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山東墨龍石油機械股份有限公司
Shandong Molong Petroleum Machinery Company Limited *

(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 568)

PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST THREE QUARTERS IN 2026

In accordance with the relevant requirements in the "Rules Governing the Listing of Shares on Shenzhen Stock Exchange" and "Accounting Standards for Business Enterprises", and in order to more truly and accurately reflect the Company's financial condition and asset value as at 30 September 2026 and the operating results for the first three quarters in 2026, Shandong Molong Petroleum Machinery Co., Ltd.* (the "**Company**"), has conducted a comprehensive assessment and analysis on the various assets within the scope of the consolidated financial statements as at 30 September 2026 based on the principle of prudence. Impairment testing has been conducted on assets showing signs of impairment losses after assessment, and provisions for asset impairment have been made based on the results of the impairment testing, details of which are set out as follows:

A. SCOPE AND TOTAL AMOUNT OF ASSETS FOR WHICH PROVISIONS FOR ASSET IMPAIRMENT HAVE BEEN MADE

Asset items for which provisions for asset impairment have been made mainly include accounts receivable, other receivables, notes receivable and inventory etc. Provisions for impairment of various assets in the total amount of RMB57.6256 million were recognized for the first three quarters of 2026. The details are set out as follows:

Provisions for impairment items	Amount of provisions for impairment for the period (reversal is shown in "-") *(RMB'0,000)*
Provision for impairment of other receivables	5,839.90
Provision for impairment of accounts receivable	-328.29
Provision for impairment of notes receivable	-22.56
Provision for inventory depreciation	273.51
Total	**5,762.56**

The above is information preliminarily computed by the Company, which shall be subject to the annual audit and confirmation of the accounting firm.

B. STANDARD OF RECOGNITION AND METHODOLOGY FOR PROVISION OF ASSET IMPAIRMENT

(a) Reasons for provision for asset impairment for accounts receivable, notes receivable and other receivables

(1) Accounts receivable for which impairment provisions are made on an individual basis

The accounts receivable for which an impairment provision has been made on an individual basis primarily consist of a balance of RMB292 million, representing passive financial assistance that arose following the divestment of Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司, "**Shouguang Baolong**") (originally a subsidiary of the Company) in 2024. In February 2025, due to its inability to settle debts falling due, the court made a ruling that the application for the bankruptcy liquidation of Shouguang Baolong be accepted; and on 28 May 2026, the People's Court of Shouguang City issued a ruling declaring such company bankrupt. At present, Shouguang Baolong's assets have been listed by the bankruptcy administrator for public auction via the judicial asset auction platform. Based on the latest development in the bankruptcy liquidation process, the Company has recognized a provision for impairment of RMB60.1529 million against the outstanding amounts owed by Shouguang Baolong.

(2) Accounts receivable for which provisions for impairment are made in accordance with the policy for bad debt provision methodologies

In accordance with accounting standards and relevant accounting policies of the Company, provisions for bad debts on accounts receivable, notes receivable and other receivables are based on information such as age, nature, credit risk exposure and historical repayment history and are grouped based on similarity and correlation of credit risk characteristics to measure the amount of expected credit losses.

Based on the aforementioned policies, the Company made provision for impairment of other receivables in the amount of RMB-1.7539 million; provision for impairment of accounts receivable in the amount of RMB-3.2829 million; and provision for impairment of notes receivable in the amount of RMB-0.2256 million.

(b) Reasons for provision for asset impairment due to inventory depreciation

The Company's inventory at the end of the period is measured at the lower of cost and net realizable value. When the net realizable value of the inventory is lower than the cost, a provision for inventory depreciation loss is made. For merchandise inventories that are directly used for sale, such as inventory, work in progress, and materials for sale, the net realizable value is determined based on the estimated selling price of the inventory less the estimated sales expenses and related taxes; the net realizable value of material inventories held for production is determined based on the estimated selling price of the finished goods produced less the estimated costs to be incurred upon completion, estimated sales expenses and related taxes. According to the above policy, the Company has made provisions for inventory impairment of RMB2.7351 million.

(C) IMPACT OF PROVISIONS FOR ASSET IMPAIRMENT ON THE COMPANY

The provisions for asset impairment have been made by the Company in accordance with the "Accounting Standards for Business Enterprises" and the Company's relevant accounting policies. The bases for such provisions for asset impairment are sound and accurately reflect the current status of the assets of the Company.

The provisions for asset impairment are based on the principle of prudence, which facilitates a fair presentation of the Company's financial position, asset value and operating results as at 30 September 2026, thereby enhancing the reasonableness of the Company's accounting information.

For the period from January to September 2026, the total amount of provisions for asset impairment recognized by the Company is RMB57.6256 million, which reduces the net profit attributable to shareholders of the listed company by RMB57.6256 million and the owners' equity attributable to shareholders of the listed company by RMB57.6256 million for the first three quarters of 2026.

The provisions for asset impairment made by the Company have not been audited by an accounting firm.

(D) OPINION OF THE AUDIT COMMITTEE ON THE PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST THREE QUARTERS OF 2026

Based on prudent judgment, members of the Audit Committee of the board of directors of the Company believe that the provisions for asset impairment made by the Company are in compliance with the provisions of the "Accounting Standards for Business Enterprises" and the Company's relevant accounting policies, with sound bases. After making provisions for asset impairment, the truthfulness and reliability of the accounting information in relation to the Company's asset values have been enhanced; and there is no manipulation of profits through the provisions for asset impairment. The provisions for asset impairment made by the Company are in the interest of the Company and its shareholders as a whole, and are not prejudicial to the interests of the Company and its shareholders (especially minority shareholders). The audit committee agreed with the provisions for asset impairment made by the Company.

(E) OPINION OF THE BOARD OF DIRECTORS ON THE PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST THREE QUARTERS OF 2026

The Board of Directors of the Company has reviewed and approved the "Resolution on the Provisions for Asset Impairment for the First Three Quarters of 2026". The Board of Directors is of the opinion that the provisions for asset impairment made by the Company for the period from January to September 2026 are in accordance with and in compliance with the "Accounting Standards for Business Enterprises" and the Company's relevant policies, reflect the accounting principle of prudence and are supported by sound bases. An objective and fair presentation of the Company's financial position, asset values and operating results have been reflected, thereby enhancing the truthfulness and reliability of the accounting information concerning asset values. There is no manipulation of profits through the provisions for asset impairment. The provisions for asset impairment made by the Company are in the interest of the Company and its shareholders as a whole, and are not prejudicial to the interests of the Company and its shareholders (especially minority shareholders). The Board of Directors agreed with the provisions for asset impairment made by the Company.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Han Gao Gui
Chairman

Shandong, the PRC
27 October 2026

As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Han Gao Gui, Mr. Yuan Rui, Mr. Wang Tao and Mr. Song Guang Jie; the non-executive Directors, namely Mr. Huang Bing De and Ms. Zhang Min; and the independent non-executive Directors, namely Mr. Zhang Zhen Quan, Mr. Dong Shao Hua and Mr. Zhang Bing Gang.

** For identification purposes only*