.17			36,378,734.34

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

Unit: RMB

Unit name	Recovery or reversal	Reason for reversal	Recovery method	The basis for determining the original bad debt provision ratio and its rationality
Shandong Xinmei Machinery Equipment Co., Ltd.	2,504,732.50	Recover part of the outstanding debt	Bank transfer/ acceptance	Provision for bad debts based on the expected credit loss rate
Total	2,504,732.50			

(4) Accounts receivable actually written off in the current period

There are 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

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Ending balance of provisions for bad debts of accounts receivable and impairment of contract assets
Shaanxi Yanchang Petroleum (Group) Co., Ltd.	97,440,168.26		97,440,168.26	24.15%	974,401.68
CNOOC China Limited	94,801,983.39		94,801,983.39	23.50%	948,019.83
China Petroleum & Chemical Corporation	88,401,561.86		88,401,561.86	21.91%	884,015.62
PetroChina Company Limited	50,113,720.34		50,113,720.34	12.42%	501,137.20
Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd.	20,802,447.35		20,802,447.35	5.16%	319,728.71
Total	351,559,881.20		351,559,881.20	87.14%	3,627,303.04

4. *Financing receivables*

(1) Financing receivables by type

Unit: RMB

Item	Ending balance	Beginning balance
Bills receivable	7,708,454.22	
Digital credential of receivables claims	5,677,467.14	
Total	13,385,921.36	

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

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

(3) Financing receivables that the Company has endorsed or discounted at the end of the period and have not yet matured as of the balance sheet date

Unit: RMB

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bills receivable	46,256,767.93	
Digital credential of receivables claims	14,952,327.31	
Total	61,209,095.24	

(4) Financing receivables actually written off in the current period

There are no financing receivables actually written off in the current period.

(5) Changes in financing receivables and changes in fair value of financing receivables in the current period

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

(6) Other explanations

None

5. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	256,413,251.82	646,926,136.76
Total	256,413,251.82	646,926,136.76

(1) Other receivables

1) Other receivables by nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Employee revolving fund	442,000.00	
Deposit and security deposit	15,822,951.00	14,901,026.00
Export drawback receivable	5,370.49	
Accounts due from/to other entities	352,180,096.67	744,156,033.43
Less: Provision for bad debts of other receivables	-112,037,166.34	-112,130,922.67
Total	256,413,251.82	646,926,136.76

2) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	16,256,105.29	15,970,468.39
1-2 years	63,122,540.87	487,143,409.10
2-3 years	289,061,088.39	255,932,498.33
More than 3 years	10,683.61	10,683.61
More than 5 years	10,683.61	10,683.61
Total	368,450,418.16	759,057,059.43

3) Disclosure by the bad debt provision method

✓ Applicable ☐ Not applicable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Provision for bad debts on an individual basis	351,660,172.80	95.44%	111,941,630.75	31.83%	239,718,542.05	744,040,507.80	98.02%	112,086,068.50	15.06%	631,954,439.30
Including:										
Huarong Agricultural	61,453,392.51	16.68%	3,687,203.55	6.00%	57,766,188.96	452,453,392.51	59.61%	5,487,203.55	1.21%	446,966,188.96
Shouguang Baolong	290,206,780.29	78.76%	108,254,427.20	37.30%	181,952,353.09	291,587,115.29	38.41%	106,598,864.95	36.56%	184,988,250.34
Provision for bad debts on a portfolio basis	16,790,245.36	4.56%	95,535.59	0.57%	16,694,709.77	15,016,551.63	1.98%	44,854.17	0.30%	14,971,697.46
Including:										
Employee revolving fund	442,000.00	0.12%			442,000.00					
Deposit and security deposit	15,822,951.00	4.29%			15,822,951.00	14,901,026.00	1.96%			14,901,026.00
Export drawback receivable	5,370.49	0.00%			5,370.49					
Accounts due from/to other entities	519,923.87	0.14%	95,535.59	18.37%	424,388.28	115,525.63	0.02%	44,854.17	38.83%	70,671.46
Total	368,450,418.16	100.00%	112,037,166.34	30.41%	256,413,251.82	759,057,059.43	100.00%	112,130,922.67	14.77%	646,926,136.76

Provision for bad debts on an individual basis: Huarong Agricultural

Unit: RMB

Name	Beginning balance		Ending balance			Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	
Huarong Agricultural	452,453,392.51	5,487,203.55	61,453,392.51	3,687,203.55	6.00%	
Total	452,453,392.51	5,487,203.55	61,453,392.51	3,687,203.55		

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

Name	Beginning balance		Ending balance			Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	
Shouguang Baolong	291,587,115.29	106,598,864.95	290,206,780.29	108,254,427.20	37.30%	
Total	291,587,115.29	106,598,864.95	290,206,780.29	108,254,427.20		

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

Unit: RMB

Name	Ending balance		Provision rate
	Book balance	Provision for bad debts	
Employee revolving fund	442,000.00		
Total	442,000.00		

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

Unit: RMB

Name	Ending balance		Provision rate
	Book balance	Provision for bad debts	
Deposit and security deposit	15,822,951.00		
Total	15,822,951.00		

Category name of provision for bad debts by portfolio: export drawback receivable

Unit: RMB

Name	Ending balance		Provision rate
	Book balance	Provision for bad debts	
Export drawback receivable	5,370.49		
Total	5,370.49		

Category name of provision for bad debts by portfolio: accounts due from/to other entities

Unit: RMB

Name	Ending balance		Provision rate
	Book balance	Provision for bad debts	
Accounts due from/to other entities	519,923.87	95,535.59	18.37%
Total	519,923.87	95,535.59	

Provision for bad debts was made using the general approach of expected credit losses:

Unit: RMB

	Phase I	Phase II	Phase III	
	Expected credit loss in the next 12 months	Lifetime expected credit losses (not credit-impaired)	Lifetime expected credit losses (credit-impaired)	Total
Provision for bad debts				
Balance on 1 January 2026	4,580.54	5,516,793.57	106,609,548.56	112,130,922.67
Balance on 1 January 2026 in the current period				
—Transferred to Phase III		-11,287.93	11,287.93	0.00
Provision in the current period	69,512.44		1,655,562.25	1,725,074.69
Reversal in the current period	528.93	1,818,302.09		1,818,831.02
Balance on 30 June 2026	73,564.05	3,687,203.55	108,276,398.74	112,037,166.34

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

Changes in the book balance of significant loss provision for 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

		Amount changed in the current period				
Type	Beginning balance	Provision	Recovery or reversal	Write-off or verification	Others	Ending balance
Provision for bad debts on other receivables	112,130,922.67	1,725,074.69	1,818,831.02			112,037,166.34
Total	112,130,922.67	1,725,074.69	1,818,831.02			112,037,166.34

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

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

6) *Other receivables with top five balances at the end of the period grouped by debtor*

Unit: RMB

Unit name	Nature of payment	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period	Ending balance of provision for bad debts
Shouguang Baolong	Accounts due from/to other entities	290,206,780.29	1-2 years, 2-3 years	78.76%	108,254,427.20
Huarong Agricultural	Accounts due from/to other entities	61,453,392.51	1-2 years	16.68%	3,687,203.55
Haier Financial Services China Co., Ltd.	Deposit and security deposit	5,000,000.00	Within 1 year	1.36%	
Shaanxi Energy and Chemical Exchange Co., Ltd.	Deposit and security deposit	3,287,135.25	Within 1 year, 1-2 years	0.89%	
TÜRKİYE PETROLLERİ A.O.(TPAO)	Deposit and security deposit	3,133,014.00	Within 1 year	0.85%	
Total		363,080,322.05		98.54%	111,941,630.75

7) *Presented as other receivables due to centralised management of capital*

None

6. Prepayments

(1) Prepayments by age

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	159,485,831.61	97.13%	109,782,231.71	97.61%
1-2 years	2,713,560.63	1.65%	675,889.25	0.60%
2-3 years	2,010,000.00	1.22%	2,010,000.00	1.79%
More than 3 years	115.57		115.57	
Total	164,209,507.81		112,468,236.53	

Explanation on important prepayments with an age of more than 1 year not settled in due time:

The Company had no important prepayments aged over 1 year at the end of the period.

(2) Prepayments with top five balances at the end of the period grouped by payment recipient

Unit: RMB

Unit name	Ending balance of prepayments	Proportion of the total ending balance of prepayments at the end of the period
Entity 1	49,727,420.48	30.28%
Entity 2	34,999,303.50	21.31%
Entity 3	13,956,832.69	8.50%
Entity 4	9,927,714.00	6.05%
Entity 5	7,231,937.93	4.40%
Total	115,843,208.60	70.54%

7. Inventory

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

No

(1) Classification of inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories or costs of contract		Book balance	Provision for impairment of inventories or costs of contract	
		performance	Book value		performance	Book value
Raw materials	196,223,987.69	8,530,658.89	187,693,328.80	134,092,423.27	8,987,134.48	125,105,288.79
Work-in-progress	232,735,770.33	2,399,649.42	230,336,120.91	227,211,793.72	4,111,455.53	223,100,338.19
Goods-in-stock	306,766,007.56	7,628,346.65	299,137,660.91	165,400,584.67	7,563,481.53	157,837,103.14
Goods-in-transit	56,260,505.71	562,986.73	55,697,518.98	47,079,363.59	576,711.84	46,502,651.75
Materials for consigned processing	1,092,145.56	3,602.53	1,088,543.03	12,511,023.38	460,633.31	12,050,390.07
Total	793,078,416.85	19,125,244.22	773,953,172.63	586,295,188.63	21,699,416.69	564,595,771.94

(2) Provision for impairment of inventories and costs of contract performance

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,987,134.48	618,386.28		1,074,861.87		8,530,658.89
Work-in-progress	4,111,455.53	1,637,937.05		3,349,743.16		2,399,649.42
Goods-in-stock	7,563,481.53	3,440,096.05		3,375,230.93		7,628,346.65
Goods-in-transit	576,711.84	562,986.73		576,711.84		562,986.73
Materials for consigned processing	460,633.31	3,602.53		460,633.31		3,602.53
Total	21,699,416.69	6,263,008.64		8,837,181.11		19,125,244.22

Basis for determining provision for inventory impairment on a portfolio basis

Item	Specific basis for determining the net realizable value/remaining consideration and the costs to be incurred	Reasons for reversal or write-off of provision for impairment of inventories or costs of contract performance in the current period
Raw materials Work-in-progress Materials for consigned processing	Estimated sale price minus the estimated costs to be incurred until completion, the estimated selling expenses and related taxes	Reversal: The previous write-down influencing factors had been eliminated, and the write-down amount had been reversed in the current period Write-off: The raw materials had been received or sold in the current period
Goods-in-stock and goods-in-transit	Estimated selling price minus estimated selling expenses and related taxes	Reversal: The previous write-down influencing factors had been eliminated, and the write-down amount had been reversed in the current period Write-off: Products were sold in the current period

(3) Capitalised amount of ending balance of inventory including borrowing costs

None

(4) Amortisation amount of costs of contract performance for the current period

None

8. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Input tax to be deducted	31,912,926.78	2,143,508.70
Total	31,912,926.78	2,143,508.70

9. Other equity instrument investments

Unit: RMB

Item name	Beginning balance	Gains included into other comprehensive income for the current period	Losses included into other comprehensive income for the current period	Gains accumulated and included into other comprehensive income at the end of the current period	Losses accumulated and included into other comprehensive income at the end of the current period	Dividend income recognised in the current period	Ending balance	Reasons for being designated to be measured at the fair value with changes included in other comprehensive income
Weihai Baolong	3,403,349.84						3,403,349.84	
Changxu Thermal Power							30,000,000.00	
Total	3,403,349.84						33,403,349.84	

As Weihai Baolong and Changxu Thermal Power are investments that the Company intends to hold for the long term for strategic purposes, the Company has designated them as financial assets measured at fair value with changes included in other comprehensive income.

10. Long-term equity investments

Unit: RMB

Invested unit	Beginning balance (book value)	Beginning balance of provision for impairment	Additional investment	Reduced investment	Increase/decrease in the current period						Ending balance (book value)	Ending balance of provision for impairment	
					Investment gains or losses recognised under the equity method	Adjustments of other comprehensive income	Other changes in equity	Declaration of distributing cash dividends or profits	Provision for impairment	Others			
I. Joint venture													
II. Associated enterprise													
Molong Bicheng	3,994,020.05											3,994,020.05	
Yalong Machinery	1,617,056.44											1,617,056.44	
Shengrui Investment	40,729,789.19											40,729,789.19	
Subtotal	46,340,865.68											46,340,865.68	
Total	46,340,865.68											46,340,865.68	

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 the expected future cash flows

☐ Applicable ☒ Not applicable

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

None

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

None

Other descriptions

None

11. Other non-current financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Equity instrument investments		476,475.45
Total		476,475.45

12. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	453,383,761.53	297,484,473.82
Total	453,383,761.53	297,484,473.82

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Transportation equipment	Electronic equipment and others	Total
I. Original book value:					
1. Beginning balance	210,657,733.46	1,219,175,389.19	8,356,050.80	43,187,167.16	1,481,376,340.61
2. Increased amount in the current period	178,812,807.72	6,788,121.28	1,054,470.08	2,088,068.78	188,743,467.86
(1) Purchase	178,812,807.72	5,809,959.29	331,858.41	2,049,535.08	187,004,160.50
(2) Transfer-in from construction-in-progress		978,161.99	722,611.67	38,533.70	1,739,307.36
(3) Increase from business merger					
3. Decreased amount in the current period	104,500.00	1,786,081.03	179,088.85	65,432.14	2,135,102.02
(1) Disposal or scrapping	104,500.00	1,786,081.03	179,088.85	65,432.14	2,135,102.02
4. Ending balance	389,366,041.18	1,224,177,429.44	9,231,432.03	45,209,803.80	1,667,984,706.45
II. Accumulated depreciation					
1. Beginning balance	115,755,570.94	968,259,834.43	7,720,497.89	40,514,429.51	1,132,250,332.77
2. Increased amount in the current period	10,803,427.17	19,971,116.41	136,023.44	1,751,206.15	32,661,773.17
(1) Provision	10,803,427.17	19,971,116.41	136,023.44	1,751,206.15	32,661,773.17
3. Decreased amount in the current period	33,661.41	1,699,137.75	160,865.12	59,030.76	1,952,695.04
(1) Disposal or scrapping	33,661.41	1,699,137.75	160,865.12	59,030.76	1,952,695.04
4. Ending balance	126,525,336.70	986,531,813.09	7,695,656.21	42,206,604.90	1,162,959,410.90
III. Provision for impairment					
1. Beginning balance		51,641,534.02			51,641,534.02
2. Increased amount in the current period					
(1) Provision					
3. Decreased amount in the current period					
(1) Disposal or scrapping					
4. Ending balance		51,641,534.02			51,641,534.02
IV. Book value					
1. Book value at the end of the period	262,840,704.48	186,004,082.33	1,535,775.82	3,003,198.90	453,383,761.53
2. Book value at the beginning of the period	94,902,162.52	199,274,020.74	635,552.91	2,672,737.65	297,484,473.82

(2) Impairment test of fixed assets

☐ Applicable ☒ Not applicable

13. Construction-in-progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction-in-progress	1,426,352.11	139,310.39
Total	1,426,352.11	139,310.39

(1) Construction-in-progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sporadic projects	1,426,352.11		1,426,352.11	139,310.39		139,310.39
Total	1,426,352.11		1,426,352.11	139,310.39		139,310.39

(2) Impairment test of construction-in-progress

☐ Applicable ☒ Not applicable

14. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

Item	Houses and buildings	Total
I Original book value		
1 Beginning balance	568,482.09	568,482.09
2 Increased amount in the current period		
3 Decreased amount in the current period	568,482.09	568,482.09
(1) Disposal	568,482.09	568,482.09
4 Ending balance	0.00	0.00
II Accumulated depreciation		
1 Beginning balance	236,867.55	236,867.55
2 Increased amount in the current period	94,747.02	94,747.02
(1) Provision	94,747.02	94,747.02
3 Decreased amount in the current period	331,614.57	331,614.57
(1) Disposal	331,614.57	331,614.57
4 Ending balance	0.00	0.00
III Provision for impairment		
1 Beginning balance		
2 Increased amount in the current period		
(1) Provision		
3 Decreased amount in the current period		
(1) Disposal		
4 Ending balance		
IV Book value		
1 Book value at the end of the period	0.00	0.00
2 Book value at the beginning of the period	331,614.54	331,614.54

(2) Impairment test of right-of-use assets

☐ Applicable ☒ Not applicable

15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land usage right	Patent rights	Non-patent technology	Software	Total
I. Original book value					
1. Beginning balance	240,865,061.65	2,724,205.47	400,994,240.25	806,451.81	645,389,959.18
2. Increased amount in the current period	161,451,451.72	0.00	0.00	0.00	161,451,451.72
(1) Purchase	161,451,451.72	0.00	0.00	0.00	161,451,451.72
(2) Internal R&D					
(3) Increase from business merger					
3. Decreased amount in the current period					
(1) Disposal					
4. Ending balance	402,316,513.37	2,724,205.47	400,994,240.25	806,451.81	806,841,410.90
II. Accumulated amortisation					
1. Beginning balance	51,204,405.08	2,724,205.47	366,632,702.99	786,221.20	421,347,534.74
2. Increased amount in the current period	5,327,072.16	0.00	393,161.81	6,069.18	5,726,303.15
(1) Provision	5,327,072.16	0.00	393,161.81	6,069.18	5,726,303.15
3. Decreased amount in the current period					
(1) Disposal					
4. Ending balance	56,531,477.24	2,724,205.47	367,025,864.80	792,290.38	427,073,837.89
III. Provision for impairment					
1. Beginning balance			33,968,375.45		33,968,375.45
2. Increased amount in the current period					
(1) Provision					
3. Decreased amount in the current period					
(1) Disposal					
4. Ending balance			33,968,375.45		33,968,375.45
IV. Book value					
1. Book value at the end of the period	345,785,036.13	0.00	0.00	14,161.43	345,799,197.56
2. Book value at the beginning of the period	189,660,656.57	0.00	393,161.81	20,230.61	190,074,048.99

At the end of the current period, the proportion of intangible assets formed through internal research and development of the Company to the balance of intangible assets was 0.00%.

(2) Land usage right for which property certificates have not been obtained

At the end of the period, the Company had no land usage right for which property ownership certificates had not been obtained.

(3) 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	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Lease liabilities			182,033.10	27,304.97
Total			182,033.10	27,304.97

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets			331,614.54	49,742.18
Changes in the fair value of other equity investments included in other comprehensive income	106,010.01	26,502.51	106,010.01	26,502.51
Total	106,010.01	26,502.51	437,624.55	76,244.69

(3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Unit: RMB

Item	Offsetting amount of deferred income tax assets and liabilities at the end of the period	Ending balance of deferred income tax assets or liabilities after offsetting	Offsetting amount of deferred income tax assets and liabilities at the beginning of the period	Beginning balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets			27,304.97	
Deferred income tax liabilities		26,502.51	27,304.97	48,939.72

(4) Details of unrecognised deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	252,710,089.85	259,466,840.86
Deductible losses	2,635,217,869.94	2,626,720,762.78
Total	2,887,927,959.79	2,886,187,603.64

(5) Deductible losses of unrecognised deferred income tax assets will mature in the following years

Unit: RMB

Year	Ending amount	Beginning amount	Remark
2026	136,996,876.62	137,040,408.69	
2027	2,231,156.38	2,231,156.38	
2028	6,062,516.40	6,245,804.43	
2029	80,736,719.62	80,736,719.62	
2030	2,896,541.95	2,896,541.95	
2031	274,397,893.31	273,110,646.67	
2032	198,456,087.55	198,456,087.55	
2033	200,308,171.36	200,308,171.36	
2034	1,652,350,891.16	1,652,350,891.16	
2035	63,265,747.99	73,344,334.97	
2036	17,515,267.60		
Total	2,635,217,869.94	2,626,720,762.78	

Other descriptions

As at 30 June 2026, 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 income tax assets have not been recognised in respect of such deductible temporary differences and deductible losses.

17. Other non-current assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayments for engineering equipment	79,582,273.77		79,582,273.77	3,058,459.20		3,058,459.20
Total	79,582,273.77		79,582,273.77	3,058,459.20		3,058,459.20

18. Assets with restricted ownership or usage rights

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	70,000,000.00	70,000,000.00	Bill deposit	Deposit tying up	70,000,000.00	70,000,000.00	Bill deposit	Deposit tying up
Fixed assets	369,879,993.36	93,062,887.04	Mortgage/seizure	Mortgage financing	241,753,516.46	65,188,180.65	Mortgage/seizure	Mortgage financing/ litigation seizure
Intangible assets	177,046,812.02	128,673,136.22	Mortgage/seizure	Mortgage financing/ litigation seizure	177,046,812.02	130,444,689.80	Mortgage/seizure	Mortgage financing/ litigation seizure
Monetary funds	10,000,000.00	10,000,000.00	Loan security deposit	Pledge	10,000,000.00	10,000,000.00	Loan security deposit	Pledge
Monetary funds	1,021,208.89	1,021,208.89	Litigation freeze	Freeze	1,252,373.26	1,252,373.26	Litigation freeze	Freeze
Monetary funds	25,524,161.84	25,524,161.84	Letter-of-guarantee deposit/currency hedging deposit	Deposit tying up	6,335,122.32	6,335,122.32	Fixed deposits	Pledge
Total	653,472,176.11	328,281,393.99			506,387,824.06	283,220,366.03		

19. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Pledge loan	59,904,318.17	9,708,891.67
Mortgage loan	280,227,811.11	230,366,850.00
Guaranteed loan	873,546,946.95	952,560,068.20
Credit loan	63,712.62	62,913.72
Bill discounting	162,579,588.47	158,423,027.88
Total	1,376,322,377.32	1,351,121,751.47

(2) Short-term borrowings that have been overdue and unpaid

There were no short-term borrowings that had been overdue and unpaid at the end of the current period.

20. Bills payable

Unit: RMB

Type	Ending balance	Beginning balance
Commercial acceptance bills	197,372,320.95	66,591,079.41
Total	197,372,320.95	66,591,079.41

The total amount of bills payable that have matured but remain unpaid at the end of the period is RMB0.

21. Accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Trade payables for goods	333,923,708.92	319,370,969.08
Payables for engineering equipment	8,703,624.01	4,249,120.73
Expense payables	97,357,460.36	74,365,658.66
Total	439,984,793.29	397,985,748.47

(2) Important accounts payable aged over 1 year or overdue

The Company had no important accounts payable aged over 1 year at the end of the period.

Accounts payable by age

The aging analysis of accounts payable (including accounts payable of related party) based on the transaction date is as follows:

Unit: RMB

Item	Ending balance	Beginning balance
Within 1 year	392,957,536.31	330,150,178.65
1–2 years	12,630,473.80	21,439,107.95
2–3 years	4,073,283.24	13,986,511.36
More than 3 years	30,323,499.94	32,409,950.51
Total	439,984,793.29	397,985,748.47

22. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	36,615,874.62	41,087,652.71
Total	36,615,874.62	41,087,652.71

(1) Other payables

1) Other payables by nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Accrued energy charges	22,937,836.91	24,080,037.83
Deposits and security deposits	8,683,020.48	7,402,430.48
Rent	4,860,501.03	4,905,108.80
Investment payable		4,500,000.00
Others	134,516.20	200,075.60
Total	36,615,874.62	41,087,652.71

2) Important other payables aged over 1 year or overdue

The Company had no important other payables aged over 1 year at the end of the period.

23. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales	78,880,106.31	138,946,640.35
Total	78,880,106.31	138,946,640.35

24. Salaries payable

(1) Presentation of salaries payable

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term remuneration	33,499,464.98	70,682,140.19	73,344,683.65	30,836,921.52
II. Post-employment benefits – defined contribution plan		7,727,803.28	7,727,803.28	
Total	33,499,464.98	78,409,943.47	81,072,486.93	30,836,921.52

(2) Presentation of short-term remuneration

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Salaries, bonuses, allowances, and subsidies	13,267,761.89	62,442,265.93	65,527,135.04	10,182,892.78
2. Employee welfare expenses		758,350.52	758,350.52	
3. Social insurance premiums		4,253,930.01	4,253,930.01	
Including: Medical insurance premium		3,919,866.60	3,919,866.60	
Work-related injury insurance premium		334,063.41	334,063.41	
4. Housing provident fund	820,502.33	1,058,808.67	1,706,291.00	173,020.00
5. Labour union expenditure and employee education funds	19,411,200.76	2,168,785.06	1,098,977.08	20,481,008.74
Total	33,499,464.98	70,682,140.19	73,344,683.65	30,836,921.52

(3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic pension insurance		7,403,717.76	7,403,717.76	
2. Unemployment insurance premium		324,085.52	324,085.52	
Total		7,727,803.28	7,727,803.28	

Other descriptions

- ① The Group participates in the social insurance plans established by government agencies as required. According to the plan, the Group deposits fees to such plans as per the relevant regulations of the local government. Except for the above-mentioned deposit fees, the Group will no longer undertake any further payment obligations. After the relevant fees are paid, the Company will have no right to dispose the above-mentioned funds. The corresponding expenditures are included into the current profits and losses or the costs of related assets when occurring.
- ② The amount of salaries payable by the Group at the end of the year included accrued but unpaid salaries, bonuses, and subsidies of RMB10,182,892.78. As at the date of disclosure of this report, such amount has been fully paid;
- ③ As of 2025 and 30 June 2026, no forfeited contributions under the Company's defined contribution plan (the employer represented the employee who left the plan before the full attribution to the contribution) were available to the Group to reduce the existing contribution level.

25. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
Value-added tax	2,230,121.75	5,600,941.98
Corporate income tax	5,285,030.84	5,329,218.87
Individual income tax	87,062.63	81,824.34
Urban maintenance and construction tax	36.51	388,026.86
Property tax	1,104,546.07	457,729.44
Land use tax	1,273,342.41	339,350.20
Stamp duty	409,773.95	358,692.60
Education surcharges	0.00	276,886.26
Others	43,678.84	52,991.67
Total	10,433,593.00	12,885,662.22

26. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term payables due within one year	64,761,265.04	38,033,067.63
Lease liabilities due within one year		182,033.10
Total	64,761,265.04	38,215,100.73

(1) Long-term payables due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Sale and leaseback financing	64,761,265.04	38,033,067.63

(2) Lease liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Sale and leaseback financing		182,033.10

27. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Output tax to be carried forward	10,077,340.86	17,907,683.61
Acceptance bills endorsed but not derecognised	2,571,595.14	22,064,036.75
Total	12,648,936.00	39,971,720.36

28. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payment		192,259.75
Unrecognised financing costs		-10,226.65
Less: Lease liabilities due within one year		-182,033.10
Total		0.00

29. Long-term payables

Unit: RMB

Item	Ending balance	Beginning balance
Long-term payables	74,211,436.92	52,698,375.15
Total	74,211,436.92	52,698,375.15

(1) Long-term payables by nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Sale and leaseback financing	138,972,701.96	90,731,442.78
Less: Long-term payables due within one year	64,761,265.04	38,033,067.63
Total	74,211,436.92	52,698,375.15

30. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Reason(s) for the incurrence
Pending litigation	4,976,675.84	5,058,038.23	Provision for action-related expenses
Total	4,976,675.84	5,058,038.23	

31. Deferred revenue

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Reason(s) for the incurrence
Government grants	5,911,626.72		86,935.69	5,824,691.03	Government grants related to assets
Government grants	550,000.00		470,000.00	80,000.00	Government grants related to revenue
Total	6,461,626.72		556,935.69	5,904,691.03	

Other descriptions:

Government grants included in deferred revenue are set out in Note XI. Government grants

32. Share capital

Unit: RMB

	Increase and decrease of this change (+, -)						Ending balance
	Beginning balance	New Share Issuance	Share donation	Conversion of capital reserve to share capital	Others	Subtotal	
Total number of shares	797,848,400.00						797,848,400.00

33. Capital reserve

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (share capital premium)	961,688,958.59			961,688,958.59
Other capital reserve	18,109,790.84			18,109,790.84
Total	979,798,749.43			979,798,749.43

34. Other comprehensive income

Unit: RMB

		Amount for the current period						
			Less: Previously- included other comprehensive income	Less: Previously- included other comprehensive income				
		Current amount before income tax	transferred to profit or loss in the current period	transferred to retained earnings in the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Ending balance
Item	Beginning balance							
I. Other comprehensive income that may not be reclassified to profit or loss	79,507.50							79,507.50
Changes in fair value of investments in other equity instruments	79,507.50							79,507.50
II. Other comprehensive income to be reclassified to profit or loss	-3,182,055.79					543,133.22		-2,638,922.57
Conversion difference in foreign currency financial statements	-3,182,055.79					543,133.22		-2,638,922.57
Total other comprehensive income	-3,102,548.29					543,133.22		-2,559,415.07

35. Special reserve

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Production safety expenses		2,941,899.44	2,941,899.44	
Total		2,941,899.44	2,941,899.44	

Other descriptions, including the increase and decrease in the current period and reasons:

The Company provided for production safety expenses as per the Administrative Measures for the Provision and Utilisation of Production Safety Expenses by Enterprises (CQ [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Work Safety.

36. Surplus reserve

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	187,753,923.88			187,753,923.88
Total	187,753,923.88			187,753,923.88

37. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profits at the end of the previous period before adjustment	-1,464,423,291.93	-1,469,578,894.72
Undistributed profits at the beginning of the period after adjustment	-1,464,423,291.93	-1,469,578,894.72
Add: Net profits attributable to the parent company owners in the current period	4,210,815.79	5,155,602.79
Undistributed profit at the end of the period	-1,460,212,476.14	-1,464,423,291.93

Details of adjustments to undistributed profit at the beginning of the period:

- (1) Due to the retroactive adjustment of the Accounting Standards for Business Enterprises and its related new regulations, the undistributed profits at the beginning of the period were affected by RMB0.00.
- (2) Due to changes in accounting policies, the undistributed profits at the beginning of the period were affected by RMB0.00.
- (3) Due to the correction of a significant accounting error, the undistributed profits at the beginning of the period were affected by RMB0.00.
- (4) Due to changes in the scope of consolidation due to common control, the undistributed profits at the beginning of the period were affected by RMB0.00.
- (5) Other adjustments affect the undistributed profits at the beginning of the period by RMB0.00 totally.

38. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main business	1,210,579,261.11	1,090,933,436.43	770,336,854.87	693,580,969.61
Other businesses	42,322,013.50	40,342,840.14	27,183,454.87	25,884,887.85
Total	1,252,901,274.61	1,131,276,276.57	797,520,309.74	719,465,857.46

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Business type				
Including:				
Pipe products	1,196,306,347.49	1,078,983,470.63	1,196,306,347.49	1,078,983,470.63
Oil well pumps, sucker rods and oil pumps	14,115,064.64	11,963,779.07	14,115,064.64	11,963,779.07
Others	42,479,862.48	40,329,026.87	42,479,862.48	40,329,026.87
Classified by operating area				
Including:				
At home	798,599,581.05	740,026,739.21	798,599,581.05	740,026,739.21
At abroad	454,301,693.56	391,249,537.36	454,301,693.56	391,249,537.36
Classified by the time of transfer of goods				
Including:				
Transfer at a certain time point	1,252,901,274.61	1,131,276,276.57	1,252,901,274.61	1,131,276,276.57
Classified by contract term				
Including:				
Short-term contract	1,252,901,274.61	1,131,276,276.57	1,252,901,274.61	1,131,276,276.57
Classified by sales channel				
Including:				
Direct sales	1,252,901,274.61	1,131,276,276.57	1,252,901,274.61	1,131,276,276.57
Total	1,252,901,274.61	1,131,276,276.57	1,252,901,274.61	1,131,276,276.57

Information related to performance obligation:

Item	Time to perform the performance obligation	Important payment terms	Nature of the goods promised by the Company to transfer	Is it the main responsible person	Payment expected to be refunded to customers borne by the Company	Types of quality assurance provided by the Company and related 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	None	Product quality assurance
Domestic sales	After the customer receives the goods and signs for acceptance, the Company obtains the customer's receipt as proof of delivery. For oil casing sold under the consignment sales arrangement, settlement with the Company is made after the customer takes delivery and uses the goods.	For general pipe customers, the Company puts collection first before delivery; for oil casing customers in China, the payment will be collected within 3–6 months after billing and settlement.	Goods	Yes	None	Product quality assurance

Information related to the transaction price allocated to the remaining performance obligations:

The income amount corresponding to the performance obligations that have been signed in contract but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB1.017 billion. The amount is expected to be recognised as incomes in 2026.

39. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	974,493.42	445,274.95
Education surcharges	417,290.80	190,474.28
Resources tax	4,000.00	11,490.00
Property tax	1,777,050.33	797,877.54
Land use tax	2,150,256.81	533,100.40
Vehicle and vessel use tax	3,305.18	2,895.18
Stamp duty	1,022,658.28	578,354.51
Others	358,193.85	259,378.73
Total	6,707,248.67	2,818,845.59

40. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Amortisation of intangible assets	5,333,141.34	2,254,655.82
Depreciation expense	4,481,406.11	895,984.04
Employee remuneration	12,344,749.37	9,583,171.78
Travel expense	200,129.84	173,649.07
Machinery and material consumables	438,410.89	173,333.84
Business entertainment expenses	401,852.31	647,924.40
Fees of Board of Directors	287,700.42	7,547.17
Water rate, electric charge and gas fee	656,969.18	733,821.91
Commissions	1,705,209.44	2,151,801.69
Repair expenses	611,281.98	144,040.33
Others	1,232,472.70	1,780,651.74
Total	27,693,323.58	18,546,581.79

41. Sales expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee remuneration	5,286,094.49	4,328,479.30
Commissions	225,931.17	138,397.25
Depreciation expense	7,072.52	5,569.18
Travel expense	527,047.89	410,509.89
Business entertainment expenses	443,750.75	312,265.69
Transportation expenses	0.00	949.25
Office expenses	105,229.35	103,290.48
Others	242,888.37	943,517.01
Total	6,838,014.54	6,242,978.05

42. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
New product development for this year	11,439,798.33	10,221,955.21
Amortisation of non-patented technology in the current year	393,161.81	871,152.60
Total	11,832,960.14	11,093,107.81

43. Finance costs

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenditure	55,196,364.02	45,322,629.95
Less: Interest income	-1,374,480.68	-799,536.45
Exchange gains or losses	12,194,281.70	-1,650,660.89
Handling fee and others	747,749.81	191,378.13
Total	66,763,914.85	43,063,810.74

44. Other incomes

Unit: RMB

Sources of other incomes	Amount for the current period	Amount for the previous period
Additional deduction on input value-added tax	668,173.10	1,361,627.77
Refund of service charges for individual income tax	11,944.00	7,048.36
Government grants related to revenue	480,200.00	
Government grants related to assets	86,935.69	
Total	1,247,252.79	1,368,676.13

45. Investment income

Unit: RMB		
Item	Amount for the current period	Amount for the previous period
Investment income from disposal of financial instruments		-96,433.34
Gain on equity transfer of Cangyuan Materials	23,524.55	
Total	23,524.55	-96,433.34

46. Credit impairment losses

Unit: RMB		
Item	Amount for the current period	Amount for the previous period
Bad debt losses of bills receivable	383,635.00	70,143.82
Bad debt losses of accounts receivable	2,728,286.17	2,678,442.15
Bad debt losses of other receivables	93,756.33	240,464.83
Total	3,205,677.50	2,989,050.80

47. Asset impairment losses

Unit: RMB		
Item	Amount for the current period	Amount for the previous period
Loss on impairment of inventories and loss on impairment of costs of contract performance	-3,513,012.59	116,035.70
Total	-3,513,012.59	116,035.70

48. Gains on disposal of assets

Unit: RMB		
Sources of gains on disposal of assets	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets	95,416.52	4,114,238.28
Total	95,416.52	4,114,238.28

49. Non-operating income

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current extraordinary gain or loss
Litigation compensation		7,486,346.36	
Others	1,542,100.49	925,006.93	1,542,100.49
Total	1,542,100.49	8,411,353.29	1,542,100.49

50. Non-operating expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current extraordinary gain or loss
Loss from the destruction and scrapping of non-current assets	140,238.97	30,591.93	140,238.97
Donation expenditure	2,000.00		2,000.00
Others	29,261.63	1,126,362.94	29,261.63
Total	171,500.60	1,156,954.87	171,500.60

51. Income tax expenses

(1) Table for income tax expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	29,580.06	73,847.69
Deferred income tax expenses	-22,437.21	
Total	7,142.85	73,847.69

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount for the current period
Total profits	4,218,994.92
Income tax expenses calculated as per statutory/applicable tax rate	632,849.24
Effect of different tax rates applied to subsidiaries	-27,707.28
Effect of non-deductible costs, expenses and losses	204,226.94
Effect of utilisation of unrecognised deductible losses of deferred income tax assets in previous period	-56,705.03
Effect of unrecognised deductible temporary differences or deductible losses of deferred income tax assets in the period	1,772,514.97
Gains and losses of associates and joint ventures accounted for using the equity method	23,524.55
Tax impact of additional deductions for R&D expenses	-2,541,560.54
Income tax expenses	7,142.85

52. Other comprehensive income

Refer to "Note VII. 34. Other comprehensive income" for details.

53. Items in cash flow statement

(1) Cash related to operating activities

Other cash received related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Government grants	690,280.70	7,048.36
Interest income	1,374,480.69	786,738.61
Decrease in security deposits		
Recovery of financial assistance	30,000,000.00	360,566,233.13
Decrease in frozen bank deposits	231,164.37	
Others	544,190.08	13,605,342.60
Total	32,840,115.84	374,965,362.70

Other cash paid relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
New product development expenses	30,481,631.64	10,221,955.21
Consumables	530,029.29	173,333.84
Travel expense	727,131.79	584,158.96
Commissions	1,965,498.66	2,290,198.94
Repair expenses	611,281.98	144,040.33
Water rate, electric charge and gas fee	656,969.18	723,821.91
Business entertainment expenses	845,603.06	960,190.09
Service charges of financial institutions	747,907.29	149,353.96
Increase in frozen bank deposit		232,901.06
Payments of operating deposits	19,189,039.52	
Others	1,938,372.93	4,854,377.43
Total	57,693,465.34	20,334,331.73

(2) Cash related to investing activities

Cash paid related to significant investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment for enterprise investment	34,000,000.00	40,000,000.00
Payment for land and property purchase		83,702,500.00
Payment for high-end special pipes for petroleum intelligent processing project	43,000,000.00	0.00
Total	77,000,000.00	123,702,500.00

(3) Cash related to financing activities

Other cash received related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Receipt of financial leasing payments	48,000,000.00	
Total	48,000,000.00	

Other cash paid related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Repayment of financial leasing payments	25,848,014.24	
Total	25,848,014.24	

Changes in liabilities arising from financing activities

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	1,351,121,751.47	1,164,614,653.47	8,937,833.02	1,148,351,860.64		1,376,322,377.32
Long-term payables (including long-term payables due within one year)	90,731,442.78	48,000,000.00	30,296,057.73	30,054,798.55		138,972,701.96
Lease liabilities (including lease liabilities due within one year)	182,033.10				182,033.10	
Other payables (lease liabilities due)	4,905,108.80				44,607.77	4,860,501.03
Total	1,446,940,336.15	1,212,614,653.47	39,233,890.75	1,178,406,659.19	226,640.87	1,520,155,580.31

54. Supplementary information of cash flow statement

(1) Supplementary information of the cash flow statement

Unit: RMB

Supplementary information	Amount in the current period	Amount of the previous period
1. Adjustment of net profit to cash flow from operating activities:		
Net profit	4,211,852.07	11,961,246.60
Add: Provision for impairment of assets	475,460.58	-3,082,891.25
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	32,661,773.17	28,178,102.30
Depreciation of right-of-use assets	94,747.02	3,677,211.24
Amortisation of intangible assets	5,726,303.15	3,125,808.42
Amortisation of long-term deferred expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (the gain is expressed with "-")	-95,416.52	-4,114,238.28
Loss from retirement of fixed assets (the gain is expressed with "-")	140,238.97	30,591.93
Loss from changes in fair value (the gain is expressed with "-")		
Finance costs (the gain is expressed with "-")	55,256,737.81	40,174,709.78
Investment losses (the gain is expressed with "-")	-23,524.55	96,433.34
Decrease in deferred income tax assets (the increase is expressed with "-")		
Increase in deferred income tax liabilities (the decrease is expressed with "-")		
Decrease in inventories (the increase is expressed with "-")	-206,783,228.22	-30,898,742.85
Decrease in operating receivables (the increase is expressed with "-")	43,323,400.24	241,345,770.65
Increase in operating payables (the decrease is expressed with "-")	85,459,891.82	-35,377,391.12
Others		
Net cash flow generated from operating activities	20,448,235.54	255,116,610.76
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Ending balance of cash		
Less: Beginning balance of cash		
Add: Ending balance of cash equivalents	111,842,516.79	151,412,823.51
Less: Beginning balance of cash equivalents	185,905,663.41	85,328,121.79
Net increase in cash and cash equivalents	-74,063,146.62	66,084,701.72

(2) Compositions of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
Including: Cash on hand	42,061.80	22,845.02
Bank deposit available for payment at any time	93,082,536.76	185,871,980.36
Other monetary fund that can be used for payment at any time	18,717,918.23	10,838.03
II. Cash equivalents	111,842,516.79	185,905,663.41
III. Balance of cash and cash equivalents at the end of the period	111,842,516.79	185,905,663.41

(3) Monetary fund that does not fall into cash and cash equivalents

Unit: RMB

Item	Amount in the current period	Amount of the previous period	Reasons for not being classified as cash and cash equivalents
Frozen monetary funds	1,021,208.89	1,743,053.00	Not available for payment at any time
Deposits for bank borrowings	10,000,000.00		Not available for payment at any time
Bill deposit	70,000,000.00		Not available for payment at any time
Letter-of-guarantee deposit/currency hedging deposit	25,524,161.84		Not available for payment at any time
Total	106,545,370.73	1,743,053.00	

(4) Description of other significant activities

Supplier finance arrangements

① Terms and conditions of supplier finance arrangements

Supplier finance arrangements: To fully utilise 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 the first half of 2026, a total of RMB20.1561 million was paid for the differences in purchase price.

② Items presented in the balance sheet and related information

Unit: RMB

Presented item	Ending balance	Beginning balance
Accounts payable	232,337,035.06	190,697,197.13

③ 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.

55. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion exchange rate	RMB balance converted at the end of the period
Monetary funds			62,679,429.20
Including: USD	9,202,809.84	6.8109	62,679,417.54
EUR	0.38	7.7671	2.95
HKD	10.03	0.8686	8.71
Accounts receivable			47,755,280.01
Including: USD	7,011,596.12	6.8109	47,755,280.01
EUR			
HKD			
Advances on sales			39,747,208.27
Including: USD	5,379,724.33	6.8109	36,640,764.39
EUR	399,949.00	7.7671	3,106,443.88
Other accounts receivable			3,133,014.00
Including: USD	460,000.00	6.8109	3,133,014.00
Accounts payable			11,928,912.66
Including: USD	1,751,444.40	6.8109	11,928,912.66
Prepayments			885,417.00
Including: USD	130,000.00	6.8109	885,417.00

(2) Nature of the non-convertibility of the currency and its financial effects, the spot exchange rates adopted and their estimation process, as well as the risks to which the enterprise is exposed arising from the non-convertibility of the currency

☐ Applicable ☒ Not applicable

- (3) Description of overseas business entities. The principal place of business, the recording currency and the basis for selection of significant overseas business entities shall be disclosed. If the recording currency changes, the reasons shall also be disclosed.

☒ Applicable ☐ Not applicable

As for the Company's holding subsidiary, MPM Corporation (shareholding ratio and voting right ratio: 90%), the place of registration and the principal place of business are Hong Kong and the recording currency is USD.

- (4) Circumstances where there is a lack of convertibility between the recording currency of foreign operations and the presentation currency of the enterprise

☐ Applicable ☒ Not applicable

56. Lease

- (1) The Company as a lessee

☒ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☐ Applicable ☒ Not applicable

Lease expenses for short-term leases or low-value assets with simplified processing

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount for the current period
Short-term lease expenses	94,747.02

Situations involving leaseback transactions

During the period, the Company entered into a Leaseback Contract with Guangxi Financial Leasing Co., Ltd. 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 lessor 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 leaseback arrangements remains with the Company. Accordingly, the transfer of such assets does not constitute a sale.

(2) The Company as a lessor

Operating lease as a lessor

☐ Applicable ☒ Not applicable

Finance lease as a lessor

☐ Applicable ☒ Not applicable

Annual undiscounted lease payments receivable for the next five years

☐ Applicable ☒ Not applicable

Reconciliation table of undiscounted lease receipts and net lease investments

(3) Recognition of the gains or losses from finance lease sales as a manufacturer or distributor

☐ Applicable ☒ Not applicable

VIII. R&D expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee remuneration	8,476,262.43	6,560,224.45
Material fee	15,765,483.16	8,510,208.42
Depreciation and amortisation	314,529.40	871,152.60
Others	5,925,356.65	3,747,369.70
Total	30,481,631.64	19,688,955.17
Including: Expensed R&D expenditures	11,832,960.14	11,093,107.81

IX. Changes in consolidation scope

1. Disposal of subsidiaries

Were there any transactions or events that result in the loss of control right over a subsidiary in the current period

☐ Yes ☒ No

Is there any situation where the investment in the subsidiary was disposed step by step through multiple transactions and the control was lost in the current period

☐ Yes ☒ No

2. Changes in consolidation scope due to other reasons

Explain other reasons for changes in the consolidation scope (such as the establishment of new subsidiaries and liquidation of subsidiaries) and their related circumstances:

On 4 June 2026, the Company established three new subsidiaries, namely Energy Technology, Precision Technology, and Petroleum Technology. Each has a registered capital of RMB10 million and is a wholly-owned subsidiary of the Company. All these subsidiaries are included in the scope of the Company's consolidated financial statements. The matter was considered and approved by the manager's office.

X. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the Group

Unit: RMB

Subsidiary name	Registered capital	Principal place of business	Place of registration	Nature of business	Enterprise type	Shareholding ratio		Legal person category	Acquisition method
						Direct	Indirect		
MPM Corporation	1,000,000.00	Hong Kong	Hong Kong	Trade	Limited company	90.00%		Corporation for profit	Business merger not under the same control
Molong Electro-mechanical	1,000,000.00	Shouguang	Shouguang	Manufacturing	Limited company	75.00%	25.00%	Corporation for profit	Business merger not under the same control
Molong Logistics	3,000,000.00	Shouguang	Shouguang	Service industry	Limited company	100.00%		Corporation for profit	Investment and establishment
Molong I&E	10,000,000.00	Shouguang	Shouguang	Import and export	Limited company	100.00%		Corporation for profit	Investment and establishment
Molong Commercial	30,000,000.00	Shouguang	Shouguang	Trade	Limited company	100.00%		Corporation for profit	Investment and establishment
Molong E-commerce	1,000,000.00	Shouguang	Shouguang	E-commerce	Limited company	100.00%		Corporation for profit	Investment and establishment
Shandong Xincheng	5,000,000.00	Shouguang	Shouguang	Trade and service	Limited company	71.60%	28.40%	Corporation for profit	Investment and establishment
Energy Technology	10,000,000.00	Shouguang	Shouguang	Trade and service	Limited company	100.00%		Corporation for profit	Investment and establishment
Precision Technology	10,000,000.00	Shouguang	Shouguang	Trade and service	Limited company	100.00%		Corporation for profit	Investment and establishment
Petroleum Technology	10,000,000.00	Shouguang	Shouguang	Trade and service	Limited company	100.00%		Corporation for profit	Investment and establishment

(2) Significant restrictions on the use of assets of the Group and the settlement of debts of the Group

There are no significant restrictions on the use of assets of the Group and the settlement of debts of the Group.

(3) Financial support or other support provided to structured entities included in the scope of the consolidated financial statements

The Group has no structured entities included into the consolidated financial statements.

Other descriptions:

On 30 June 2026, none of the subsidiaries of the Company issued any share capital or debt securities.

2. Transactions with changes in owners' equity in subsidiaries without loss of control

(1) Description of changes in owners' equity in subsidiaries

None

3. Equity in a joint venture or associates

(1) Significant joint ventures or associates

Name of joint venture or associated enterprise	Principal place of business	Place of registration	Nature of business	Shareholding ratio		Accounting treatment of investment in joint ventures or associated enterprises
				Direct	Indirect	
I. Associated enterprise						
Shengrui Investment	Shouguang	Shouguang	Trade and investment		40.00%	Equity Method

(2) Summarised financial information of important associates

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 Shengrui Investment
Current assets	103,349,117.16	101,960,089.11
Non-current assets		
Total assets	103,349,117.16	101,960,089.11
Current liabilities	109,999.00	135,616.14
Non-current liabilities		
Total liabilities	109,999.00	135,616.14
Minority interests		
Equity attributable to the shareholder of the parent company	103,239,118.16	101,824,472.97
Share of net assets based on ownership interest	41,295,647.26	40,729,789.19
Adjustments		
– Goodwill		
– Unrealised profit from internal transactions		
– Others		
Carrying amount of investment in associates	40,729,789.19	40,729,789.19
Fair value of investment in associates with quoted price		
Operating revenue	0.00	1,901,357.01
Net profit	1,414,645.19	1,824,472.97
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	1,414,645.19	1,824,472.97
Dividends received from associates during the year		

(3) Consolidated financial information of unimportant associates and joint ventures

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 venture:		
Total of the following items calculated based on the shareholding ratio		
Associates:		
Total book value of investment	5,611,076.49	5,611,076.49
Total of the following items calculated based on the shareholding ratio		
– Net profit	-112,079.15	-55,380.85
– Other comprehensive income	-112,079.15	-55,380.85

(4) Explanation of the significant limitations on the ability of joint ventures or associates to transfer funds to the Company

There are no significant restrictions on the ability of associates to transfer funds to the Company.

(5) Excess losses occurring to joint ventures or associates

The associated enterprise does not suffer any excess losses.

(6) Unconfirmed commitments related to investment in joint ventures

None

(7) Contingent liabilities related to investments in joint ventures or associates

The Company has no contingent liabilities related to its investment in associates.

4. *Equity in the structured entities not included in the consolidated financial statements*

The Company has no structured entities that are not included in the consolidated financial statements.

XI. Government grants

1. Government grants recognised based on the amount receivable at the end of the reporting period

☐ Applicable ☒ Not applicable

Reason for not receiving the expected amount of government grants at the expected time point

☐ Applicable ☒ Not applicable

2. Liability items involving government grants

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting subject	Beginning balance	Newly added amount of subsidy in the current period	Amounts included in non-operating incomes in the current period	Amount transferred into other incomes in the current period	Other changes in the current period	Ending balance	Related to assets/earnings
Deferred revenue	5,911,626.72			86,935.69		5,824,691.03	Related to assets
Deferred revenue	550,000.00			470,000.00		80,000.00	Related to earnings
Total	6,461,626.72			556,935.69		5,904,691.03	

3. Government grants included in current profit or loss

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting subject	Amount for the current period	Amount for the previous period
Government grants related to assets	86,935.69	
Government grants related to revenue	1,160,317.10	1,368,676.13
Total	1,247,252.79	1,368,676.13

XII. Risks related to financial instruments

1. *Various risks arising from financial instruments*

The main financial instruments of the Company cover monetary funds, bills receivable, accounts receivable, financing receivables, other receivables, other current assets, financial assets held for trading, other equity instrument investments, 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. The detailed information of all financial instruments has been disclosed in the relevant notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described as follows. The Company management manages and monitors the risk exposure in order to ensure the above-mentioned risks are controlled within the prescribed range.

1. Risk management objectives and policies

The main risks caused by the financial instruments of the Company are credit risk, liquidity risk and market risk.

The objective of the Company's risk management is to strike an appropriate balance between risk and return 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 various risks faced by the Company, establish an appropriate risk tolerance bottom line, 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 the management of market risk, credit risk and liquidity risk, 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 of the Company 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.

(1) *Credit risk*

Credit risk refers to the risk that a counterparty fails to fulfill its contractual obligations, resulting in financial losses for the Company.

The Company manages credit risks by portfolio classification. The credit risk mainly arises from bank deposits, bills receivable, accounts receivable, other receivables, etc.

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 expects that there is no significant credit risk in the bank deposits.

For bills receivable, accounts receivable, and other receivables, the Company has established relevant policies to control the credit risk exposure. The Company assesses the credit qualifications of customers based on their financial status, credit records and other factors (such as the current market situation) and sets corresponding credit periods. The Company will regularly monitor the credit records of customers. For customers with poor credit histories, the Company will adopt such measures as demand for payment and canceling the credit period to ensure that the overall credit risk of the Company remains within a controllable 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 biggest credit risk exposure that the Company bears is the book amount of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 87.14% of the total accounts receivable of the Company (2025: 61.83%). Among the other receivables of the Company, the other receivables of the top five companies in terms of amount in arrear accounted for 98.54% of the total other receivables of the Company (2025: 99.86%).

(2) *Liquidity risk*

Liquidity risk refers to the risk that the Company encounters a shortage of funds when fulfilling its obligation to settle by delivering cash or other financial assets.

At the moment of managing the liquidity risk, the Company maintains cash and cash equivalents that the management deems sufficient and monitors them to meet the Company's operational needs and reduce the impact of cash flow fluctuations. The Company's management monitors the use of bank borrowings and ensures compliance with borrowing agreements. At the same time, commitments are obtained from major financial institutions to provide sufficient reserve funds to meet short-term and long-term capital demands.

The Company raises working capital through funds generated from business operations and loans from banks and other sources. As at the end of the period, the Company had unutilized bank borrowing facilities of RMB80 million. (as at the end of the previous year, the Company had unutilized bank borrowing facilities of RMB50 million).

The Company will also consider negotiating with suppliers and adopting supplier financing arrangements to extend the payment period, so as to alleviate the Company's cash flow pressure.

At the end of the period, the financial liabilities and off-balance sheet guarantee items of the Company were analysed in line with the term to maturity of the remaining undiscounted contractual cash flows as follows (Unit: RMB10,000.00):

Item	Ending balance			Total
	Within 1 year	Within 1 to 3 years	More than 3 years	
Financial liabilities:				
Short-term borrowings	137,632.24			137,632.24
Bills payable	19,737.23			19,737.23
Accounts payable	43,998.48			43,998.48
Other payables	3,661.59			3,661.59
Non-current liabilities due				
within one year	6,476.13			6,476.13
Long-term payables		7,421.14		7,421.14
Other current liabilities	1,264.89			1,264.89

As at the end of the previous year, the financial liabilities and off-balance sheet guarantee items of the Company were analysed in line with the term to maturity of the remaining undiscounted contractual cash flows as follows (Unit: RMB10,000.00):

Item	Balance at the end of the previous year			Total
	Within 1 year	Within 1 to 3 years	More than 3 years	
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

The amounts of financial liabilities disclosed in the above statement are undiscounted contractual cash flows, thus they may differ from the book amounts in the balance sheet.

(3) *Market risk*

Market risk of financial instruments refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market interest rates. The interest rate risk may originate from recognised interest-bearing financial instruments and unrecognised financial instruments (such as certain loan commitments).

The interest rate risk of the Company mainly arises from interest-bearing debts (such as loans) from financial institutions. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts as per the market environment at that time and maintains an appropriate combination of fixed and floating interest rate tools through regular review and monitoring.

The Company closely monitors the impact of interest rate changes on the Company's interest rate risk. The Company currently does not adopt any interest rate hedging policy. However, the management is responsible for monitoring interest rate risks 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: RMB10,000.00):

Item	Amount in the current period	Amount in the previous period
Financial instruments with fixed interest rates		
Financial liabilities	137,632.24	135,112.18
Including: Short-term borrowings	137,632.24	135,112.18
Long-term borrowings		
Total	137,632.24	135,112.18
Financial instruments with floating interest rates		
Financial assets	21,838.79	27,349.32
Including: Monetary funds	21,838.79	27,349.32
Total	21,838.79	27,349.32

Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in foreign exchange rates. The exchange rate risk can derive from financial instruments valued in foreign currencies other than the recording currency.

The 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 exchange rate risk.

At the end of the period, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB were presented as follows (Unit: RMB10,000.00):

Item	Foreign currency liabilities		Foreign currency assets	
	Ending balance	Balance at the end of the previous year	Ending balance	Balance at the end of the previous year
USD	4,856.97	1,182.20	11,445.31	29,534.54
EUR	310.64			
HKD				
Total	5,167.61	1,182.20	11,445.31	29,534.54

The Company keeps an eye on the impact of exchange rate fluctuations on exchange rate risks. The Company has not taken any measures to hedge against exchange rate risks at present. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate exposures when necessary.

Under the condition that other variables remain unchanged, the possible reasonable changes in the exchange rate of foreign currencies against the RMB this year may have the following after-tax impact on the Company's current profits and losses (Unit: RMB10,000.00):

Increase (decrease) in profit after tax	Amount in the current period		Amount in the previous period	
Increase in USD exchange rate	5%	298.36	5%	1,201.46
Decrease in USD exchange rate	-5%	-298.36	-5%	-1,201.46

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
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement				
(III) Other equity instrument investments			33,403,349.84	33,403,349.84
Total assets continuously measured at the fair value			33,403,349.84	33,403,349.84
II. Non-continuous fair value measurement				

2. Basis of determining the market price of continuous and non-continuous Level 1 fair value measurement items

Quotation of the same assets or liabilities in an active market (unadjusted).

3. Qualitative and quantitative information of the valuation techniques and important parameters adopted for the continuous and non-continuous Level 2 fair value measurement items

Use of observable input values other than the market quotations of assets or liabilities in Level 1 directly (namely price) or indirectly (namely derived from the price).

4. Qualitative and quantitative information of the valuation techniques and important parameters adopted for the continuous and non-continuous Level 3 fair value measurement items

Use of any input values that are not based on observable market data (unobservable input values) for assets or liabilities.

Content	Fair value at the end of the period	Valuation technique	Unobservable input values	Range (weighted average)
Equity instrument investments:				
Unlisted equity investments		Net asset value	Not applicable	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 amortised cost mainly include: monetary funds, bills receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings due within one year, long-term payables and long-term borrowings.

XIV. Related parties and related party transactions

1. Information of the parent company of the Company

Parent company name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company to the Company	Proportion of voting rights of the parent company in the Company
Molong Holdings	Shouguang	Other financial services	1,500,000,000.00	29.53%	29.53%

Description on the parent company of the Company

Molong Holdings is a wholly-owned subsidiary of Shouguang Jinxin which is a wholly-owned company of Shouguang SAB.

The ultimate controller of the Company is Shouguang SAB.

2. Subsidiaries of the Company

Refer to Note X. 1. (1) Composition of the Group for the situation of the subsidiaries of the Company.

3. Associates and joint ventures of the Company

For joint ventures or associated enterprise of the Company, refer to "Note X. 3. Equity in joint ventures or associates".

The situation of other joint ventures or associates that had related party transactions with the Company in the current period or had formed balances from related party transactions with the Company in the previous period is as follows:

Name of joint venture or associated enterprise	Relationship with the Company
Yalong Machinery	An associated enterprise of the Company
Molong Bicheng	An associated enterprise of the Company

4. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
State-owned Assets Supervision and Administration Bureau of Shouguang City	Actual controller
Shouguang Molong Holdings Co., Ltd.	Controlling shareholder of the Company
Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Legal person who indirectly controls the Company
Shouguang Jinxu Industrial Development Group Co., Ltd.	Legal person who indirectly controls the Company
Shouguang Guangfa Power Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Senyue Woodwork Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Yincheng New Energy Development Co., Ltd.	A subsidiary of Shouguang Jinxu
Shouguang Jinwei Investment, Development and Construction 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
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 Jintou Investment Property Management 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.	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

Names of other related parties	Relationship between other related parties and the Company
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 Construction Project Quality Inspection 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 Xiangrun Industry Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Rongyuan Agriculture Science and Technology Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Xinhui Real Estate Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Jindun Motor Vehicle Driver Training 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

Names of other related parties	Relationship between other related parties and the Company
Shouguang Jinying Media 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
Shouguang Xijing Tourism Development Co., Ltd.	A subsidiary of Shouguang Jinxin
Shouguang Fenghui Agriculture Science and 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 Jinzhiyuan Agriculture Science and Technology 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
Weifang Xingchen Investment 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
Shandong Univalsoft 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
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
Shandong Cangsheng Law Firm	A company where a director 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 Xianglin Enterprise Management Co., Ltd.	A company where a related natural person of the Company holds an office

Names of other related parties	Relationship between other related parties and the Company
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 of the Company served in the past 12 months
Shandong Chenming Paper Holdings Limited	A company where senior management of the Company served in the past 12 months

5. Related party transactions

(1) Related party transactions of purchase and sale of goods and provision and acceptance of services

Table of Goods Procurement and Labour Service Acceptance

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 fees, etc.	0.00		No	80,364.17
Yalong Machinery	Oil pipes, couplings, oil pumps, etc.	0.00		No	4,445,980.55

Table of Selling Products/Providing Labour Services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Amount for the previous period
Yalong Machinery	Oil pumps and pipes	0.00	605,330.00

(2) Related party leasing

The Company as a lessee:

Unit: RMB

Name of the lessor	Type of the leased assets	Rental expenses for simplified short-term leases and leases of low-value assets (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenditures of lease liabilities undertaken		Right-of-use assets added	
		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							10,226.65	13,411.41		

(3) Related-party guarantee

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
Molong Commercial and Molong Logistics	40,000,000.00	11 March 2025	10 March 2026	Yes
Molong Commercial and Molong Logistics	10,000,000.00	26 August 2025	10 March 2026	Yes
Molong Holdings	95,000,000.00	24 January 2025	23 January 2026	Yes
Molong Holdings	120,000,000.00	26 January 2025	25 January 2026	Yes
Molong Holdings	44,400,000.00	12 February 2025	11 February 2026	Yes
Molong Commercial and Molong Logistics	49,850,000.00	6 March 2026	5 March 2027	No
Molong Holdings	95,000,000.00	23 January 2026	22 January 2027	No
Molong Holdings	120,000,000.00	23 January 2026	22 January 2027	No
Molong Holdings	41,960,000.00	10 February 2026	9 February 2027	No

(4) Related party fund lending

Unit: RMB

Related party	Lending amount	Commencement date	Expiry date	Explanation
Borrowing				
Shouguang Jinxin	10,000,000.00	30 March 2026	31 March 2026	
Lending				

(5) Remuneration of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Total remuneration	1,954,147.46	1,210,489.76

(6) Other related party transactions

No other related party transactions or continuous related party transactions occur to the Company.

6. *Receivables and payables of related parties*

(1) Receivables

Unit: RMB

Item name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Yalong Machinery	330,432.25	3,304.32	330,432.25	3,304.32
Prepayments	Weifang Huiyi Property Management Co., Ltd.			77,404.09	
Prepayments	Molong Bicheng	211,050.00			

(2) Payables

Unit: RMB

Item name	Related party	Ending book balance	Beginning book balance
Other payables	Xiangrun Industry	2,082,992.66	1,827,046.08
Non-current liabilities due within one year	Xiangrun Industry		182,033.10

XV. Share-based payment

1. *Overall situation of share-based payment*

☐ Applicable ☒ Not applicable

2. *Share-based payment settled by equity*

☐ Applicable ☒ Not applicable

3. *Share-based 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*

None

6. *Others*

None

XVI. Commitments and contingencies

1. *Important commitments*

Important commitments existing on the balance sheet date

As at 30 June 2026, the Company had no commitments that shall be disclosed.

2. *Contingencies*

(1) Important contingencies existing on the balance sheet date

Shouguang Maolong, formerly a wholly-owned subsidiary of the Company, was sued over disputes arising from the Framework Agreement for the Renovation, Construction, and Leasing of Shouguang Maolong's 600-metric-ton Lime Production Line and the Company and Shouguang Maolong was sued over disputes arising from the Cooperative Production Agreement for Shouguang Maolong's 600-metric-ton Lime Production Line. As at the end of 2024, the Company provided for estimated liabilities of RMB4.9607 million based on the best estimate.

On 30 June 2026, the People's Court of Shouguang City rendered its first-instance judgment, pursuant to which the Company is not liable for joint and several compensation, and Shouguang Maolong shall bear the corresponding losses. Dissatisfied with the judgment, Shouguang Maolong filed an appeal. As at the date of issuance of the financial report, no final judgment has been made in respect of this case.

As at 30 June 2026, the Company had no other contingent matters that shall be disclosed.

(2) Even if the Company has no important contingencies to disclose, an explanation shall be provided

The Company has no important contingencies to be disclosed.

XVII. Events after the balance sheet date

1. *Significant non-adjusting events*

None

2. *Profit distribution*

Proposed distribution of dividends per 10 shares (RMB)	0
Proposed distribution of bonus shares per 10 shares (share)	0
Proposed distribution of additional shares per 10 shares (share)	0
Dividend per 10 shares announced and distributed after review and approval (RMB)	0
Bonus shares per 10 shares announced and distributed after review and approval (share)	0
Additional shares per 10 shares announced and distributed after review and approval (share)	0
Profit distribution plan	None

3. *Sales return*

As at the financial reporting date, the Company had not experienced any large-scale sales returns.

4. *Explanation of other events after the balance sheet date*

The Company has no other events after the balance sheet date that shall be disclosed.

XVIII. Other significant matters

1. *Segment information*

(1) Determination basis and accounting policies of reporting segment

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 based on the internal organizational structure, management requirements and internal reporting system. The management of the Group regularly assesses the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance. The main products provided by each reporting segment of the Company cover pipe products, oil well pumps, sucker rods and oil pumps, 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.

(2) Financial information of reporting segments

Unit: RMB

Item	Pipe products	Oil well pumps, sucker rods and oil pumps	Others	Unallocated items	Offset between segments	Total
Operating revenue						
External transaction revenue	1,196,306,347.49	14,115,064.64	42,479,862.48			1,252,901,274.61
Inter-segment transaction revenue						
Total segment operating revenue	1,196,306,347.49	14,115,064.64	42,479,862.48			1,252,901,274.61
Total operating revenue in financial statements	1,196,306,347.49	14,115,064.64	42,479,862.48			1,252,901,274.61
Segment expenses	1,095,429,892.02	12,116,378.68	40,788,281.67	-3,205,677.50		1,145,128,874.87
Segment operating profit	100,876,455.47	1,998,685.96	1,691,580.81	3,205,677.50		107,772,399.74
Adjusted for:						0.00
Administrative expenses				27,693,323.58		27,693,323.58
R&D expenses				11,832,960.14		11,832,960.14
Finance costs				66,763,914.85		66,763,914.85
Gains on disposal of assets				95,416.52		95,416.52
Other gains				1,247,252.79		1,247,252.79
Gain or loss on changes in fair value						0.00
Investment income				23,524.55		23,524.55
Operating profit in financial statements	100,876,455.47	1,998,685.96	1,691,580.81	-101,718,327.21		2,848,395.03
Non-operating income				1,542,100.49		1,542,100.49
Non-operating expenses				171,500.60		171,500.60
Total profits	100,876,455.47	1,998,685.96	1,691,580.81	-100,347,727.32		4,218,994.92
Income tax				7,142.85		7,142.85
Net profit	100,876,455.47	1,998,685.96	1,691,580.81	-100,354,870.17		4,211,852.07
Total segment assets	2,380,022,945.23	50,947,332.40	188,090,630.77	216,284,201.53		2,835,345,109.92
Total segment liabilities	1,113,753,673.58	12,632,979.72	19,195,180.95	1,187,393,660.10		2,332,975,494.35

2. Other important transactions and matters that have an impact on investors' decision-making

(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. On 15 July 2026, the People's Court of Shouguang City conducted the first auction of the relevant assets at the assessed price, which ended without transaction. A second online auction was listed on 11 August 2026 with a 5% price reduction, and the public bidding was held on 1–2 September 2026.

(2) Share pledge by the controlling shareholder

As at 30 June 2026, 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.

XIX. Notes to main items of financial statements of parent company

1. *Accounts receivable*

(1) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	370,555,344.60	454,214,351.78
1–2 years	227,967.83	227,967.83
More than 3 years	52,413,215.86	56,377,807.85
More than 5 years	52,413,215.86	56,377,807.85
Total	423,196,528.29	510,820,127.46

(2) Disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Including:										
Accounts receivable subject to provision for bad debts on a portfolio basis	423,196,528.29	100.00%	36,363,016.52	8.59%	386,833,511.77	510,820,127.46	100.00%	39,059,872.31	7.65%	471,760,255.15
Including:										
Amounts due from customers	402,226,008.57	95.05%	36,363,016.52	9.04%	365,862,992.05	251,150,420.45	49.17%	39,059,872.31	15.55%	212,090,548.14
Letter of credit	1,111,902.04	0.26%			1,111,902.04	239,175,755.85	46.82%			239,175,755.85
Related party balances within the scope of consolidation	19,858,617.68	4.69%			19,858,617.68	20,493,951.16	4.01%			20,493,951.16
Total	423,196,528.29	100.00%	36,363,016.52	8.59%	386,833,511.77	510,820,127.46	100.00%	39,059,872.31	7.65%	471,760,255.15

Category name of provision for bad debts by portfolio: amounts due from customers

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	369,443,442.56	3,694,434.42	1.00%
1-2 years	227,967.83	113,983.92	50.00%
2-3 years			
2-4 years			
4-5 years			
More than 5 years	32,554,598.18	32,554,598.18	100.00%
Total	402,226,008.57	36,363,016.52	

Category name of provision for bad debts by portfolio: letters of credit

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Within 1 year	1,111,902.04		
Total	1,111,902.04		

Category name of provision for bad debts by portfolio: related party balances within the scope of consolidation

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Within 1 year			
1-2 years			
2-3 years			
2-4 years			
4-5 years			
More than 5 years	19,858,617.68		
Total	19,858,617.68		

If the provision for bad debts of accounts receivable is calculated and withdrawn in accordance with the general model of expected credit losses

☐ Applicable ☒ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Beginning balance	Amount changed in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	39,059,872.31		2,696,855.79			36,363,016.52
Total	39,059,872.31		2,696,855.79			36,363,016.52

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

Unit: RMB

Unit name	Recovery or reversal	Reason for reversal	Recovery method	The basis for determining the original bad debt provision ratio and its rationality
				Provision for bad debts based on the expected credit loss rate
Shandong Xinmei Machinery Equipment Co., Ltd.	2,504,732.50	Recover part of the outstanding debt	Bank transfer/ acceptance	
Total	2,504,732.50			

(4) Accounts receivable actually written off in the current period

There are no actual write-offs of accounts receivables 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

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Ending balance of provision for bad debts of accounts receivable and impairment of contract assets
Shaanxi Yanchang Petroleum (Group) Co., Ltd.	97,440,168.26		97,440,168.26	23.02%	974,401.68
CNOOC China Limited	94,801,983.39		94,801,983.39	22.40%	948,019.83
China Petroleum & Chemical Corporation	88,401,561.86		88,401,561.86	20.89%	884,015.62
PetroChina Company Limited	50,113,720.34		50,113,720.34	11.84%	501,137.20
Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd.	20,802,447.35		20,802,447.35	4.92%	319,728.71
Total	351,559,881.20		351,559,881.20	83.07%	3,627,303.04

2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	351,222,882.74	741,753,749.61
Total	351,222,882.74	741,753,749.61

(1) Other receivables

1) Other receivables by nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Employee revolving fund	442,000.00	
Deposit and security deposit	15,805,443.00	14,901,026.00
Accounts due from/to other entities	352,180,096.67	744,135,528.43
Related parties within the scope of consolidation	94,832,509.41	94,848,117.85
Less: Provision for bad debts of other receivables	-112,037,166.34	-112,130,922.67
Total	351,222,882.74	741,753,749.61

2) Disclosure by aging

Unit: RMB

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	111,083,244.21	110,811,363.24
1-2 years	63,105,032.87	487,130,127.10
2-3 years	289,061,088.39	255,932,498.33
More than 3 years	10,683.61	10,683.61
More than 5 years	10,683.61	10,683.61
Total	463,260,049.08	853,884,672.28

3) Disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Provision for bad debts										
on an individual basis	351,660,172.80	75.91%	111,941,630.75	31.83%	239,718,542.05	744,040,507.80	87.14%	112,086,068.50	15.06%	631,954,439.30
Including:										
Huarong Agricultural	61,453,392.51	13.27%	3,687,203.55	6.00%	57,766,188.96	452,453,392.51	52.99%	5,487,203.55	1.21%	446,966,188.96
Shouguang Badlong	290,206,780.29	62.64%	108,254,427.20	37.30%	181,952,353.09	291,587,115.29	34.15%	106,598,864.95	36.56%	184,988,250.34
Provision for bad debts										
on a portfolio basis	111,599,876.28	24.09%	95,535.59	0.09%	111,504,340.69	109,844,164.48	12.86%	44,854.17	0.04%	109,799,310.31
Including:										
Employee revolving fund	442,000.00	0.10%			442,000.00					
Related party balances										
within the scope of consolidation	94,832,509.41	20.47%			94,832,509.41	94,848,117.85	11.11%	0.00		94,848,117.85
Deposit and security deposit	15,805,443.00	3.41%			15,805,443.00	14,901,026.00	1.74%	0.00		14,901,026.00
Accounts due from/to other entities	519,923.87	0.11%	95,535.59	18.37%	424,388.28	95,020.63	0.01%	44,854.17	47.20%	50,166.46
Total	463,260,049.08	100.00%	112,037,166.34	24.18%	351,222,882.74	853,884,672.28	100.00%	112,130,922.67	13.13%	741,753,749.61

Provision for bad debts on an individual basis: Huarong Agricultural

Unit: RMB

	Beginning balance		Ending balance			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Huarong Agricultural	452,453,392.51	5,487,203.55	61,453,392.51	3,687,203.55	6.00%	
Total	452,453,392.51	5,487,203.55	61,453,392.51	3,687,203.55		

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

Name	Beginning balance		Ending balance			Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	
Shouguang Baolong	291,587,115.29	106,598,864.95	290,206,780.29	108,254,427.20	37.30%	
Total	291,587,115.29	106,598,864.95	290,206,780.29	108,254,427.20		

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

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Employee revolving fund	442,000.00		
Total	442,000.00		

Category name of provision for bad debts by portfolio: Related party balances within the scope of consolidation

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Related party balances within the scope of consolidation	94,832,509.41		
Total	94,832,509.41		

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

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Deposit and security deposit	15,805,443.00		
Total	15,805,443.00		

Category name of provision for bad debts by portfolio: accounts due from/to other entities

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Provision rate
Accounts due from/to other entities	519,923.87	95,535.59	18.37%
Total	519,923.87	95,535.59	

Provision for bad debts was made using the general approach of expected credit losses:

Unit: RMB

	Phase I	Phase II	Phase III	
	Expected credit	Lifetime	Lifetime	
	loss in the next	expected	expected	
	12 months	credit losses	credit losses	
Provision for bad debts		(not credit-	(credit-impaired)	Total
		impaired)		
Balance on 1 January 2026	4,580.54	5,516,793.57	106,609,548.56	112,130,922.67
Balance on 1 January 2026 in the current period				
– Transferred to Phase III		-11,287.93	11,287.93	
Provision in the current period	69,512.44		1,655,562.25	1,725,074.69
Reversal in the current period	528.93	1,818,302.09		1,818,831.02
Balance on 30 June 2026	73,564.05	3,687,203.55	108,276,398.74	112,037,166.34

Changes in the book balance of significant loss provision for 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	Beginning balance	Amount changed in the current period			Others	Ending balance
		Provision	Recovery or reversal	Write-off or verification		
Provision for bad debts on other receivables	112,130,922.67	1,725,074.69	1,818,831.02			112,037,166.34
Total	112,130,922.67	1,725,074.69	1,818,831.02			112,037,166.34

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

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

6) *Other receivables with top five balances at the end of the period grouped by debtor*

Unit: RMB

Unit name	Nature of payment	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period	Ending balance of provision for bad debts
Shouguang Baolong	Accounts due from/to other entities	290,206,780.29	1-2 years, 2-3 years	62.64%	108,254,427.20
Molong Logistics	Related parties within the scope of consolidation	94,832,509.41	Within 1 year	20.47%	
Huarong Agricultural	Accounts due from/to other entities	61,453,392.51	1-2 years	13.27%	3,687,203.55
Haier Financial Services China Co., Ltd.	Deposit and security deposit	5,000,000.00	Within 1 year	1.08%	
Shaanxi Energy and Chemical Exchange Co., Ltd.	Deposit and security deposit	3,287,135.25	Within 1 year, 1-2 years	0.71%	
Total		454,779,817.46		98.17%	111,941,630.75

7) *Presented as other receivables due to centralised management of capital*

None

3. Long-term equity investments

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	76,160,516.44		76,160,516.44	72,280,516.44		72,280,516.44
Investment in associates and joint ventures	3,994,020.05		3,994,020.05	3,994,020.05		3,994,020.05
Total	80,154,536.49		80,154,536.49	76,274,536.49		76,274,536.49

(1) Investment in subsidiaries

Unit: RMB

Invested unit	Beginning balance (book value)	Beginning balance of provision for impairment	Increase/decrease in the current period				Ending balance (book value)	Ending balance of provision for impairment
			Additional 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	
Shandong Xincheng			3,580,000.00				3,580,000.00	
Energy Technology			100,000.00				100,000.00	
Precision Technology			100,000.00				100,000.00	
Petroleum Technology			100,000.00				100,000.00	
Total	72,280,516.44		3,880,000.00				76,160,516.44	

(2) Investment in associates and joint ventures

Unit: RMB

Invested unit	Beginning balance (book value)	Beginning balance of provision for impairment	Increase/decrease in the current period							Others	Ending balance (book value)	Ending balance of provision for impairment
			Additional investment	Reduced investment	Investment gains or losses recognised under the equity method	Adjustments of other comprehensive income	Other changes in equity	Declaration of distributing cash dividends or profits	Provision for impairment			
I. Joint venture												
II. Associated enterprise												
Molong Bicheng	3,994,020.05										3,994,020.05	
Subtotal	3,994,020.05										3,994,020.05	
Total	3,994,020.05										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 the expected future cash flows

☐ Applicable ☒ Not applicable

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

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

4. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main business	1,207,822,033.89	1,090,665,165.92	767,543,905.58	693,074,861.85
Other businesses	42,332,236.35	40,355,248.42	26,914,732.19	25,885,562.28
Total	1,250,154,270.24	1,131,020,414.34	794,458,637.77	718,960,424.13

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Business type				
Including:				
Pipe products	1,193,728,501.50	1,078,698,443.30	1,193,728,501.50	1,078,698,443.30
Oil well pumps, sucker rods and oil pumps	14,115,064.64	11,963,779.07	14,115,064.64	11,963,779.07
Others	42,310,704.10	40,358,191.97	42,310,704.10	40,358,191.97
Classified by operating area				
Including:				
At home	796,384,815.41	739,565,516.65	796,384,815.41	739,565,516.65
At abroad	453,769,454.83	391,454,897.69	453,769,454.83	391,454,897.69
Classified by the time of transfer of goods				
Including:				
Confirmation at a certain time point	1,250,154,270.24	1,131,020,414.34	1,250,154,270.24	1,131,020,414.34
Classified by contract term				
Including:				
Short-term contract	1,250,154,270.24	1,131,020,414.34	1,250,154,270.24	1,131,020,414.34
Classified by sales channel				
Including:				
Direct sales	1,250,154,270.24	1,131,020,414.34	1,250,154,270.24	1,131,020,414.34
Total	1,250,154,270.24	1,131,020,414.34	1,250,154,270.24	1,131,020,414.34

Information related to performance obligation:

Item	Time to perform the performance obligation	Important payment terms	Nature of the goods promised by the Company to transfer	Is it the main responsible person	Payment expected to be refunded to customers borne by the Company	Types of quality assurance provided by the Company and related 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	None	Product quality assurance
Domestic sales	After the customer receives the goods and signs for acceptance, the Company obtains the customer's receipt as proof of delivery./For oil casing sold under the consignment sales arrangement, settlement with the Company is made after the customer takes delivery and uses the goods.	For general pipe customers, the Company puts collection first before delivery; for oil casing customers in China, the payment will be collected within 3–6 months after billing and settlement.	Goods	Yes	None	Product quality assurance

Information related to the transaction price allocated to the remaining performance obligations:

The income amount corresponding to the performance obligations that have been signed in contract but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB1.017 billion. The amount is expected to be recognised as incomes in 2026.

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Equity transfer of Cangyuan Materials	23,524.55	
Total	23,524.55	

XX. Supplementary information

1. Breakdown of extraordinary gain or loss for the current period

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains or losses on disposal of non-current assets	-44,822.45	Mainly due to the loss arising from the disposal and scrapping of some assets by the Company.
Government grants included into current profits and losses except for government grants closely related to the normal business operations of the Company, complying with national policies, enjoyed according to determined standards and having continuous influence on the profits and losses of the Company)	579,079.69	Mainly due to the deferred revenue related to assets that is recognised as profits in the current period.
Reversal of impairment provisions for receivables subject to individual impairment testing	1,800,000.00	Mainly due to the partial recovery of receivables subject to individual impairment provisions.
Other non-operating income and expenses except for the above items	1,510,838.86	Mainly due to income recognised from receipts in advance due to customer's breach of contract in the current period
Less: Effect on income tax	47,710.90	
Total	3,797,385.20	

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

2. *Return on net assets and earnings per share*

	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Profit during the reporting period			
Net profit attributable to ordinary shareholders of the Company	0.84%	0.0053	0.0053
Net profit attributable to ordinary shareholders of the Company after deducting extraordinary gain or loss	0.08%	0.0005	0.0005

The calculation is conducted pursuant to Article 4 of Accounting Standard for Business Enterprises No. 34 – Earnings per Share: “an enterprise shall calculate the basic earnings per share by dividing the current net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue”.

3. *Differences in accounting data under domestic and foreign accounting standards*

(1) Differences between net profits and net assets in financial reports disclosed pursuant to IASs and PRC GAAP at the same time

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(3) Reason(s) for differences in accounting data under domestic and foreign accounting standards; if adjustments have been made to data audited by an overseas audit firm, specify the name of the overseas audit firm

☐ Applicable ☒ Not applicable