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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)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT FOR 2024

This announcement is made by Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, in order to truly and accurately reflect the financial status of the Company as at 31 December 2024 and its operating results for 2024, the Company's has conducted a comprehensive inspection and analysis of relevant assets in the consolidated financial statements as at 31 December 2024, conducted impairment tests on assets that may be subject to impairment losses, and made provision for asset impairment. The details are set out as follows:

A. SOCPE OF ASSETS AND TOTAL AMOUNT OF PROVISION FOR ASSET IMPAIRMENT

The asset items for which the Company has made provision for asset impairment mainly include fixed assets, intangible assets, accounts receivable, notes receivable, other receivables and inventories etc.. For 2024, provision for impairment of various assets of RMB 108.4738 million has been made, details of impairment provisions for various assets are as follows:

Unit : RMB'0,000

Items of provision for asset impairment	Amount of provision for impairment for the current period (reversal shown as “-”)
Bad debt losses on notes receivable	-54.15
Bad debt losses on accounts receivable	-295.51
Bad debt losses on other receivables	498.08
Inventory depreciation loss	2,103.51
Impairment losses on fixed asset	6,511.43
Impairment losses on intangible asset	2,084.02
Total	10,847.38

Note: The reporting period for the provision for impairment is from 1 January 2024 to 31 December 2024, which included provision for impairment of various assets of Shouguang Maolong New Materials Technology Development Co., Ltd.* (壽光懋隆新材料技術開發有限公司) (“**Shouguang Maolong**”) (a former subsidiary of the Company) in the amount of RMB 65.4988 million during January to August of 2024. For further details, please refer to the announcement of the Company dated 15 October 2024.

B. REASONS FOR PROVISION FOR ASSET IMPAIRMENT

1. Reasons for provision of credit impairment provisions for accounts receivable, notes receivable and other receivables

According to accounting standards and the Company's relevant accounting policies, the provisions for bad debt losses on accounts receivable, other receivables and notes receivable are based on information such as age of the accounts, nature of the accounts, credit risk exposure, historical payment collection, etc., and grouped based on similarity and correlation of credit risk characteristics to measure the amount of expected credit losses.

According to the above policy, the Company has made provision for bad debts of notes receivable of RMB -541,500; provision for bad debts of accounts receivable of RMB -2.9551 million; provision for bad debts of other receivables of RMB 4.9808 million.

2. Reasons for asset impairment provisions due to inventory depreciation

The Company's closing inventory is measured at the lower of cost and net realisable value. When the net realisable value of the inventory is lower than the cost, a provision for inventory depreciation is made. For merchandise inventories that are directly used for sale, such as inventory, work in progress, and materials for sale, the net realisable value is determined based on the estimated selling price of the inventory minus the estimated sales expenses and related taxes. The net realisable value of material inventories held for production is determined based on the estimated selling price of the finished goods produced minus the estimated costs to be incurred

upon completion, estimated sales expenses and related taxes. According to the above-mentioned policy, the Company has made inventory impairment provisions of RMB 21.0351 million.

3. Reasons for provision of asset impairment of fixed assets

The Company has, on the balance sheet date, assessed whether there are signs of impairment of various long-term assets. If there are signs of impairment, the Company will estimate its recoverable amount and conduct an impairment test. The Company calculate the Company's long-term asset impairment provisions adopting the methodology of comparing the estimated recoverable amount with the book value. Information of assets with signs of impairment: (1) due to the temporary idleness of the fixed assets of Shouguang Maolong (a former subsidiary) and insufficient utilization rate for its capacity, the relevant assets were tested for impairment and there were signs of impairment. The provision for impairment in respect of the Company's fixed asset was arrived at by the Company adopting the assessment methodology of comparing the estimated recoverable amount with the book value; (2) there was in sufficient utilization of the capacity of 180 production lines is and there are signs of impairment. The impairment was arrived at by the Company adopting a comparison of the recoverable amount determined by the present value of the expected future cash flow and the book value. At the same time, the Company engaged a professional valuer to evaluate the recoverable amount of the relevant assets of the Company. A fixed asset impairment provision of RMB 65.1143 million was made with based on the results of the valuation conducted by the valuer.

4. Reasons for provision of asset impairment of intangible assets

The Company has, on the balance sheet date, conducted impairment testing on relevant assets as the right of use of the sea area for salt industry of Shouguang Maolong was idle and was not able to generate actual income. There were signs of impairment. The Company adopted the assessment methodology of comparing the estimated recoverable amount with the book value to calculate the provision for impairment of the Company's intangible assets. According to the results of the valuation in the asset valuation report prepared by a valuer, a fixed asset impairment provision of RMB 20.8402 million was made.

C. REASONABLENESS OF THE PROVISION FOR ASSET IMPAIRMENT

The provision for asset impairment is in compliance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's accounting policies, is in line with the Company's actual situation, and fairly, objectively and truly reflects the Company's financial position as at 31 December 2024 and its operations results for 2024. The financial information related to the provision for asset impairment has been audited by an accounting firm.

D. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY

The various asset impairment provisions made in 2024 will reduce the total profit recorded in the Company's consolidated financial statements for 2024 by RMB 108.4738 million, reduce the Company's net profit by RMB 108.4738 million, reduce the net profit attributable to shareholders

of the listed company by RMB 108.4738 million, and reduce the net assets attributable to shareholders of the listed company by RMB 108.4738 million.

Shareholders and potential investors of the Company 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
28 March 2025

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. Zhang Zhi Yong and Mr. Wang Tao; the non-executive Directors, namely Ms. Zhang Min and Mr. Ma Qing Wen; and the independent non-executive Directors, namely Mr. Zhang Zhen Quan, Mr. Dong Shao Hua and Mr. Zhang Bing Gang.

** For identification purposes only*