

2024 Annual Report

*For identification purpose only

Section I. Important Notes, Contents and Definitions

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

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

All directors attended the board meeting for considering this report.

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

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

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

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Section I. Important Notes, Contents and Definitions

Documents Available for Inspection

(1) The financial statements which were signed and sealed by the responsible person, chief accountant and head of accounting department (person in charge of accounting matters) of the Company.

(2) The original of the 2024 audit report affixed with the official stamp of the accounting firm and the signatures and seals of the certified public accountants.

(3) All of the originals of documents and master copies of announcements of the Company publicly disclosed on the websites as designated by CSRC during the reporting period.

(4) Place for inspecting the above documents: office of the board of directors of the Company.

Definitions

Term	Definition
"Company", "parent company" or "Shandong Molong"	Shandong Molong Petroleum Machinery Company Limited (山東墨龍石油機械股份有限公司)
"Group"	collectively, the Company and its subsidiaries
"SZSE"	The Shenzhen Stock Exchange
"SEHK" and "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"CSRC"	China Securities Regulatory Commission
"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)
"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)
"Molong I&E"	Shandong Molong Import & Export Co., Ltd. (山東墨龍進出口有限公司)
"MPM Corporation"	MPM International Limited
"Molong Logistic"	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)
"Molong Commercial"	Shandong Molong Commercial Trading Company (山東墨龍商貿有限公司)
"Molong E-commerce"	Weifang Molong E-commerce Co., Ltd. (濰坊墨龍電子商務有限公司)
"Cangyuan Materials"	Shandong Cangyuan Materials Co., Ltd. (山東倉原物資有限公司)
"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)
"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)
"reporting period"	1 January 2024 to 31 December 2024
"RMB", "RMB thousand", "RMB ten thousand"	Renminbi, thousand Renminbi, ten thousand Renminbi

Section II. Company Profile and Key Financial Indicators

I. Information of the Company

Stock Name Abbreviation	Shandong Molong	Stock Code	002490, 00568
Stock exchanges of listed shares	SZSE, SEHK		
Chinese name of the Company	山東墨龍石油機械股份有限公司		
Abbreviation of the Chinese Name	山東墨龍		
English Name of the Company (if any)	Shandong Molong Petroleum Machinery Company Limited		
Abbreviation of the English Name (if any)	Shandong Molong		
Legal Representative of the Company	Han Gao Gui		
Registered Address	No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province		
Postal Code of Registered Address	262700		
Historical Changes in the Company's Registered Address	The Company held the 2021 Annual General Meeting of Shareholders on May 19, 2022, where the Proposal on Changing the Company's Registered Address and Amending the Articles of Association was reviewed and approved. On June 16, 2022, the Company's relevant industrial and commercial change procedures were completed. The Company's registered address was changed from "No. 999 Wensheng Street, Shouguang City, Shandong Province" to "No. 99 Xingshang Road, Gucheng Street, Shouguang City, Shandong Province".		
Office Address	Floors 8-10, Building 19, Corporate Headquarters Complex, Shengcheng Street, Shouguang City, Shandong Province		
Postal Code of Office Address	262700		
Company Website	https://www.molonggroup.com		
Email Address	dsh@molonggroup.com		

II. Contact persons and contact information

	Secretary to the board	Representative for securities affairs
Name	Zhao Xiao Tong	Xiao Rui
Contact Address	Floors 8-10, Building 19, Corporate Headquarters Complex, Shengcheng Street, Shouguang City, Shandong Province	Floors 8-10, Building 19, Corporate Headquarters Complex, Shengcheng Street, Shouguang City, Shandong Province
Telephone	0536-5100890	0536-5100890
Facsimile	0536-5100888	0536-5100888
Email Address	dsh@molonggroup.com	dsh@molonggroup.com

Section II. Company Profile and Key Financial Indicators

III. Information disclosure and places for inspection

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

IV. Changes in registration

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

Section II. Company Profile and Key Financial Indicators

	As at the end of 2024	As at the end of 2023	Year-on-year increase/ decrease	As at the end of 2022
Total assets (RMB)	**2,420,182,877.14**	2,888,081,988.80	-16.20%	4,038,605,559.51
Net assets attributable to shareholders of listed company (RMB)	**492,269,498.07**	424,013,364.43	16.10%	987,960,842.88

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

☐ Yes ✓ No

The lower of the net profit before and after deduction of extraordinary gains or losses is negative

✓ Yes ☐ No

Item	**2024**	2023	Remark
Operating revenue (RMB)	**1,356,346,670.03**	1,317,495,782.20	Mainly comprised of revenue from sales of products.
Deduction amount from operating revenue (RMB)	**88,839,959.11**	124,331,753.27	Mainly comprised of revenue from sales of scrap.
Operating revenue after deduction amount (RMB)	**1,267,506,710.92**	1,193,164,028.93	Mainly comprised of product sales revenue.

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

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

VIII. Key financial indicators by quarter

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	193,609,052.43	411,018,878.45	400,483,972.01	351,234,767.14
Net profit attributable to shareholders of listed company	216,912,792.77	(46,777,878.70)	(104,738,904.56)	(109,095,842.90)
Net profit after extraordinary gains or losses attributable to shareholders of listed company	(67,637,300.87)	(47,293,649.28)	(105,526,854.62)	(90,968,415.09)
Net cash flows from operating activities	(2,664,458.90)	124,005,806.30	(69,112,829.01)	(8,355,721.21)

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

☐ Yes ✓ No

IX. Extraordinary gain or loss items and amounts

✓ Applicable ☐ Not applicable

Unit: RMB

Item	2024 amount	2023 amount	2022 amount	Explanation
Gains or losses on disposal of non-current assets (including write-off of provision for impairment of assets)	**266,401,524.54**	609,956.37	(397,481.76)	

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

Section III. Management Discussion and Analysis

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

The Company operates in the energy equipment industry covering the manufacturing of dedicated energy exploitation equipment for energy sources such as petroleum, natural gas, shale gas, coal and coalbed methane, which falls within the scope of the petroleum and natural gas special equipment manufacturing and services industry. Therefore, the development and prosperity of the petroleum and natural gas exploitation industry have direct impact on the development of the Company's industry. In the long run, the global economic growth rate, price trends of and consumers' demand for petroleum and natural gas, global spendings in exploration and development of petroleum and scale of oil and gas exploitation are determinants of the prosperity of the Company's industry. In recent years, international crude oil prices continued to remain at a relatively high level, providing support for investment in global oil and gas exploration and development. The capital expenditure of oil and gas companies continued to recover, the demand for oil and gas equipment and services increased, and the industry prosperity continued to recover.

According to data released by the National Bureau of Statistics, in 2024, China continued to increase its efforts in oil and gas exploration and development. Oil exploration focused on areas such as deep, unconventional, marine and new fields, and natural gas exploration has made a number of breakthroughs in the land-based key gas areas and marine areas. The output of crude oil and natural gas recorded year-on-year increase, and our ability to ensure oil and gas supply continued to improve. In March 2024, the Guiding Opinions on Energy Work in 2024 (《2024年能源工作指導意見》) was issued by the National Energy Administration to make it clear that the protection of national energy security had to be accorded top priority. The ability to ensure supply continued to be strengthened, fossil energy security was strengthened as a fundamental safeguard, in-depth study was conducted on the implementation of the development strategy for increasing storage and production of oil and gas in the medium to long term, increasing its efforts in oil and gas exploration and development, promoting stable production in old oil fields, accelerating the construction of new areas, and strengthening the construction of oil and gas production capacity in key areas. In July 2024, the National Energy Administration stressed at the 2024 Work Progress Meeting on Vigorously Enhancing Oil and Gas Exploration and Development Efforts that it was necessary to raise our political stance, accurately grasp the key aspects of increasing oil and gas reserves and production, and take vigorous measures to continuously promote the efforts. With the thorough implementation of the new energy security strategy and the vigorous enhancement of oil and gas exploration and development deployment efforts, the completion of the oil and gas production and reserve targets for the two years after the 14th Five-Year Plan can be ensured to safeguard the national energy security. By fully implementing the new energy security strategy, making every effort to promote the increase of reserves and production and resolutely implementing the Seven-Year Action Plan to Vigorously Enhance Oil and Gas Exploration and Development Efforts, exploration and development in unconventional oil and gas such as shale oil and shale gas are expected to achieve leapfrog development. We will need to intensify efforts in the exploration and development of oil and gas resources and increasing oil and gas reserves and production as well as accelerating the combination and implementation of a series of domestic energy security policies such as the integration of oil and gas exploration and development with the advancement of renewable energy, etc., which will help enhancing the further prosperity of the domestic oil and gas industry.

II. Principal businesses of the Company during the reporting period

During the reporting period, the Company was mainly engaged in design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas transportation equipment and petroleum and natural gas exploitation equipment. These products were mainly used in the manufacturing of equipment in connection with industries such as oil and gas drilling, machinery processing and urban pipe network.

For the reporting period, the Company's main products are pipe products such as oil pipes and casing, accounting for nearly 90.73% of the Company's operation revenue, and particularly, overseas sales revenue attributable to the export businesses increased by more than 25% year-on-year. The Company has adopted a "sales-based production" business model for production under which the production system of the Company manufactures, inspects and delivers products according to the orders placed by customers specifying the required specifications and quantity and based on the market sales initiatives of the sales department. The Company has adopted a centralised procurement model under which the procurement department is responsible for the purchase of all raw materials, moulds and equipment, including the signing of procurement contracts, procurement status tracking, facilitating quality improvement of raw materials, etc. The procurement department strictly controls the selection of suppliers based on a comprehensive overall evaluation index system. It fosters quality partners and develops long-term and stable strategic partnership. The Company has a relatively mature sales network and has established a professional team dedicated to sales and import and export operations with members responsible for domestic and international market research and study, development, product sales and after-sales services, respectively.

During the reporting period, the Company completed the disposal of equity interests in Shouguang Baolong and Weihai Baolong. The investment income arising therefrom was accounted for as extraordinary gains or losses, and resulted in an increase in net profit by approximately RMB260 million. Completion of the disposal of the equity interest in Shouguang Maolong, which was recognised as an equity transaction, resulted in an increase in capital surplus of 2024 by approximately RMB112 million. Due to the divestment of the above inefficient assets, the Company's ability to operate as a going concern has been improved. During the reporting period, the Company strengthened its basic management and attached importance to cost control, thus achieving significant results in cost reduction and efficiency enhancement and a substantial year-on-year decrease of 35.61% in three expense items. The combination of the above-mentioned factors contributed to a substantial reduction of losses in the Company's operating results.

At the end of the reporting period, the Company's total assets amounted to approximately RMB2.420 billion, representing a decrease of 16.20% from the beginning of the year. Net assets attributable to shareholders of the listed company amounted to approximately RMB492 million, representing an increase of 16.10% from the beginning of the year. During the reporting period, the Company achieved operating revenue of approximately RMB1.356 billion, with a year-on-year increase of 2.95%. Net profit attributable to shareholders of the listed company amounted to a loss of approximately RMB44 million, representing a decrease in loss of 92.29% as compared to the same period last year.

III. Analysis of core competitiveness

1. Strength in brand name

The Company is a listed company that specialises in the design, research, processing and manufacturing, sales services and export trade of energy equipment. The Company is also a qualified supplier of the four largest oil conglomerates in China. The Company has always adhered to its principle of "encouraging all people, absorbing all thinks, collecting all contributions and creating all achievements". Through expansion of scale and extension of production chains, the Company has gained a good reputation and a solid position in the energy equipment sector. The "Molong" trademark of the Company has been named as a famous trademark of Shandong Province, and the products of the Company have become a key export brand for nurturing and development in Shandong Province.

2. Strength in technological research and development and innovation

The Company has strong research and development (R&D) capabilities in the field of special equipment for energy equipment, and has undertaken more than 80 national and provincial-level related scientific research projects. We are a High- and New-Technology Enterprise as well as a leading enterprise in China's energy equipment base with Shandong Provincial Enterprise Technology Center, Shandong Petroleum Special Pipe Engineering Technology Research Center, National Accreditation Laboratory (CNAS) and Weifang Petroleum Machinery Engineering Technology Research Center and other innovation platforms in place. In 2023, the Company was awarded as the only National Intellectual Property Demonstration Enterprise in Shouguang City.

During the reporting period, in order to meet market demand, the Company continuously promoted the development of new products and the improvement of its technical know-how. The Company completed the design and R&D of connection buckles of pipelines, and the samples passed the customers' factory verification confirmation. It also completed the improvement of the structure of the fixed valve of inclined well pumps, which was qualified for production; adjusted the parameter of cold-drawn pipe process to enhance the qualification rate of the cold-drawn pipe products; established a hydrogen energy R&D base with the China University of Petroleum to initiate close cooperation in the development and testing of hydrogen energy equipment.

3. Strength in special products

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

4. Strength in product quality

The Company attaches importance to the management of product quality. The Company is well-equipped with inspection and monitoring equipment. The Company has long passed the ISO9001 international quality system certification, ISO14001 environmental management system certification and ISO45001 occupational health and safety management system certification and has passed the QES management system follow-up recertification. With its main products being approved to use the industry logo of the American Petroleum Institute (the "API"), the Company has successfully gained access to the domestic and global oil field markets. Its main products, namely casings, line pipes, and sucker rods are highly marketable globally in major oil-producing regions such as Africa, South America, the Middle East, Central Asia, and Southeast Asia, and are well-received by local and overseas customers.

5. Strength in marketing

The Company has gained a foothold in China and has also gone global. After years of development, the Company has built a network providing long-term, stable, fast and effective sales services and established a loyal, long-lasting and win-win partnership with its customers. In the domestic market, the Company has a relatively stable customer base which includes oil and gas companies such as PetroChina, Sinopec, CNOOC and Yanchang Petroleum. Its overseas market covers more than 50 countries and regions in the Middle East, Southeast Asia, Central Asia, Africa, and South America. In 2024, 4 new market areas and more than 30 new customers were developed overseas. The Company's marketing team is composed of professionals in international trade and marketing with extensive experience and strong business ability, which gives the Company an edge in the marketing of energy equipment products.

IV. Analysis of principal businesses

1. Overview

See "II. Principal businesses of the Company during the reporting period" for details

2. Revenue and cost

(1) Composition of operating revenue

Unit: RMB

	2024		2023		
	Amount	**Percentage of operating revenue**	Amount	Percentage of operating revenue	Year-on-year increase/ decrease
Total operating revenue	**1,356,346,670.03**	**100.00%**	1,317,495,782.20	100.00%	2.95%
By industry					
Special equipment manufacturing	**1,356,346,670.03**	**100.00%**	1,317,495,782.20	100.00%	2.95%
By product					
Pipe products	**1,230,613,168.65**	**90.73%**	1,141,475,324.31	86.64%	7.81%
Castings and forgings	**7,141,888.99**	**0.53%**	28,540,437.13	2.17%	-74.98%
Three kinds of pumping units	**34,145,876.14**	**2.52%**	35,884,827.68	2.72%	-4.85%
Petroleum machinery parts	**1,867,935.18**	**0.14%**	18,345,313.86	1.39%	-89.82%
Others	**82,577,801.07**	**6.08%**	93,249,879.22	7.08%	-11.44%
By region					
Within China	**946,365,785.91**	**69.77%**	990,219,379.24	75.16%	-4.43%
Outside China	**409,980,884.12**	**30.23%**	327,276,402.96	24.84%	25.27%
By sales mode					
Self-marketing	**1,356,346,670.03**	**100.00%**	1,317,495,782.20	100.00%	2.95%

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

✓ Applicable ☐ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating cost	Year-on-year increase/ decrease in gross profit margin
By industry						
Special equipment manufacturing	1,356,346,670.03	1,301,582,840.88	4.04%	2.95%	7.06%	a decrease of 3.68 percentage points
By product						
Pipe products	1,230,613,168.65	1,168,378,473.57	5.06%	7.81%	9.24%	a decrease of 1.24 percentage points
By region						
Within China	946,365,785.91	940,963,597.90	0.57%	-4.43%	-0.77%	a decrease of 3.66 percentage points
Outside China	409,980,884.12	360,619,242.98	12.04%	25.27%	34.85%	a decrease of 6.25 percentage points
By sales model						
Self-marketing	1,356,346,670.03	1,301,582,840.88	4.04%	2.95%	7.06%	a decrease of 3.68 percentage points

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

☐ Applicable ✓ Not applicable

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

✓ Yes ☐ No

Industry type	Item	Unit	2024	2023	Year-on-year increase/ decrease
Special equipment manufacturing	Sales volume	Ten thousand tonnes	23.19	18.67	24.21%
	Production volume	Ten thousand tonnes	25.12	16.51	52.15%
	Inventories	Ten thousand tonnes	5.61	3.68	52.45%

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

✓ Applicable ☐ Not applicable

The annual sales volume, production volume and inventories increased by 24.21%, 52.15% and 52.45% respectively year-on-year. This was mainly due to an increase in the development of new domestic and overseas customers and hence higher order intake during the period, as well as an increase in the utilization rate of its production line as compared to the same period last year, which led to increased production and sales volumes and inventories.

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

☐ Applicable ✓ Not applicable

(5) Composition of operating cost

Product Classification

Unit: RMB

Product Classification	Item	2024		2023		
		Amount	**Percentage of operating cost**	Amount	Percentage of operating cost	Year-on-year increase/ decrease
Pipe products	Materials	**922,084,291.34**	**78.92%**	813,855,705.82	76.09%	13.30%
Pipe products	Depreciation	**53,862,247.63**	**4.61%**	78,829,235.80	7.37%	-31.67%
Pipe products	Labour cost	**64,494,491.74**	**5.52%**	69,844,628.19	6.53%	-7.66%
Pipe products	Expenses	**127,937,442.86**	**10.95%**	107,066,573.99	10.01%	19.49%
Three kinds of pumping units	Materials	**18,972,155.18**	**65.30%**	22,293,977.44	74.43%	-14.90%
Three kinds of pumping units	Depreciation	**868,709.71**	**2.99%**	691,913.04	2.31%	25.55%
Three kinds of pumping units	Labour cost	**6,458,667.84**	**22.23%**	4,594,781.86	15.34%	40.57%
Three kinds of pumping units	Expenses	**2,754,303.69**	**9.48%**	2,372,273.29	7.92%	16.10%
Petroleum machinery parts	Materials	**843,245.75**	**56.82%**	7,026,029.58	53.86%	-88.00%
Petroleum machinery parts	Depreciation	**110,117.63**	**7.42%**	1,497,564.42	11.48%	-92.65%
Petroleum machinery parts	Labour cost	**457,092.03**	**30.80%**	3,563,890.24	27.32%	-87.17%
Petroleum machinery parts	Expenses	**73,609.63**	**4.96%**	957,501.99	7.34%	-92.31%
Castings and forgings	Materials	**5,947,708.87**	**77.88%**	22,541,520.12	77.87%	-73.61%
Castings and forgings	Depreciation	**373,450.13**	**4.89%**	1,415,682.78	4.89%	-73.62%
Castings and forgings	Labour cost	**478,840.97**	**6.27%**	1,816,266.63	6.27%	-73.64%
Castings and forgings	Expenses	**837,017.07**	**10.96%**	3,172,384.38	10.96%	-73.62%
Others	Materials	**84,253,109.31**	**88.66%**	60,382,328.69	81.40%	39.53%
Others	Depreciation	**285,088.35**	**0.30%**	326,390.97	0.44%	-12.65%
Others	Labour cost	**7,725,894.19**	**8.13%**	10,437,092.93	14.07%	-25.98%
Others	Expenses	**2,765,356.96**	**2.91%**	3,033,952.39	4.09%	-8.85%

Explanation

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

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

✓ Yes ☐ No

1. The Proposal on the Disposal of Equity Interests in Subsidiaries was considered and approved at the seventh extraordinary meeting of the seventh session of the board of directors of the Company held on 9 January 2024, and the first extraordinary general meeting of the Company for 2024 held on 25 January 2024. It was agreed that the Company shall transfer its 70% equity interest in its subsidiary Shouguang Baolong, which was directly held by the Company, and a total of 98.0769% equity interest in Weihai Baolong, which was held by the Company directly and indirectly through its wholly-owned subsidiary Shouguang Maolong, to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業(有限合夥) at a consideration of RMB141,606,709.94. On 26 January 2024, the Company received the consideration for the equity transfer in full. In March 2024, Shouguang Baolong and Weihai Baolong successively completed the industrial and commercial registration change procedures and obtained business licenses issued by the State Administration for Market Regulation. Shouguang Baolong and Weihai Baolong were no longer consolidated into the Company's financial statements.

2. The Proposal on the Disposal of Assets was considered and approved at the fourteenth extraordinary meeting of the seventh session of the board of directors of the Company held on 14 October 2024, and the fifth extraordinary general meeting of the Company for 2024 held on 21 November 2024. It was agreed that the Company shall transfer its directly held 100% equity interest in Shouguang Maolong to Shouguang Huarong Agricultural Technology Co., Ltd. (壽光華融農業科技有限公司) at a consideration of RMB203,038,500. By 30 November 2024, the Company received the first installment of payment for the equity transfer as agreed under the agreement. On 27 December 2024, Shouguang Maolong completed the industrial and commercial registration change procedures and obtained a business license issued by the State Administration for Market Regulation. Shouguang Maolong was no longer consolidated into the Company's financial statements.

3. On 12 October 2024, Molong Commercial, a wholly-owned subsidiary of the Company, and Qingdao Zidong Network Technology Co., Ltd. jointly established Weifang Molong E-commerce Co., Ltd. (濰坊墨龍電子商務有限公司). Molong Commercial contributed capital of RMB660,000 for a 66% shareholding, and Molong E-commerce was consolidated into the Company's financial statements. The item was considered and approved by the manager's office.

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

☐ Applicable ✓ Not applicable

(8) Information on major customers and major suppliers

Information on the major customers of the Company

Total sales of the top 5 customers (RMB)	617,942,383.04
Proportion of total sales of the top 5 customers over total sales for the year	45.56%
Proportion of sales of connected parties in the top 5 customers over total sales for the year	0.00%

Information on the Company's top 5 customers

No.	Name of customer	Sales (RMB)	Percentage of the annual total sales
1	OEML Middle East Company (OEML中東公司)	200,550,953.58	14.79%
2	Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd. (新疆亞新煤層氣投資開發(集團)有限責任公司)	159,672,322.50	11.77%
3	Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司)	101,165,784.35	7.46%
4	CNOOC China Limited (中海石油(中國)有限公司)	86,019,466.06	6.34%
5	China Petroleum & Chemical Corporation (中國石油化工股份有限公司)	70,533,856.55	5.20%
Total	—	617,942,383.04	45.56%

Other particulars of the major customers

✓ Applicable ☐ Not applicable

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

Major suppliers of the Company

Total purchases attributable to the top 5 suppliers (RMB)	606,210,264.74
Proportion of total purchases attributable to the top 5 suppliers over total purchases for the year	52.38%
Proportion of purchases of connected parties in the top 5 suppliers over total purchases for the year	0.00%

Top 5 Suppliers of the Company

No.	Name of supplier	Purchases (RMB)	Percentage of the annual total purchases
1	Urumqi Land Port International Trade Co., Ltd (烏魯木齊陸港國際貿易有限責任公司)	168,533,852.26	14.56%
2	Xinjiang Baoxin Hengyuan Metal Products Co., Ltd. (新疆寶新恆源金屬製品有限公司)	133,407,170.65	11.53%
3	Shouguang Fangzhou Material Co., Ltd. (壽光市方宙物資有限公司)	123,497,229.88	10.67%
4	Shaanxi Yanchang Petroleum Material Group Co., Ltd. (陝西延長石油物資集團有限責任公司)	103,074,694.28	8.91%
5	Xinjiang Tiancheng International Trading Co., Ltd. (新疆天成國際經貿有限公司)	77,697,317.67	6.71%
Total	—	606,210,264.74	52.38%

Other descriptions of major suppliers

✓ Applicable ☐ Not applicable

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

3. Expenses

Unit: RMB

	2024	2023	Year-on-year increase/decrease	Description of significant change
Selling expenses	**16,842,360.97**	18,657,986.37	-9.73%	—
Administrative expenses	**118,952,881.37**	228,139,393.15	-47.86%	Primarily attributable to the expenses for salary, depreciation, etc. of subsidiaries no longer being included in the scope of consolidation after the disposal of equity interests in them and a decrease in expenses after the implementation of cost reduction and efficiency enhancement measures for the current period.
Finance expenses	**96,614,115.45**	114,134,318.96	-15.35%	Primarily attributable to a decrease in the amount of financing for the current period.
Research and development expenditures	**29,309,446.94**	35,480,208.21	-17.39%	Primarily attributable to a decrease in investment in R&D for the current period.

4. Investments in research and development

✓ Applicable ☐ Not applicable

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Large diameter thin wall high steel grade line pipe	To focus on the demand for long-distance, high-volume oil and gas transportation and to break through the technological bottleneck of the difficulty in balancing wall thickness and strength of traditional line pipes. By developing molding technique with higher steel grade and thinner wall, the pressure-bearing capacity and lightweighting level of pipelines is enhanced, so as to adapt to the requirements of low-temperature and corrosion resistance under complex environments such as deep oceans and polar regions, reduce material and transportation costs, and promote the technological upgrading of oil and gas transportation equipment.	Completed	To develop large diameter (18-24 inches) thin wall high steel grade line pipe with yield strength and low-temperature toughness that reach international advanced standards; to develop high-efficiency welding technique which significantly enhances welding efficiency and quality stability; to establish a pipeline life cycle integrity evaluation system for ensuring safe operation during the design life and effectively reducing maintenance costs; and the product complies with international mainstream industry standards.	The results of the project will enhance the Company's technological competitiveness in the field of high steel grade line pipe and help expand the domestic and overseas pipeline market for long-distance transportation. Through technology accumulation and product upgrading, the Company will strengthen its ability to participate in large-scale energy infrastructure projects and consolidate its position in the industry. At the same time, the Company will promote collaborative innovation in the industry chain, drive the development of pipeline design, intelligent operation and maintenance and other related businesses, and accumulate a number of core patents and standard-setting experience for the Company.

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
Large size high steel grade surface casing for oil fields	To focus on the demand for pressure resistance and corrosion resistance enhancement of surface casing in deep and ultra-deep oil and gas wells and develop high steel grade casing with steel grade of Q125 and above. The structural failure issue of existing products in high-pressure and high-sulphur environment was solved by optimising the material formula and rolling technique, thus promoting domestic substitution and reducing the dependence on imported products.	Completed	To develop 406.4mm surface casing with steel grade of Q125 and above and enhance the material's impact toughness and collapse resistance capability; to complete multiple batches of trial production in the workshop during the year to optimise the rolling accuracy and heat treatment techniques, ensuring that the products comply with the API 5CT standard, and realising the simultaneous enhancement of quality stability and production efficiency.	The results of the project will strengthen the market competitiveness of the Company's high steel grade casing product line, which helps to develop the deep well development market in Central Asia and the Middle East. The Company will form a differential advantage via technological breakthroughs and enhance its brand value, and at the same time accumulate experience for the subsequent research and development of deep-sea oil and gas equipment and promote the synergistic development of the industry chain.
Line pipe for hydrogen transportation	To focus on the special demand for hydrogen transportation for hydrogen embrittlement resistance, high sealing and safety of piping materials, and develop high-performance line pipe suitable for hydrogen transportation scenarios. By optimising the material design and manufacturing technique, the technical bottleneck of traditional pipelines being prone to brittleness and high permeability in environment with hydrogen was broken through, so as to promote the localisation of hydrogen infrastructure and to support the implementation of the clean energy strategy.	Completed	To develop line pipe product that meet the requirements of high-pressure hydrogen transportation, with focus on improving the hydrogen corrosion resistance and the welding reliability of the material; to complete the trial production in the workshop in phases, and optimise the molding technique and non-destructive testing process, ensuring that the product complies with the international standards for hydrogen transportation pipelines, and realising the technological reserve for large-scale production.	The results of the project will help the Company to enter the emerging market of hydrogen energy equipment, form an advantage in pioneering technology, and enhance its brand influence in the field of clean energy. By participating in the national hydrogen energy demonstration project, the Company will promote in-depth cooperation with hydrogen energy equipment manufacturers, laying the foundation for expanding the new energy industry chain.
Non-standard diameter gas-sealed direct connecting tubing	To focus on the high demand for high-pressure gas wells and shale gas development for gas-sealing and torsion resistance in tubing, and to develop a new type of direct connecting gas-sealed tubing. The issue of leakage and connection failure of traditional tubing under extreme conditions was solved by optimising the design of the thread structure and the surface treatment technique, which reduces the maintenance cost of oil and gas exploration and improves operational safety.	Completed	To develop direct connecting gas-sealed tubing suitable for high-pressure environment and realise high gas-sealing and tensile strength; to complete the trial production in the workshop in phases and optimise the processing precision and heat treatment technique, ensuring that the product meets the industry standard and forming stable mass production capabilities.	The results of the project will enhance the competitiveness of the Company's tubing products in non-standard oil and gas fields and help develop high value-added markets. The Company will strengthen its brand image through technological iteration, accumulate experience in core gas sealing techniques, and provide technical support for the subsequent research and development of high-end oil well tubing.

Name of key R&D project	Purpose of the project	Progress of the project	Intended target	Expected impact on the future development of the Company
High steel grade high gas-sealing special thread casing	To focus on the demand for high-pressure gas wells and shale gas development for gas-sealing and torsion resistance in casing, and to develop ML150V steel grade high gas-sealing special thread casing. The issue of leakage and connection failure for traditional casing under high pressure was solved with innovative threaded sealing structure, which improves the efficiency and safety of oil and gas exploration and meets the requirements of complex working conditions in deep wells.	Completed	To develop high gas-sealing special thread casing suitable for 150V steel level and achieve a double breakthrough in thread sealing performance and compressive strength; to complete the trial production in the workshop in phases and optimise the precision machining and heat treatment technology, ensuring that the product meets the industry standards and forming stable mass production capabilities.	The success of the project will enhance the Company's technological advantage in the field of high-end casing, promote its products' entry to the high-pressure deep well market, and enhance its competitiveness in the industry. The accumulation of technology will strengthen the brand recognition and lay the foundation for expanding the unconventional oil and gas equipment market.
Hollow mandrel for continuous rolling	To enhance the efficiency of continuous rolling technique and the life of mandrels by developing hollow mandrel, reducing production power consumption and material wastage, shortening processing cycles, in order to directly lower manufacturing costs, and support the undertaking of high-profit rolling product orders.	Completed	To verify the stability of the hollow mandrel under high-intensity continuous rolling situation, to optimise the structural design and heat treatment technique, to complete the company-level technical reserve and promote the establishment of mass production capability, and to enhance the market competitiveness of rolled products.	The success of the project will strengthen the Company's technological barriers in the field of rolled equipment, lowering production costs and increasing the added value of its product, which will support the expansion of the high-end equipment market and contribute to the growth in long-term profit.

Profile of research and development personnel of the Company

	2024	2023	Percentage change
Number of individuals of research and development personnel	**162**	193	-16.06%
Proportion of research and development personnel	**12.24%**	9.94%	2.30%
Composition of research and development personnel by academic background			
Bachelor's degree	**30**	41	-26.83%
Master's degree	**15**	17	-11.76%
Others	**117**	135	-13.33%
Composition of research and development personnel by age			
Below 30 years old	**24**	26	-7.69%
30 – 40 years old	**74**	99	-25.25%
Over 40 years old	**64**	68	-5.88%

Research and development expenditures of the Company

	2024	2023	Percentage change
Amount of research and development expenditures (RMB)	**27,102,934.69**	30,578,559.41	-11.37%
Percentage of research and development expenditures of operating revenue	**2.00%**	2.32%	-0.32%
Amount of capitalised research and development expenditures (RMB)	**0.00**	0.00	0.00%
Percentage of capitalised research and development expenditures of research and development expenditures	**0.00%**	0.00%	0.00%

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

5. Cash flows

Unit: RMB

Item	2024	2023	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	**1,431,994,025.41**	1,110,574,709.99	28.94%
Subtotal of cash outflows from operating activities	**1,388,121,228.23**	975,582,132.43	42.29%
Net cash flows generated from operating activities	**43,872,797.18**	134,992,577.56	-67.50%
Subtotal of cash inflows from investing activities	**244,196,835.24**	2,908,746.75	8,295.26%
Subtotal of cash outflows from investing activities	**296,981.66**	5,684,175.36	-94.78%
Net cash flows generated from investing activities	**243,899,853.58**	(2,775,428.61)	8,887.83%
Subtotal of cash inflows from financing activities	**2,981,543,191.28**	3,460,950,983.90	-13.85%
Subtotal of cash outflows from financing activities	**3,278,504,007.18**	3,866,065,632.29	-15.20%
Net cash flows generated from financing activities	**(296,960,815.90)**	(405,114,648.39)	26.70%
Net increase in cash and cash equivalents	**(2,312,650.01)**	(271,031,471.77)	99.15%

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

✓ Applicable ☐ Not applicable

(1) Cash inflows from operating activities and cash outflows from operating activities increased year-on-year, mainly due to the increase in cash-settled payments and operating revenue during the period.

(2) Net cash flows generated from operating activities decreased year-on-year, mainly due to the increase in payments for materials during the period.

(3) Cash inflows from investing activities increased year-on-year, mainly due to the receipt of consideration for the equity transfer of subsidiaries during the period.

(4) Cash outflows from investing activities decreased year-on-year, mainly due to the decrease in cash paid to acquire fixed assets.

(5) Net cash flows generated from investing activities increased year-on-year, mainly due to the increase in cash received from the disposal of equity interests in subsidiaries and the decrease in payments for equipment during the period.

(6) Net cash flows generated from financing activities increased year-on-year, mainly due to the decrease in repayment of loans that were due in the current period.

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

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

✓ Applicable ☐ Not applicable

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

V. Analysis of non-principal businesses

✓ Applicable ☐ Not applicable

Unit: RMB

	Amount	Percentage of total profit	Reason(s)	Whether it is recurring
Investment income	260,617,460.17	-547.59%	Mainly comprised of gains on disposal of equity interests in subsidiaries during the current period.	No
Gain or loss on changes in fair value	—	—	—	No
Impairment of assets	—	—	—	No
Non-operating income	6,594,454.34	-13.86%	Mainly comprised of liquidated damages received from overseas customers and waived payables during the current period.	No
Non-operating expenses	5,904,948.42	-12.41%	Mainly comprised of contingent liabilities arising from pending litigations during the current period.	No
Asset impairment loss (loss indicated with "-")	(106,989,615.44)	224.80%	Mainly comprised of provisions for impairment of inventories and non-current assets under the ASBEs.	No
Credit impairment loss (loss indicated with "-")	(1,484,223.50)	3.12%	Mainly comprised of provisions for impairment of receivables under the ASBEs.	No
Other gains	10,062,983.36	-21.14%	Mainly comprised of gains arising from the impact of the additional value-added tax credit policy during the current period.	No
Gain on disposal of assets	5,465,378.04	-11.48%	Mainly comprised of gains arising from technology transfer during the current period.	No

VI. Analysis of assets and liabilities

1. Significant changes in the composition of assets

Unit: RMB

	As at the end of 2024		As at the beginning of 2024			
	Amount	Percentage of total assets	Amount	Percentage of total assets	Increase/ decrease in proportion	Description of significant change
Monetary funds	**86,788,890.12**	**3.59%**	99,072,876.12	3.43%	0.16%	—
Accounts receivable	**220,326,415.43**	**9.10%**				

	As at the end of 2024		As at the beginning of 2024			
	Amount	**Percentage of total assets**	Amount	Percentage of total assets	Increase/ decrease in proportion	Description of significant change
Other receivables	**1,177,001,129.72**	**48.63%**	4,675,103.22	0.16%	48.47%	Mainly attributable to the termination of offsetting current account in the scope of consolidation upon the transfer of equity interests in subsidiaries during the current period.
Intangible assets	**143,873,622.76**	**5.94%**	341,873,447.91	11.84%	-5.90%	Mainly attributable to the fact that related intangible assets were no longer included in the scope of consolidation after the disposal of equity interests in subsidiaries during the current period.
Deferred income tax assets	**0.00**	**0.00%**	1,628,607.92	0.06%	-0.06%	Mainly attributable to the fact that deferred income tax assets and deferred income tax liabilities were presented on a net basis.
Other non-current assets	**259,900.00**	**0.01%**	1,378,503.95	0.05%	-0.04%	Mainly attributable to the fact that other non-current assets were no longer included in the scope of consolidation after the disposal of equity interests in subsidiaries during the current period.
Accounts payable	**294,207,878.68**	**12.16%**	509,647,241.72	17.65%	-5.49%	Mainly attributable to the fact that accounts payable were no longer included in the scope of consolidation after the disposal of equity interests in subsidiaries during the current period.
Non-current liabilities due within one year	**30,042,081.68**	**1.24%**	52,797,378.40	1.83%	-0.59%	Mainly attributable to the repayment of long-term borrowings due within one year during the current period.
Other current liabilities	**19,147,733.93**	**0.79%**	43,395,150.74	1.50%	-0.71%	Mainly attributable to the decrease in the transfer of unmatured commercial acceptance bills during the current period.
Deferred income tax liabilities	**4,834.38**	**0.00%**	8,311,071.27	0.29%	-0.29%	Mainly attributable to the fact that deferred income tax assets and deferred income tax liabilities were presented on a net bas
Estimated liabilities	**4,960,656.25**	**0.20%**	80,929,994.11	2.80%	-2.60%	Mainly attributable to the decrease in estimated liabilities at the consolidated level upon the transfer of equity interests in subsidiaries during the current period.
Long-term payables	**0.00**	**0.00%**	19,854,583.39	0.69%	-0.69%	Mainly attributable to the repayment of funds for the sale-and leaseback financing business during the current period.

A higher proportion of overseas assets

☐ Applicable ✓ Not applicable

2. Assets and liabilities measured at fair value

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount at the beginning of the period	Gain or loss on fair value changes in the current period	Cumulative fair value changes included in equity	Provision for impairment for the current period	Purchases during the current period	Disposals during the current period	Other changes	Amount at the end of the period
Financial assets								
Investments in other equity instruments	0.00	767,204.43	19,337.50	—	—	—	2,530,135.40	3,316,677.33
Financing receivables	2,485,020.78	—	—	—	—	—	(2,445,020.78)	40,000.00
Total of the above	2,485,020.78	767,204.43	19,337.50	—	—	—	85,114.62	3,356,677.33
Financial liabilities	0.00	—	—	—	—	—	0.00	0.00

Content of other changes

Other changes in investments in other equity instruments were mainly the remaining original investment cost upon the transfer of equity interest in Weihai Baolong resulting in a reduction in shareholding from 100% to 1.9231%.

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

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

☐ Yes ✓ No

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

Unit: RMB

	As at the end of the period			
Item	**Balance of the book value**	**Book value**	Type(s) of restriction	Status of restriction
Monetary funds	**70,000,000.00**	**70,000,000.00**	Security deposits for bills	Pledge
Monetary funds	**1,460,768.33**	**1,460,768.33**	Frozen for litigation	Frozen
Bills receivable	**10,000,000.00**	**10,000,000.00**	Pledged bills/factoring financing	Pledge
Accounts receivable	**16,910,160.84**	**16,741,059.23**	Factoring financing	Pledge
Fixed assets	**350,036,111.78**	**108,445,903.44**	Charge for financing/ seizure for litigation	Charge/seizure
Intangible assets	**152,143,022.12**	**115,854,528.20**	Charge for financing/ seizure for litigation	Charge/seizure
Total	**600,550,063.07**	**322,502,259.20**	—	—

VII. Analysis of investments

1. General

✓ Applicable ☐ Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
21,160,000.00	400,000,000.00	-94.71%

VIII. Disposals of material assets and equity interests

1. Disposals of material assets

☐ Applicable ✓ Not applicable

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

2. Disposals of material equity interests

✓ Applicable ☐ Not applicable

Counterparty	Equity interests disposed	Date of disposal	Transaction price (RMB'0,000)	Net profit contributed by the equity interests to the listed company from the beginning of the period to the date of disposal (RMB'0,000)	Effect of the disposal on the Company	Ratio of the net profit contributed by the equity interests disposal to the listed company to the total net profit	Pricing principle for the price of the equity interests disposal	Whether it was a connected transaction	Connected relationship with the counterparty	Whether all the relevant equity interests have been transferred	Whether it was implemented in accordance with the plan, if not, please provide the reason and the measures adopted by the Company	Date of disclosure	Disclosure index
Wuhu Zhiying Project Investment Partnership (Limited Partnership)	70% equity interests in Shouguang Baolong	January 2024	14,160.67	(189.27)	The transfer of the Company's equity interests in Shouguang Baolong and Weihai Baolong was conducive to the Company's optimization of asset allocation and recovery of funds, enhanced the liquidity of its assets, and improved its profitability. It will have a positive impact on the production, operation and financial position of the Company, and is in line with its long-term development plan. After the completion of the transfer, Shouguang Baolong and Weihai Baolong were no longer consolidated into the Company's financial statements. The transaction generated gains of approximately RMB260,110,000 for 2024.	-595.22%	Based on the appraised value in the Audit Report and the Appraisal Report, the appraised value of 70% equity interests in Shouguang Baolong was RMB126,557,600 and the appraised value of 98.0769% equity interests in Weihai Baolong was RMB168,164,300. As the equity transfer transaction was a bundled transfer of equity interests in Shouguang Baolong and Weihai Baolong, it was agreed that the total consideration for the transfer of equity interests in Shouguang Baolong shall be RMB1 and that the total consideration for the transfer of equity interests in Weihai Baolong shall be RMB141,606,700.	No	Nil	Yes	Yes	10 January 2024	The Announcement on the Disposal of Equity Interests in Subsidiaries (Announcement No. 2024-002) and the Announcement on the Progress of the Disposal of Equity Interests in Subsidiaries (Announcement No. 2024-021) cninfo (www.cninfo. com. cn).
Wuhu Zhiying Project Investment Partnership (Limited Partnership)	98.0769% equity interests in Weihai Baolong		–	2.67									

Counterparty	Equity interests disposed	Date of disposal	Transaction price (RMB'0,000)	Net profit contributed by the equity interests to the listed company from the beginning of the period to the date of disposal (RMB'0,000)	Effect of the disposal on the Company	Ratio of the net profit contributed by the equity interests disposal to the listed company to the total net profit	Pricing principle for the price of the equity interests disposal	Whether it was a connected transaction	Connected relationship with the counterparty	Whether all the relevant equity interests have been transferred	Whether it was implemented in accordance with the plan, if not, please provide the reason and the measures adopted by the Company	Date of disclosure	Disclosure index
Shouguang Huarong Agricultural Technology Co., Ltd	100% equity interests in Shouguang Maolong	November 2024	20,303.85	(4,970.41)	The disposal of equity interests in Shouguang Maolong by the Company allowed the Company to focus on its main business of energy equipment manufacturing and enabled it to further optimize its structure of assets and liabilities and improve its cash flow. It will have a positive impact on the Company's future financial position and operating results and is conducive to the long-term and steady development of the Company, which is in line with the interests of investors and the Company as a whole. After the completion of the transfer, Shouguang Maolong was no longer consolidated into the Company's financial statements. The transaction increased the capital reserve for 2024 by approximately RMB111,501,100.	0.00%	Based on the appraised value in the Audit Report and the Appraisal Report, the appraised value of 100% equity interests in Shouguang Maolong was RMB203,038,500 and the transaction price was determined to be RMB203,038,500 through negotiation.	No	Nil	Yes	Yes	15 October 2024	The Announcement on the Disposal of Assets (Announcement No. 2024-073) and the Announcement on the Progress of the Disposal of Assets (Announcement No. 2024-089) cninfo (www.cninfo. com.cn).

IX. Analysis of major controlled and invested companies

✓ Applicable ☐ Not applicable

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

Unit: RMB

Name of company	Type of company	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Molong Commercial	Subsidiary	Freight transportation and trading	30,000,000	164,089,437.01	350,735.42	93,002,563.45	(4,048,632.41)	(4,052,989.84)

Acquisitions and disposals of subsidiaries during the reporting period

✓ Applicable ☐ Not applicable

Name of company	How the subsidiary was acquired or disposed of during the report period	Impact on the overall production and operation and performance
Shouguang Baolong	Disposal of 70% equity interests	The disposal of equity interests in the subsidiaries was conducive to the Company's optimization of asset allocation and recovery of funds, enhanced the liquidity of its assets, and improved its profitability. It will have a positive impact on the production, operation and financial position of the Company, and is in line with its long-term development plan. After the completion of the transfer, Shouguang Baolong and Weihai Baolong were no longer consolidated into the Company's financial statements. The transaction generated gains of approximately RMB260,110,000 for 2024.
Weihai Baolong	Disposal of 98.0769% equity interests	
Shouguang Maolong	Disposal of 100% equity interests	The disposal of equity interests in Shouguang Maolong by the Company was based on the Company's overall operation and development needs and is line with its overall strategic planning. The disposal allowed the Company to focus on its main business of energy equipment manufacturing and enabled it to further optimize its structure of assets and liabilities and revitalize its existing assets, thus achieving effective allocation of its resources and improving its cash flow. It will have a positive impact on the Company's future financial position and operating results and is conducive to the long-term and steady development of the Company, which is in line with the interests of investors and the Company as a whole. After the completion of the transfer, Shouguang Maolong was no longer consolidated into the Company's financial statements. The transaction increased the capital reserve for 2024 by approximately RMB111,501,100.
Molong E-commerce	Newly established	No significant impact

Information on major controlled and invested companies

X. Structured entities controlled by the Company

☐ Applicable ✓ Not applicable

XI. Prospects for future development of the Company

(I) Future development trend of the Company's industry:

During 2024, the oil and gas industry exhibited a "steady yet dynamic" state, with the global economy demonstrating resilience amidst a complex environment. In 2025, the oil and gas sector is set to enter a new developmental landscape characterized by "stability amidst change". Overall, supply and demand fundamentals will continue to be the determining factor of the current international oil price, which fluctuations will be primarily driven by "supply-side oriented and the interplay of both supply and demand". Meanwhile, the great power game in Dur energy will intensify, profoundly reshaping the global energy development landscape. Looking ahead to 2025, the world economy will continue to recover moderately, and the long-term supportive conditions and fundamental trends for the Chinese economy may remain unchanged. Global demand for crude oil is expected to continue its upward trajectory, likely sustaining stable investments in upstream exploration and development. According to the National Energy Administration's "Guiding Opinions on Energy Work in 2025", it is expected that in 2025, the total energy production of the country will steadily increase, crude oil production will remain above 200 million tons, natural gas production will maintain rapid growth, and oil and gas reserves will continue to increase. In the future, the oil and gas sector of China will continue to play a pivotal role in ensuring energy security and promoting economic development. By 2025, China will formally implement the Energy Law and the new Mineral Resources Law, while also formulating action plans for the medium- and long-term increase of oil and gas reserves and production, which will undoubtedly lead to high-quality exploration and development of oil and gas. At the same time, there will be an ongoing acceleration of the green transformation to meet the demand of sustainable development, continuing the journey to search for equilibrium. Overall, the favorable factors confronting the oil service industry outweigh the unfavorable conditions, suggesting a prolonged period of industry prosperity.

(II) Business plans of the Company for 2025:

In 2025, Shandong Molong will focus on the vision of "aiming to become a world-renowned energy equipment manufacturer and service provider", actively promoting the development of our main operations. The whole efforts will adhere to the general keynote of seeking for progress amidst stability, seize opportunities, overcome difficulties, conscientiously accomplish the key tasks of the Company, strive to improve the safe operation and standardized governance, keep optimizing the quality of enterprise management and operation, and strive to achieve steady corporate development.

1. Enhancing market research and study and optimizing product structure.

The marketing company will do a good job in the markets, especially new markets and new customer development, sales and customer service. Business marketing will focus on key markets, focusing on large customers, and doing a good job in bidding and tendering in major oilfield markets; giving full play to industry advantages, actively expanding marketing channels, increasing the order volume and production capacity of high value-added products. In view of the lack of market demand, the Company will further strengthen market research and study and forecast in the future, and adjust its product structure in a timely manner according to the changes in market demand to enhance the competitiveness of its products in the market.

2. Strengthening cost control and enhancing profitability.

In terms of production, the Group will strengthen control of raw material procurement, production processes and inventory management, consolidate basic management, pay attention to product quality, continuously improve product quality, improve cost control awareness, reduce costs in multiple aspects, tap potential, and effectively do a good job in cost reduction and efficiency improvement. In addition, the Group will enhance the added value and gross margin of products through technological innovation and process improvements to elevate the corporate profitability.

3. Actively seeking additional financing to alleviate financial pressures.

In response to the issue of tightened liquidity, the Group will proactively seek external financial support, such as raising funds through bank loans and financial leasing to ensure stable corporate financing and normal production and operations, strive to optimize the liability structure, vigorously reduce high-interest debt ratios, and reduce corporate financial costs. The Group will also further strengthen the management of accounts receivable, speed up the turnover rate of accounts receivable, reduce the incurrence of bad debts, and ensure the safety of funds. Meanwhile, the Group will further strengthen communication and collaboration with financial institutions to secure additional credit support and favorable policies.

4. Continuing to actively implement overseas strategies.

The Group will adhere to a sales strategy that prioritizes exports, persistently and vigorously execute our overseas strategies, cultivate the development of international markets, elevate our global recognition, further enhance market competitiveness and amplify brand effects, thereby driving the Company's performance to a new height. The Group will comprehensively expand our presence in overseas markets, such as the Middle East and Central Asia, in order to increase our market share. Currently, our overseas operations encompass more than 50 countries and regions, with new orders secured in Kazakhstan, Vietnam, Ecuador and Egypt.

5. Emphasizing the risk control management and reducing operation risks.

The Group will further improve and perfect the internal control management system, intensify internal audit, establish efficient monitoring and inspection mechanisms, regulate the specific business processes, strengthen risk resilience and strengthen internal legal audits to ensure that the Company's daily operations and contract signings are monitored well in advance so as to predict and prevent all kinds of risks in advance. The Group will continue to reinforce risk control and monitoring mechanisms at all levels to lower the risks of corporate operation.

6. Optimizing corporate governance and facilitating standardised operation.

The Group will further improve the relevant rules and regulations in response to actual needs and ensure their effective implementation; formulate a management framework that is flat in management, simplified in organization, and efficient in management; continue to optimize the corporate governance structure and improve the standardised operation, thereby providing fundamental guarantee for the Company's high-quality development and setting up a more regulated and transparent operating system as a listed company; optimize the internal control processes and constantly perfect the risk prevention mechanisms, so as to guarantee healthy, stable and sustainable development of the Company.

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

(1) Market risk

The Company operates in the energy equipment manufacturing industry which is directly relevant to the development and prosperity of the energy industry. The fluctuations of crude oil price are affected by global economic growth rate, regional, political, financial, supply and demand and many other factors, and have strong cyclicality and volatility. At the time when oil prices are low, oil and gas companies will reduce capital expenditures accordingly, make less investment in to exploration and development and have lower demand for equipment and services in the oil and gas industry. The Company will adjust product structure and market setting in a timely manner according to market changes.

(2) Risk of raw material price fluctuation

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

(3) Policy risk

In recent years, the Chinese government has been stepping up the requirements on safety and environmental protection by more frequently issuing stricter safety and environmental protection policies and carrying out regular safety and environmental protection supervision. The higher emission standards is bound to increase the Company's costs related to environmental protection. The Company is dedicated to creating a safe, economical, efficient, advanced and environment-friendly industry chain of energy equipment manufacturing. It puts great efforts in safety and environmental education, strengthens the investigation and management of hidden safety hazards, adheres to a green, innovative and sustainable concept, vigorously pursues recyclable economy, maximises resource utilisation, and increases environmental protection investment to ensure the waste discharges of the Company is up to standards.

(4) Exchange rate risk

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

(5) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market interest rate. Financial instruments bearing fixed interest rates expose the Company to fair value interest rate risk and financial instruments bearing floating interest rates expose the Company to cash flow interest rate risk. The Company determines the relative proportions of financial instruments between fixed and floating interest rates depending on the market conditions, maintains an appropriate portfolio of financial instruments through regular review and monitoring.

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

✓ Applicable ☐ Not applicable

Date of reception	Venue of reception	Form of reception	Type of reception target	Reception target	Main topics of discussion and information provided	Reference for general information about the research
19 April 2024	the "Cloud Interview" column on the "Easy					

Section IV. Corporate Governance

I. General condition of corporate governance

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

1. Shareholders and general meetings

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

During the reporting period, the Company held 1 annual general meeting and 5 extraordinary general meetings which were all convened by the board of directors. At the same time, the Company has engaged professional lawyers to attend as witnesses and issue legal opinions, and issue legal opinions on matters such as the convening of the meetings, eligibility of attendees, qualification of conveners, voting procedures and poll results, to ensure the regulated operation of the general meetings.

2. The Company and the controlling shareholder

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

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

3. Directors and board of directors

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

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

4. Supervisors and supervisory committee

The supervisory committee of the Company consists of 3 supervisors, 1 of them is an employee representative supervisor. The number of members, composition and appointment of the supervisory committee meet the requirements of relevant laws and regulations. All supervisors of the Company have the ability to seriously perform their own duties with the intention of protection the interest of shareholders, carry out effective supervision on significant events and financial position of the Company and the performance of duties by directors and executive officers and practically safeguard the legitimate interests of all shareholders in accordance with the Articles of Association and the Rules of Procedures for Board Meetings.

5. Information disclosure and transparency

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

6. Performance evaluation and incentive mechanism

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

7. Management of investors' relations

Pursuant to relevant laws and regulations, the Company has designated the secretary to the board of directors as the investors' relations manager, who is responsible to coordinate investors' relations, receive shareholder visitors,

2. Independence of employees

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

3. Independence of finance

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

4. Independence of organisation

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

5. Independence of business

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

III. Peer competition

☐ Applicable ✓ Not applicable

IV. Annual general meeting and extraordinary general meetings held during the reporting period

1. General meetings during the current reporting period

Session of meeting	Type of meeting	Attendance of investors	Date of meeting	Date of Disclosure	Meeting resolutions
First extraordinary general meeting 2024	Extraordinary general meeting	48.71%	25 January 2024	26 January 2024	Announcement on Resolutions Adopted at the First Extraordinary General Meeting 2024 (2024-008); Legal Opinions on the First Extraordinary General Meeting 2024. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
Second extraordinary general meeting 2024	Extraordinary general meeting	29.88%	28 February 2024	29 February 2024	Announcement on Resolutions Adopted at the Second Extraordinary General Meeting 2024 (2024-017); Legal Opinions on the Second Extraordinary General Meeting 2024. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
Third extraordinary general meeting 2024	Extraordinary general meeting	29.64%	10 May 2024	11 May 2024	Announcement on Resolutions Adopted at the Third Extraordinary General Meeting 2024 (2024-047); Legal Opinions on the Third Extraordinary General Meeting 2024. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

Session of meeting	Type of meeting	Attendance of investors	Date of meeting	Date of Disclosure	Meeting resolutions
2023 annual general meeting	Annual general meeting	29.58%	22 May 2024	23 May 2024	Announcement on Resolutions Adopted at the 2023 Annual General Meeting (2024-054); Legal Opinions on the 2023 Annual General Meeting. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
Fourth extraordinary general meeting 2024	Extraordinary general meeting	30.52%	19 September 2024	20 September 2024	Announcement on Resolutions Adopted at the Fourth Extraordinary General Meeting 2024 (2024-070); Legal Opinions on the Fourth Extraordinary General Meeting 2024. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
Fifth extraordinary general meeting 2024	Extraordinary general meeting	49.53%	21 November 2024	22 November 2024	Announcement on Resolutions Adopted at the Fifth Extraordinary General Meeting 2024 (2024-084); Legal Opinions on the Fifth Extraordinary General Meeting 2024. Details of the above announcement can be found on the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

2. Convening of extraordinary general meetings as requested by holders of preferred shares with restored voting right

☐ Applicable ✓ Not applicable

V. Directors, supervisors and senior management

1. General information

Name	Gender	Age	Position	Office status	Start date of term	End date of term	Shares held at the beginning of the period (shares)	Increase in number of shares held during the period (shares)	Decrease in number of shares held during the period (shares)	Other increases or decreases (shares)	Shares held at the end of the period (shares)	Reason for change in shareholding
Han Gao Gui	Male	51	Chairman, director	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
Yuan Rui	Male	38	Director	Incumbent	25 November 2020	20 November 2027	0	0	0	0	0	Not applicable
Zhang Zhi Yong	Male	50	Director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Wang Tao	Male	44	Director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhang Min	Female	44	Director	Incumbent	19 May 2023	20 November 2027	0	0	0	0	0	Not applicable
Ma Qing Wen	Male	57	Director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhang Zhen Quan	Male	57	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Dong Shao Hua	Male	52	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhang Bing Gang	Male	50	Independent director	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Liang Guo Liang	Male	46	Employee supervisor	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Li Jing Wei	Male	43	Supervisor	Incumbent	21 September 2022	20 November 2027	0	0	0	0	0	Not applicable
Jiang Zhen Jian	Male	43	Supervisor	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Wang Tao	Male	44	Deputy general manager	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
Han Lei Fang	Male	45	Deputy general manager	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhu Yan Li	Female	47	Deputy general manager	Incumbent	10 May 2024	20 November 2027	0	0	0	0	0	Not applicable
Song Guang Jie	Male	56	Deputy general manager	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Bao Mo Gang	Male	49	Deputy general manager	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	34	Secretary to the board	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Zhu Lin	Female	37	Financial controller	Incumbent	21 November 2024	20 November 2027	0	0	0	0	0	Not applicable
Han Gao Gui	Male	51	Secretary to the board (acting)	Departure	29 August 2024	21 November 2024	0	0	0	0	0	Not applicable
Yuan Rui	Male	38	Chairman	Departure	24 February 2023	10 May 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	34	Director	Departure	19 May 2023	10 May 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	34	Deputy general manager	Departure	26 November 2021	10 May 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	34	Financial controller (acting)	Departure	9 January 2024	10 May 2024	0	0	0	0	0	Not applicable
Zhao Xiao Tong	Male	34	Secretary to the board	Departure	15 May 2020	3 June 2024	0	0	0	0	0	Not applicable
Zhu Yan Li	Female	47	Financial controller	Departure	10 May 2024	21 November 2024	0	0	0	0	0	Not applicable
Zhu Yan Li	Female	47	Secretary to the board (acting)	Departure	3 June 2024	29 August 2024	0	0	0	0	0	Not applicable
Yao You Ling	Male	63	Director	Departure	25 November 2020	10 May 2024	0	0	0	0	0	Not applicable
Yao You Ling	Male	63	General manager	Departure	8 October 2023	10 May 2024	0	0	0	0	0	Not applicable
Li Zhi Xin	Male	48	Deputy general manager	Departure	8 October 2023	10 May 2024	0	0	0	0	0	Not applicable
Li Zhi Xin	Male	48	Director	Departure	21 December 2018	18 April 2024	0	0	0	0	0	Not applicable
Zhang Quan Jun	Male	55	Deputy general manager	Departure	26 November 2021	10 May 2024	0	0	0	0	0	Not applicable

Name	Gender	Age	Position	Office status	Start date of term	End date of term	Shares held at the beginning of the period (shares)	Increase in number of shares held during the period (shares)	Decrease in number of shares held during the period (shares)	Other increases or decreases (shares)	Shares held at the end of the period (shares)	Reason for change in shareholding
Liu Shu Bao	Male	55	Supervisor	Departure	12 October 2021	21 November 2024	0	0	0	0	0	Not applicable
Liu Cheng An	Male	52	Supervisor	Departure	12 October 2021	21 November 2024	0	0	0	0	0	Not applicable
Tang Qing Bin	Male	62	Independent director	Departure	21 December 2018	21 November 2024	0	0	0	0	0	Not applicable
Song Zhi Wang	Male	62	Independent director	Departure	21 December 2018	21 November 2024	0	0	0	0	0	Not applicable
Cai Zhong Jie	Male	63	Independent director	Departure	21 December 2018	21 November 2024	0	0	0	0	0	Not applicable
Ding Yi	Male	41	Director	Departure	26 September 2023	21 November 2024	0	0	0	0	0	Not applicable
Total	-	-	-	-	-	-	0	0	0	0	0	-

Any departure of directors or supervisors within their terms of office, or any dismissal of senior management during the reporting period

✓ Yes ☐ No

Name	Position held	Type	Date	Reason
Han Gao Gui	Secretary to the board (acting)	Appointment and dismissal	21 November 2024	Rotation
Yuan Rui	Chairman	Appointment and dismissal	10 May 2024	Work relocation
Zhu Yan Li	Secretary to the board (acting)	Appointment and dismissal	29 August 2024	Work relocation
	Financial controller	Appointment and dismissal	21 November 2024	Rotation
Zhao Xiao Tong	Director	Departure	10 May 2024	Work relocation
	Deputy general manager	Dismissal	10 May 2024	Work relocation
	Financial controller (acting)	Dismissal	10 May 2024	Work relocation
	Secretary to the board	Dismissal	3 June 2024	Work relocation
Yao You Ling	Director	Departure	10 May 2024	Retirement
	General manager	Dismissal	10 May 2024	Retirement
Li Zhi Xin	Director	Departure	18 April 2024	Personal reasons
	Deputy general manager	Dismissal	10 May 2024	Personal reasons
Zhang Quan Jun	Deputy general manager	Dismissal	10 May 2024	Personal reasons
Ding Yi	Director	Expiry of term of office	21 November 2024	Rotation
Tang Qing Bin	Independent director	Expiry of term of office	21 November 2024	Rotation
Song Zhi Wang	Independent director	Expiry of term of office	21 November 2024	Rotation
Cai Zhong Jie	Independent director	Expiry of term of office	21 November 2024	Rotation
Liu Shu Bao	Supervisor	Expiry of term of office	21 November 2024	Rotation
Liu Cheng An	Supervisor	Expiry of term of office	21 November 2024	Rotation

Change of directors, supervisors and senior management

✓ Applicable ☐ Not applicable

Name	Position held	Type	Date	Reason
Han Gao Gui	Director, chairman	Election	10 May 2024	Work relocation
Han Gao Gui	General manager (acting)	Appointment	10 May 2024	Work relocation
Han Gao Gui	General manager	Appointment	21 November 2024	Rotation
Han Gao Gui	Secretary to the board (acting)	Appointment	29 August 2024	Work relocation
Han Gao Gui	Secretary to the board (acting)	Appointment and dismissal	21 November 2024	Rotation
Yuan Rui	Chairman	Appointment and dismissal	10 May 2024	Work relocation
Zhang Zhi Yong	Director	Election	21 November 2024	Rotation
Wang Tao	Director	Election	21 November 2024	Rotation
Wang Tao	Deputy general manager	Appointment	10 May 2024	Work relocation
Ma Qing Wen	Director	Election	21 November 2024	Rotation
Zhang Zhen Quan	Independent director	Election	21 November 2024	Rotation
Dong Shao Hua	Independent director	Election	21 November 2024	Rotation
Zhang Bing Gang	Independent director	Election	21 November 2024	Rotation
Liang Guo Liang	Supervisor	Election	21 November 2024	Rotation
Jiang Zhen Jian	Supervisor	Election	21 November 2024	Rotation
Han Lei Fang	Deputy general manager	Appointment	10 May 2024	Work relocation
Zhu Yan Li	Deputy general manager	Appointment	10 May 2024	Work relocation
Zhu Yan Li	Financial controller	Appointment	10 May 2024	Work relocation
Zhu Yan Li	Secretary to the board (acting)	Appointment	3 June 2024	Work relocation
Zhu Yan Li	Secretary to the board (acting)	Appointment and dismissal	29 August 2024	Work relocation
Zhu Yan Li	Financial controller	Appointment and dismissal	21 November 2024	Rotation
Song Guang Jie	Deputy general manager	Appointment	21 November 2024	Rotation
Bao Mo Gang	Deputy general manager	Appointment	21 November 2024	Rotation
Zhao Xiao Tong	Secretary to the board (acting)	Appointment	21 November 2024	Rotation
	Director	Departure	10 May 2024	Work relocation
	Deputy general manager	Dismissal	10 May 2024	Work relocation
	Financial controller (acting)	Dismissal	10 May 2024	Work relocation
	Secretary to the board	Dismissal	3 June 2024	Work relocation
Zhu Li	Financial controller	Appointment	21 November 2024	Rotation
Yao You Ling	Director	Departure	10 May 2024	Retirement
Yao You Ling	General manager	Dismissal	10 May 2024	Retirement
Li Zhi Xin	Director	Departure	18 April 2024	Personal reasons
Li Zhi Xin	Deputy general manager	Departure	10 May 2024	Personal reasons
Zhang Quan Jun	Deputy general manager	Dismissal	10 May 2024	Personal reasons
Ding Yi	Director	Expiry of term of office	21 November 2024	Rotation
Tang Qing Bin	Independent director	Expiry of term of office	21 November 2024	Rotation
Song Zhi Wang	Independent director	Expiry of term of office	21 November 2024	Rotation
Cai Zhong Jie	Independent director	Expiry of term of office	21 November 2024	Rotation
Liu Shu Bao	Supervisor	Expiry of term of office	21 November 2024	Rotation
Liu Cheng An	Supervisor	Expiry of term of office	21 November 2024	Rotation

2. Details of employment

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

Updated information of the directors as required by the SEHK are described below. Having made specific enquiry of all directors by the Company, all of them confirmed that save as disclosed in this report, there is no other change in the information of the directors that is required to be disclosed pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). There is no financial, business, family or other material/relevant relationship between the directors.

(1) Members of the board

Executive directors:

Mr. Han Gao Gui, male, Han ethnicity, born in January 1974, is a member of the Communist Party of China and holds a bachelor's degree. He successively served as Secretary of the Discipline Inspection Committee, Deputy Secretary of the Party Working Committee, and Director of the People's Congress of Shouguang

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

Non-executive directors:

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

Mr. Ma Qing Wen, male, Han ethnicity, born in November 1968, is a member of the Communist Party of China and graduated from a technical school. Mr. Ma worked at Hou Town No. 2 Junior High School in Shouguang City and Shandong Luli Iron and Steel Co., Ltd. (山東魯麗鋼鐵有限公司), and is currently a director and deputy general manager of Shandong Luli Iron and Steel Co., Ltd.. Currently, he is a director of the Company.

Independent directors:

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

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

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

(2) Members of the supervisory committee

Mr. Liang Guo Liang, male, Han ethnicity, born in March 1979, is a member of the Communist Party of China and holds a bachelor's degree. He joined the Company in September 2006 and worked in the Administrative Office, Project Operations Department, and Legal Affairs Department. He successively served as the Manager of Audit Department and Director of Legal Department. He is currently the director of the Audit and Legal Department and a supervisor of the Company.

Mr. Li Jing Wei, male, Han nationality, born in August 1982, is a member of the Communist Party of China and holds a bachelor's degree. He graduated from Shandong University majoring in finance, and won honors such as Excellent Certified Public Accountant in Shandong Province, Excellent Party Worker in Certified Public Accountant Industry in Weifang City, and Excellent Young and Middle-aged Expert in Kuiwen District of Weifang City. He is currently a partner of Yongtuo Certified Public Accountants and has been a supervisor of the Company since September 2022.

Mr. Jiang Zhen Jian, male, Han ethnicity, born in September 1985, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Jiang is a member of the Shouguang Municipal People's Political Consultative Conference, a supervisor of administrative law enforcement in Weifang City, a member of the Administrative Review Professional Committee of the Shandong Lawyers Association, and a member of the Industry Development and Construction Committee of the Weifang Lawyers Association. Mr. Jiang is currently the director and chief partner of Shandong Guoyue Qiancheng Law Firm. Currently, he is a supervisor of the Company.

(3) Senior management

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

Ms. Zhu Yan Li, female, Han ethnicity, born in July 1978, is a member of the Communist Party of China and holds a bachelor's degree. She successively served as a client manager and assistant to the president at Minsheng Bank (Shouguang Branch), department general manager at Minsheng Bank (Weifang Branch), president of Ping An Bank (Shouguang Branch), general manager of the retail banking department and operations department at Weihai City Commercial Bank (Weifang Branch), and head of the Shouguang Branch of Qingdao Shengyang Consulting Management Co., Ltd. She successively served as deputy general manager, financial director, and secretary to the board (acting). She is currently a deputy general manager of the Company.

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

Mr. Bao Mo Gang, male, Han ethnicity, born in February 1976, is a member of the Communist Party of China and holds an associate degree. He successively worked at the Taitou Town Government, Shouguang City, Party Working Committee and Management Committee at Shuangwangcheng, Shouguang City, and Shouguang (Weifang) High-Tech Zone. He joined the Company in May 2024 and served as the assistant to the general manager and currently serves as a deputy general manager of the Company.

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

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

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

Employment with shareholder entities

✓ Applicable ☐ Not applicable

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

Details of employment with other entities

✓ Applicable ☐Not applicable

Name of employee	Name of other entities	Positions held in other entities	Start date of term	End date of term	Entitlement to compensation and allowances from other entities
Yuan Rui	Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	Chairman	19 December 2023	—	Yes
	Shouguang Jinxu Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司)	Chairman	19 December 2023	—	No
	Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	Supervisor	28 September 2018	—	No
	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)	Chairman	29 November 2023	—	No
	Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司)	Director	28 July 2022	—	No
	Kunpeng Asset Management Co., Ltd. (昆朋資產管理股份有限公司)	Supervisor	23 June 2020	—	No
	Shandong Shouguang Rural Commercial Bank Co., Ltd. (山東壽光農村商業銀行股份有限公司)	Supervisor	24 September 2021	—	No
	Shouguang Jinxu Industrial Development Group Co., Ltd. (壽光市金旭產業發展集團有限公司)	Chairman	19 December 2023	—	No
	Weifang Xingchen Investment Co., Ltd. (濰坊市興晨投資有限公司董事)	Director	5 December 2024	—	No
Zhang Min	Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	Director	20 August 2023	—	No
	Shouguang Jintou Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司)	Director and general manager	4 September 2018	—	No
	Shouguang Xinjing Tourism Development Co., Ltd. (壽光市鑫景旅遊發展有限公司)	Supervisor	8 December 2017	—	No
	Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團有限公司)	Assistant to general manager	1 June 2022	—	Yes
Zhang Zhi Yong	Luli Group Co., Ltd. (魯麗集團有限公司)	Assistant to general manager and supervisor	16 January 2018	—	Yes
Ma Qing Wen	Shandong Luli Iron and Steel Co., Ltd. (山東魯麗鋼鐵有限公司)	Director and deputy general manager	23 September 2016	—	Yes
Zhang Zhen Quan	Shouguang Shengcheng Accounting Firm (Limited Liability) (壽光聖誠有限責任會計師事務所)	Director and general manager	7 July 2022	—	Yes
	Shouguang Shengcheng Asset Appraisal Co., Ltd. (壽光聖誠資產評估有限公司)	Director and general manager	6 February 2018	—	No
Details on employment with any other entity		Nil	—	—	—

Any securities regulatory institution punishment to the Company's directors, supervisors and senior management who are incumbent and outgoing during the reporting period in the past 3 years

☐ Applicable ✓ Not applicable

3. Remunerations of directors, supervisors and senior management

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

1. Decision process

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

The ninth meeting of the seventh session of the board of directors of the Company considered and passed the Remuneration Policy for Directors, Supervisors and Senior Management 2024 on 29 March 2024. It was considered and passed by the annual General Meeting on 22 May 2024.

2. Basis of determination

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

The Company's 2024 remuneration plan for directors, supervisors and senior management was as follows:

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

(2) Remuneration plan for supervisors of the Company: the salary of employee supervisor of the Company is based on their actual work in the Company, and they shall no longer receive supervisors' allowance separately; the allowance for an external supervisor of the Company is RMB80,000/year (pre-tax).

(3) Remuneration plan for senior management of the Company: the senior management of the Company shall receive their salaries according to their specific management positions in the Company and the relevant remuneration regulations of the Company.

3. Actual payment

During the reporting period, the amount of remuneration actually paid to 27 directors, supervisors and senior management was RMB1.8671 million.

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

Unit: RMB ten thousand

Name	Gender	Age	Position	Office status	Total pre-tax compensation received from the Company	Entitlement to compensation from related parties of the Company
Han Gao Gui	Male	51	Chairman and general manager	Incumbent	0	Yes
Yuan Rui	Male	38	Director	Incumbent	0	Yes
Wang Tao	Male	44	Director and deputy general manager	Incumbent	30.17	No
Zhang Zhi Yong	Male	50	Director	Incumbent	0	Yes
Zhang Min	Female	44	Director	Incumbent	0	Yes
Ma Qing Wen	Male	57	Director	Incumbent	0	Yes
Zhang Zhen Quan	Male	57	Independent director	Incumbent	1.3	Yes
Dong Shao Hua	Male	52	Independent director	Incumbent	1.3	No
Zhang Bing Gang	Male	50	Independent director	Incumbent	1.3	No
Liang Guo Liang	Male	46	Supervisor	Incumbent	2.07	No
Li Jing Wei	Male	43	Supervisor	Incumbent	8	No
Jiang Zhen Jian	Male	43	Supervisor	Incumbent	0.87	No
Han Lei Fang	Male	45	Deputy general manager	Incumbent	17.58	No
Zhu Yan Li	Female	47	Deputy general manager	Incumbent	16.54	No
Song Guang Jie	Male	56	Deputy general manager	Incumbent	2.66	No
Bao Mo Gang	Male	49	Deputy general manager	Incumbent	0	No
Zhao Xiao Tong	Male	34	Secretary to the board	Incumbent	16.81	No
Zhu Lin	Female	37	Financial controller	Incumbent	2.57	No
Yao You Ling	Male	63	Director and general manager	Departure	12.49	No
Li Zhi Xin	Male	48	Director and deputy general manager	Departure	10.52	No
Ding Yi	Male	41	Director	Departure	0	Yes
Tang Qing Bin	Male	62	Independent director	Departure	10.7	No
Song Zhi Wang	Male	62	Independent director	Departure	10.7	No
Cai Zhong Jie	Male	62	Independent director	Departure	10.7	No
Liu Shu Bao	Male	55	Supervisor	Departure	12.17	No
Liu Cheng An	Male	52	Supervisor	Departure	7.13	No
Zhang Quan Jun	Male	55	Deputy general manager	Departure	11.13	No
Total	—	—	—	—	186.71	—

Other particulars

☐ Applicable ✓ Not applicable

VI. Discharge of duties by directors during the reporting period

1. Board meetings during the current reporting period

Session of meeting	Date of meeting	Date of disclosure	Meeting resolutions
7th extraordinary meeting of 7th session of the Board of Directors	9 January 2024	10 January 2024	Announcement on Resolutions Adopted at the Seventh Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-001). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
8th extraordinary meeting of 7th session of the Board of Directors	6 February 2024	7 February 2024	Announcement on Resolutions Adopted at the Eighth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-011). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
9th extraordinary meeting of 7th session of the Board of Directors	10 February 2024	11 February 2024	Announcement on Resolutions Adopted at the Ninth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-015). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
10th extraordinary meeting of 7th session of the Board of Directors	18 March 2024	19 March 2024	Announcement on Resolutions Adopted at the Tenth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-022). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
9th meeting of 7th session of the Board of Directors	28 March 2024	29 March 2024	Announcement on Resolutions Adopted at the Ninth Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-024). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
10th meeting of 7th session of the Board of Directors	12 April 2024	13 April 2024	Announcement on Resolutions Adopted at the Tenth Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-038). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

Session of meeting	Date of meeting	Date of disclosure	Meeting resolutions
11th extraordinary meeting of 7th session of the Board of Directors	18 April 2024	19 April 2024	Announcement on the Resignation of Directors of the Company (Announcement No.: 2024-043). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
12th extraordinary meeting of 7th session of the Board of Directors	10 May 2024	11 May 2024	Announcement on Resolutions Adopted at the Twelfth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-048). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
13th extraordinary meeting of 7th session of the Board of Directors	20 May 2024	21 May 2024	Announcement on Resolutions Adopted at the Thirteenth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-052). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
11th meeting of 7th session of the Board of Directors	29 August 2024	30 August 2024	Announcement on Resolutions Adopted at the Eleventh Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-064). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
14th extraordinary meeting of 7th session of the Board of Directors	14 October 2024	15 October 2024	Announcement on Resolutions Adopted at the Fourteenth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-072). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
12th meeting of 7th session of the Board of Directors	30 October 2024	31 October 2024	Announcement on Resolutions Adopted at the Twelfth Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-077). Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

Session of meeting	Date of meeting	Date of disclosure	Meeting resolutions
15th extraordinary meeting of 7th session of the Board of Directors	5 November 2024	6 November 2024	Announcement on Resolutions Adopted at the Fifteenth Extraordinary Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2024-082. Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).
1st extraordinary meeting of 8th session of the Board of Directors	21 November 2024	22 November 2024	Announcement on Resolutions Adopted at the First Extraordinary Meeting of the Eighth Session of the Board of Directors (Announcement No.: 2024-086. Details of the above announcement can be found in the China Securities Journal, the Shanghai Securities News, the Securities Daily, the Securities Times and the website of cninfo (www.cninfo.com.cn).

2. Attendance of directors at board meetings and general meetings

Attendance of directors at board meetings and general meetings

Name of director	Number of board meetings required to be attended during the current reporting period	Number of board meetings attended in person	Number of board meetings attended via telecommunications	Number of board meetings attended by representatives	Number of board meetings absent	Failure to attend two consecutive board meetings in person	Number of general meetings attended
Han Gao Gui	7	3	4	0	0	No	4
Yuan Rui	14	8	6	0	0	No	6
Wang Tao	1	1	0	0	0	No	1
Zhang Zhi Yong	1	1	0	0	0	No	1
Zhang Min	14	9	5	0	0	No	6
Ma Qing Wen	1	1	0	0	0	No	1
Zhang Zhen Quan	1	1	0	0	0	No	1
Dong Shao Hua	1	1	0	0	0	No	1
Zhang Bing Gang	1	1	0	0	0	No	1
Yao You Ling	7	5	2	0	0	No	2
Li Zhi Xin	6	6	0	0	0	No	2
Zhao Xiao Tong	7	7	0	0	0	No	4
Ding Yi	13	9	4	0	0	No	6
Tang Qing Bin	13	1	12	0	0	No	6
Song Zhi Wang	13	1	12	0	0	No	6
Cai Zhong Jie	13	0	13	0	0	No	6

Information about failure to attend two consecutive board meetings in person

Not applicable

3. Directors' objection on matters raised to the Company

Whether the directors raised any objection on matters to the Company

☐Yes ✓ No

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

4. Other descriptions of duty performance by directors

Whether director's suggestions for the Company were accepted

✓ Yes ☐ No

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

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

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

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
Audit Committee under the seventh session of the Board of Directors	Tang Qing Bin Song Zhi Wang Cai Zhong Jie	9	9 January 2024	To consider the Proposal for the Appointment of Deputy General Manager to Act as the Financial Controller	Considered and approved the relevant proposal.	–	–
			20 March 2024	To receive the report of audit work by the auditor	Received the report of audit work by the auditor.	–	–
		–	28 March 2024	To consider the Full Texts and Summary of the Annual Report 2023, the Self-assessment Report on Internal Control 2023, the Annual Profit Distribution Proposal 2023, the Audit Committee of the Board of Directors' Assessment of the Performance of Duties and Supervision Responsibilities of the Accounting Firm in 2023, and the Proposal for the Reappointment of Audit Firm for 2024	Agreed to submit the relevant proposal to the general meeting and the Board of Directors for consideration.	–	–
		–	12 April 2024	To consider the First Quarterly Report 2024	Proposed the Board to approve the Proposal.	–	–
		–	10 May 2024	To consider the Proposal for the Appointment of Senior Management	Proposed the Board to approve the Proposal.	–	–
		–	31 May 2024	To consider the Proposal for the Communication with Audit Firm, the Proposal for Reviewing Bidding Documents and the Proposal for Starting the Selection of Audit Firm	Proposed the Board to approve the Proposal.	–	–

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
		–	29 August 2024	To consider the Full Texts and Summary of the interim Report 2024, the Proposal on the Change of Audit Firm 2024 and the Proposal for the formulation of the System for Selecting and Engaging Accounting Firm	Proposed the Board to approve the Proposal.	–	–
			30 October 2024	To consider the Third Quarterly Report 2024	Proposed the Board to approve the Proposal.	–	–
Audit Committee under the eighth session of the Board of Directors	Zhang Zhen Quan Dong Shao Hua Zhang Bing Gang	9	21 November 2024	To consider the Proposal for the Appointment of Senior Management and the Proposal for the Appointment of Head of Internal Audit of the Company	Proposed the Board to approve the Proposal.	–	–
Remuneration and Evaluation Committee under the seventh session of the Board of Directors	Cai Zhong Jie Yuan Rui Tang Qing Bin Song Zhi Wang	1	28 March 2024	To consider the Remuneration Policy for Directors, Supervisors and Senior Management 2024	Proposed the Board to approve the Proposal.	–	–
Nomination Committee under the seventh session of the Board of Directors	Song Zhi Wang Yuan Rui Tang Qing Bin Cai Zhong Jie	5	9 January 2024	To consider the Proposal for the Appointment of the Deputy General Manager to Act as the Financial Controller	Agreed to submit the relevant proposal to the Board of Directors for consideration.	–	–
		–	18 April 2024	To consider the Proposal for the Election of the Chairman of the Seventh Session of the Board of Directors and the Proposal for the Election of the Members of Special Committees of the Board of Directors	Agreed to submit the relevant proposal to the Board of Directors for consideration.	–	–

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
Nomination Committee under the seventh session of the Board of Directors	Song Zhi Wang Tang Qing Bin Cai Zhong Jie	–	10 May 2024	To consider the Proposal for the Election of the Chairman of the Seventh Session of the Board of Directors and the Proposal for the Election of the Members of Special Committees of the Seventh Session of the Board of Directors	Agreed to submit the relevant proposal to the Board of Directors for consideration.	–	–
Nomination Committee under the seventh session of the Board of Directors	Song Zhi Wang Han Gao Gui Tang Qing Bin Cai Zhong Jie	–	30 October 2024	To consider the Proposal on the Early Election of New Session of the Board of Directors and the Nomination of Candidates for the Non-Independent Directors of the Eighth Session of the Board of Directors and the Proposal on the New Session of the Board of Directors and the Nomination of Candidates for the Independent Directors of the Eighth Session of the Board of Directors	Agreed to submit the relevant proposal to the general meeting for consideration.	–	–
Nomination Committee under the eighth session of the Board of Directors	Zhang Bing Gang Han Gao Gui Zhang Zhen Quan Dong Shao Hua	–	21 December 2024	To consider the Proposal for the Appointment of the Senior Management	Agreed to submit the relevant proposal to the Board of Directors for consideration.	–	–

Name of committee	Members	Number of meetings held	Date of meeting	Agenda	Important advice and recommendations given	Performance of other duties	Particulars of matters opposed (if any)
Strategy Committee under the seventh session of the Board of Directors	Yuan Rui Tang Qing Bin Song Zhi Wang Cai Zhong Jie	4	9 January 2024	To consider the Proposal on the Disposal of Equity Interests in Subsidiaries	Considered and approved the relevant proposal.	–	–
	Han Gao Gui Tang Qing Bin Song Zhi Wang Cai Zhong Jie		28 March 2024	To consider the Proposal on establishing HIsmelt Technology Research Institute in Cooperation with Shandong Metallurgical Design Institute	Considered and approved the relevant proposal.	–	–
			20 May 2024	To consider the Proposal on the Disposal of Assets	Considered and approved the relevant proposal.	–	–
			14 October 2024	To consider the Proposal on the Disposal of Assets	Considered and approved the relevant proposal.	–	–

VIII. Work of the supervisory committee

Did the supervisory committee find any risk exposure of the Company in the course of supervision during the reporting period

☐ Yes ✓ No

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

IX. Employees of the Company

1. Number of employees, professional structure and education level

Number of employees serving the parent company as at the end of the reporting period (persons)	1,313
Number of employees serving the major subsidiaries as at the end of the reporting period (persons)	11
Total number of serving employees as at the end of the reporting period (persons)	1,324
Total number of paid employees in the current period (persons)	1,324
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	0

Professional structure

Type of professional structure	Number of individuals (persons)
Production personnel	1,042
Sales personnel	49
Technicians	31
Financial staff	20
Administrative staff	182
Total	1,324

Education level

Type of education level	Quantity (persons)
Master and above	20
Bachelor	118
Junior college	268
Technical secondary school (senior high school) and below	918
Total	1,324

2. Remuneration policy

The Company shall comply with the disclosure requirements for the software and information technology services industry in the Shenzhen Stock Exchange Listed Company Self-Regulation Guidelines No. 3 – Industry Information Disclosure.

1) In order to govern the remuneration management of the Company, give full play of the incentive effect of remuneration, define responsibilities of all departments, depending on the current actual circumstances, the Company gradually established and improved a relatively reasonable remuneration structure and formulated a corresponding remuneration system and work process;

2) Based on the premise of stabilizing employees' income and encouraging them to work more and get more, and taking fairness and reasonableness as the principle, the Company should link their pay with performance level, fully mobilize their enthusiasm and sense of responsibility; by referring to the local market rate of remuneration and benefit packages, the Group determines the remuneration base based on the requirements of different positions and make adjustment as appropriate, make their payroll in line with the pay scale of the industry and type of work in society, which is attractive to the outside world and stimulating to the inside;

3) To encourage new employee to stay in the job for a longer term and also encourage older employees to continue to shine and make greater contributions to the Company, the Company currently implements a non-descending calculation method for length of employment, which is more humanised, rationalised and attractive than surrounding companies. It also guarantees employees of the Company to have a long-term job;

4) Combining with domestic and foreign market demand, the Company vigorously promotes the development of new products and formulated incentive measures for new products and new markets to further enhance the enthusiasm of employees for greater performance and higher profitability, so that the employees can share interests with the Company.

3. Training programmes

1) The Company has always taken talent nurturing and development as one of the measures supporting the Company's development strategy. Therefore, the Company links employee training with its strategic planning and operating indicators by coordinating internal and external resources. Based on the concept of "going out and recruiting in" and taken into account the requirements of the Company and various departments for quality and competence of employees, the Company has formulated an annual training implementation plan;

2) To facilitate new employees to quickly adapt to the Company's culture and management principles and meet the job requirements, in addition to focusing on the training in corporate culture, corporate mechanism as well as quality, safety, technique systems, the Company also continuously improves the internal training mechanism by establishing a team of internal trainers, organising internal staff training programmes,

3) Depending on the actual circumstances and based on the requirements of specific posts, the Company organises and enrolls external professional training programmes on an irregular basis so as to improve staff achievements and job competence. The Company also engages external trainers on an irregular basis to provide collective training for management personnel of the Company, in order to continuously raise their management skill and professionalism and enhance competitiveness of the Company;

4) To further improve the governance of corporate systems, the Company adopts various training approaches to promote staff development and help them plan reasonable career paths, enhance staff cohesiveness, create good learning-oriented corporate culture, and boost shared development of employees and the Company.

4. Labor outsourcing

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

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

1. Establishment and implementation of internal control system

The board of directors of the Company has established a sound and effectively implemented internal control system, assesses its effectiveness and truthfully discloses the assessment report on internal control in accordance with the requirements of the Standardised Internal Control System for Companies. The supervisory committee supervises the board of directors in the establishment and implementation of internal control. The management is responsible to organise and lead the daily operation of internal control.

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

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

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

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

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

☐ Yes ✓ No

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

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

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

1. Assessment report on internal control

Date of disclosure on the full texts of the assessment report on internal control	29 March 2025
Reference of disclosure on the full texts of the assessment report on internal control	Cninfo (http://www.cninfo.com.cn)
Proportion of total assets of entities included in the assessment to the total assets per consolidated financial statements of the Company	97.20%
Proportion of operating revenue of entities included in the assessment to the operating revenue per consolidated financial statements of the Company	99.99%

	Standards for deficiency identification	
Category	**Financial reporting**	**Non-financial reporting**
Qualitative standard	Signs of financial reporting great defect include: fraud of the company directors, supervisors and senior management personnel, the correction of the published financial report, current report material misstatement is found by a certified public accountant, but not identified through intra-company control, the invalid audit committee and audit function to the Company's external financial reports and financial reporting internal control supervision. Financial reporting important defect signs include: not in accordance with generally accepted accounting principles to select and apply appropriate accounting policies, procedures and control measures of antifraud has not been established, the accounting treatment of unusual or special transaction do not set up corresponding control mechanism or no implementation, and no corresponding compensatory control, for the control of the final financial reporting process have one or more of the defects and cannot guarantee reasonable preparation of financial statements to realise the fair reflection. Common Defects is other control defect in addition and financial repoadditio.on-financia3ate35 reportinga529 Td-37: viol0 -1n statements to reallaw -1.52regul	

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

Number of significant deficiencies in financial reporting	0
Number of significant deficiencies in nonfinancial reporting	0
Number of material deficiencies in financial reporting	0
Number of material deficiencies in nonfinancial reporting	0

Section IV. Corporate Governance

2. Financial highlights

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

Results

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total operating revenue	**1,356,347**	1,317,496	2,765,645	3,734,463	3,009,719
Operating (loss)/profit	**(48,283)**	(549,182)	(441,513)	(361,115)	38,175
Total (loss)/profit	**(47,593)**	(550,081)	(446,042)	(362,057)	17,529
Net profit/(loss)	**(44,637)**	(578,534)	(448,935)	(368,420)	11,455
Minority interests	**(937)**	(11,673)	(23,966)	(403)	(20,723)
Net (loss)/profit attributable to shareholders of the parent company	**(43,700)**	(566,862)	(424,970)	(368,018)	32,179
Basic (loss)/earnings per share (RMB)	**(0.05)**	(0.71)	(0.53)	(0.46)	0.04

Assets and liabilities

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,420,183**	2,888,082	4,038,606	4,457,611	5,175,636
Total liabilities	**1,928,289**	2,553,379	3,128,252	3,097,863	3,374,066
Net assets	**491,894**	334,703	910,353	1,359,748	1,801,570

3. Changes in share capital

For details of changes in the share capital of the Company for 2024, please refer to the section headed "Changes in shares and shareholders".

4. Reserves and distributable reserves

Details of changes in the reserves and distributable reserves of the Group in 2024 are set out in the sub-section headed "Undistributed profits" under "Explanatory Notes to the Consolidated Financial Statements Line Items" in the financial report.

5. Property, plant and equipment

Details of changes in the property, plant and equipment of the Group for 2024 are set out in the section of financial report.

6. Capitalised interests

During 2024, the Group capitalised interests of RMB nil.

7. Service contracts or letters of appointment of directors and supervisors

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

8. Special committees

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

9. Related parties and connected transactions

In 2024, the Company had no connected transaction that must be disclosed under the Listing Rules (as defined in the Listing Rules) and none of the related party transactions disclosed in the "Financial Report" section in this report constituted disclosable connected transactions under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

10. Annual compensation of directors, supervisors and senior management

For details of compensations of the current directors, supervisors and senior management paid by the Company in 2024, please refer to the sub-section headed "Directors, supervisors and senior management" in this report.

11. Directors' and supervisors' rights to acquire shares or debentures

None of the directors or supervisors of the Company or any of their respective associates (as defined under the Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in 2024.

12. Substantial shareholders

Details are set out in the sub-section headed "Profiles of shareholders and the actual controller" under the section headed "Changes in shares and shareholders" in this annual report.

13. Directors' and supervisors' interests in transactions, arrangements and contracts

No directors or supervisors or any entity related to any of the directors of the Company has directly or indirectly interested in any transaction, arrangement or contract to which the Company or any of its subsidiaries is a party that has not been or has been in force in 2024 or at the end of 2024, and has a material relationship with the business of the Group.

14. Material contracts

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

15. Purchase, sale or redemption of securities

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during 2024.

16. Pre-emptive rights

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

17. Corporate governance

The principal Codes on Corporate Governance adopted by the Company are set out in the section headed "Corporate Governance" in this report.

18. Sufficiency of Public Float

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

19. Gearing ratio

The Group's gearing ratio was approximately 79.68% (2023: approximately 88.41%) which is calculated based on the Group's total liabilities of RMB1,928,289 thousand (2023: approximately RMB2,553,379 thousand) and total assets of approximately RMB2,420,183 thousand (2023: approximately RMB2,888,082 thousand).

20. Contingent liabilities

As at 31 December 2024, the Group did not have any contingent liabilities except those disclosed in the "Commitments and Contingencies" in this report.

21. Material investments, acquisitions and disposals

For the year ended 31 December 2024, save as disclosed in this report, the Group disposed of its subsidiaries Shouguang Baolong Petroleum Equipment Co., Ltd. (壽光寶隆石油器材有限公司), Weihai Baolong Special Petroleum Materials Co., Ltd. (威海市寶隆石油專材有限公司) and Shouguang Maolong New Materials Technology Development Co., Ltd. (壽光懋隆新材料技術開發有限公司). Save as disclosed above, during the year ended 31 December 2024, the Group did not have any material acquisitions and disposals in respect of subsidiaries, associates and joint ventures. During the year ended 31 December 2024, the Group did not have any significant investments. It did not plan to make major investments or purchase capital assets in the future.

22. Tax concessions and exemptions

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

23. Equity-linked agreements

The Company did not enter into any equity-linked agreements at the end of the year ended 31 December 2024 or at any time during the year.

24. Business review

Key financial and business performance indicators

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

Risk management

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

Sustainability initiatives

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

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

Section V. Directors' Report

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

Principal businesses

The Company was principally engaged in the design, research and development, processing and manufacturing, sales service and export trade of products for the energy equipment industry. The main products included oil drilling machinery equipment, petroleum and natural gas transportation equipment, oil & gas exploitation equipment, etc. The products were mainly used in the manufacture of equipment for oil & gas energy drilling, machinery processing, urban pipeline network and wind power castings. Details of the principal activities of the Company during the reporting period are set out in the sections headed "Management Discussion and Analysis" in this report. During the reporting period, there were no significant changes in the composition of the Company's principal businesses.

Results analysis

Analysis of the Group's principal activities for the year ended 31 December 2024 is set out in the sections headed "Management Discussion and Analysis" and "Financial Report" in this annual report.

Dividends

The Board of the Company did not recommend any payment of dividends for the year 2024. In 2024, the Board was not aware of any arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

Key financial and business performance indicators

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

Risk management

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

Section V. Directors' Report

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

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

Financial review

During the reporting period, the Company achieved operating revenue of approximately RMB1.356 billion, with an increase of 2.95% year-on-year; net profit attributable to shareholders of the listed company was approximately RMB(44) million; basic earnings per share was RMB(0.05) per share. A financial review of the Company for the year ended 31 December 2024 is set out in the "Financial Report" section of this Annual Report.

Property, plant and equipment

Details of changes in the property, plant and equipment of the Group for 2024 are set out in the section headed "Financial Report" in this report.

Long-term equity investments and fixed assets

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

Share capital and share scheme

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

For the year ended 31 December 2024, the Company did not operate any share scheme (as defined in the Listing Rules).

Pre-emptive rights

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

Section V. Directors' Report

Director

The existing directors during the year and up to the date of this annual report were:

Executive directors:

Mr. Han Gao Gui (appointed on 10 May 2024)
Mr. Yuan Rui (appointed on 25 November 2020)
Mr. Zhang Zhi Yong (appointed on 21 November 2024)
Mr. Wang Tao (appointed on 21 November 2024)

Non-executive directors:

Ms. Zhang Min (appointed on 19 May 2023)
Mr. Ma Qing Wen (appointed on 21 November 2024)

Independent non-executive directors:

Mr. Zhang Zhen Quan (appointed on 21 November 2024)
Mr. Dong Shao Hua (appointed on 21 November 2024)
Mr. Zhang Bing Gang (appointed on 21 November 2024)

Supervisors:

Mr. Liang Guo Liang (appointed on 21 November 2024)
Mr. Li Jing Wei (appointed on 21 September 2022)
Mr. Jiang Zhen Jian (appointed on 21 November 2024)

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

The Company considers all of the independent non-executive directors to be independent with reference to the independent guidelines set out in Rule 3.13 of the Listing Rules.

On 10 May 2024, Mr. Han Gao Gui obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules and confirmed that he understood his obligations as a director of a listed issuer. On 21 November 2024, Mr. Zhang Zhi Yong, Mr. Wang Tao, Mr. Ma Qing Wen, Mr. Zhang Zhen Quan, Mr. Dong Shao Hua and Mr. Zhang Bing Gang (all as directors appointed during the year ended 31 December 2024) obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules and confirmed that they understood their obligations as directors of a listed issuer.

Directors' and supervisors' service contracts or letters of appointment

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

Section V. Directors' Report

Remuneration of the directors and supervisors and five highest paid individuals

For the information on the remuneration of the directors, supervisors and five highest paid individuals of the Company in 2024, please refer to sub-section headed "Remuneration of Key Management Personnel" under the section headed "Financial Report" in this report.

Directors' and supervisors' interests in contracts

There are no contracts which are significant to the Group's business and in which any of the directors or supervisors have or had material interest, whether directly or indirectly, subsisted during 2024 or at the end of 2024.

Directors' and executive's liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its directors and executives in respect of legal actions against them. Throughout 2024, no claim had been made against the directors and the officers of the Company. Save as disclosed in this report, there are no permitted indemnity provisions for the year ended 31 December 2024.

Management contracts

No contract was entered into or existed for the management and administration of all or any substantial part of the Company's business during the year ended 31 December 2024.

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

As at 31 December 2024, to the best knowledge of the directors, supervisors and chief executive, none of the directors, the supervisors or chief executive had any interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix C3 of the Listing Rules, to be notified to the Company and to the Stock Exchange.

Directors' and supervisors' rights to acquire shares or debentures

None of the directors or supervisors of the Company or any of their respective associates (as defined under the Rule 1.01 of the Listing Rules) was granted by the Company or its subsidiaries any right to acquire benefits by means of the acquisition of shares in or debentures of the Company or had exercised any such right in 2024.

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

As at 31 December 2024, to the best knowledge of the directors, supervisors and chief executive of the Company, as indicated in the register of interests and/or short positions required to be maintained pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or the register required to be kept under Section 336 of SFO, the substantial shareholders and other persons had the following interests and/or short positions in the shares or underlying shares of the Company as follows:

Long position in the share of the Company

Substantial shareholder	Nature of interest	Number of shares	Percentage of issued A/H shares	Percentage of total issued shares
Shouguang Molong Holdings Co., Ltd.	Beneficial interest	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Shouguang Jinxin Investment Development Holdings Group Limited	Interest in controlled corporation[2]	235,617,000 A shares	43.49% (A shares)	29.53%
Shandong Zhimeng Holdings Co., Ltd.	Beneficial interest	64,740,000 H shares	25.28% (H shares)	8.11%
	Beneficial interest	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	85,974,800 H shares	33.57% (H shares)	10.78%
Shouguang Panjin Property Co., Ltd.	Beneficial interest	30,800,000 H shares	12.03% (H shares)	3.86%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	119,914,800 H shares	46.82% (H shares)	15.03%
Shouguang Hongsen Logistics Co., Ltd.	Beneficial interest	31,800,000 H shares	12.42% (H shares)	3.99%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	118,914,800 H shares	46.43% (H shares)	14.90%
Shouguang Ruisen New Building Materials Co., Ltd.	Beneficial interest	23,374,800 H shares	9.13% (H shares)	2.93%
	Interest under Section 317 of the SFO[1]	900,000 A shares	0.17% (A shares)	0.11%
	Interest under Section 317 of the SFO[1]	127,340,000 H shares	48.16% (H shares)	15.96%

Notes:

(1) Shandong Zhimeng Holdings Co., Ltd., Shouguang Panjin Property Co., Ltd., Shouguang Hongsen Logistics Co., Ltd. and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party agreement pursuant to which, they are parties acting in concert for the purpospu78S3.611 0 Td(12.42% (H shares))T Td((Sh cor 0 1 0anjiares))T T22 3211 0anji0 1 0a shares))T TCompany.s)

Related parties and related party transactions

In 2024, the Company had no connected transaction that must be disclosed under the Listing Rules (as defined in the Listing Rules) and none of the related party transactions disclosed in the "Financial Report" section in this report constituted disclosable connected transactions under the Listing Rules. The Company confirms that the disclosure requirements under Chapter 14A of the Listing Rules were met.

Disclosures pursuant to Rule 13.20 of the Listing Rules

As of 31 December 2024, (i) Shouguang Baolong Petroleum Equipment Co., Ltd. ("Shouguang Baolong") was indebted to the Company in the amount of RMB460,774,392.56; and (ii) Weihai Baolong Special Petroleum Materials Co., Ltd. ("Weihai Baolong") was indebted to the Company in the amount of RMB7,800,738.92; both were recorded as accounts receivable of the Company (collectively referred to as the "Indebtedness"). The sale of all shares of Shouguang Baolong and Weihai Baolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業(有限合夥)) was completed in March 2024 (the "sale completion"), and Weihai Baolong and Shouguang Baolong were no longer subsidiaries of the Company. As at 31 December 2024, 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") owed RMB712,414,892.51 to the Company. The sale of all shares of Shouguang Maolong to Shouguang Huarong Agricultural Technology Co., Ltd.(壽光華融農業科技有限公司) was completed in December 2024 ("Completion of the sale of Shouguang Maolong") and Shouguang Maolong was no longer a subsidiary of the Company.

On 9 January 2024, (i) the Company (as creditor) and Shouguang Baolong (as debtor) entered into a repayment agreement (the "Shouguang Baolong Repayment Agreement"), pursuant to which, amongst others, Shouguang Baolong agreed to repay the Indebtedness (free of interest) in the sum of RMB461,709,466.37 to the Company; and (ii) the Company (as creditor) and Weihai Baolong (as debtor) entered into a repayment agreement (the "Weihai Baolong Repayment Agreement"), pursuant to which, amongst others, Weihai Baolong agreed to repay the Indebtedness (free of interest) in the sum of RMB14,345,726.40 to the Company. On 14 October 2024, (i) the Company (as creditor) entered into a repayment agreement with Shouguang Huarong Agricultural Technology Co., Ltd (壽光華融農業科技有限公司) (as debtor) and Shouguang Maolong (the "Huarong Agricultural Repayment Agreement"), pursuant to which, amongst others, Shouguang Huarong Agricultural Technology Co., Ltd shall be responsible for the repayment of the Indebtedness (free of interest) in the sum of RMB714,141,700 to the Company.

According to the Shouguang Baolong Repayment Agreement, the Indebtedness shall be repayable by Shouguang Baolong in the manner set out below:(1) 40% of the Indebtedness, i.e. RMB184,683,786.55, shall be repayable within the first year from the date of sale completion; (2) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the second year from the date of sale completion; and (3) 30% of the Indebtedness, i.e. RMB138,512,839.91, shall be repayable within the third year from the date of sale completion.

According to the Weihai Baolong Repayment Agreement, the Indebtedness shall be repayable by Weihai Baolong in the manner set out below: (1) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the first year from the date of sale completion; and (2) 50% of the Indebtedness, i.e. RMB7,172,863.20, shall be repayable within the second year from the date of sale completion.

According to the Huarong Agricultural Repayment Agreement, the Indebtedness shall be repayable by Huarong Agricultural in the manner set out below: repayment of the entire amount within 12 months from the date of completion of the registration of the industrial and commercial changes.

Shouguang Baolong has mortgaged its fixed assets and intangible assets, including, among others, land, property and equipment to the Company as collateral for repaying the Indebtedness under the Shouguang Baolong Repayment Agreement.

Shouguang Maolong has mortgaged its fixed assets, including, among others, fixed assets and intangible assets (including, inter alia, plant and machinery and maritime use rights) to the Company as collateral for repaying the Indebtedness under the Huarong Agricultural Repayment Agreement.

Competition and conflict of interests

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

Corporate governance

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

Sufficiency of public float

The Company maintained a sufficient public float for the whole year ended 31 December 2024. To the best knowledge of the directors, the Company has fulfilled the public float requirements under Rule 8.08 of the Listing Rules.

Auditors

As at the date of this report, Grant Thornton Zhitong Certified Public Accountants LLP acts as the auditor of the Company.

As the tenure of service of the Company's auditor, ShineWing Certified Public Accountants LLP, had exceeded the stipulated longest term for consecutive appointment of auditors, ShineWing tendered its resignation to the Company with effect from 29 August 2024. The shareholders approved at the extraordinary general meeting of the Company held on 19 September 2024 the appointment of Grant Thornton Zhitong Certified Public Accountants LLP as the auditor of the Company for financial reporting and internal audit for the year 2025 for a term up to the conclusion of the next annual general meeting of the Company.

Events after the Reporting Period

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

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

Shandong, the PRC, 28 March 2025

Section VI. Environmental and Social Responsibility

I. Major environmental issues

Whether the listed company and its subsidiaries are listed by the environmental authorities as a critical pollutant discharging entity

✓ Yes ☐ No

Policies and industrial standards related to environmental protection

The Company and its subsidiaries strictly abide by environmental protection-related policies and industrial standards such as Shandong Iron and Steel Industry Air Pollutant Emission Standard DB/37 990-2019, Shandong Thermal Power Plant Air Pollutant Emission Standard DB37/664-2019, and Regional Air Pollutant Comprehensive Emission Standard DB37/2376-2019.

Industrial discharge standards and specific conditions of pollutant discharge involved in production and business activities

The Company or name of subsidiary	Categories of major pollutant and specific pollutant	Name of major pollutant and specific pollutant	Method of discharge	Number of discharge outlets	Distribution of discharge outlets	Emission Concentration/ Intensity	Implemented standards for pollutant discharge	Total volume of discharge	Approved total volume of discharge	Excessive discharge
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	3.5mg/m³	10mg/m³	1390.21kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	3.6mg/m³	10mg/m³	905.30kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	3.5mg/m³	10mg/m³	1978.89kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.4mg/m³	10mg/m³	48.60kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.9mg/m³	10mg/m³	82.29kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.1mg/m³	10mg/m³	27.98kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.1mg/m³	10mg/m³	3.17kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.1mg/m³	10mg/m³	25.33kg	–	No
Shouguang Maolong	–	Volatile organic compounds	Organised	1	Production complex	2.1mg/m³	60mg/m³	71.56kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2mg/m³	10mg/m³	5.84kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.8mg/m³	10mg/m³	5.00kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.1mg/m³	10mg/m³	0.18kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	2.1mg/m³	10mg/m³	2.52kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	0.1mg/m³	10mg/m³	36.81kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.2mg/m³	10mg/m³	8.73kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.9mg/m³	10mg/m³	19.31kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	0.5mg/m³	10mg/m³	11.18kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.9mg/m³	10mg/m³	4.96kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.5mg/m³	10mg/m³	2.01kg	–	No
Shouguang Maolong	–	Sulphur dioxide	Organised	1	Production complex	16mg/m³	50mg/m³	341.67kg	–	No
Shouguang Maolong	–	Nitrogen oxides	Organised	1	Production complex	42mg/m³	100mg/m³	1105.98kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	4.1mg/m³	10mg/m³	112.90kg	–	No
Shouguang Maolong	–	Sulphur dioxide	Organised	1	Production complex	30mg/m³	50mg/m³	969.60kg	–	No
Shouguang Maolong	–	Nitrogen oxides	Organised	1	Production complex	39mg/m³	100mg/m³	1332.54kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	3.7mg/m³	10mg/m³	157.16kg	–	No
Shouguang Maolong	–	Sulphur dioxide	Organised	1	Production complex	29mg/m³	50mg/m³	1048.83kg	–	No
Shouguang Maolong	–	Nitrogen oxides	Organised	1	Production complex	39mg/m³	100mg/m³	1296.67kg	–	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	3.8mg/m³	10mg/m³	141.48kg	–	No
Shouguang Maolong	–	Sulphur dioxide	Organised	1	Production complex	18.7mg/m³	35mg/m³	3.91t	51.0125t	No
Shouguang Maolong	–	Nitrogen oxides	Organised	1	Production complex	14.4mg/m³	100mg/m³	2.38t	72.875t	No
Shouguang Maolong	–	Particulate matter	Organised	1	Production complex	1.94mg/m³	5mg/m³	0.37t	5.10125t	No

Section VI. Environmental and Social Responsibility

Treatment of pollutants

The Company and its subsidiaries conducted their environmental works in strict compliance with the environmental laws and regulations such as the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise and the Law of the People's Republic of China on Prevention and Control of Water Pollution.

Wastewater treatment facilities: the Company has equipped all production plants with integrated sewage treatment facilities in all factories which have been in normal operation. Wastewater discharged from production process are treated and recycled without outward discharge.

Exhaust treatment facilities: the Company has equipped production lines in all production complexes with the corresponding environmental facilities, including denitration and electrostatic/electric precipitator, fabric filter, acid mist treatment equipment, alkali desulfurization and volatile organic compounds treatment equipment, to ensure effective treatment and discharge of exhausts generated from the production process.

Environmental self-monitoring program

During the reporting period, the Company and its subsidiaries worked closely with local environmental inspection departments on periodic supervisory inspections. Four sets of exhaust online monitoring equipment were in normal operation. It engaged third party inspection firms to monitor their discharge statistics on a regular basis, and the monitoring results were regularly publicized on the national pollutant discharge permit management information platform, with an aim to meet industry standards and requirements of local environmental authorities. Monthly statistics on the related environmental data, supervision on stable operation of wastewater and exhaust treatment facilities are conducted to effectively ensure sound management of internal discharge of wastewater and exhaust.

Emergency plans for sudden environmental incidents

Each of the Company and its subsidiaries has prepared its emergency plans for sudden environmental incidents, Shandong Molong and its branch plants' Emergency Plans for Unexpected Environmental IS1 gs/TRIS1nal(n..529 Td[(fd[(Sha7ted to e

Administrative penalties arising from environmental issues during the reporting period

The Company or name of subsidiary	Reasons for punishment	Violations	Result of punishment	Impact on production and operation of Listed Company	Corrective measures taken by the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Other discloseable environmental information

Nil

Other environmentally related information

Nil

II. Social responsibility

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

1. Safeguarding shareholders' interest

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

2. Safeguarding employees' interest

The Company highly emphasised the nurture of talents. We strived to improve the quality of our staff and realised mutual growth of our staff and the enterprise by offering our staff with career planning, providing good employee benefits policies to our staff and organising various corporate training. The Company offered various social insurance to our staff and established relief fund to care and support staff in difficult times and created a harmonious working environment. In 2024, the Company released RMB20,000 from the relief fund towards helping the family of staff in financial difficulties.

3. Actively participating in social undertakings

The Company pays great attention to the creation of social value and places its focus on fulfilling social responsibility by actively participating in social services. We have spared no effort to join social services and charity activities with a view to rewarding the society within our capacity. The Company actively contacted the blood station in the center of Weifang, issued an initiative and organized collective voluntary blood donation public welfare activities by our staff and, actively participated in social welfare undertakings. The Company was awarded as "an Outstanding Entity for Unpaid Blood Donation Organization in Weifang City" in 2024, which demonstrated the social responsibility and undertaking of the Company.

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

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

Section VII. Material Matters

I. Performance of commitment

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

III. Illegal external guarantees

☐ Applicable ✓ Not applicable

There were no illegal external guarantees during the reporting period.

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

✓ Applicable ☐ Not applicable

The Board of Directors of the Company believes that the unqualified audit report on the financial reports of the Company for 2023 with paragraphs regarding material uncertainties on the ability to continue as a going concern issued by the audit institution, objectively and truly reflects the Company's actual financial conditions and reveals the Company's possible risks to continue as a going concern. The Board of Directors of the Company expressed their understanding of the audit report and the investors are required to draw attention to investment risks. The aforementioned matters primarily serve as a reminder for users of the financial statements to pay attention to the Company's sustainable operational ability. These matters do not contravene accounting standards, systems, or relevant information disclosure regulations, and do not make an impact on the Company's financial conditions and operation results in 2023.

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

☐ Applicable ✓ Not applicable

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

✓ Applicable ☐ Not applicable

In October 2023, the Ministry of Finance issued Interpretation No. 17 of the Standard, which stipulates the contents of "classification of liabilities as current or non-current", "disclosure of supplier finance arrangements" and "accounting for sale and leaseback transactions". This interpretation came into effect on 1 January 2024. In December 2024, the Ministry of Finance issued Interpretation No. 18 of the Standard, which stipulates the content of "accounting for warranty-type quality assurance that is not a single performance obligation". The interpretation was implemented from the date of its publication, and enterprises are allowed to implement it in advance from the year of its publication.

The change of accounting policies is a change in accordance with the relevant provisions and requirements of the Ministry of Finance, and complies with the requirements of relevant laws and regulations. The implementation of the changed accounting policies helps reflect the Company's financial position and operating results in a more objective and fair way. The change in accounting policies shall not cause significant impacts to the Company's financial position, results of operation and cash flow for the current period and shall not involve the retrospective adjustments of financial data in previous years.

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

✓ Applicable ☐ Not applicable

1. The Proposal on the Disposal of Equity Interests in Subsidiaries was considered and approved at the seventh extraordinary meeting of the seventh session of the board of directors of the Company held on 9 January 2024, and the first extraordinary general meeting of the Company for 2024 held on 25 January 2024. It was agreed that the Company shall transfer its 70% equity interest in its subsidiary Shouguang Baolong, which was directly held by the Company, and a total of 98.0769% equity interest in Weihai Baolong, which was held by the Company directly and indirectly through its wholly-owned subsidiary Shouguang Maolong, to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業(有限合夥) at a consideration of RMB141,606,709.94. On 26 January 2024, the Company received the consideration for the equity transfer in full. Shouguang Baolong and Weihai Baolong successively completed the industrial and commercial registration change procedures and obtained business licenses issued by the State Administration for Market Regulation. Shouguang Baolong and Weihai Baolong were no longer consolidated into the Company's financial statements.

2. The Proposal on the Disposal of Assets was considered and approved at the fourteenth extraordinary meeting of the seventh session of the board of directors of the Company held on 14 October 2024, and the fifth extraordinary general meeting of the Company for 2024 held on 21 November 2024. It was agreed that the Company shall transfer its directly held 100% equity interest in Shouguang Maolong to Shouguang Huarong Agricultural Technology Co., Ltd. (壽光華融農業科技有限公司) at a consideration of RMB203,038,500. On 21 November 2024, the Company received the first installment of payment for the equity transfer as agreed under the agreement. On 27 December 2024, Shouguang Maolong completed the industrial and commercial registration change procedures and obtained a business license issued by the State Administration for Market Regulation. Shouguang Maolong was no longer consolidated into the Company's financial statements.

3. On 12 October 2024, Molong Commercial, a wholly-owned subsidiary of the Company, and Qingdao Zidong Network Technology Co., Ltd. jointly established Weifang Molong E-commerce Co., Ltd. (濰坊墨龍電子商務有限公司). Molong Commercial contributed capital of RMB660,000 for a 66% shareholding, and Molong E-commerce was consolidated into the Company's financial statements.

VIII. Appointment and dismissal of accounting firm

The accounting firm currently appointed

Name of the domestic accounting firm	Grant Thornton Zhitong Certified Public Accountants LLP
Compensation of the domestic accounting firm (Unit: RMB'0,000)	143
Continued term of service of the domestic accounting firm	1
Name of certified public accountant of the domestic accounting firm	Hu Nai Zhong, Song Li Xin
Continued term of service of certified public accountants of the domestic accounting firm	1,1
Name of the foreign accounting firm (if any)	Not applicable
Compensation of the foreign accounting firm (Unit: RMB'0,000) (if any)	0
Continued term of service of the foreign accounting firm (if any)	Not applicable
Name of certified public accountant of the foreign accounting firm (if any)	Not applicable
Continued term of service of certified public accountant of the foreign accounting firm (if any)	Not applicable

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

✓ Yes ☐ No

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

☐ Yes ✓ No

Whether the change of accounting firms fulfilled review and approval procedures

✓ Yes ☐ No

Section VII. Material Matters

X. Matter related to bankruptcy and reorganisation

☐ Applicable ✓ Not applicable

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

XI. Significant lawsuits and arbitrations

✓ Applicable ☐ Not applicable

Basic information on the litigation (arbitration)	Amount involved (RMB'0,000)	Recognized as provision for liability	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Enforcement of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Other litigation and arbitration matters that do not meet the standards of material litigation.	4,507.88	No	The stage of filing, review or execution	No significant impact on the Company	Some of the cases were completed, some were in the process of execution or not yet executed, and some were under trial or not entered the trial.	14 June 2024	For details, please refer to the Announcement on New Accumulated Litigation and Arbitration Matters (2024-056) disclosed on the website of cninfo (http://www.cninfo.com.cn).

XII. Punishments and rectifications

☐ Applicable ✓ Not applicable

There was no punishment or rectification during the reporting period.

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

☐ Applicable ✓ Not applicable

XIV. Significant related party transactions

1. Related party transactions associated in the ordinary course of business

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

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

7. Other significant related party transactions

☐ Applicable ✓ Not applicable

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

XV. Material contracts and their performance

1. Entrustment, contracting and leasing

(1) Entrustment

☐ Applicable ✓ Not applicable

The Company had no entrustment during the reporting period.

(2) Contracting

☐ Applicable ✓ Not applicable

The Company had no contracting during the reporting period.

(3) Leasing

✓ Applicable ☐ Not applicable

Descriptions of the leasing

(1) On 26 August 2021, after consideration at the twelfth meeting of the sixth session of the board of directors of the Company, in order to further expand financing channels, the Company has development the sale-and-leaseback financing business jointly with Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB60 million and the term is within 36 months. During the lease period, the Company shall continue to use such certain production equipment by way of sale and leaseback until the lease period as agreed in the lease ends. Details can be found in the Announcement on the Development of Finance Lease Business disclosed by the Company (Announcement No.: 2021-052).

(2) On 17 August 2022, after consideration at the second extraordinary meeting of the seventh session of the board of directors of the Company, in order to further expand financing channels, the Company has development the sale-and-leaseback financing business jointly with Zhejiang Zhongda Yuantong Finance Leasing Co., Ltd. (浙江中大元通融資租賃有限公司) with certain production equipment held by the Company as lease objects. The financing amount is not more than RMB85 million and the term is within 36 months. During the lease period, the Company shall continue to use such certain production equipment by way of sale and leaseback until the lease period as agreed in the lease ends. Details can be found in the Announcement on the Development of Finance Lease Business disclosed by the Company (Announcement No.: 2022-021).

(3) During the report period, the Company entered into a lease contract with Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司), pursuant to which the Company leased an office building for business office use. Due to the change of lease during the reporting period, the total rents of RMB1,770,300 remained unpaid as at the end of the reporting period.

(4) In order to further reduce production costs, on 31 October 2023, Weihai Baolong, a subsidiary of the Company and Weihai Kanghenghua Metal Materials Co., Ltd. (威海康恒華金屬材料有限公司, hereinafter referred to as "Weihai Kanghenghua") entered into the Weihai Baolong Asset Leasing Agreement, pursuant to which, Weihai Baolong leases the relevant equipment of the casting and forging production line and the 140 rolled tube production line to Weihai Kanghenghua for a term of 2 years. According to the agreement, Weihai Baolong shall collect the rental based on the calculation of fixed and non-fixed funds. The Company has transferred 98.0769% equity interest in Weihai Baolong on 25 January 2024. After the completion of the transfer, Weihai Baolong was no longer consolidated in the financial statements.

(5) The Company entered into a lease agreement with Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司), pursuant to which, the Company leased part of its plant (plant and ancillary facilities) located in Shouguang Science and Technology Industrial Park and the east side of Xing Shang Road in Shouguang, for the purpose of production and operation with an annual rental of RMB8.9291 million.

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

✓ Applicable ☐ Not applicable

Name of lessor	Name of lessee	Leased assets	Amount of leased assets involved (RMB'0,000)	Commencement date of lease	Termination date of lease	Lease income (RMB'0,000)	Basis for determining lease income	The impact of lease income on the Company	Connected transaction or not	Connected relationship
Shandong Shouguang Vegetable Wholesale Market Co., Ltd.(山東壽光蔬菜批發市場有限公司)	Shandong Molong	Plant and ancillary facility	773.51	1 January 2024	31 December 2024	(876.40)	Lease contract	No significant impact	No	Not applicable

2. Significant guarantees

☐ Applicable ✓ Not applicable

The Company had no significant guarantees during the reporting period.

3. Entrust others to manage cash assets

(1) Commissioned financial management

☐ Applicable ✓ Not applicable

The Company had no commissioned financial management during the reporting period.

(2) Entrusted loans

☐ Applicable ✓ Not applicable

The Company had no entrusted loan during the reporting period.

4. Other significant contracts

☐ Applicable ✓ Not applicable

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

XVI. Descriptions of other significant events

✓ Applicable ☐ Not applicable

1. Disposal of equity interest in subsidiaries and financial assistance passively formed

At the seventh extraordinary meeting of the Company's seventh session of board of directors held on 9 January 2024 and the Company's first extraordinary general meeting in 2024 held on 26 January 2024, the "Resolution on the Sale of Equity Interests in Subsidiaries" and "Resolution on the Financial Assistance Passively Formed Following the Disposal of Equity Interest in Subsidiaries" were considered and approved. It was agreed that the Company shall transfer the 70% equity interest held directly by it in Shouguang Baolong (a subsidiary of the Company) and a total of 98.0769% equity interest in Weihai Baolong held directly by it and indirectly through its wholly-owned subsidiary Shouguang Maolong to Wuhu Zhiying Project Investment Partnership (Limited Partnership) (蕪湖智贏項目投資合夥企業) at a price of RMB141,606,709.94.

Prior to this equity transfer, the Company's claim against Shouguang Baolong amounted to RMB461,709,500, and its claim against Weihai Baolong amounted to RMB14,345,700. These amounts represented the fund transfers between the Company and its subsidiaries during the period when the above companies were subsidiaries of the Company. After the completion of equity transfer, Shouguang Baolong and Weihai Baolong would no longer be consolidated in the Company's financial statements. In view of the operating conditions of the above companies, when selling their shareholdings, they were unable to repay the Company's current amounts, resulting in the Company's passive financial assistance to companies outside the scope of the consolidated financial statements, and the nature of their business was a continuation of the Company's current accounts to its former subsidiaries.

In order to protect the interests of the Company, when disposing of the equity interests, the Company signed the Repayment Agreements with the aforesaid companies respectively, which stipulated that Shouguang Baolong would repay the entire amount within three years from the date of completion of the equity transfer (i.e. completion of the registration of the industrial and commercial changes), and Weihai Baolong would repay the entire amount within two years from the date of completion of the equity transfer (i.e. completion of the registration of the industrial and commercial changes). No interest will be charged during the repayment period.

As of the disclosure date of this report, the balance of financial assistance to Shouguang Baolong amounted to RMB292 million; the balance of financial assistance to Weihai Baolong amounted to RMB6.1707 million.

2. Guarantee provided by subsidiaries in favor of the parent company

At the eighth extraordinary meeting of the Company's seventh session of board of directors held on 6 February 2024 and the Company's second extraordinary general meeting in 2024 held on 28 February 2024, the "Resolution on the Provision of Guarantee by Subsidiary for the Benefit of Parent Company" were considered and approved. It was agreed that Shouguang Maolong (a wholly-owned subsidiary of the Company) provided a joint liability guarantee for the loan of up to RMB200,000,000 applied to Bank of China Limited (Shouguang Branch) by the Company in 2024. The guarantee mandate shall be valid for 12 months from the date of consideration and approval at the EGM. On 29 February 2024, Shouguang Maolong entered into the Maximum Guarantee Contract with the Bank of China, agreeing to provide a joint liability guarantee for the loan contract signed between the Company and the Bank of China with a maximum principal balance of not more than RMB191,650,000.

At the tenth extraordinary meeting of the Company's seventh session of board of directors held on 18 March 2024 and the Company's annual general meeting in 2023 held on 22 May 2024, the "Resolution on the Provision of Guarantee by Subsidiary for the Benefit of Parent Company" was considered and approved. It was agreed that Shouguang Maolong (a wholly-owned subsidiary of the Company) provided a joint liability guarantee for the loan of up to RMB330,000,000 applied to Industrial and Commercial Industrial and Commercial Bank of China Limited (Shouguang Branch) by the Company in 2024. The guarantee mandate shall be valid for 12 months from the date of consideration and approval at the EGM. On 18 July 2024, Shouguang Maolong entered into the Maximum Guarantee Contract with the Industrial and Commercial Industrial and Commercial Bank of China Limited, agreeing to provide a joint liability guarantee for the loan contract signed between the Company and the Industrial and Commercial Industrial and Commercial Bank of China Limited with a maximum principal balance of not more than RMB330,000,000.

3. Change of the legal representative

At the twelfth extraordinary meeting of the Company's seventh session of board of directors held on 10 May 2024, the "Resolution on the Election of the Chairman of the Seventh Session of Board of Directors" was considered and approved. It was agreed that the election of Mr. Han Gao Gui as the chairman of the Company's seventh session of the board of directors, with a term of office commencing from the date on which the appointment was considered and approved by the board of directors until the date on which the term of office of the seventh session of the board of directors expires. See the information disclosure website of cninfo (http://www.cninfo.com.cn) for detailed information of Announcement on Change of Chairman and Election of Members of Special Committees of the Board of Directors (《關於變更董事長及選舉董事會專門委員會成員的公告》) (Announcement No.: 2024-049). According to the provisions of the Articles of Association, the chairman of the board of directors is the legal representative of the Company, and on 10 July 2024, the Company completed the relevant procedures for the change of industrial and commercial registration and was reissued a business licence by the Weifang Municipal Administration for Market Regulation (濰坊市市場監督管理局).

4. Disposal of 100% equity interest in Shouguang Maolong and financial assistance passively formed

At the fourteen extraordinary meeting of the Company's seventh session of board of directors held on 14 October 2024 and the Company's fifth extraordinary general meeting in 2024 held on 21 November 2024, the "Resolution on the Sale of Assets" and "Resolution on the Financial Assistance Passively Formed Following the Disposal of Assets" were considered and approved. It was agreed that the Company shall transfer the 100% equity interest held directly by it in Shouguang Maolong to Shouguang Huarong Agricultural Technology Co., Ltd (壽光華融農業科技有限公司) (hereinafter referred to as "Huarong Agricultural") at a price of RMB203,038,500.

Prior to this equity transfer, the Company's claim against Shouguang Maolong amounted to RMB714,141,700. These amounts represented the fund transfers between the Company and its subsidiaries during the period when Shouguang Maolong was a subsidiary of the Company.

After the completion of equity transfer, Shouguang Maolong would no longer be consolidated in the Company's financial statements. In view of the operating conditions of Shouguang Maolong, when selling their shareholdings, they were unable to repay the Company's current amounts, resulting in the Company's passive financial assistance to companies outside the scope of the consolidated financial statements, and the nature of their business was a continuation of the Company's current accounts to its former subsidiaries.

In order to protect the interests of the Company, when disposing of the equity interests, the Company signed the Repayment Agreements with Shouguang Maolong and Huarong Agricultural respectively, which stipulated that the prerequisite for the equity transfer is that Huarong Agricultural agrees to accept equity interests in Shouguang Maolong at the same time to undertake Shouguang Maolong's current account to the Company. After negotiation, Huarong Agricultural agrees to repay the entire amounts to the Company on behalf of the target company within 12 months from the date of the completion of the equity transfer (i.e. completion of the registration of the industrial and commercial changes). No interest will be charged during the repayment period.

As of the disclosure date of this report, the balance of the above financial assistance amounted to RMB352 million.

5. Addition of indirect controlling shareholder

During the reporting period, the Company was informed that Shouguang Jinxu Industry Development Group Co., Ltd. (hereinafter referred to as "Shouguang Jinxu") was added as an indirect controlling shareholder of the Company. Shouguang Jinxu was wholly owned by the Shouguang SAB, and Shouguang Jinxin, the controlling shareholder of the Company's controlling shareholder, was a wholly-owned subsidiary of Shouguang Jinxu. Therefore, the Company had a new indirect controlling shareholder, but its controlling shareholder and actual controller remained unchanged.

6. Election of the new session of the board of directors and the supervisory committee

At the twelfth meeting of the Company's seventh session of board of directors and the thirteenth meeting of the Company's seventh session of board of directors held on 30 October 2024, the "Resolution on the Election of New Session of the Board of Directors and the Nomination of Candidates for the Non-Independent Directors of the Eighth Session of the Board of Directors", the "Resolution on the New Session of the Board of Directors and the Nomination of Candidates for the Independent Directors of the Eighth Session of the Board of Directors" and the "Resolution on the New Session of the Supervisory Committee and the Nomination of Candidates for the Non-employee Representative Supervisors of the Eighth Session of the Supervisory Committee" were considered and approved.

At the fifth extraordinary meeting of the Company held on 21 November 2024, the "Resolution on the Election of New Session of the Board of Directors for the Non-Independent Directors of the Eighth Session of the Board of Directors", the "Resolution on the New Session of the Board of Directors for the Independent Directors of the Eighth Session of the Board of Directors" and the "Resolution on the New Session of the Supervisory Committee for the Non-employee Representative Supervisors of the Eighth Session of the Board of Directors" were considered and approved. To this end, the Company completed the election of the eighth session of the board of directors and the supervisory committee.

XVII. Significant events of subsidiaries of the Company

☐ Applicable ✓ Not applicable

Section VIII. Changes in Shares and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Prior to the change		Increase/decrease (+/–) as a result of the change					After the change	
	Qty.	Percentage	Issue of new shares	Bonus issue	Transfer of reserves to share capital	Others	Sub-total	Qty.	Percentage
I. Shares subject to lock-up	139,500	0.02%	–	–	–	(31,125)	(31,125)	108,375	0.01%
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	139,500	0.02%	–	–	–	(31,125)	(31,125)	108,375	0.01%
Including: Domestic legal person shares									
Domestic natural person shares	139,500	0.02%	–	–	–	(31,125)	(31,125)	108,375	0.01%
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
II. Shares not subject to lock-up	797,708,900	99.98%	–	–	–	31,125	31,125	797,740,025	99.99%
1. RMB ordinary shares	541,582,500	67.88%	–	–	–	31,125	31,125	541,613,625	67.88%
2. Domestically-listed foreign shares									
3. Foreign shares listed overseas	256,126,400	32.10%	–	–	–	–	–	256,126,400	32.10%
4. Others									
III. Total number of shares	797,848,400	100.00%	–	–	–	–	–	797,848,400	100.00%

Reason(s) for change in shares

✓ Applicable ☐ Not applicable

According to the Rules for Management of Shares of the Company Held by its Directors, Supervisors and officers of Listed Company and Their Changes, six months after the resignation of an original director, the RMB ordinary shares (A shares) held by the director are locked at 75% and become Shares subject to lock-up, and the number of shares is 31,125.

Approval for the change in shares

☐ Applicable ✓ Not applicable

Transfer for the change in shares

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

2. Changes in locked-up shares

✓ Applicable ☐ Not applicable

Unit: share

Name of Shareholders	Number of restricted shares at the beginning of the period	Increase the number of restricted shares in the current period	Number of restricted shares released in the current period	Number of Restricted shares at the end of the period	Reasons for restricted sales	Date of lifting sales restriction
Wang Quan Hong	139,500	0	34,875	104,625	Executive officers lock-in stock	2025-5-25
Liu Ji Lu	0	3,750	0	3,750	Executive officers lock-in stock	2025-5-25
Total	139,500	3,750	34,875	108,375	—	—

Section VIII. Changes in Shares and Shareholders

II. Issuance and listing of securities

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

3. Existing internal employee stock

☐ Applicable ✓ Not applicable

III. Shareholders and actual controller

1. Number of shareholders of the Company and their shareholding

Unit: share

Total number of ordinary shareholders by the end of the reporting period	25,402 (including 25,358 A-share holders and 44 H-share holders)	Total number of ordinary shareholders at the end of last month before the disclosure date of the annual report	25,874	Total number of preferred shareholders whose voting powers have been restored by the end of the reporting period (if any) (see note 8)	0	Total number of preferred shareholders whose voting rights resumed at the end of last month before the disclosure date of the annual report (if any) (see note 8)	0

Section VIII. Changes in Shares and Shareholders

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

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of held shares with restriction on sale	Number of held shares with no restriction on sale	Pledge, marking or freezing	
							Share status	Qty.
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	State-owned legal person	29.53%	235,617,000	0	0	235,617,000	Pledged	114,355,556
HKSCC Nominees Limited	Overseas legal person	13.19%	105,218,180	(193,420)	0	105,218,180	Not applicable	0
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	Domestic non-state-owned legal person	8.23%	65,640,000	0	0	65,640,000	Not applicable	0
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Domestic non-state-owned legal person	3.99%	31,800,000	0	0	31,800,000	Not applicable	0
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	Domestic non-state-owned legal person	3.86%	30,800,000	0	0	30,800,000	Not applicable	0
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	Domestic non-state-owned legal person	2.93%	23,374,800	0	0	23,374,800	Not applicable	0
Zhang Yun San	Domestic natural person	2.27%	18,108,000	0	0	18,108,000	Not applicable	0
Fan Xi Sheng	Domestic natural person	1.14%	9,064,900	912,500	0	9,064,900	Not applicable	0
Zhang En Quan	Domestic natural person	0.61%	4,899,500	4,899,500	0	4,899,500	Not applicable	0
Zhang Chong Yang	Domestic natural person	0.46%	3,698,500	3,698,500	0	3,698,500	Not applicable	0

Strategic investors or general legal persons become the top 10 shareholders due to placing new shares (if any) (see note 3)	Not applicable
Description of the above-mentioned shareholders' association or concerted action	Among the above shareholders, Shouguang Panjin Property Co., Ltd. is a wholly-owned subsidiary of Shandong Zhimeng Holdings Co., Ltd., while Shandong Zhimeng Holdings Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party relationship by signing a concert party agreement. Other than the above, the Company is not aware of the existence of any connected relationship or concerted party between other shareholders.
Explanation of the above shareholders' involvement in entrusted/entrusted voting rights and waiver of voting rights	Not applicable
Special description of the existence of repurchase accounts among the top 10 shareholders (if any) (see note 10)	Not applicable

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

Name of shareholder	Number of non-locked up shares held at the end of the reporting period	Type of shares	Number of shares
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	235,617,000	RMB-denominated ordinary shares	235,617,000
HKSCC Nominees Limited	105,218,180	Overseas listed foreign shares	105,218,180
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	65,640,000	RMB-denominated ordinary shares	900,000
	—	Overseas listed foreign shares	64,740,000
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	31,800,000	Overseas listed foreign shares	31,800,000
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	30,800,000	Overseas listed foreign shares	30,800,000
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	23,374,800	Overseas listed foreign shares	23,374,800
Zhang Yun San	18,108,000	RMB-denominated ordinary shares	18,108,000
Fan Xi Sheng	9,064,900	RMB-denominated ordinary shares	9,064,900
Zhang En Quan	4,899,500	RMB-denominated ordinary shares	4,899,500
Zhang Chong Yang	3,698,500	RMB-denominated ordinary shares	3,698,500

Connected relationship or acting in concert among the top 10 non-locked up trading shareholders, and between the top 10 non-locked up trading shareholders and the top 10 shareholders	Among the above shareholders, Shouguang Panjin Property Co., Ltd. is a wholly-owned subsidiary of Shandong Zhimeng Holdings Co., Ltd., while Shandong Zhimeng Holdings Co., Ltd., Shouguang Hongsen Logistics Co., Ltd., and Shouguang Ruisen New Building Materials Co., Ltd. have entered into a concert party relationship by signing a concert party agreement. Other than the above, the Company is not aware of the existence of any relationship or concerted relationship between other shareholders.
Description of the top 10 ordinary shareholders participating in margin trading business (if any) (see note 4)	Not applicable

Section VIII. Changes in Shares and Shareholders

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓Not applicable

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

☐ Yes ✓ No

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

2. Controlling shareholders of the Company

Nature of controlling shareholder: local state-owned holding
Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative/ principal	Date of Incorporation	Organisation No.	Principle Business
Shouguang Molong Holdings Co., Ltd. (壽光墨龍控股有限公司)	Zhao Wen Quan	29 October 2020	91370783MA3U9BR6XE	General activities: engage in investment activities with self-owned funds; corporate headquarters management; property management; housing lease; land remediation services; convention and exhibition services; enterprise management; financial consultation (except for business activities that must be approved by operation of law, the Company shall launch activities on his own by law based on his business license)
Shares of other domestic and overseas Listed Company controlled and participated by controlling shareholders during the reporting period				None

Changes of controlling shareholders during the reporting period

☐ Applicable ✓ Not applicable

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

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

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

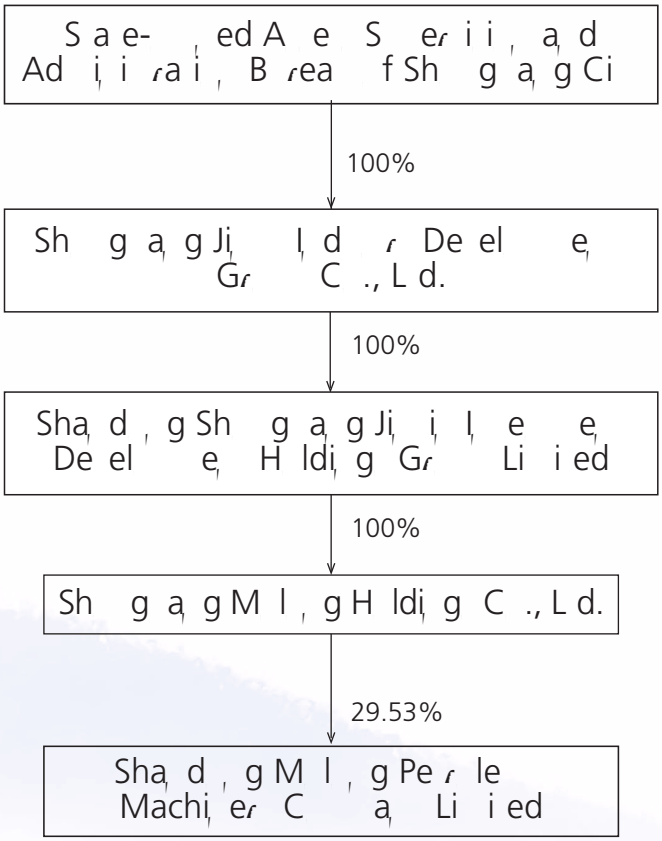
Name of actual controller	Legal representative/ principal	Date of Incorporation	Organisation No.	Primary Business
State-owned Assets Supervision and Administration Bureau of Shouguang City (壽光市國有資產監督管理局)	Not applicable	1 August 1991	Not applicable	Responsible for the management of state-owned assets and capital operation of enterprises and institutions in the city.
Equity of other domestic and overseas Listed Company controlled by the actual controller during the reporting period	During the reporting period, Shouguang SAB held 100% equity of Shouguang Jinxin. Shouguang Jinxin holds 45.22% equity of Chenming Holding Co., Ltd., which directly and indirectly holds 821,454,482 shares of Shandong Chenming Paper Group Co., Ltd. (stock code: 000488, 200488, 01812), accounting for 27.78%% of its total share capital; Shouguang Jinxin holds 7,650,000 shares of Shandong Global Software Co., Ltd. (stock code: 871907), accounting for 41.89% of its total share capital. Shouguang Jinxin holds 110,559,279 shares in total of Zhejiang Kingland Pipeline & Technologies Co., Ltd. (stock code: 002443) directly and indirectly through Chenxun (Shanghai) Industrial Co., Ltd.(晨巽(上海)實業有限公司), accounting for 21.24% of its total share capital.			

Change in actual controller during the reporting period

☐ Applicable ✓ Not applicable

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

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



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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

✓ Applicable ☐ Not applicable

Name of corporate shareholder	Legal representative/ principal	Date of Incorporation	Registered capital	Primary operational or management activities
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	Xue Mingliang	23 March 2020	RMB300 million	Equity investment; enterprise management consulting; business information consultation; import and export of goods; technology import and export (without the approval of financial regulatory authority, the Company should not engage in deposit taking, financing guarantee, personal financial planning and other financial business). (Those activities that must be approved by law should not be conducted without the approval of competent authorities)
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	Song Yongqi	25 January 2017	RMB11 million	Licensed activities: road cargo transportation (excluding dangerous goods) (those activities that must be approved by law should not be conducted without the approval of competent authorities and the specific business activities shall be subject to the approval or permit of competent authorities) general items: import and export of goods; import and export of technology; import and export agency; domestic agency for transportation of goods; loading, unloading, and handling; general goods warehousing services (excluding hazardous chemicals and other items subject to approval); car parking services; motor vehicle repair and maintenance; sale of metal materials; sale of nonmetallic ore and products; wood acquisition; wood sale; domestic trade agency; sale of artificial boards; sale of household supplies; sale of paper products; sale of renewable resources; transportation equipment rental services; machinery and equipment leasing; storage battery leasing; sale of motor vehicle charging. (Except for the items subject to approval according to law, business activities shall be carried out pursuant to the business license independently according to law).

Name of corporate shareholder	Legal representative/ principal	Date of Incorporation	Registered capital	Primary operational or management activities
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	Song Longjiang	12 December 2017	RMB180 million	Licensed activities: real estate development and operation. (Those activities that must be approved by law should not be conducted without the approval of competent authorities and the specific business activities shall be subject to the approval or permit of competent authorities) General activities: property management. (Except for the items subject to approval according to law, business activities shall be carried out pursuant to the business license independently according to law)
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	Xue Yumin	8 February 2017	RMB50 million	Permitted activities: all engineering construction activities; construction professional operation; interior decoration of residence. (those activities that must be approved by law should not be conducted without the approval of competent authorities and the specific business activities shall be subject to the approval or permit of competent authorities) General activities: cement products manufacturing; manufacture of concrete structural components; building block manufacturing; metal structure manufacturing; timber sales; Sales of metal materials; sale of building materials; sale of cement products; sale of concrete structural components; sale of building blocks; sale of metal structures; earthwork construction. (except for business activities that must be approved by operation of law, the Company shall launch activities on his own by law based on his business license)

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

☐ Applicable ✓ Not applicable

Section VIII. Changes in Shares and Shareholders

IV. Specific implementation of share repurchase during the reporting period

Implementation progress of share repurchase

☐ Applicable ✓ Not applicable

Implementation progress of reducing repurchased shares by centralized bidding transaction

☐ Applicable ✓ Not applicable

Section IX. Relevant Information on Preferred Shares

☐ Applicable ✓ Not applicable

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

Section X. Relevant Information on Bonds

☐ Applicable ✓ Not applicable

Section XI. Financial Report
Audit Report

Type of audit opinion	Standard unqualified opinion
Date of signing of the auditor's report	28 March 2025
Name of auditors	Grant Thornton Zhitong Certified Public Accountants LLP
Auditor's report file number	Zhi Tong Shen Zi (2025) No 371A005961
Names of the CPAs	Hu Nai Zhong, Song Li Xin

Main text of the auditor's report

To the shareholders of Shandong Molong Petroleum Machinery Company Limited:

I. Opinion

We have audited the financial statements of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as "Shandong Molong"), which comprise the consolidated and parent company's balance sheet as at 31 December 2024, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement and the consolidated and parent company's statement of changes in shareholders' equity for 2024, as well as notes to the financial statements.

In our opinion, the accompanying financial statements comply with the requirements of the Accounting Standards for Business Enterprises in all material respects, and fairly present the consolidated and parent company's financial position of Shandong Molong as at 31 December 2024, as well as the consolidated and parent company's results of operations and cash flows for 2024.

II. Basis for Audit Opinion

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

III. Key Audit Matters

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

(1) Revenue recognition

For detailed disclosure of relevant information, please refer to V.31 and VII.39 of this financial report.

Description of the matter

The operating revenue of Shandong Molong was mainly derived from the production and sale of products including oil pipes, casing, fluid and structural pipes, three kinds of pumping units and petroleum machinery parts. In 2024, its operating revenue amounted to RMB1,356.3467 million. Operating revenue was one of the Company's key performance indicators, and the appropriateness of revenue recognition had a significant impact on the Company's operating results. Therefore, we considered revenue recognition as a key audit matter.

How the matter was addressed in our audit

The main audit procedures we performed on revenue recognition include:

(1) Understanding, evaluating and testing the design of internal controls and the effectiveness of key control processes related to revenue recognition;

(2) Taking a sample of sales contracts entered into between the Company and its customers to analyze the identification of performance obligations, the allocation of transaction prices, and the conditions for the transfer of control over relevant commodities, and judging whether the specific method for recognizing sales revenues determined by management was in line with the Company's business model;

(3) Taking into account the industry situation to perform analytical procedures, whereby the reasonableness of changes in sales revenues and gross profit was judged;

(4) Taking samples from account books and checking them against sales contracts, invoices, outbound documents, receipt documents, customs declarations, bills of lading and other supporting documents to verify whether the revenues recorded in the account books were true; and taking samples of sales invoices, sales contracts and outbound documents, weighing slips, customs declarations, bills of lading and other supporting documents for reconciliation with book records to verify the integrity of recognized revenue;

(5) Selecting key customers and verifying their business registration and other information to evaluate the reasonableness of relevant transactions and the existence of any connected relationship;

(6) Taking samples of the bank statements of large-scale sale operations and verifying the names of customers and the amounts of payment collection to determine the authenticity of sales proceeds;

(7) Performing confirmation procedures for major customers and transactions on a sampling basis, and conducting alternative tests for non-response confirmations to judge the authenticity of sales revenues;

(8) Performing cutoff testing on operating revenue recognized before and after the balance sheet date to evaluate whether operating revenue had been recognized in the correct period.

(2) Treatment of disposal of subsidiaries

(3) Provision for impairment of fixed assets

For detailed disclosure of relevant information, please refer to V.20 and VII.12 of this financial report.

Description of the matter

As at 31 December 2024, the carrying amount of fixed assets of Shandong Molong was RMB1,517.4450 million and its balance of provision for impairment of fixed assets was RMB64.4366 million. The management of Shandong Molong tested whether a fixed asset for which there was an indication of impairment was impaired by calculating the recoverable amount of the asset group to which the fixed asset belonged and comparing it with the fixed asset's carrying amount to determine whether and how much impairment loss should be recognized. The determination of impairment indicators and the calculation of recoverable amounts were key parameters that required management's judgment, and the reasonableness of such judgment had a significant impact on the results of the impairment test. Therefore, we considered the provision for the impairment of fixed assets as a key audit matter.

How the matter was addressed in our audit

The main audit procedures we performed on the provision for the impairment of fixed assets include:

(1) Understanding, evaluating and testing the design and effectiveness of internal controls related to the impairment of fixed assets;

(2) Conducting on-site inspections of fixed assets for which indications of impairment had been identified and observing the status of use of the fixed assets;

(3) Evaluating the qualifications and competence of valuation experts, reviewing the valuation reports issued by the valuation experts with the assistance of in-house valuation experts, analyzing whether the determination of the asset group to which the impairment belonged was reasonable, evaluating the appropriateness of the Company's method in assessing the impairment of fixed assets and the reasonableness of significant assumptions, discount rates and other key parameters, and verifying the accuracy of the provision for the impairment of fixed assets;

(4) Determining whether the presentation and disclosure of the provision for the impairment of fixed assets were sufficient and appropriate.

IV. Other Information

The management of Shandong Molong (hereafter referred to as the management) is responsible for the other information. The other information comprises the information included in the 2024 annual report of Shandong Molong, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Shandong Molong to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shandong Molong to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current assets:		
Monetary funds	**86,788,890.12**	99,072,876.12
Settlement deposits	—	—
Lending funds	—	—
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	**28,076,117.35**	78,005,897.66
Accounts receivable	**220,326,415.43**	253,264,672.00
Financing receivables	**40,000.00**	2,485,020.78
Prepayments	**25,073,201.17**	30,163,124.55
Insurance receivables	—	—
Reinsurance receivables	—	—
Reinsurance contract reserves receivable	—	—
Other receivables	**1,177,001,129.72**	4,675,103.22
Including: Interests receivable	—	—
Dividends receivable	—	—
Purchases of sell-back financial assets	—	—
Inventories	**397,733,225.95**	454,882,307.24
Including: data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	**368,914.64**	858,918.49
Total current assets	**1,935,407,894.38**	923,407,920.06

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current assets:		
Granted loans and advances	—	—
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	**1,666,457.34**	1,754,772.59
Investments in other equity instruments	**3,316,677.33**	—
Other non-current financial assets	—	—
Investment properties	—	16,874,595.83
Fixed assets	**327,402,077.12**	1,577,594,066.22
Construction-in-progress		2,192,776.49
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	**8,256,248.21**	21,377,297.83
Intangible assets	**143,873,622.76**	341,873,447.91
Including: data resources	—	—
Development expenditures	—	—
Including: data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	1,628,607.92
Other non-current assets	**259,900.00**	1,378,503.95
Total non-current assets	**484,774,982.76**	1,964,674,068.74
Total Assets	**2,420,182,877.14**	2,888,081,988.80

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current liabilities:		
Short-term borrowings	**1,425,765,913.39**	1,633,111,107.94
Borrowings from the central bank	—	—
Borrowing funds	—	—
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	**7,128.75**	—
Accounts payable	**294,207,878.68**	509,647,241.72
Receipts in advance	—	—
Contract liabilities	**35,099,585.13**	54,732,615.40
Proceeds from disposal of buy-back financial assets	—	—
Customer bank deposits and due to banks and other financial institutions	—	—
Securities brokerage deposits	—	—
Securities underwriting brokerage deposits	—	—
Salaries payable	**57,404,024.93**	75,699,078.02
Taxes payable	**15,106,998.95**	19,595,319.94
Other payables	**40,123,921.92**	34,143,155.71
Including: Interests payable	—	—
Dividends payable	—	—
Brokerage and commission payables	—	—
Reinsurance payables	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	**30,042,081.68**	52,797,378.40
Other current liabilities	**19,147,733.93**	43,395,150.74
Total current liabilities	**1,916,905,267.36**	2,423,121,047.87

Consolidated balance sheet

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current liabilities:		
Insurance contract reserves	—	—
Long-term borrowings	**153,809.38**	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	**178,746.58**	14,615,767.79
Long-term payables	—	19,854,583.39
Long-term salaries payable	—	—
Estimated liabilities	**4,960,656.25**	80,929,994.11
Deferred revenue	**6,085,498.10**	6,547,003.82
Deferred income tax liabilities	**4,834.38**	8,311,071.27
Other non-current liabilities	—	—
Total non-current liabilities	**11,383,544.69**	130,258,420.38
Total Liabilities	**1,928,288,812.05**	2,553,379,468.25
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	**979,777,355.57**	867,591,781.76
Less: Treasury shares	—	—
Other comprehensive income	**(3,531,286.66)**	(3,301,679.88)
Special reserve	—	—
Surplus reserve	**187,753,923.88**	187,753,923.88
General risk reserve	—	—
Undistributed profits	**(1,469,578,894.72)**	(1,425,879,061.33)
Total equity attributable to owners of the parent company	**492,269,498.07**	424,013,364.43
Minority interests	**(375,432.98)**	(89,310,843.88)
Total owners' equity	**491,894,065.09**	334,702,520.55
Total liabilities and owners' equity	**2,420,182,877.14**	2,888,081,988.80

Legal Representative: Han Gao Gui	Responsible Person in Charge of Accounting: Zhu Lin	Head of Accounting Organization: Zhu Lin

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current assets:		
Monetary funds	**83,692,639.89**	92,576,179.79
Financial assets held for trading	—	—
Derivative financial assets	—	—
Bills receivable	**28,097,694.69**	78,005,897.66
Accounts receivable	**241,194,777.56**	536,261,914.96
Financing receivables	**40,000.00**	2,390,316.78
Prepayments	**23,894,774.97**	432,701,447.58
Other receivables	**1,271,310,029.86**	466,585,433.39
Including: Interests receivable	—	—
Dividends receivable	—	—
Inventories	**393,796,744.51**	369,770,368.17
Including: data resources	—	—
Contract assets	—	—
Assets held for sale	—	—
Non-current assets due within one year	—	—
Other current assets	**276,739.73**	783,131.29
Total current assets	**2,042,303,401.21**	1,979,074,689.62

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current assets:		
Debt investments	—	—
Other debt investments	—	—
Long-term receivables	—	—
Long-term equity investments	**72,280,516.44**	440,318,523.97
Investments in other equity instruments	—	—
Other non-current financial assets	—	—
Investment properties	—	—
Fixed assets	**306,931,692.39**	547,745,033.77
Construction-in-progress	—	1,893,805.30
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	**8,256,248.21**	21,377,297.83
Intangible assets	**61,974,775.05**	65,863,281.17
Including: data resources	—	—
Development expenditures	—	—
Including: data resources	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	**259,900.00**	18,340.00
Total non-current assets	**449,703,132.09**	1,077,216,282.04
Total Assets	**2,492,006,533.30**	3,056,290,971.66

Balance sheet of the parent company

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Current liabilities:		
Short-term borrowings	**1,279,870,927.48**	1,456,944,003.59
Financial liabilities held for trading	—	—
Derivative financial liabilities	—	—
Bills payable	**150,007,128.75**	184,510,100.00
Accounts payable	**332,569,367.84**	301,554,393.59
Receipts in advance	—	—
Contract liabilities	**32,447,483.69**	52,528,337.04
Salaries payable	**57,024,741.69**	57,615,585.05
Taxes payable	**14,623,584.41**	16,096,774.68
Other payables	**61,388,378.27**	43,341,849.76
Including: Interests payable	—	—
Dividends payable	—	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	**28,186,417.81**	52,797,378.40
Other current liabilities	**24,714,702.11**	43,282,911.84
Total current liabilities	**1,980,832,732.05**	2,208,671,333.95
Non-current liabilities:		
Long-term borrowings	—	—
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	**178,746.58**	14,615,767.79
Long-term payables	—	19,854,583.39
Long-term salaries payable	—	—
Estimated liabilities	**4,960,656.25**	—
Deferred revenue	—	—
Deferred income tax liabilities	—	3,206,594.67
Other non-current liabilities	—	—
Total non-current liabilities	**5,139,402.83**	37,676,945.85
Total Liabilities	**1,985,972,134.88**	2,246,348,279.80

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Owners' equity:		
Share capital	**797,848,400.00**	797,848,400.00
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital reserve	**778,253,775.98**	867,573,114.26
Less: Treasury shares	—	—
Other comprehensive income	—	—
Special reserve	—	—
Surplus reserve	**187,753,923.88**	187,753,923.88
Undistributed profits	**(1,257,821,701.44)**	(1,043,232,746.28)
Total owners' equity	**506,034,398.42**	809,942,691.86
Total liabilities and owners' equity	**2,492,006,533.30**	3,056,290,971.66

Consolidated income statement

Unit: RMB

Item		2024	2023
I.	**Total operating revenue**	**1,356,346,670.03**	1,317,495,782.20
	Including: Operating revenue	**1,356,346,670.03**	1,317,495,782.20
	Interest income	—	—
	Insurance premium earned	—	—
	Brokerage and commission income	—	—
II.	**Total operating cost**	**1,572,301,308.13**	1,627,990,434.22
	Including: Operating costs	**1,301,582,840.88**	1,215,719,694.55
	Interest expenses	—	—
	Brokerage and commission expenses	—	—
	Surrenders	—	—
	Net compensation expenses	—	—
	Net amount of insurance contract reserves provided	—	—
	Policyholder dividend expenses	—	—
	Reinsurance premiums	—	—
	Tax and surcharges	**8,999,662.52**	15,858,832.98
	Selling expenses	**16,842,360.97**	18,657,986.37
	Administrative expenses	**118,952,881.37**	228,139,393.15
	Research and development expenditures	**29,309,446.94**	35,480,208.21
	Finance expenses	**96,614,115.45**	114,134,318.96
	Including: Interest expenses	**102,961,159.42**	118,712,577.92
	Interest income	**1,055,114.19**	4,550,168.10
	Add: Other gains	**10,062,983.36**	380,410.90
	Investment income (loss indicated with "-")	**260,617,460.17**	(102,690.47)
	Including: Gains on investment in associates and joint ventures	**32,925.85**	(102,690.47)
	Gain on derecognition of financial assets measured at amortised cost	—	—
	Gain on exchange (loss indicated with "-")	—	—
	Net gain on exposure hedging (loss indicated with "-")	—	—
	Gain on change of fair value (loss indicated with "-")	—	—
	Credit impairment loss (loss indicated with "-")	**(1,484,223.50)**	(9,717,389.11)
	Asset impairment loss (loss indicated with "-")	**(106,989,615.44)**	(231,188,456.56)
	Gain on disposal of assets (loss indicated with "-")	**5,465,378.04**	1,941,021.83
III.	**Operating profit (loss indicated with "-")**	**(48,282,655.47)**	(549,181,755.43)
	Add: Non-operating income	**6,594,454.34**	3,644,165.08
	Less: Non-operating expenses	**5,904,948.42**	4,543,363.00

Consolidated income statement

Unit: RMB

Item	2024	2023

Income statement of the parent company

Unit: RMB

Item		2024	2023
I.	**Operating revenue**	**1,342,479,671.01**	1,271,743,573.20
	Less: Operating costs	**1,285,433,557.28**	1,172,625,253.98
	Tax and surcharges	**8,263,926.18**	9,880,061.26
	Selling expenses	**16,478,859.81**	17,763,434.29
	Administrative expenses	**39,591,969.25**	58,896,874.86
	Research and development expenditures	**29,309,446.94**	35,480,208.21
	Finance expenses	**94,320,619.95**	97,156,603.57
	Including: Interest expenses	**100,393,831.80**	101,941,069.25
	Interest income	**1,006,068.19**	4,477,671.38
	Add: Other gains	**9,883,615.90**	122,781.67
	Investment income (loss indicated with "-")	**(38,042,746.82)**	—
	Including: Gains on investment in associates and joint ventures	—	—
	Gain on derecognition of financial assets measured at amortised cost (loss indicated with "-")	—	—
	Net gain on exposure hedging (loss indicated with "-")	—	—
	Gain on change of fair value (loss indicated with "-")	—	—
	Credit impairment loss (loss indicated with "-")	**(22,586,039.08)**	(9,811,987.55)
	Asset impairment loss (loss indicated with "-")	**(40,169,241.84)**	(1,198,038,068.30)
	Gain on disposal of assets (loss indicated with "-")	**5,313,764.00**	1,941,021.83
II.	**Operating profit (loss indicated with "-")**	**(216,519,356.24)**	(1,325,845,115.32)
	Add: Non-operating income	**4,487,507.65**	934,785.59
	Less: Non-operating expenses	**5,763,701.24**	425,684.15
III.	**Gross Profit (total loss indicated with "-")**	**(217,795,549.83)**	(1,325,336,013.88)
	Less: Income tax expenses	**(3,206,594.67)**	27,534,145.04
IV.	**Net profit (net loss indicated with "-")**	**(214,588,955.16)**	(1,352,870,158.92)
	1. Net profit of continuing operation (net loss indicated with "-")	**(214,588,955.16)**	(1,352,870,158.92)
	2. Net profit of discontinued operation (net loss indicated with "-")	—	—

Income statement of the parent company

Unit: RMB

Item			2024	2023
V.	**Other comprehensive income, net of tax**		—	—
	(i)	Other comprehensive income that may not be reclassified to profit or loss	—	—
		1. Changes on remeasurement of defined benefit plans	—	—
		2. Other comprehensive income that may not be transferred to profit or loss under equity accounting	—	—
		3. Fair value changes in investments in other equity instruments	—	—
		4. Fair value changes in credit risk of the Company	—	—
		5. Others	—	—
	(ii)	Other comprehensive income that will be reclassified to profit or loss	—	—
		1. Other comprehensive income that may be transferred to profit or loss under equity accounting	—	—
		2. Fair value changes in other debt investments	—	—
		3. Reclassification of financial assets to other comprehensive income	—	—
		4. Credit-impaired provision for other debt investments	—	—
		5. Cash flow hedge reserve	—	—
		6. Exchange differences on translation of foreign financial statements	—	—
		7. Others	—	—
VI.	**Total comprehensive income**		**(214,588,955.16)**	(1,352,870,158.92)
VII.	**Earnings per share (EPS)**		—	—
	(i)	Basic earnings per share	—	—
	(ii)	Diluted earnings per share	—	—

Consolidated cash flow statement

Unit: RMB

Item		2024	2023
I.	**Cash flow from operating activities:**		
	Cash received from sales of goods and rendering of services	**1,371,715,935.75**	1,090,950,404.01
	Net increase in customer bank deposits and due to banks and other financial institutions	—	—
	Net increase in borrowings from the central bank	—	—
	Net increase in borrowings from other financial institutions	—	—
	Cash received from receiving insurance premium of original insurance contract	—	—
	Net cash received from reinsurance business	—	—
	Net increase in deposits from policyholders and investments	—	—
	Cash received of interests, fees and commissions	—	—
	Net increase in inter-bank borrowings	—	—
	Net increase in repurchase business capital	—	—
	Net cash proceeds from securities brokerage	—	—
	Receipts of tax refunds	**44,056,796.45**	957,825.16
	Other cash received relating to operating activities	**16,221,293.21**	18,666,480.82
	Subtotal of cash inflows from operating activities	**1,431,994,025.41**	1,110,574,709.99
	Cash paid for purchasing goods and receiving services	**1,130,464,415.82**	679,636,442.58
	Net increase in loans and advances to customers	—	—
	Net increase in deposits with central bank and other financial institutions	—	—
	Cash paid for compensation of original insurance contract	—	—
	Net increase in lending funds	—	—
	Cash paid for interests, fees and commissions	—	—
	Cash paid for policy dividends	—	—
	Cash paid to and on behalf of employees	**145,538,485.33**	161,789,726.50
	Cash paid for taxes	**74,541,494.47**	61,273,993.24
	Other cash paid relating to operating activities	**37,576,832.61**	72,881,970.11
	Subtotal of cash outflows from operating activities	**1,388,121,228.23**	975,582,132.43
	Net cash flows generated from operating activities	**43,872,797.18**	134,992,577.56

Consolidated cash flow statement

Unit: RMB

Item		2024	2023
II.	**Cash flow from investment activities:**		
	Cash received from disposal of investments	—	—
	Cash received from gains on investments	—	—
	Net cash from disposal of fixed assets, intangible assets and other long-term assets	**185,650.00**	2,908,746.75
	Net cash received from disposal of subsidiaries and other business units	**244,011,185.24**	—
	Other cash received relating to investing activities	—	—
	Subtotal of cash inflows from investing activities	**244,196,835.24**	2,908,746.75
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**296,981.66**	5,684,175.36
	Cash paid for acquisition of investments	—	—
	Net increase in pledged loans	—	—
	Net cash paid for acquisition of subsidiaries and other business units	—	—
	Other cash paid relating to investing activities	—	—
	Subtotal of cash outflows from investing activities	**296,981.66**	5,684,175.36
	Net cash flows generated from investing activities	**243,899,853.58**	(2,775,428.61)

Consolidated cash flow statement

Unit: RMB

Item		2024	2023
III.	**Cash flow from financing activities:**		
	Cash received from capital contributions	**100,000.00**	—
	Including: Cash received from minority shareholder investment by subsidiary	—	—
	Borrowings received	**2,981,443,191.28**	3,368,902,483.90
	Other cash received relating to financing activities	—	92,048,500.00
	Subtotal of cash inflows from financing activities	**2,981,543,191.28**	3,460,950,983.90
	Cash repayments of debts	**3,141,166,954.20**	3,748,793,162.27
	Cash paid for dividend and profit distribution or interest payment	**90,612,774.16**	109,397,855.80
	Including: Dividend and profit paid to minority shareholders by subsidiary	—	—
	Other cash paid relating to financing activities	**46,724,278.82**	7,874,614.22
	Subtotal of cash outflows from financing activities	**3,278,504,007.18**	3,866,065,632.29
	Net cash flow generated from financing activities	**(296,960,815.90)**	(405,114,648.39)
IV.	**Effect of foreign exchange rate change on cash and cash equivalents**	**6,875,515.13**	1,866,027.67
V.	**Net increase in cash and cash equivalents**	**(2,312,650.01)**	(271,031,471.77)
	Add: Balance of cash and cash equivalents at the beginning of the period	**87,640,771.80**	358,672,243.57
VI.	**Balance of cash and cash equivalents at the end of the period**	**85,328,121.79**	87,640,771.80

Cash flow statement of the parent company

Unit: RMB

Item		2024	2023
I.	**Cash flow from operating activities:**		
	Cash received from sales of goods and rendering of services	**1,292,489,966.21**	946,030,035.09
	Receipts of tax refunds	**21,079,273.95**	—
	Other cash received relating to operating activities	**78,254,800.43**	123,777,080.67
	Subtotal of cash inflows from operating activities	**1,391,824,040.59**	1,069,807,115.76
	Cash paid for purchasing goods and receiving services	**1,031,817,466.23**	1,059,131,048.06
	Cash paid to and on behalf of employees	**128,425,308.15**	122,706,516.26
	Cash paid for taxes	**66,061,538.36**	50,652,681.76
	Other cash paid relating to operating activities	**87,974,654.05**	53,505,261.42
	Subtotal of cash outflows from operating activities	**1,314,278,966.79**	1,285,995,507.50
	Net cash flows generated from operating activities	**77,545,073.80**	(216,188,391.74)
II.	**Cash flow from investment activities:**		
	Cash received from disposal of investments	**181,957,253.18**	—
	Cash received from gains on investments	—	—
	Net cash from disposal of fixed assets, intangible assets and other long-term assets	**185,650.00**	2,117,011.33
	Net cash received from disposal of subsidiaries and other business units	—	—
	Other cash received relating to investing activities	—	—
	Subtotal of cash inflows from investing activities	**182,142,903.18**	2,117,011.33
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**196,166.31**	972,720.45
	Cash paid for acquisition of investments	—	—
	Net cash paid for acquisition of subsidiaries and other business units	—	—
	Other cash paid relating to investing activities	—	—
	Subtotal of cash outflows from investing activities	**196,166.31**	972,720.45
	Net cash flows generated from investing activities	**181,946,736.87**	1,144,290.88

Cash flow statement of the parent company

Unit: RMB

Item		2024	2023
III.	**Cash flow from financing activities:**		
	Cash received from capital contributions	—	—
	Borrowings received	**2,689,560,992.07**	2,792,622,483.90
	Other cash received relating to financing activities	—	—
	Subtotal of cash inflows from financing activities	**2,689,560,992.07**	2,792,622,483.90
	Cash repayments of debts	**2,820,883,488.79**	2,743,463,071.26
	Cash paid for dividend and profit distribution or interest payment	**90,404,815.02**	94,408,231.37
	Other cash paid relating to financing activities	**46,724,278.82**	7,874,614.22
	Subtotal of cash outflows from financing activities	**2,958,012,582.63**	2,845,745,916.85
	Net cash flow generated from financing activities	**(268,451,590.56)**	(53,123,432.95)
IV.	**Effect of foreign exchange rate change on cash and cash equivalents**	**6,651,615.47**	1,911,336.65
V.	**Net increase in cash and cash equivalents**	**(2,308,164.42)**	(266,256,197.16)
	Add: Balance of cash and cash equivalents at the beginning of the period	**84,573,471.51**	350,829,668.67
VI.	**Balance of cash and cash equivalents at the end of the period**	**82,265,307.09**	84,573,471.51

Amounts for the current period

Unit: RMB

Item		2024														
		Equity attributable to owners of the parent company														
			Other equity instruments													
		Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I.	Balance at the end of the previous year	797,848,400	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,879,061.33)	—	424,013,364.43	(89,310,843.88)	334,702,520.55
	Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II.	Balance at the beginning of the current year	797,848,400	—	—	—	867,591,781.76	—	(3,301,679.88)	—	187,753,923.88	—	(1,425,879,061.33)	—	424,013,364.43	(89,310,843.88)	334,702,520.55
III.	Increase/decrease during this period (decrease indicated with "-")	—	—	—	—	112,185,573.81	—	(229,606.78)	—	—	—	(43,699,833.39)	—	68,256,133.64	88,935,410.90	157,191,544.54
	(i) Total comprehensive income	—	—	—	—	—	—	(229,606.78)	—	—	—	(43,699,833.39)	—	(43,929,440.17)	(963,908.09)	(44,893,348.26)
	(ii) Owners' contributed capital and reduced capital	—	—	—	—	112,185,573.81	—	—	—	—	—	—	—	112,185,573.81	89,899,318.99	202,084,892.80
	1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	—	100,000.00	100,000.00
	2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	112,185,573.81	—	—	—	—	—	—	—	112,185,573.81	89,799,318.99	201,984,892.80
	(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Distribution to the owners (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	(iv) Internal carryover of owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1. Conversion of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	2. Conversion of surplus reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	6. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1. Withdrawal in current period	—	—	—	—	—	—	—	7,063,751.59	—	—	—	—	7,063,751.59	—	7,063,751.59
	2. Utilized during the current period	—	—	—	—	—	—	—	7,063,751.59	—	—	—	—	7,063,751.59	—	7,063,751.59
	(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
IV.	Balance at the end of the current period	797,848,400	—	—	—	979,777,355.57	—	(3,531,286.66)	0.00	187,753,923.88	—	(1,469,578,894.72)	—	492,269,498.07	(375,432.98)	491,894,065.09

Amounts for the previous period

Unit: RMB

Item	2023														
	Equity attributable to owners of the parent company														
		Other equity instruments				Less:	Other			General					
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	risk reserve	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I. Balance at the end of the previous year	797,848,400	–	–	–	864,405,329.26	–	(3,029,259.75)	–	187,753,923.88	–	(859,017,550.51)	–	987,960,842.88	(77,607,634.64)	910,353,208.24
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	797,848,400	–	–	–	864,405,329.26	–	(3,029,259.75)	–	187,753,923.88	–	(859,017,550.51)	–	987,960,842.88	(77,607,634.64)	910,353,208.24
III. Increase/decrease during this period (decrease indicated with "-")	–	–	–	–	3,186,452.50	–	(272,420.13)	–	–	–	(566,861,510.82)	–	(563,947,478.45)	(11,703,209.24)	(575,650,687.69)
(i) Total comprehensive income	–	–	–	–	–	–	(272,420.13)	–	–	–	(566,861,510.82)	–	(567,133,930.95)	(11,703,209.24)	(578,837,140.19)
(ii) Owners' contributed capital and reduced capital	–	–	–	–	3,186,452.50	–	–	–	–	–	–	–	3,186,452.50	–	3,186,452.50
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	3,186,452.50	–	–	–	–	–	–	–	3,186,452.50	–	3,186,452.50
(iii) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. General reserve against risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to the owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Internal carryover of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserve into capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Conversion of surplus reserve into capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Withdrawal in current period	–	–	–	–	–	–	–	11,068,845.03	–	–	–	–	11,068,845.03	–	11,068,845.03
2. Utilized during the current period	–	–	–	–	–	–	–	11,068,845.03	–	–	–	–	11,068,845.03	–	11,068,845.03
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	797,848,400	–	–	–	867,591,781.76	–	(3,301,679.88)	–	187,753,923.88	–	(1,425,879,061.33)	–	424,013,364.43	(89,310,843.88)	334,702,520.55

Amount for the current period

Unit: RMB

Item		2024											
			Other equity instruments										
		Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
I.	**Balance at the end of the previous year**	**797,848,400**	—	—	—	**867,573,114.26**	—	—	—	**187,753,923.88**	**(1,043,232,746.28)**	—	**809,942,691.86**
	Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
	Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—	—	—
II.	**Balance at the beginning of the current year**	**797,848,400**	—	—	—	**867,573,114.26**	—	—	—	**187,753,923.88**	**(1,043,232,746.28)**	—	**809,942,691.86**
III.	**Increase/decrease during this period (decrease indicated with "-")**	—	—	—	—	**(89,319,338.28)**	—	—	—	—	**(214,588,955.16)**	—	**(303,908,293.44)**
	(i) Total comprehensive income	—	—	—	—	—	—	—	—	—	**(214,588,955.16)**	—	**(214,588,955.16)**
	(ii) Owners' contributed capital and reduced capital	—	—	—	—	**(89,319,338.28)**	—	—	—	—	—	—	**(89,319,338.28)**
	1. Ordinary shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—
	2. Capital contributed by other equity instruments holders	—	—	—	—	—	—	—	—	—	—	—	—
	3. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	**(89,319,338.28)**	—	—	—	—	—	—	**(89,319,338.28)**
	(iii) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—
	1. Appropriations to surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
	2. General reserve against risk	—	—	—	—	—	—	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—	—	—	—	—	—	—
	(iv) Internal carryover of owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
	1. Conversion of capital reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—
	2. Conversion of surplus reserve into capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—
	3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	—	—	—	—
	4. Changes in defined benefit plans carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—
	5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—	—	—
	6. Others	—	—	—	—	—	—	—	—	—	—	—	—
	(v) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—
	1. Withdrawal in current period	—	—	—	—	—	—	—	**7,063,751.59**	—	—	—	**7,063,751.59**
	2. Utilized during the current period	—	—	—	—	—	—	—	**7,063,751.59**	—	—	—	**7,063,751.59**
	(vi) Others	—	—	—	—	—	—	—	—	—	—	—	—
IV.	**Balance at the end of the current period**	**797,848,400**	—	—	—	**778,253,775.98**	—	—	—	**187,753,923.88**	**(1,257,821,701.44)**	—	**506,034,398.42**

Amount for the previous period

Unit: RMB

Item	2023											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
I. Balance at the end of the previous year	797,848,400	–	–	–	864,386,661.76	–	–	–	187,753,923.88	309,637,412.64	–	2,159,626,398.28
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	797,848,400	–	–	–	864,386,661.76	–	–	–	187,753,923.88	309,637,412.64	–	2,159,626,398.28
III. Increase/decrease during this period (decrease indicated with "-")	–	–	–	–	3,186,452.50	–	–	–	–	(1,352,870,158.92)	–	(1,349,683,706.42)
(i) Total comprehensive income									–	(1,352,870,158.92)	–	(1,352,870,158.92)
(ii) Owners' contributed capital and reduced capital	–	–	–	–	3,186,452.50	–	–	–	–	–	–	3,186,452.50
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	3,186,452.50	–	–	–	–	–	–	3,186,452.50
(iii) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriations to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Distribution to the owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(iv) Internal carryover of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserve into capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
2. Conversion of surplus reserve into capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve making up of losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Changes in defined benefit plans carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income carried forward to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–
(v) Special reserve	–	–	–	–	–	–	–	–	–	–	–	–
1. Withdrawal in current period	–	–	–	–	–	–	–	8,217,698.23	–	–	–	8,217,698.23
2. Utilized during the current period	–	–	–	–	–	–	–	8,217,698.23	–	–	–	8,217,698.23
(vi) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	797,848,400	–	–	–	867,573,114.26	–	–	–	187,753,923.88	(1,043,232,746.28)	–	809,942,691.86

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

III. General Information of the Company

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

Upon the approval by China Securities Regulatory Commission with CSRCIC Zi [2003] No. 50 on 15 April 2004, the Company issued 134,998,000 additional overseas listed foreign shares (H Shares) at the issuing price of HKD0.70 per share with a nominal value of RMB0.10 each, which were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

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

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

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

According to the resolution of the 2011 Annual General Meeting held on 25 May 2012, the Company was converted from the capital reserve to the share capital based on the total 398,924,200 shares as at 31 December 2011, at the ratio of 1 share for each share, with a total of 398,924,200 shares converted on 19 July 2012. Upon the conversion, the Company's registered capital has changed to RMB797,848,400.00, and the total number of shares has changed to 797,848,400 shares.

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

As at 31 December 2024, the Company had a registered capital of RMB797,848,400.00, divided into a total of 797,848,400 shares.

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

Office address: Building 19, Enterprise Headquarters Group, Shouguang City, Shandong Province

III. General Information of the Company *(continued)*

Main business activities: the Company operates in the machinery manufacturing industry and is mainly engaged in the production and sales of products for the energy equipment industry. The Company's main products are tubing products which are mainly used in the fields of oil and gas drilling, machinery processing and so on.

These financial statements and the notes to the financial statements were approved at the first meeting of the eighth session of the board of directors of the Company on 28 March 2025.

IV. Basis of preparation of the financial statements

1. Basis of preparation

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

These financial statements are presented on a going concern basis.

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

2. Going concern

In 2024, the Company's net profit attributable to owners of the parent company amounted to RMB-44 million. As at 31 December 2024, the equity attributable to shareholders of the parent company amounted to RMB492 million, the gearing ratio was 79.68%, and the interest-bearing liabilities to be repaid within one year were approximately RMB1.448 billion. As at the end of the reporting period, the Company completed the divestment of three subsidiaries and had no overdue debts. Some business disputes and litigations resulted in the freezing of some of the Company's bank accounts and the seizure of some of its assets, which did not affect the Company's normal production and operation.

To further improve the Company's ability to continue as a going concern, the Company has implemented or is preparing to implement the following measures:

(1) Securing financial support from Shouguang Jinxin, a related party shareholder

As considered and approved at the third extraordinary meeting of the eighth session of the board of directors of the Company on 24 February 2025, and based on the Company's needs to finance its production and operation and repay debts as they fall due, Shouguang Jinxin intends to provide financial assistance of up to RMB300 million to the Company for a term of less than one year, at an interest rate equal to the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide the financial assistance in installments according to actual circumstances, and the interest shall be calculated based on the actual number of days of use of the loan, and the Company may repay the loan in advance. The financial assistance does not require the Company to provide any form of guarantee, mortgage, pledge or any other form of security.

IV. Basis of preparation of the financial statements *(continued)*

2. Going concern *(continued)*

(2) Obtaining creditor support from financial institutions

On 12 December 2024, the Shouguang Municipal Government organized a meeting with relevant financial institutions in relation to the credit status of the Company and coordinated with all banks present to undertake to maintain their existing lines of credit, and not to withdraw, cut off, or withhold loans, so as to jointly resolve the Company's capital risk.

(3) Strengthening the recovery of equity transfer payments and financial assistance from divested subsidiaries

As at the date of this financial report, the Company received cash repayments of RMB444 million for the prior period's passive financial assistance. The Company will endeavor to recover the remaining balance in full in the form of monetary funds in a timely manner in accordance with relevant agreements to ensure the timely performance of contractual repayments.

(4) Strengthening the utilization and management of recovered funds

For funds that have been recovered, the Company will formulate plans for their utilization with a view to overseeing and managing funds properly.

(5) Deepening market development

In 2025, the Company will further optimize its product mix and customer structure, actively expand its marketing channels, increase the order volume and production capacity of high value-added products, and effectively increase its market share. For the domestic market, the Company will focus on the bidding and tendering in major oilfield markets and strive to have more of its high value-added products shortlisted. For overseas markets, the Company will actively develop overseas markets with higher gross profit margins, securing more sales orders from, ramping up its production for and expanding its market share in those markets.

(6) Actively expanding financing channels

The Company is actively liaising with relevant financial institutions and supply chain enterprises. While maintaining existing financing channels and credit lines, the Company will actively expand its financing channels to ensure the stable supply of raw materials and alleviate the pressure on capital through cooperation with strong financial institutions and supply chain enterprises in the form of finance leases, accounts receivable factoring, integration of logistics and trading as well as supply chain finance.

(7) Resolving litigation in a timely manner

The Company actively communicates and coordinates with the court and relevant stakeholders to release frozen accounts and seized assets in connection with litigation in a timely manner.

IV. Basis of preparation of the financial statements *(continued)*

2. Going concern *(continued)*

(8) Enhancing internal control management

The Company will continue to strengthen its basic management, reduce expenses and comprehensively promote quality improvement and efficiency enhancement. It will strengthen its financial management, optimize its debt structure, actively reduce high-interest liabilities to lower its financial costs. It will enhance the management of its accounts receivable and reduce the loss of bad debts to ensure the security of funds. It will intensify its effort in technological innovation and process improvement and further increase the value-added and gross margin of its products to enhance its profitability. It will improve its human resource management and optimize its incentive plans to motivate employees. It will also implement fixed positions and reduce idle personnel to comprehensively lower staff costs.

With these measures in place, the Company's management believes that its operations in 2025 will be further enhanced, it has the ability and confidence to repay debts as they fall due, its development and operations will remain stable, and it was reasonable to prepare the 2024 financial statements on a going concern basis.

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

4. Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB. The Company adopted RMB as the reporting currency in the preparation of these financial statements.

5. Determination method and selection basis of materiality standards

✓ Applicable ☐ Not applicable

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

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

(1) Business combinations under common control

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

Business combinations under common control achieved in stages through multiple transactions

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

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

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

(2) Business combinations not under common control

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

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

Business combinations not under common control achieved in stages through multiple transactions
The cost of combination is the sum of the consideration paid on the acquisition date and the acquisition-date fair value of the equity interest held in the acquiree before the acquisition date. For the equity interest held in the acquiree before the acquisition date, it is remeasured at its fair value on the acquisition date, with the difference between the fair value and its book value included in the current investment income; the equity interest held in the acquiree before the acquisition date involving other comprehensive income and changes in other owners' equity is transferred to current income on the acquisition date, except for other comprehensive income arising from changes in net liabilities or net assets due to the remeasurement of the investee's defined benefit plans and other comprehensive income relating to investments in non-trading equity instruments that were originally designated as at fair value through other comprehensive income.

(3) Treatment of transaction costs in business combination

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

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

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

(1) Standards for judgement of control

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

In determining whether to include a structured entity in the scope of consolidation, the Company evaluates whether to control the structured entity on the basis of a combination of all the facts and circumstances, including an assessment of the purpose and design for which the structured entity was established, the identification of the types of variable returns, and whether it assumes some or all of the variability of the returns through its participation in its related activities.

(2) Preparation method of consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When preparing consolidated financial statements, the accounting policies and accounting periods of the subsidiaries should be consistent with those established by the Company, and all significant intra-company balances and transactions are eliminated.

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

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

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

(3) Purchase of subsidiaries' non-controlling interests

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

(4) Treatment of loss of control of subsidiaries

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

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

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

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

(1) Joint operations

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

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

A. its solely-held assets, and its share of any liabilities incurred jointly;

B. its solely-assumed liabilities, and its share of any liabilities incurred jointly;

C. its revenue from the sale of its share of the output arising from the joint operation;

D. its share of the revenue from the sale of output by the joint operation; and

E. its solely-incurred expenses, and its share of any expenses incurred jointly.

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

8. Classifications of joint arrangement and accounting treatment of joint operation *(continued)*

(2) Joint ventures

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

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

9. Criteria for determination of cash and cash equivalents

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

10. Foreign currency operations and translation of foreign currency statements

(1) Foreign currency operations

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

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

(2) Translation of foreign currency statements

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

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

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

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

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

11. Financial instruments *(continued)*

(2) Classification and measurement of financial assets *(continued)*

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

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

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

11. Financial instruments *(continued)*

(2) Classification and measurement of financial assets *(continued)*

Financial assets measured at fair value through profit or loss (continued)

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

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

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

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

(3) Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortized cost

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

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

11. Financial instruments *(continued)*

(3) Classification and measurement of financial liabilities *(continued)*

The distinction between financial liabilities and equity instruments

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

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

11. Financial instruments *(continued)*

(5) Fair value of financial instruments

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

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

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

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

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

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

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

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

11. Financial instruments *(continued)*

(6) Impairment of financial assets

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

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

Measurement of ECLs

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

The Company takes into account reasonable and well-founded information such as past events, current conditions and forecasts of future economic conditions, and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

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

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

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

11. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Measurement of ECLs (continued)

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

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

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

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

Bills receivable and accounts receivable

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

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

A. Bills receivable

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

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

11. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Bills receivable and accounts receivable (continued)

B. Accounts receivable

- Accounts receivable portfolio 1: Receivable from general customers
- Accounts receivable portfolio 2: Receivables from related parties within the scope of consolidation

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

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

Other receivables

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

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

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

Debt investments and other debt investments

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

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

11. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Assessment of significant increase in credit risk

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

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

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

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

If more than 30 days have passed due, the Company determines that the credit risk of financial instruments has increased significantly.

Credit-impaired financial assets

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

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

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

11. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Presentation of provisions for ECLs

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

Write-offs

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

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

(7) Transfer of financial assets

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

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

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

(8) Offset of financial assets and financial liabilities

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

12. Bills receivable

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

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

13. Accounts receivable

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

14. Financing receivables

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

15. Other receivables

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

16. Contract assets

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

17. Inventories

(1) Classification of inventories

The Company's inventory is divided into raw materials, work-in-progress, semi-finished products, goods-in-stock, goods-in-transit, and entrusted processed materials.

(2) Measurement method of cost of inventories

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

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

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

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

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

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

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

17. Inventories *(continued)*

(4) Inventory stock taking system

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

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

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

18. Long-term equity investments

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

(1) Determination of initial investment cost

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

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

(2) Subsequent measurement and recognition of profit or loss

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

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

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

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

18. Long-term equity investments *(continued)*

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

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

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

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

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

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

18. Long-term equity investments *(continued)*

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

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

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

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

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

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

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

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

18. Long-term equity investments *(continued)*

(4) Methods of impairment testing and impairment provision

For the method of impairment provision for investment in subsidiaries, associates and joint ventures, please refer to V.24 Impairment of long-term assets of this section.

19. Investment properties

Measurement model for investment properties

Cost method

Method of depreciation or amortization

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Company includes leased land use rights, land use rights held for sale after appreciation, and leased buildings and construction.

Investment properties are initially measured at acquisition cost, and depreciated or amortized using the same policy as that for fixed assets or intangible assets.

For the impairment of the investment properties accounted for using the cost model, please refer to V.24 Impairment of long-term assets of this section.

Gains or losses arising from the sale, transfer, retirement or disposal of an item of investment property are determined as the difference between the net disposal proceeds, the carrying amount of the item, related taxes and surcharges, and are recognized in profit or loss for the current period.

The Company depreciates investment properties using the straight line method. The Company determines the annual depreciation rate for each type of fixed assets as follows:

Type	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	20	5	4.75

20. Fixed assets

(1) Criteria for recognition

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

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

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

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

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

22. Borrowing costs

(1) Recognition principle for the capitalization of borrowing costs

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

(1) The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;

(2) Borrowing costs have been incurred;

(3) The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

(2) Capitalization period of borrowing costs

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

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

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

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

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

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

23. Intangible assets

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

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

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

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

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

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

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

For the method of impairment provision for intangible assets, please refer to V.24 Impairment of long-term assets of this section.

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

23. Intangible assets *(continued)*

(2) Classification scope of research and development expenditure and related accounting treatment

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

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

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

Expenses incurred in the development phase are capitalized if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or for sale; the intention to complete the intangible asset for use or for sale; how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there existrmce th that wihTJ0.0TS5 (th)0.5 (of has a m0.5 (ther2( )]TJ0 Tc 0 Tw 0 -1.529 Td(incurred.)Tj

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

24. Impairment of long-term assets *(continued)*

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

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

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

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

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

25. Long-term deferred expenses

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

26. Contract liabilities

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

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

27. Employees' compensation

(1) Accounting for short-term employee compensation

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

(2) Accounting for post-employment benefits

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

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

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

Defined benefit plans

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

(1) Service cost, including current service cost, past service cost, and any gain or loss on settlement. In particular, the current service cost refers to the increase in the present value of obligations of defined benefit plans arising from the service provided by staff in the current period; the past service cost refers to the increase or decrease in the present value of obligations of defined benefit plans related to the service of the staff in the previous period arising from the revision of defined benefit plans.

(2) Net interest on net liabilities or net assets of defined benefit plans, including interest income from the assets under the plans, interest expense arising from the obligations of defined benefit plans, and interest affected by asset caps.

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

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

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

27. Employees' compensation *(continued)*

(3) Accounting for termination benefits

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

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

(4) Accounting for other long-term benefits

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

28. Estimated liabilities

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

(1) The obligation is a current obligation borne by the Company;

(2) It is likely that the performance of the obligation will result in an outflow of economic benefits from the Company; and

(3) The amount of the obligation can be reliably measured.

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

29. Share-based payments

(1) Types of share-based payments

Share-based payments can be distinguished into equity-settled and cash-settled share-based payment.

(2) Determination of fair value of equity instruments

If there exists an active market for options and other equity instruments granted by the Company, their fair value is determined by the price quotes in an active market. If an active market does not exist for options and other equity instruments granted by the Company, their fair value is determined by using an option pricing model. Selection of option pricing model considers the following factors: A. Exercise price of option; B. Validity period of option; C. Spot price of subject shares; D. Estimated volatility of share price; E. Estimated dividend of shares; F. Risk-free interest rate in the validity period of option.

(3) Basis for the best estimate of vested equity instruments

At each balance sheet date of the vesting period, the Company revises the number of equity instruments that will ultimately vest based on the best estimate of the latest number of eligible employees and other subsequent information. On vesting date, the number of expected vested equity instruments should be agreed with the actual number vested.

(4) Accounting treatment for implementation, modification, and termination of share-based payment

Equity-settled share-based payments are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of the grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Company at each balance sheet date. No subsequent adjustment is made to the recognized relevant cost and expenses and owners' equity after the vesting date.

Cash-settled share-based payments are measured based on the value of shares or other equity instruments undertaken by the Company. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and a liability is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting a liability accordingly at the fair value on the date of grant according to the best estimates conducted by the Company at each balance sheet date. The fair value of the liability is remeasured at each balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss for the current period.

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

29. Share-based payments *(continued)*

(4) Accounting treatment for implementation, modification, and termination of share-based payment *(continued)*

Where the terms of an equity-settled share-based payment are modified, if the modification increases the fair value of the equity instruments granted, the incremental fair value is recognized as additional service obtained; if the modification increases the number of equity instruments granted, the incremental fair value is recognized as additional service received. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument both estimated as at the date of modification. If the modification of the terms and conditions of share-based payment arrangement reduces the total fair value of the share-based payment or is not otherwise beneficial to the employee, the Company nevertheless continues to account for the services received as if that modification had not occurred, other than the Company cancels some of or all the equity instruments granted.

If a grant of equity instruments is cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized over the remainder of the vesting period and the capital reserve is credited accordingly. When employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the vesting period, the Company deems the granted equity instruments are cancelled.

30. Other financial instruments such as preference shares and perpetual bonds

(1) Classification of financial liabilities and equity instruments

The Company classifies a financial instrument or its

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

31. Revenue

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

(1) General principles

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

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

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

(1) At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.

(2) The customers can control the goods under construction in the course of the Company's performance.

(3) Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

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

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

(1) The Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods.

(2) The Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods.

(3) The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.

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

31. Revenue *(continued)*

(1) General principles *(continued)*

(4) The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer.

(5) The customer has accepted the goods or services.

(6) Other information indicates that the customer has obtained control of the goods.

(2) Specific methods

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

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

(1) Revenue from sale of goods

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

1) Revenue recognition conditions for domestic sale of products: revenue is recognized when the goods are sent to the customer in accordance with the delivery way agreed in the sales contract, the customer signs after receiving the goods, and the Company obtains the customer's receipt. For oil casing sold on consignment, the revenue is recognized after the customer receives the goods and settles with the Company.

2) Revenue recognition conditions for export sale of products: export products are settled by way of FOB, CIF, C&R, EXW, etc. The Company recognizes the revenue when the goods are loaded and declared for export and the bill of lading is obtained.

Different business models for the same type of business involving different revenue recognition and measurement methods

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

32. Contract costs

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

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

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

(1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;

(2) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;

(3) the costs are expected to be recovered.

Assets recognized for the costs of obtaining a contract and the costs of fulfilling a contract ("asset(s) related to contract costs") are amortized on a systematic basis that is consistent with revenue recognized for the goods or services to which the assets relate and recognized in profit or loss for the period.

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

(1) remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates;

(2) the costs that relate directly to providing those goods that have not yet been recognized as expenses.

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

33. Government grants

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

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

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

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

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

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

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

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

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

34. Deferred tax assets/deferred tax liabilities

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

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

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

(1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

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

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

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

34. Deferred tax assets/deferred tax liabilities *(continued)*

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

(1) The taxable entity within the Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

(2) the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxing authority on the same taxable entity within the Company.

35. Lease

(1) Identification of leases

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

(2) The Company as a lessee

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

For the accounting policies for right-of-use assets, please refer to V.36 Right-of-use assets.

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

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

35. Lease *(continued)*

(2) The Company as a lessee *(continued)*

Short-term leases

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

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

For short-term leases, the Company elects to apply the simplified treatment described above to the following asset types that meet the criteria for short-term leases, according to the type of asset being leased.

Low-value asset leases

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

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

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

Lease modifications

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

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

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

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

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

35. Lease *(continued)*

(3) The Company as a lessor

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

Finance leases

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

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

Operating leases

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

Lease modifications

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

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

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

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

35. Lease *(continued)*

(4) Sale and leaseback transactions

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

Where the transfer of an asset in a sale and leaseback transaction is a sale, the lessee measures the right-of-use asset created by the sale and leaseback at the portion of the original asset's carrying amount that relates to the right-of-use acquired by the leaseback and recognizes the related gain or loss only for the right transferred to the lessor. The lessor accounts for the purchase of the asset in accordance with other applicable ASBEs, and accounts for the lease of the asset in accordance with this standard.

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

36. Right-of-use assets

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

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

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

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

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(3) For the methods of impairment testing and impairment provision for right-of-use assets, please refer to V.24 Impairment of long-term assets of this section.

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

37. Other significant accounting policies and accounting estimates

(1) Significant accounting judgments and estimates

The Company makes continuous evaluations on critical accounting estimates and key assumptions based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimations and key assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Company in determining the business model for a group of financial assets include how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Company assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal) ; whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

Measurement of the ECLs of accounts receivable

The Company calculates ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Company uses internal historical credit loss experience and other data, and adjusts the historical data by taking into account current circumstances and forward-looking information. When forward-looking information is considered, the indicators used by the Company include the risk of economic downturn and changes in external market environment, technological environment and customer conditions. The Company regularly monitors and reviews the assumptions related to the calculation of ECLs.

Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Company to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

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

37. Other significant accounting policies and accounting estimates *(continued)*

(2) Fair value measurement

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

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

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

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

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

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

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

(3) Debt restructuring

The Company as a debtor

The Company derecognizes a debt when its current obligation is discharged. Specifically, gains and losses related to debt restructuring are recognized when uncertainty about the process and outcome of the debt restructuring arrangement is removed.

If debt restructuring is carried out by means of settlement of a debt with an asset, the Company derecognizes the relevant asset and the debt settled when the conditions for derecognition are met, and the difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is included in profit or loss for the current period.

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

37. Other significant accounting policies and accounting estimates *(continued)*

(3) Debt restructuring *(continued)*

The Company as a debtor (continued)

If debt restructuring is carried out by converting a debt into an equity instrument, the Company derecognizes the debt settled when the conditions for derecognition are met. The Company initially recognizes an equity instrument at its fair value. If the fair value of the equity instrument cannot be reliably measured, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognized for the equity instrument is included in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debt in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments" and "ASBE No.37 - Presentation of Financial Instruments".

If debt restructuring is carried out by using multiple assets to settle debts or by combining them, the Company recognizes and measures equity instruments and restructured debts in accordance with the foregoing method, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the transferred assets and the amounts recognized for equity instruments and restructured debts is included in profit or loss for the current period.

The Company as a creditor

The Company derecognizes its claim when the contractual right to collect cash flows from the claim terminates. Specifically, gains and losses related to debt restructuring are recognized when uncertainty about the process and outcome of the debt restructuring arrangement is removed.

If debt restructuring is carried out by means of settlement of a debt with an asset, the Company initially recognizes assets other than transferred financial assets at cost. The cost of inventories includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading and insurance, incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claim and other costs, such as taxes, directly attributable to the asset. The cost of investment properties includes the fair value of the relinquished claim and other costs, such as taxes, directly attributable to the asset. The cost of fixed assets includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, installation and professional services fees, incurred before the asset is brought to its intended useable condition. The cost of intangible assets includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, incurred to bring the asset to its intended use. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

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

37. Other significant accounting policies and accounting estimates *(continued)*

(3) Debt restructuring *(continued)*

The Company as a creditor (continued)

If debt restructuring by way of the conversion of debts to equity instruments results in the Company converting a claim into an equity investment in an associate or joint venture, the Company measures the initial investment cost of the claim at the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured claim in accordance with "ASBE No. 22 - Recognition and Measurement of Financial Instruments".

If debt restructuring is carried out by using multiple assets to settle debts or by combining them, the transferred financial asset and the restructured claim are first recognized and measured in accordance with "ASBE No. 22 – Recognition and Measurement of Financial Instruments", and then, in proportion to the fair value of each asset other than the transferred financial asset, the fair value of the relinquished claim (after deducting the amounts recognized for the transferred financial asset and the restructured claim) is allocated, and the cost of each asset is determined separately on this basis in accordance with the aforementioned method. The difference between the fair value and the carrying amount of the relinquished claim is included in profit or loss for the current period.

(4) Production safety expenses and maintenance expenses

The Company provided for production safety expenses in accordance with the "Administrative Measures for the Provision and Utilization of Production Safety Expenses by Enterprises" (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the State Administration of Work Safety.

Provision for production safety expenses is included in the cost of related products or profit or loss for the current period and is also included under the "special reserve" item.

When the production safety expenses provided are utilized within the prescribed scope, they are offset directly against the special reserve if they are expenditures. If fixed assets are formed, the expenses incurred are first accumulated under the "construction in progress" item and then recognized as fixed assets when the relevant safety project is completed and ready for its intended use. Meanwhile, the cost of forming such fixed assets is offset against the specific reserve with the same amount recognized in accumulated depreciation. Such fixed assets are not depreciated in subsequent periods.

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

38. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

✓ Applicable ☐ Not applicable

Unit: RMB

Content and reason for the change in accounting policies	Name of the statement item materially affected	Amount affected
① ASBE Interpretation No. 17 The Ministry of Finance issued "ASBE Interpretation No. 17" (Cai Hui [2023] No. 21) in November 2023 (the "Interpretation No. 17"). Interpretation No. 17 provides that for supplier financing arrangements, the following shall be disclosed: (1) the terms and conditions of the supplier financing arrangement (such as the extension of the payment term and the provision of guarantees, etc.). (2) ① The presented items and carrying amounts of financial liabilities attributable to the supplier financing arrangement in the balance sheet. ② If the supplier has received payment from the financing provider, the presented items and carrying amounts of the corresponding financial liabilities shall be disclosed; ③ and the payment due date range of the underlying financial liabilities, and the payment due date range of comparable accounts payable that are not part of the supplier financing arrangement. If the payment due date range is large, the enterprise shall also disclose explanatory information or additional information about the range; (3) the types and impacts of current changes in the carrying amount of the underlying financial liabilities that do not involve cash receipts and payments (including business combinations, exchange rate changes and other transactions or events that do not require the use of cash or cash equivalents). When disclosing information about liquidity risk in accordance with "ASBE 37 - Presentation of Financial Instruments", an enterprise shall consider whether it has obtained, or has access to, credit facilities that provide the enterprise with deferred payments or early receipts from its suppliers through supplier financing arrangements. When identifying the concentration of liquidity risk in accordance with relevant standards, an enterprise shall consider the factor that the supplier financing arrangement has resulted in the enterprise concentrating part of its financial liabilities originally due to suppliers in the financing provider.	The adoption of Interpretation No. 17 did not have a material impact on the Company's financial position and operating results.	0.00

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

38. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

Content and reason for the change in accounting policies	Name of the statement item materially affected	Amount affected
① ASBE Interpretation No. 18 On 31 December 2024, the Ministry of Finance issued ASBE Interpretation No. 18 (Cai Hui [2024] No. 24, Interpretation No. 18). Accounting treatment of warranty-type quality assurance that does not constitute a separate performance obligation Interpretation No. 18 provides that, when accounting for estimated liabilities arising from warranty-type quality assurance that does not constitute a separate performance obligation, an enterprise shall, in accordance with "ASBE No. 13 – Contingencies", debit the accounts of "main business costs" and "other business costs" and credit the account of "estimated liabilities" based on the determined estimated liability amount, and accordingly present them in the "operating costs" in the income statement and the "other current liabilities", "non-current liabilities due within one year", "estimated liabilities" and other items in the balance sheet.	The implementation of Interpretation No. 18 did not have a material impact on the Company's financial position and operating results.	0.00

In accordance with the regulations of the Ministry of Finance and taking into account the actual circumstances of the Company, the Company has implemented the changed accounting policies from 1 January 2024 onwards.

(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 2024 onwards

☐ Applicable ✓ Not applicable

VI. Taxation

1. Main tax types and tax rates

Tax type	Calculation basis	Rate
Value-added tax	VAT taxable amount	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable profits	25%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Profits tax in Hong Kong	Taxable profits	16.5%

Disclosures regarding taxpaying entities subject to different enterprise income tax rates

Name of taxpaying entity	Income tax rate
Shandong Molong	15%
Molong Logistic	25%
MPM Corporation	16.5%
Molong Electro-mechanical	25%
Molong I&E	20%
Molong Commercial	20%
Molong Business	20%

2. Tax incentives

(1) Pursuant to the document of "Announcement on 2023 2nd Batch Filing of High-tech Enterprises Recognized by Shandong Province's Certification Institution" issued by the Office of the National High-tech Enterprises Recognition and Management Leading Group, the Company has been recognised as a high-tech enterprise and obtained a certificate of high-tech enterprise No. GR202337006967. The certificate of high-tech enterprise was issued on 7 December 2023 and is valid for a term of three years. Pursuant to the relevant regulations, the Company enjoys preferential national tax policies for high-tech enterprises for three consecutive years from 2023 to 2025, paying enterprise income tax at a rate of 15%.

(2) In accordance with the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Businesses (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the taxable income of small, low-profit enterprises shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The announcement shall be effective until 31 December 2027. Molong I&E, Molong Commercial and Molong E-commerce, subsidiaries of the Group, meet the criteria and thus enjoy the preferential income tax rate of 20% as small and low-profit enterprises.

(3) In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (No. 43 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), from 1 January 2023 to 31 December 2027, enterprises in the advanced manufacturing industry are allowed to offset the value-added tax payable by an additional 5% on the amount of creditable input tax for the current period.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items

1. Monetary funds

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Cash on hand	**18,534.35**	26,588.28
Cash at banks	**16,757,431.46**	17,070,146.09
Other monetary funds	**70,012,924.31**	81,976,141.75
Total	**86,788,890.12**	99,072,876.12
Including: total deposits overseas	**2,509,631.03**	2,483,538.77

Other descriptions:

(1) The Group's deposits overseas represented the monetary funds of MPM Corporation, a Hong Kong-based subsidiary.

(2) As at the end of the period, the amount of bank deposits frozen due to litigation was RMB1,458,931.41; the amount of other monetary funds restricted for use due to bill deposits was RMB70,000,000.00 and the amount frozen due to litigation was RMB1,836.92.

2. Bills receivable

(1) Presentation of bills receivable by type

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	**4,913,938.48**	—
Commercial acceptance bills	**23,162,178.87**	

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

2. Bills receivable *(continued)*

(2) Disclosure by method of provision for bad debts

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Bills receivable provided for bad debts on a collective basis	28,310,078.75	100.00%	233,961.40	0.83%	28,076,117.35	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66
Including:										
Bank acceptance bills	4,913,938.48	17.36%	–	–	4,913,938.48	–	–	–	–	–
Commercial acceptance bills	23,396,140.27	82.64%	233,961.40	1.00%	23,162,178.87	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66
Total	28,310,078.75	100.00%	233,961.40	0.83%	28,076,117.35	78,793,836.02	100.00%	787,938.36	1.00%	78,005,897.66

Provision for bad debts on a collective basis: bank acceptance bills

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Bank acceptance bills	4,913,938.48	—	—
Total	4,913,938.48	—	—

Basis for determining the group:

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

2. Bills receivable *(continued)*

(2) Disclosure by method of provision for bad debts *(continued)*

Provision for bad debts on a collective basis: commercial acceptance bills

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Commercial acceptance bills	23,396,140.27	233,961.40	1.00%
Total	23,396,140.27	233,961.40	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

2. Bills receivable *(continued)*

(4) Bills receivable pledged by the Company at the end of the period

Nil

(5) Bills receivable already endorsed or discounted by the Company at the end of the period and unmatured on the balance sheet date

Unit: RMB

Item	**Amount derecognized at the end of the period**	Amount not derecognized at the end of the period
Bank acceptance bills	—	4,913,938.48
Commercial acceptance bills	—	23,396,140.27
Total	—	28,310,078.75

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

There were no bills receivable actually written off in the year.

3. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	**Book balance at the end of the period**	Book balance at the beginning of the period
Within 1 year (inclusive)	**221,427,518.61**	254,044,663.47
1-2 years	**2,226,344.02**	2,631,436.65
2-3 years	—	707,219.17
Over 3 years	**43,023,279.53**	45,246,429.92
4-5 years	—	1,786,213.66
Over 5 years	**43,023,279.53**	43,460,216.26
Total	**266,677,142.16**	302,629,749.21

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

3. Accounts receivable *(continued)*

(2) Disclosure by method of provision for bad debts

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Accounts receivable provided for bad debts on a collective basis	**266,677,142.16**	**100.00%**	**46,350,726.73**	**17.38%**	**220,326,415.43**	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00
Including:										
Combination of amounts due from customers	**266,677,142.16**	**100.00%**	**46,350,726.73**	**17.38%**	**220,326,415.43**	302,629,749.21	100.00%	49,365,077.21	16.31%	253,264,672.00
Total	**266,677,142.16**	–	**46,350,726.73**	–	**220,326,415.43**	302,629,749.21	–	49,365,077.21	–	253,264,672.00

Provision for bad debts on a collective basis: combination of amounts due from customers

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Within 1 year	221,427,518.61	2,214,275.19	1.00%
1-2 years	2,226,344.02	1,113,172.01	50.00%
2-3 years	—	—	—
3-4 years	—	—	—
4-5 years	—	—	—
Over 5 years	43,023,279.53	43,023,279.53	100.00%
Total	266,677,142.16	46,350,726.73	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

3. Accounts receivable *(continued)*

(2) Disclosure by method of provision for bad debts *(continued)*

Basis for determining the group:

If provision for bad debts of accounts receivable was made using the general approach of expected credit loss:

☐ Applicable ✓ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

		Movement during the current period				
Type	Balance at the beginning of the period	Provision	Recovery or reversal	Write-off	Others	Balance at the end of the period
Provision for bad debts of accounts receivable	49,365,077.21	–	3,014,350.48	–	–	46,350,726.73
Total	49,365,077.21	–	3,014,350.48	–	–	46,350,726.73

Including any significant recovery or reversal of provision for bad debts for the period:

No significant recovery or reversal of provision for bad debts for the year.

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

There were no accounts receivable actually written off in the year.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

3. Accounts receivable *(continued)*

(5) Accounts receivable and contract assets with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion to the total balance of accounts receivable and contract assets at the end of the period	Balance of Accounts receivable bad debts provision and contract asset impairment provision at the end of the period
Entity 1	85,398,088.68	—	85,398,088.68	32.02%	853,980.90
Entity 2	34,730,613.08	—	34,730,613.08	13.02%	347,306.13
Entity 3	41,774,199.62	—	41,774,199.62	15.66%	417,741.99
Entity 4	33,504,539.52	—	33,504,539.52	12.57%	335,045.39
Entity 5	15,703,467.41	—	15,703,467.41	5.89%	1,207,033.66
Total	211,110,908.31	—	211,110,908.31	79.16%	3,161,108.07

4. Financing receivables

(1) Financing receivables by type

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	**40,000.00**	2,485,020.78
Total	**40,000.00**	2,485,020.78

Notes to the Financial Statements

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	**1,177,001,129.72**	4,675,103.22
Total	**1,177,001,129.72**	4,675,103.22

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

2) Disclosure by age

Unit: RMB

Age	**Book balance at the end of the period**	Book balance at the beginning of the period
Within 1 year (inclusive)	**850,184,477.54**	3,952,334.38
1–2 years	**433,905,337.49**	169,863.70
2–3 years		10,000.00
Over 3 years	**20,683.61**	1,921,750.15
3–4 years	**10,000.00**	987.63
4-5 years		69,800.00
Over 5 years	**10,683.61**	1,850,962.52
Total	**1,284,110,498.64**	6,053,948.23

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts

✓ Applicable ☐ Not applicable

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Percentage	Amount	Provision rate	Book value	Amount	Percentage	Amount	Provision rate	Book value
Provision for bad debts on an individual basis	1,281,028,523.99	99.76%	107,066,909.29	8.36%	1,173,961,614.70	–	–	–	–	–
Including:										
Shouguang Huarong Agricultural Technology Co., Ltd. (壽光華融農業科技有限公司)	812,453,392.51	63.27%	–	–	812,453,392.51	–	–	–	–	–
Weihai Baolong	7,800,738.92	0.61%	468,044.34	6.00%	7,332,694.58	–	–	–	–	–
Shouguang Baolong	460,774,392.56	35.88%	106,598,864.95	23.13%	354,175,527.61	–	–	–	–	–
Provision for bad debts on a collective basis	3,081,974.65	0.24%	42,459.63	1.38%	3,039,515.02	6,053,948.23	100.00%	1,378,845.01	100.00%	4,675,103.22
Including:										
[illegible]										

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on an individual basis: Shouguang Huarong Agricultural Technology Co., Ltd.

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Shouguang Huarong Agricultural Technology Co., Ltd.	–	–	812,453,392.51	–	–	–
Total	–	–	812,453,392.51	–	–	–

Provision for bad debts on an individual basis: Weihai Baolong

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Weihai Baolong	–	–	7,800,738.92	468,044.34	6.00%	Provision was made based on the valuation conducted by a valuer.
Total	–	–	7,800,738.92	468,044.34	–	–

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Shouguang Baolong	–	–	460,774,392.56	106,598,864.95	23.13%	Provision was made based on the valuation conducted by a valuer.
Total	–	–	460,774,392.56	106,598,864.95	–	–

Provision for bad debts on a collective basis: employee working capital

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Employee working capital	550,000.00	—	—
Total	550,000.00	—	—

Basis for determining the group:

No provision for bad debts was made as the term of employee working capital was short and its credit risk was minimal.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on a collective basis: deposits and security deposits

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Deposits and security deposits	2,355,028.00	—	—
Total	2,355,028.00	—	—

Basis for determining the group:

No provision for bad debts was made as the terms of deposits and security deposits were short and their credit risks were minimal.

Provision for bad debts on a collective basis: receivable export tax rebate

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Receivable export tax rebate	13,299.35	—	—
Total	13,299.35	—	—

Basis for determining the group:

No provision for bad debts was made as the term of receivable export tax rebate was short and its credit risk was minimal.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on a collective basis: amounts due from other entities

Unit: RMB

	Balance at the end of the period		
Name	**Book balance**	**Provision for bad debts**	**Provision rate**
Amounts due from other entities	163,647.30	42,459.63	25.95%
Total	163,647.30	42,459.63	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Classification basis and provision rate of bad debt provision for each stage

Significant changes in the book balance of loss allowance in the current period

☐ Applicable ✓ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of other receivables	1,378,845.01	26,163,387.12	14,867.95	—	79,582,004.74	107,109,368.92
Total	1,378,845.01	26,163,387.12	14,867.95	—	79,582,004.74	107,109,368.92

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

5. Other receivables *(continued)*

(1) Other receivables *(continued)*

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

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
Shouguang Huarong Agricultural Technology Co., Ltd.	Current account	812,453,392.51	Within 1 year	63.27%	—
Shouguang Baolong	Current account	460,774,392.56	Within 1 year, 1-2 years	35.88%	106,598,864.95
Weihai Baolong	Current account	7,800,738.92	Within 1 year, 1-2 years	0.61%	468,044.34
Nanjing Tendering Center of Sinopec International Co., Ltd. (中國石化國際事業有限公司南京招標中心)	Security deposits for bidding	1,016,728.00	Within 1 year	0.08%	—
Shaanxi Energy Chemical Exchange Co., Ltd (陝西能源化工交易所股份有限公司)	Security deposits for bidding	987,800.00	Within 1 year	0.08%	—
Total	—	1,283,033,051.99	—	99.92%	107,066,909.29

7) Presented as other receivables due to centralized management of capital

There were no items presented by the Group as other receivables due to centralized management of capital.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

6. Prepayments

(1) Presentation of prepayments by age

Unit: RMB

	Balance at the end of the period		Balance at the beginning of the period	
Age	**Amount**	**Percentage**	Amount	Percentage
Within 1 year	**23,063,085.60**	**91.98%**	29,803,929.48	98.81%
1–2 years	**2,010,000.00**	**8.02%**	297,772.18	0.99%
Over 3 years	**115.57**	**0.00%**	61,422.89	0.20%
Total	**25,073,201.17**	—	30,163,124.55	—

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

The Company had no significant prepayments with an age of more than 1 year.

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

Unit: RMB

Name of entity	**Prepayments at the end of the period**	Proportion to the total balance of prepayments at the end of the period (%)
Entity 1	**12,894,637.60**	50.90
Entity 2	**3,716,753.51**	14.67
Entity 3	**1,290,000.00**	5.09
Entity 4	**1,104,702.31**	4.36
Entity 5	**1,035,912.50**	4.09
Total	**20,042,005.92**	79.11

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

7. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry or not

No

(1) Classification of inventories

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	Book balance	Provision for impairment of inventories or contract performance costs	Book value	Book balance	Provision for impairment of inventories or contract performance costs	Book value
Raw materials	**128,018,796.52**	**8,455,922.57**	**119,562,873.95**	226,429,757.49	10,046,033.31	216,383,724.18
Work-in-progress	**174,258,128.66**	**4,120,896.02**	**170,137,232.64**	75,157,522.88	3,812,570.20	71,344,952.68
Goods-in-stock	**121,636,714.78**	**13,659,630.39**	**107,977,084.39**	177,842,859.11	11,018,403.03	166,824,456.08
Entrusted processed materials	**57,130.47**	**1,095.50**	**56,034.97**	329,174.30	–	329,174.30
Total	**423,970,770.43**	**26,237,544.48**	**397,733,225.95**	479,759,313.78	24,877,006.54	454,882,307.24

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

Unit: RMB

Item	Balance at the beginning of the period	Amount of increase in the current period		Amounts of decrease in the current period		Balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	10,046,033.31	5,124,434.02	–	2,757,586.59	3,956,958.17	8,455,922.57
Work-in-progress	3,812,570.20	3,385,088.47	–	3,076,762.65		4,120,896.02
Goods-in-stock	11,018,403.03	9,143,488.34	–	6,502,018.11	242.87	13,659,630.39
Entrusted processed materials	–	1,095.50	–	–	–	1,095.50
Total	24,877,006.54	17,654,106.33	–	12,336,367.35	3,957,201.04	26,237,544.48

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

7. Inventories *(continued)*

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

RMB955,858.25 was recorded as the reversal amount of provision for inventory impairment of the Group during the period due to price changes, and RMB11,380,509.10 was recorded as the write-off amount due to receipt or sales.

Provision for inventory impairment on a collective basis

Item	Basis for determining net realizable value/remaining consideration and estimated costs	Reason for reversal or write-off of provision for inventory impairment/ contract performance cost impairment in the current year
Raw materials	Estimated selling prices less estimated costs to completion, estimated selling expenses and related taxes	Reversal: the effects of previous write-downs disappeared, and the write-downs were reversed in the current period.
Work-in-progress and semi-finished products		Write-off: raw materials were used or sold in the current period.
Entrusted processed materials		Reversal: the effects of previous write-downs disappeared, and the write-downs were reversed in the current period.
Goods-in-stock	Estimated selling prices less estimated selling expenses and related taxes	Write-off: products were sold in the current period.

(3) Balance of inventories including the amount of capitalised borrowing expenses at the end of the period

Nil

(4) Amortization amount of contract performance cost in the current period

Nil

8. Other current assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Input tax to be deducted	**368,914.64**	75,787.20
Prepayment of other taxes	—	460,300.40
Interests receivable for acceptance margins	—	322,830.89
Total	**368,914.64**	858,918.49

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

9. Other equity instrument investments

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period	Gains included in other comprehensive income in the current period	Losses included in other comprehensive income in the current period	Accumulated gains included in other comprehensive income at the end of the period	Accumulated losses included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Reason for being designated as at fair value through other comprehensive income
Weihai Baolong	3,316,677.33	–	14,503.12	–	–	–	–	–
Total	3,316,677.33	–	14,503.12	–	–	–	–	–

10. Long-term equity investments

Unit: RMB

			Changes in the current period									
Investee	Balance at the beginning of the period (Book value)	Balance of provision for impairment at the beginning of the period	Added investment	Reduced investment	Investment gains and losses recognized under the equity method	Adjustments to other comprehensive income	Other equity changes	Cash dividend or profit declaring to be paid	Provision for impairment	Others	Balance at the end of the period (Book value)	Balance of provision for impairment at the end of the period
1. Joint venture												
2. Associate												
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)	1,754,772.59	–	–	–	(88,315.25)	–	–	–	–	–	1,666,457.34	–
Sub-total	1,754,772.59	–	–	–	(88,315.25)	–	–	–	–	–	1,666,457.34	–
Total	1,754,772.59	–	–	–	(88,315.25)	–	–	–	–	–	1,666,457.34	–

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

10. Long-term equity investments *(continued)*

The recoverable amount is determined based on fair value less the disposal expenses

☐ Applicable ✓ Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

☐ Applicable ✓ Not applicable

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

Other descriptions:

Nil

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

11. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Houses and buildings	Land use rights	Construction-in-progress	Total
1. Original book value				
1. Balance at the beginning of the period	52,818,280.50	—	—	52,818,280.50
2. Increased amount in this period	—	—	—	—
(1) Outsourcing	—	—	—	—
(2) Transfer to inventories\fixed assets\ construction-in-progress	—	—	—	—
(3) Increase from business combination	—	—	—	—
3. Decreased amount in this period	52,818,280.50			52,818,280.50
(1) Disposal	—	—	—	—
(2) Other transfer-out	52,818,280.50	—	—	52,818,280.50
4. Balance at the end of the period	0.00	—	—	0.00
2. Accumulative depreciation and amortization				
1. Balance at the beginning of the period	30,957,206.39	—	—	30,957,206.39
2. Increased amount in this period	207,036.99	—	—	207,036.99
(1) Provision or amortization	207,036.99	—	—	207,036.99
3. Decreased amount in this period	31,164,243.38	—	—	31,164,243.38
(1) Disposal	—	—	—	—
(2) Other transfer-out	31,164,243.38	—	—	31,164,243.38
4. Balance at the end of the period	0.00	—	—	0.00
3. Provision for impairment				
1. Balance at the beginning of the period	4,986,478.28			4,986,478.28
2. Increased amount in this period	—	—	—	—
(1) Provision	—	—	—	—
3. Decreased amount in this period	4,986,478.28			4,986,478.28
(1) Disposal	—	—	—	—
(2) Other transfer-out	4,986,478.28	—	—	4,986,478.28
4. Balance at the end of the period	0.00	—	—	0.00
4. Book value				
1. Book value at the end of the period	0.00	—	—	—
2. Book value at the beginning of the period	16,874,595.83	—	—	16,874,595.83

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

11. Investment properties *(continued)*

(1) Investment properties measured at cost *(continued)*

The recoverable amount is determined based on fair value less the disposal expenses

☐ Applicable ✓ Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

☐ Applicable ✓ Not applicable

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Nil

Other descriptions:

Nil

(2) Investment properties measured at fair value

☐ Applicable ✓ Not applicable

12. Fixed assets

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Fixed assets	**327,402,077.12**	1,577,594,066.22
Disposal of fixed assets	—	—
Total	**327,402,077.12**	1,577,594,066.22

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

12. Fixed assets *(continued)*

(1) Details of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery	Vehicles	Electronics and others	Total
1. Original book value:					
1. Balance at the beginning of the period	901,828,852.78	3,275,367,939.35	13,042,421.29	115,444,749.15	4,305,683,962.57
2. Increased amount in this period					

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

12 Fixed assets *(continued)*

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remark
Houses and buildings	559,110.97	389,513.52	169,597.45	0.00	—
Machinery	36,483,935.19	23,859,364.03	12,624,571.16	0.00	—
Other equipment	17,000.00	16,150.00	850.00	0.00	—
Total	37,060,046.16	24,265,027.55	12,795,018.61	0.00	—

(3) Fixed assets with incomplete property ownership certificate

There were no fixed assets with incomplete property ownership certificate in the current period.

(4) Impairment test of fixed assets

✓ Applicable ☐ Not applicable

The recoverable amount is determined based on fair value less the disposal expenses.

☐ Applicable ✓ Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

✓ Applicable ☐ Not applicable

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

12. Fixed assets *(continued)*

(4) Impairment test of fixed assets *(continued)*

Unit: RMB

Item	Carrying amount	Recoverable amount	Impairment amount	The years for the forecast period	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
180 tubing production line	294,809,783.93	269,824,749.91	24,985,034.02	6	Revenue growth rate, discount rate, etc.	N/A	N/A
Total	294,809,783.93	269,824,749.91	24,985,034.02	–	–	–	–

13. Construction-in-progress

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction-in-progress	—	2,192,776.49
Total	—	2,192,776.49

(1) Details of construction-in-progress

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sporadic projects	—	—	—	2,192,776.49	—	2,192,776.49
Total	—	—	—	2,192,776.49	—	2,192,776.49

(2) Impairment test of construction-in-progress

☐ Applicable ✓ Not applicable

Notes to the Financial Statements

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

15. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patent	Unpatented technology	Software	Total
1. Original book value					
1. Balance at the beginning of the period	446,183,759.48	2,886,248.19	411,438,307.29	770,036.72	861,278,351.68
2. Increased amount in this period	–	–	–	36,415.09	36,415.09
(1) Purchase	–	–	–	36,415.09	36,415.09
(2) Internal research and development	–	–	–	–	–
(3) Increase from business combination	–	–	–	–	–
3. Decreased amount in this period	258,002,637.28	162,042.72	10,444,067.04		268,608,747.04
(1) Disposal	–	162,042.72	–	–	162,042.72
(2) Other decreases	258,002,637.28	–	10,444,067.04	–	268,446,704.32
4. Balance at the end of the period	188,181,122.20	2,724,205.47	400,994,240.25	806,451.81	592,706,019.73
2. Accumulative amortization					
1. Balance at the beginning of the period	108,519,171.45	2,886,248.19	373,261,071.96	770,036.72	485,436,528.32
2. Increased amount in this period	6,952,989.49	–	2,206,512.25	4,046.12	9,163,547.86
(1) Provision	6,952,989.49	–	2,206,512.25	4,046.12	9,163,547.86
3. Decreased amount in this period	69,129,944.90	162,042.72	10,444,067.04	–	79,736,054.66
(1) Disposal	–	162,042.72	–	–	162,042.72
(2) Other decreases	69,129,944.90	–	10,444,067.04	–	79,574,011.94
4. Balance at the end of the period	46,342,216.04	2,724,205.47	365,023,517.17	774,082.84	414,864,021.52
3. Provision for impairment					
1. Balance at the beginning of the period	–	–	33,968,375.45	–	33,968,375.45
2. Increased amount in this period	20,840,172.65	–	–	–	20,840,172.65
(1) Provision	20,840,172.65	–	–	–	20,840,172.65
3. Decreased amount in this period	20,840,172.65	–	–	–	20,840,172.65
(1) Disposal	–	–	–	–	–
(2) Other decreases	20,840,172.65	–	–	–	20,840,172.65
4. Balance at the end of the period	–	–	33,968,375.45	–	33,968,375.45
4. Book value					
1. Book value at the end of the period	141,838,906.16	–	2,002,347.63	32,368.97	143,873,622.76
2. Book value at the beginning of the period	337,664,588.03	–	4,208,859.88	–	341,873,447.91

At the end of the period, the intangible assets arising from the Company's internal research and development accounted for 1.39% of the balance of intangible assets.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

15. Intangible assets *(continued)*

(2) Data resources recognized as intangible assets

☐ Applicable ✓ Not applicable

(3) 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

	Balance at the end of the period		Balance at the beginning of the period	
Item	**Deductible temporary differences**	**Deferred income tax assets**	Deductible temporary differences	Deferred income tax assets
Unrealised profits from internal transactions	—	—	6,514,431.68	1,628,607.92
Lease liabilities	**8,256,248.21**	**1,238,437.23**	—	—
Total	**8,256,248.21**	**1,238,437.23**	6,514,431.68	1,628,607.92

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

16. Deferred income tax assets/deferred income tax liabilities *(continued)*

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	**Balance at the end of the period**		Balance at the beginning of the period	
	Taxable temporary differences	**Deferred income tax liabilities**	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	**8,256,248.21**	**1,238,437.23**	21,377,297.83	3,206,594.67
Fair value adjustments	—	—	—	—
Including: long-term equity investments	—	—	15,237.52	3,809.38
intangible assets	—	—	20,402,668.88	5,100,667.22
Changes in fair value of other debt investments included in other comprehensive income	**19,337.50**	**4,834.38**	—	—
Total	**8,275,585.71**	**1,243,271.61**	41,795,204.23	8,311,071.27

(3) Deferred tax assets or liabilities presented as net amount after offsetting

Unit: RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offsetting	Deferred income tax assets and liabilities offset at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	1,238,437.23	—	—	1,628,607.92
Deferred income tax liabilities	1,238,437.23	4,834.38	—	8,311,071.27

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

16. Deferred income tax assets/deferred income tax liabilities *(continued)*

(4) Unrecognized deferred income tax assets details

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Deductible temporary differences	**278,336,529.61**	536,831,168.45
Deductible loss	**1,138,471,625.15**	1,875,347,422.34
Total	**1,416,808,154.76**	2,412,178,590.79

(5) The deductible loss of unrecognized deferred income tax assets will expire in the following years

Unit: RMB

Year	**Opening balance**	Closing balance	Remark
2024	—	218,933,559.95	—
2025	—	159,461,841.56	—
2026	**137,067,736.20**	305,316,162.29	—
2027	**2,231,156.38**	278,354,830.16	—
2028	**7,359,760.16**	147,225,737.94	—
2029	**81,308,983.78**	73,995,869.67	—
2030	—	—	—
2031	**273,110,646.67**	273,110,646.67	—
2032	**198,456,087.55**	198,456,087.55	—
2033	**210,481,054.24**	220,492,686.55	—
2034	**228,456,200.17**	—	—
Total	**1,138,471,625.15**	1,875,347,422.34	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

17. Other non-current assets

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Advances on construction	—	—	—	604,674.00	—	604,674.00
Prepayments for business facilities	**259,900.00**	—	**259,900.00**	773,829.95	—	773,829.95
Total	**259,900.00**	—	**259,900.00**	1,378,503.95	—	1,378,503.95

18. Assets with ownership or right-to-use restrictions

Unit: RMB

	At the end of the period				At the beginning of the period			
Item	**Book balance**	**Book value**	**Type(s) of restriction**	**Status of restriction**	Book balance	Book value	Type(s) of restriction	Status of restriction
Monetary funds	**70,000,000.00**	**70,000,000.00**	**Security deposits for bills**	**Pledge**	80,290,000.00	80,290,000.00	Security deposits for bills	Pledge
Bills receivable	**10,000,000.00**	**10,000,000.00**	**Pledged bills/ factoring financing**	**Pledge**	1,248,205.76	1,235,723.70	Pledged bills/ factoring financing	Pledge
Inventories	—	—	—	—	9,267,029.80	9,267,029.80	Seizure for litigation	Seizure
Fixed assets	**350,036,111.78**	**108,445,903.44**	**Charge for financing/ seizure for litigation**	**Charge/seizure**	617,823,204.78	479,774,388.55	Charge for financing/ seizure for litigation	Charge/seizure
Intangible assets	**152,143,022.12**	**115,854,528.20**	**Charge for financing/ seizure for litigation**	**Charged/seizure**	279,733,929.79	279,733,929.79	Charge for financing/ seizure for litigation	Charge/seizure
Monetary funds	**1,460,768.33**	**1,460,768.33**	**Frozen for litigation**	**Frozen**	7,232,104.32	7,232,104.32	Frozen for litigation	Frozen
Accounts receivable	**16,910,160.84**	**16,741,059.23**	**Factoring financing**	**Pledge**	22,689,402.72	22,462,508.69	Factoring financing	Pledge
Total	**600,550,063.07**	**322,502,259.20**	—	—	1,018,283,877.17	879,995,684.85	–	–

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

19. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Pledged borrowings	**25,460,572.85**	14,472,528.47
Charge for borrowings	**289,433,913.33**	265,923,472.50
Guaranteed borrowings	**879,356,404.64**	994,002,126.02
Credit borrowings	**77,952,333.55**	153,800,000.00
Bills discounted	**153,562,689.02**	204,912,980.95
Total	**1,425,765,913.39**	1,633,111,107.94

(2) Details of overdue unpaid short-term borrowings

There were no overdue unpaid short-term borrowings as at the end of the period.

20. Bills payable

Unit: RMB

Type	**Balance at the end of the period**	Balance at the beginning of the period
Bank acceptance bills	**7,128.75**	—
Total	**7,128.75**	—

There were no overdue unpaid bills payable as at the end of the period.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

21. Accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Payments due to suppliers	**294,207,878.68**	509,647,241.72
Total	**294,207,878.68**	509,647,241.72

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

As at 31 December 2024, the Company did not have any significant accounts payable aged over 1 year.

22. Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other payables	**40,123,921.92**	34,143,155.71
Total	**40,123,921.92**	34,143,155.71

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

22. Other payables *(continued)*

(1) Other payables

1) Presentation of other payables by nature of payment

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Rentals	**18,894,197.90**	10,469,368.62
Accrued energy charges	**16,233,006.95**	11,505,601.48
Deposits and security deposits	**4,716,630.48**	11,711,486.48
Others	**280,086.59**	456,699.13
Total	**40,123,921.92**	34,143,155.71

2) Significant other payables aged over 1 year or overdue

Unit: RMB

Item	**Balance at the end of the period**	Reason for being unpaid or carried over
Rental costs	**8,766,183.52**	Unsettled
Total	**8,766,183.52**	—

Rental costs were paid in full by the Company in March 2025.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

23. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Advances on sales	**35,099,585.13**	54,732,615.40
Total	**35,099,585.13**	54,732,615.40

24. Salaries payable

(1) Presentation of salaries payable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
I. Short-term salaries	66,876,621.63	115,276,181.45	131,902,963.45	50,249,839.63
II. Post-employment benefits – defined contribution plans	8,822,456.39	14,951,966.99	16,620,238.08	7,154,185.30
Total	75,699,078.02	130,228,148.44	148,523,201.53	57,404,024.93

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

24. Salaries payable *(continued)*

(2) Presentation of short-term salaries

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Wages, bonuses, allowances and subsidies	41,175,589.08	100,164,584.34	111,085,043.11	30,255,130.31
2. Employee benefit costs	—	1,138,998.05	1,138,998.05	—
3. Social insurance premiums	531,630.54	8,349,807.66	8,447,536.38	433,901.82
Including: medical insurance premiums	—	7,498,189.20	7,498,189.20	—
work injury insurance	531,630.54	851,618.46	949,347.18	433,901.82
4. Housing provident funds	1,042,047.20	2,187,216.36	1,588,825.34	1,640,438.22
5. Labor union expenditures and employee education funds	24,127,354.81	3,435,575.04	9,642,560.57	17,920,369.28
Total	66,876,621.63	115,276,181.45	131,902,963.45	50,249,839.63

(3) Presentation of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Basic pension insurance	8,451,786.22	14,304,480.42	15,922,714.42	6,833,552.22
2. Unemployment insurance expense	370,670.17	647,486.57	697,523.66	320,633.08
Total	8,822,456.39	14,951,966.99	16,620,238.08	7,154,185.30

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

24. Salaries payable *(continued)*

(3) Presentation of defined contribution plans *(continued)*

Other descriptions:

The Group is required to participate in social insurance schemes established by government agencies. Under the schemes, the Group pays contributions to the schemes in accordance with the relevant regulations of the local government. Except for the above contributions, the Group has no further payment obligations, and the Company does not have the right to dispose of the above funds after the relevant fees have been paid up. The corresponding expenses are charged to profit or loss or the cost of the related assets as incurred.

The Group's salaries payable at the end of the year included unpaid wages, bonuses and subsidies of RMB30,255,130.31. As at the date of disclosure of this report, the remaining amount of RMB12,794,076.31 had not been paid and is expected to be paid during the first half of 2025. Social insurance premiums of RMB433,901.82 and housing provident funds of RMB1,640,438.22 as included in the Group's salaries payable at the end of the year are expected to be paid during the first half of 2025.

For each of the two financial years ended 31 December 2023 and 2024, no forfeited contributions under the Company's defined contribution plans (made by the employer on behalf of its employees who leave the plan prior to the full vesting of such contributions), were available to the Group to reduce its current level of contributions.

25. Tax payable

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Value-added tax	**7,920,879.40**	9,431,770.17
Enterprise income tax	**5,269,622.45**	7,020,041.50
Individual income tax	**107,385.57**	30,150.22
Urban maintenance and construction tax	**580,538.47**	715,137.64
Property tax	**367,762.57**	934,499.40
Land use tax	**230,150.20**	639,164.00
Education surcharge	**414,649.70**	510,812.61
Stamp duty	**189,587.69**	277,057.98
Others	**26,422.90**	36,686.42
Total	**15,106,998.95**	19,595,319.94

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

26. Non-current liabilities due within one year

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Long-term borrowings due within one year	**1,855,663.87**	—
Long-term payables due within one year	**20,008,514.71**	46,323,324.06
Lease liabilities due within one year	**8,177,903.10**	6,474,054.34.Td(8. w .06)Tj74r(.T

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

28. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Guaranteed borrowings	**2,009,473.25**	—
Less: long-term borrowings due within one year	**(1,855,663.87)**	—
Total	**153,809.38**	—

The maturity of long-term borrowings is analyzed as follows:

Unit: RMB

Item	**Amount at the end of the year**	Amount at the beginning of the year
Guaranteed borrowings	**2,009,473.25**	—
Pledged borrowings	—	—
Total	**2,009,473.25**	—
Book value of above borrowings shall be repaid during the following period:		
Within one year	**1,855,663.87**	—
More than one year after the balance sheet date, but less than two years	**153,809.38**	—
Less: amounts due within one year under current liabilities	**1,855,663.87**	—
Amounts under non-current liabilities	**153,809.38**	—

Note: The interest rate range for long-term borrowings in 2024 was 8.28% to 9.18%.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

29. Lease liabilities

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Lease payments	**8,899,109.73**	24,542,896.86
Less: unrecognized financing costs	**(542,460.05)**	(3,453,074.73)
Less: lease liabilities due within one year	**(8,177,903.10)**	(6,474,054.34)
Total	**178,746.58**	14,615,767.79

Maturity analysis of lease liabilities

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Lease liabilities	**8,356,649.68**	21,089,822.13
Book value of the above lease liabilities shall be repaid during the following period:		
Within one year	**8,177,903.10**	6,474,054.34
More than one year but less than two years after the balance sheet date	**178,746.58**	7,014,880.94
More than two years but less than five years after the balance sheet date	—	7,600,886.85
More than five years after the balance sheet date	—	—
Less: lease liabilities amounts due within one year under current liabilities	**8,177,903.10**	6,474,054.34
Lease liabilities amounts under non-current liabilities	**178,746.58**	14,615,767.79

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

30. Long-term payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term payables	—	19,854,583.39
Total	—	19,854,583.39

(1) Presentation of long-term payables by nature of payment

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Sale and leaseback financing	**20,008,514.71**	66,177,907.45
Less: long-term payables due within one year	**(20,008,514.71)**	(46,323,324.06)
Total	**0.00**	19,854,583.39

31. Estimated liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period	Reason(s) for occurrence
Pending litigations	4,960,656.25	—	Detailed in XVI.2 Contingencies of this section
Others	—	80,929,994.11	—
Total	4,960,656.25	80,929,994.11	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

32. Deferred revenue

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason(s) for occurrence
Government grants	6,547,003.82	—	461,505.72	6,085,498.10	Asset-related government grants
Total	6,547,003.82	—	461,505.72	6,085,498.10	—

Government-funded projects

Type	Balance at the beginning of the period	Amount of new grants during the period	Amount carried over to profit or loss for the period	Other changes	Balance at the end of the period	Asset-related/ income-related
Grants for the construction of infrastructure	6,259,369.48	—	173,871.38	—	6,085,498.10	Asset-related
Grants for the construction of underground air-raid shelters	287,634.34	—	—	(287,634.34)	0.00	Asset-related
Sub-total	6,547,003.82	—	173,871.38	(287,634.34)	6,085,498.10	—

Note 1: According to the "Notice on the Appropriation of Infrastructure Supporting Subsidies for Shouguang Molong Logistic Company Limited" (Shang Zheng Fa [2016] No.3) issued by the People's Government of Shangkou Township, the Group received infrastructure supporting subsidies of RMB6,954,855.00 on 24 February 2016, and recognized such government grants as asset-related government grants. RMB173,871.38 was included in the profit or loss for the year based on the depreciation of the related assets.

Note 2: According to the "Request for the Return of Preferential Policies for the Phase II Project of Weihai Baolong Special Petroleum Materials Co., Ltd." (Gao Zheng Qing Zi [2018] No. 42) issued by the People's Government of Gaocun Township, Weihai Baolong received subsidies of RMB719,085.90 for the construction of underground air-raid shelters on 25 February 2019, and recognized the such government grants as an asset-related government grants. After its equity transfer in January 2024, Weihai Baolong was no longer included in the consolidation.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

35. Other comprehensive income

Unit: RMB

Item	Current amount							
	Balance at the beginning of the period	Current amount before income tax	Less: Pre-booked other comprehensive income transferred to profit or loss	Less: Pre-booked other comprehensive income transferred to retained income	Less: Income tax expenses	Equity attributable to owners of the parent company after tax	Equity attributable to minority shareholders after tax	Balance at the end of the period
I. Other comprehensive income that cannot be reclassified to profit or loss	–	–	–	–	–	14,503.12	–	14,503.12
Changes in fair value of investments in other equity instruments	–	–	–	–	–	14,503.12	–	14,503.12
II. Other comprehensive income that will be reclassified to profit or loss	(3,301,679.88)	–	–	–	–	(244,109.90)	–	(3,545,789.78)
Exchange differences on translation of foreign financial statements	(3,301,679.88)	–	–	–	–	(244,109.90)	–	(3,545,789.78)
Total other comprehensive income	(3,301,679.88)	–	–	–	–	(229,606.78)	–	(3,531,286.66)

36. Special reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Production safety expenses	—	7,063,751.59	7,063,751.59	—
Total	—	7,063,751.59	7,063,751.59	—

Other explanations, including current increase/decrease and reasons for changes:

The Company provided for production safety expenses in accordance with the "Administrative Measures for the Provision and Utilization of Production Safety Expenses by Enterprises" (Cai Zi [2022] No. 136) issued by the

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

37. Surplus reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Statutory surplus reserve	187,753,923.88	—	—	187,753,923.88
Total	187,753,923.88	—	—	187,753,923.88

38. Undistributed profits

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Undistributed profits at the end of the previous period before adjustments	**(1,425,879,061.33)**	(859,017,550.51)
Undistributed profits at the beginning of the period after adjustments	**(1,425,879,061.33)**	(859,017,550.51)
Add: Net profit attributable to owners of the parent company for the period	**(43,699,833.39)**	(566,861,510.82)
Undistributed profits at the end of the period	**(1,469,578,894.72)**	(1,425,879,061.33)

Breakdown of adjustments to undistributed profits as at the beginning of the period:

1) The effect of the retrospective adjustments according to ASBE and their new related requirements on the undistributed profits as at the beginning of the period amounted to RMB0.00.

2) The effect of the changes in accounting policies on the undistributed profits as at the beginning of the period amounted to RMB0.00.

3) The effect of corrections of significant accounting errors on the undistributed profits as at the beginning of the period amounted to RMB0.00.

4) The effect of the change of the scope of combination under common control on the undistributed profits as at the beginning of the period amounted to RMB0.00.

5) The combined effect of other adjustments on the undistributed profits as at the beginning of the period amounted to RMB0.00.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

39. Operating revenue and operating costs

Unit: RMB

	Amount for the current period		Amount for the previous period	
Item	**Revenue**	**Costs**	Revenue	Costs
Principal operations	**1,280,852,992.04**	**1,215,582,987.23**	1,234,688,804.78	1,153,393,393.40
Other operations	**75,493,677.99**	**85,999,853.65**	82,806,977.42	62,326,301.15
Total	**1,356,346,670.03**	**1,301,582,840.88**	1,317,495,782.20	1,215,719,694.55

Whether the lower of the audited net profit before or after deducting extraordinary gains or losses is a negative number

✓ Yes ☐ No

Unit: RMB

Item	This year	Specific deduction	Last year	Specific deduction
Amount of operating revenue	**1,356,346,670.03**	Mainly comprised of income from sales of products	1,317,495,782.20	Mainly comprised of income from sales of products
Total amount of deductions from operating revenue	**88,839,959.11**	Mainly comprised of income from sales of scrap	124,331,753.27	Mainly comprised of income from sales of scrap
Proportion of total amounts of deductions from operating revenue in operating revenue	**6.55%**		9.44%	
I. Operating revenue not related to principal operations				
1. Operating revenue from operations other than normal operations, such as revenue realized from leasing fixed assets, intangible assets, packaging materials, sales of materials, exchanges for non-monetary assets with materials, engaging in entrusted management business, and revenue included in revenue from principal operations but generated from operations other than normal operations of the Company.	**75,493,677.99**	Income from sales of scrap not related to principal operations	82,806,977.42	Income from sales of scrap not related to principal operations
2. Income generated from the new trading operations in the current and prior fiscal years.	**13,346,281.12**	Trading income	41,524,775.85	Trading income
Subtotal of revenue from operations not related to principal operations	**88,839,959.11**	Income from sales of scrap	124,331,753.27	Income from sales of scrap
II. Income without commercial substance				
Subtotal of income without commercial substance	**0.00**	Nil	0.00	Nil
Revenue after deductions	**1,267,506,710.92**	Mainly comprised of income from sales of products	1,193,164,028.93	Mainly comprised of income from sales of products

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

39. Operating revenue and operating costs *(continued)*

Breakdown information of operating revenue and operating costs:

Unit: RMB

	Segment 1		Total	
Contract category	operating revenue	operating costs	operating revenue	operating costs
By type of operation				
Including:				
Pipe products	1,230,613,168.65	1,168,378,473.57	1,230,613,168.65	1,168,378,473.57
Three kinds of pumping units	34,145,876.14	29,053,836.42	34,145,876.14	29,053,836.42
Petroleum machinery parts	1,867,935.18	1,484,065.04	1,867,935.18	1,484,065.04
Castings and forgings	7,141,888.99	7,637,017.04	7,141,888.99	7,637,017.04
Others	82,577,801.07	95,029,448.81	82,577,801.07	95,029,448.81
Classified by operating area	—	—	—	—
Including:				
At home	946,365,785.91	940,963,597.90	946,365,785.91	940,963,597.90
At abroad	409,980,884.12	360,619,242.98	409,980,884.12	360,619,242.98
Classified by the time of transfer of goods	—	—	—	—
Including:				
Goods transferred at a point in time	1,356,346,670.03	1,301,582,840.88	1,356,346,670.03	1,301,582,840.88
Classified by contract term				
Including:				
Short-term contracts	1,356,346,670.03	1,301,582,840.88	1,356,346,670.03	1,301,582,840.88
Classified by sales channel	—	—	—	—
Including:				
Direct sales	1,356,346,670.03	1,301,582,840.88	1,356,346,670.03	1,301,582,840.88
Total	—	—	—	—

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

39. Operating revenue and operating costs *(continued)*

Information related to performance obligation:

Item	Time of fulfilling performance obligation	Material payment terms	Nature of goods the Company undertook to transfer	Whether as a principal	Payment expected to be returned to customers borne by the Company	Type of quality assurance provided by the Company and relevant obligations
Export sales	Goods loading and departure from port	As for exports, cash collection is preferred. For most oil casing customers, prepayment will be made and the balance payment shall be settled before delivery or seeing the copy of bill of lading. Credit period of petroleum machinery parts generally lasts for two months.	Goods	Yes	No	Product quality assurance
Domestic sales	A customer settles accounts with the Company after it receives the goods and signs for them, and the Company obtains the customer's receipt/the customer receives oil casing that sold on consignment.	For ordinary customers in China, the Company puts collection first before delivery; and oil casing customers in China will be collected within 3-6 months after billing and settlement.	Goods	Yes	No	Product quality assurance

Information related to transaction price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of report period are RMB0.823 billion. The amount is expected to be recognized as incomes in 2025.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

40. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	**2,761,907.77**	3,811,744.37
Education surcharge	**2,008,591.04**	3,472,229.45
Property tax	**1,659,963.75**	3,737,997.60
Land use tax	**1,133,655.47**	3,477,256.80
Stamp duty	**1,189,253.50**	941,017.14
Others	**246,290.99**	418,587.62
Total	**8,999,662.52**	15,858,832.98

41. Administrative costs

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Depreciation costs	**71,086,594.39**	125,145,070.41
Salaries	**27,252,673.13**	60,457,016.73
Amortization of intangible assets	**6,957,035.61**	10,502,945.86
Utility bills	**2,205,361.78**	6,877,142.32
Expenses of the board of directors	**2,151,100.13**	2,602,965.58
Commissions	**1,812,595.30**	4,720,546.37
Business entertainment expenses	**1,233,257.18**	2,208,481.55
Machinery material consumables	**709,459.31**	1,204,735.06
Repair charges	**614,333.81**	2,009,647.61
Premiums for property insurance	**539,795.43**	1,106,385.38
Office expenses	**327,418.91**	557,742.40
Environment-related costs	**296,371.52**	432,217.07
Transportation costs	**279,294.47**	409,966.42
Others	**3,487,590.40**	9,904,530.39
Total	**118,952,881.37**	228,139,393.15

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

42. Selling expenses

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period
Salaries	**8,821,328.74**	11,109,835.06
Commissions	**1,202,263.45**	2,135,191.14
Business entertainment expenses	**1,176,362.76**	1,952,719.52
Travel expenses	**895,777.91**	837,892.87
Depreciation costs	**153,769.51**	205,911.47
Transportation expenses	**18,138.75**	95,918.75
Office expenses	**288,897.27**	351,815.65
Others	**4,285,822.58**	1,968,701.91

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

44. Financial costs

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expense	**102,961,159.42**	118,712,577.92
Less: interest income	**(1,055,114.19)**	(4,550,168.10)
Exchange gain or loss	**(7,174,471.47)**	(575,180.61)
Handling fees and others	**1,882,541.69**	547,089.75
Total	**96,614,115.45**	114,134,318.96

45. Other income

Unit: RMB

Source of other income	Amount for the current period	Amount for the previous period
Additional deduction of VAT	**9,582,861.97**	—
Income-related government grants	**272,460.64**	135,761.63
Asset-related government grants	**173,871.38**	209,825.68
Refund of handling fees for individual income tax	**33,789.37**	34,823.59
Total	**10,062,983.36**	380,410.90

46. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for using the equity method	**32,925.85**	(102,690.47)
Investment income from disposal of long-term equity investments	**260,109,998.72**	—
Gain on remeasurement of remaining equity interest at fair value after loss of control	**767,204.43**	—
Investment income from disposal of financial instruments	**(292,668.83)**	—
Total	**260,617,460.17**	(102,690.47)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

47. Loss on credit impairment

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period
Bad debt losses on notes receivable	**541,494.90**	944,867.23
Bad debt losses on accounts receivable	**2,955,091.72**	2,193,242.93
Bad debt losses on other receivables	**(4,980,810.12)**	103,282.79
Estimated loss on claims of subsidiaries with excess losses	—	(12,958,782.06)
Total	**(1,484,223.50)**	(9,717,389.11)

48. Loss on impairment of assets

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period
Loss on impairment of inventories and loss on impairment of contract performance costs	**(21,035,114.57)**	(13,566,613.73)
Loss on impairment of fixed assets	**(65,114,328.22)**	(217,621,842.83)
Loss on impairment of intangible assets	**(20,840,172.65)**	—
Total	**(106,989,615.44)**	(231,188,456.56)

49. Income from disposal of assets

Unit: RMB

Source of income from disposal of assets	**Amount for the current period**	Amount for the previous period
Gain on disposal of fixed assets	**885,975.54**	1,941,021.83
Other gains on disposal	**4,579,402.50**	—
Total	**5,465,378.04**	1,941,021.83

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

50. Non-operating income

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Waived payments	4,605,254.79	2,962,500.49	4,605,254.79
Gain on retirement of non-current assets	0.02	20,007.88	—
Others	1,989,199.53	661,656.71	1,989,199.55
Total	6,594,454.34	3,644,165.08	6,594,454.34

51. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
External donation	—	230,000.00	—
Estimated liabilities	4,960,656.25	—	4,960,656.25
Loss on damage and retirement of non-current assets	189,248.20	1,351,073.34	189,248.20
Others	755,043.97	2,962,289.66	755,043.97
Total	5,904,948.42	4,543,363.00	5,904,948.42

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

52. Income tax expenses

(1) Table of income tax expenses

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period
Current income tax expenses	**85,089.98**	929,067.61
Deferred income tax expenses	**(3,041,621.37)**	27,524,430.20
Total	**(2,956,531.39)**	28,453,497.81

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	**Amount for the current period**
Total profit	(47,593,149.55)
Income tax expenses calculated at statutory/applicable tax rates	(7,138,972.43)
Effect of different tax rates applicable to subsidiaries	(8,912,796.23)
Effect of non-deductible costs, expenses and losses	696,108.99
Profit or loss of joint ventures and associates accounted for using the equity method	(193,447.40)
Investment income from disposal of subsidiaries at the consolidated level	(40,440,824.60)
Tax effect of research and development fee deduction	(5,924,496.90)
Tax effect of utilization of unrecognized deductible losses and deductible temporary differences in the previous year	(24,737.43)
Tax effect of unrecognized deductible losses and deductible temporary differences	58,982,634.61
Income tax expenses	(2,956,531.39)

53. Other comprehensive income

Please refer to Note VII. 36 Other comprehensive income for details.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

54. Items in cash flow statement

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Government grants	**272,460.64**	170,585.22
Interest income	**1,101,205.70**	7,223,135.69
Decrease in security deposits	**5,874,380.36**	—
Others	**8,973,246.51**	11,272,759.91
Total	**16,221,293.21**	18,666,480.82

Other cash paid relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenditure for the development of new products	**14,685,246.74**	12,759,182.32
Consumables	**140,085.95**	764,303.84
Commissions	**9,029,721.32**	6,855,737.51
Travel expenses	**1,460,390.02**	1,121,245.70
Repair charges	**1,112,206.23**	3,820,234.11
Utility bills	**1,036,320.88**	8,865,769.81
Business entertainment expenses	**1,962,540.63**	4,161,201.07
Handling fees charged by financial institutions	**1,063,944.35**	547,089.75
Others	**7,086,376.49**	33,987,206.00
Total	**37,576,832.61**	72,881,970.11

Notes to the Financial Statements

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

54. Items in cash flow statement *(continued)*

(2) Cash relating to financing activities *(continued)*

Changes in liabilities arising from financing activities

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	1,633,111,107.94	2,977,963,191.28	93,859,546.76	3,230,065,374.11	49,102,558.48	1,425,765,913.39
Long-term payables (inclusive of long-term payables due within one year)	66,177,907.45	–	554,886.08	46,724,278.82	–	20,008,514.71
Lease liabilities	21,089,822.13	–	–	–	12,733,172.45	8,356,649.68
Other payables (lease liabilities due)	10,469,368.62	–	8,424,829.28	–	–	18,894,197.90
Long-term borrowings	–	3,480,000.00	243,827.50	1,714,354.25	–	2,009,473.25
Total	1,730,848,206.14	2,981,443,191.28	103,083,089.62	3,278,504,007.18	61,835,730.93	1,475,034,748.93

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

55. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	**(44,636,618.16)**	(578,534,451.16)
Add: Provision for impairment of assets	**108,473,838.94**	240,905,845.67
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	**132,008,314.37**	194,478,460.67
Depreciation of right-of-use assets	**7,917,355.43**	7,305,555.66
Amortization of intangible assets	**9,163,547.86**	15,404,594.66
Amortization of long-term prepaid expenses	—	—
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	**(5,465,378.04)**	(1,941,021.83)
Loss on retirement of fixed assets ("-" denotes gain)	**189,248.18**	1,331,065.46
Loss on changes in fair value ("-" denotes gain)		
Finance expenses ("-" denotes gain)	**96,122,601.75**	116,888,206.73
Investment loss ("-" denotes gain)	**(260,617,460.17)**	102,690.47
Decrease in deferred income tax assets ("-" denotes increase)	**390,170.69**	24,480,291.22
Increase in deferred income tax liabilities ("-" denotes decrease)	**(7,072,634.04)**	3,044,138.98
Decrease in inventories ("-" denotes increase)	**(28,218,752.74)**	201,768,923.43
Decrease in operating receivables ("-" denotes increase)	**(196,083,157.22)**	129,184,387.77
Increase in operating payables ("-" denotes decrease)	**226,914,935.46**	(219,426,110.17)
Others	**4,786,784.87**	
Net cash flows from operating activities	**43,872,797.18**	134,992,577.56
2. Major investing and financing activities not involving cash settlements		
Capital converted from debts	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under finance leases	—	—
3. Net change in cash and cash equivalents:		
Closing balance of cash	**85,328,121.79**	87,640,771.80
Less: Opening balance of cash	**87,640,771.80**	358,672,243.57
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	**(2,312,650.01)**	(271,031,471.77)

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

55. Supplementary information on cash flow statement *(continued)*

(2) Net cash received from disposal of subsidiaries during the period

Unit: RMB

	Amount
Cash or cash equivalents received during the period from disposal of subsidiaries during the period	244,606,709.94
Including:	
Shouguang Baolong/Weihai Baolong	141,606,709.94
Shouguang Maolong	103,000,000.00
Less: cash and cash equivalents held by the Company on the date of loss of control	595,524.70
Including:	
Shouguang Baolong	5,923.85
Weihai Baolong	48,511.30
Shouguang Maolong	541,089.55
Including:	
Net cash received from disposal of subsidiaries	244,011,185.24

(3) Composition of cash and cash equivalents

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
I. Cash	**85,328,121.79**	87,640,771.80
Including: cash on hand	**18,534.35**	26,588.28
cash in bank readily available for payment	**15,298,500.05**	10,361,260.80
other monetary funds readily available for payment	**70,011,087.39**	77,252,922.72
III. Closing balance of cash and cash equivalents	**85,328,121.79**	87,640,771.80

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

55. Supplementary information on cash flow statement *(continued)*

(4) Monetary funds excluded from cash and cash equivalents

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period	**Reason for being excluded from cash and cash equivalents**
Frozen monetary funds	**1,460,768.33**	7,232,104.32	Not readily available for payment
Security deposits for bank acceptance bills with a maturity of more than 3 months	—	4,200,000.00	Not readily available for payment
Total	**1,460,768.33**	11,432,104.32	—

(5) Description of other significant activities

Supplier finance arrangements

Terms and conditions of supplier finance arrangements

Supplier finance arrangements: To fully utilize non-bank financing channels, the Company would obtain quotations from the raw material supplier before purchasing raw materials. After determining the price, the

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

56. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	—	—	3,641,579.90
Including: USD	506,589.47	7.1884	3,641,567.75
EUR	0.38	7.5257	2.86
HKD	10.03	0.9260	9.29
Accounts receivable	—	—	57,223,680.84
Including: USD	7,621,347.52	7.1884	54,785,294.51
EUR	324,007.91	7.5257	2,438,386.33
HKD	—	—	—
Accounts payable	—	—	12,258,856.59
Including: USD	1,573,612.14	7.1884	11,311,753.51
HKD	1,022,789.50	0.9260	947,103.08

(2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal place of business, reporting currency and basis for the selection of the currency. Reasons shall be disclosed if there is any change in the reporting currency.

✓ Applicable ☐ Not applicable

The registered office and the principal place of business of MPM Corporation, a subsidiary of the Company (owned as to 90% of its shares and voting rights by the Company) are Hong Kong, and its reporting currency is USD.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

57. Leases

(1) The Company as lessee:

✓ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of the lease liabilities

☐ Applicable ✓ Not applicable

Lease expenses for short-term leases and leases of low-value assets accounted for using the simplified approach

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount for the current period
Short-term lease expenses	**1,038,502.82**
Low-value lease expenses	—
Variable lease payments not included in the measurement of lease liabilities	—
Total	**1,038,502.82**

Short-term lease expenses were mainly for leases with a term not exceeding 12 months.

VII. Explanatory Notes to the Consolidated Financial Statements Line Items *(continued)*

57. Leases *(continued)*

(2) The Company as lessor:

Operating leases as lessor

☐ Applicable ✓ Not applicable

Financing leases as lessor

☐ Applicable ✓ Not applicable

Annual undiscounted lease receipts for the next five years

☐ Applicable ✓ Not applicable

Reconciliation of undiscounted lease receipts to net lease investment

(3) Recognition of selling profit or loss on finance leases as a manufacturer or dealer lessor

☐ Applicable ✓ Not applicable

VIII. Research and development expenditures

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Labor cost		

Ⅸ. Changes in scope of consolidation *(continued)*

1. Disposal of subsidiaries *(continued)*

Other descriptions:

At the shareholders' meeting of the Company on 25 January 2024, the resolution in relation to the disposal of Shouguang Baolong and Weihai Baolong was considered and approved. Pursuant to the equity transfer agreement, Shandong Molong disposed of 70% equity interest in Shouguang Baolong and 98.0769% equity interest in Weihai Baolong in a package at a consideration of RMB142 million, which was determined based on their appraised value. The appraised value of 70% equity interest in Shouguang Baolong was RMB-26.5576 million and that of 98.0769% equity interest in Weihai Baolong was RMB168.1643 million. As the equity transfer transaction was a bundled transfer of the equity interests in Shouguang Molong and Weihai Molong, it was agreed after negotiation that the total consideration for the transfer of the equity interests in Shouguang Molong would be RMB1, while the total consideration for the transfer of the equity interests in Weihai Molong would be RMB141.6067 million.

At the shareholders' meeting of the Company on 21 November 2024, the resolution in relation to the disposal of Shouguang Maolong was considered and approved. Pursuant to the equity transfer agreement, Shandong Molong disposed of 100% equity interest in Shouguang Maolong at a consideration of RMB203.0385 million, which was determined based on its appraised value of RMB203.0385 million. As the transaction was an act of government bailout to assist listed companies in divesting their inefficient assets, the gain or loss arising from the disposal was recognized as capital reserve.

Whether there was any disposal of investments in subsidiaries through multiple transactions and loss of control over the subsidiary during the period

☐ Yes ✓ No

2. Changes in scope of consolidation due to other reasons

Description of changes in scope of consolidation due to other reasons (such as the establishment of new subsidiaries and the liquidation of subsidiaries) and related circumstances:

In October 2024, Molong Commercial, a subsidiary of the Company, and Qingdao Zidong Network Technology Co., Ltd. jointly invested in the establishment of Molong E-commerce, with a registered capital of RMB1 million. The Company shall make a capital contribution of RMB0.66 million, which was fully paid as at 31 December 2024, for a 66.00% shareholding.

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

X. Interests in other entities

1. Interests in subsidiaries

(1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Principal place of operation	Place of registration	Business nature	Type of enterprise	Percentage of shareholding		Type of legal person	Method of acquisition
						Direct	Indirect		
MPM Corporation	USD1 million	Hong Kong, China	Hong Kong, China	Trading	Limited company	90.00%	0.00%	Profit-making legal person	Business combinations not under common control
Molong Electro-mechanical	USD1 million	Shouguang, China	Shouguang, China	Manufacturing	Limited company	75.00%	25.00%	Profit-making legal person	Business combinations not under common control
Molong Logistic	RMB3 million	Shouguang, China	Shouguang, China	Service industry	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment
Molong I&E	RMB10 million	Shouguang, China	Shouguang, China	Import and export	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment
Molong Commercial	RMB30 million	Shouguang, China	Shouguang, China	Trading	Limited company	100.00%	0.00%	Profit-making legal person	Establishment through investment
Molong E-commerce	RMB1 million	Shouguang, China	Shouguang, China	E-commerce	Limited company	0.00%	66.00%	Profit-making legal person	Establishment through investment

(2) Significant non-wholly owned subsidiaries

Nil

(3) Significant restrictions on the use of the Group's assets and the settlement of the Group's debts

There were no significant restrictions on the use of the Group's assets and the settlement of the Group's debts

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

There was no financial support or other support provided to structured entities included in the scope of consolidated financial statements.

Other descriptions:

As at 31 December 2024, none of the Company's subsidiaries issued any share capital or debt securities.

X. Interests in other entities *(continued)*

2. Interests in joint arrangements or associates

(1) Joint ventures or associates

Name of joint venture or associate	Principal place of operation	Place of registration	Business nature	Percentage of shareholding Direct	Indirect	Accounting treatment of investment in joint ventures or associates
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)	Karamay	Karamay	Manufacturing	0.00%	30.00%	Equity method

(2) Aggregate financial information of insignificant joint ventures or associates

Unit: RMB

	Balance at the end of the period/ Amount for the current period	Balance at the beginning of the period/ Amount for the previous period
Joint ventures:		
Total carrying amount of investments	**1,666,457.34**	1,754,772.59
Total amount of the following items based on percentage of shareholdings		
— Net profit	**(28,127.47)**	(102,690.47)
Associates:		
Total amount of the following items based on percentage of shareholdings		
— Total comprehensive income	**(28,127.47)**	(102,690.47)

(3) Significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

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

(4) Excessive losses incurred by joint ventures or associates

None of the associates incurred any excessive losses.

X. Interests in other entities *(continued)*

2. Interests in joint arrangements or associates *(continued)*

(5) Unrecognized commitments associated with investment in joint ventures

Nil

(6) Contingent liabilities associated with investment in joint ventures or associates

The Company had no contingent liabilities associated with investment in associates.

3. Interests in structured entities not included in the scope of the consolidated financial statements

The Company had no structured entities not included in the scope of the consolidated financial statements.

XI. Government grants

1. Government grants recognized based on amounts receivable at the end of the reporting period

☐ Applicable ✓ Not applicable

Reason(s) for failing to receive the expected amount of government grants on the expected date.

☐ Applicable ✓ Not applicable

2. Liabilities involving government grants

✓ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Balance at the beginning of the period	Amount of new grants during the current period	Amount included in non-operating income during the current period	Amount transferred to other income during the current period	Other movements during the current period	Balance at the end of the period	Asset-related/ income-related
Deferred revenue	6,547,003.82	–	–	173,871.38	(287,634.34)	6,085,498.10	Asset-related
Total	6,547,003.82	–	–	173,871.38	(287,634.34)	6,085,498.10	–

XI. Government grants *(continued)*

3. Government grants recognised in current profit or loss

✓ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Government grants	**272,460.64**	380,410.90

XII. Risks associated with financial instruments

1. Risks arising from financial instruments

The Company's main financial instruments include monetary funds, bills receivable, accounts receivable, financing receivables, other receivables, other current assets, financial assets held for trading, investments in other equity instruments, other non-current financial assets, bills payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. Details of the financial instruments are disclosed in the related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within a prescribed scope.

(1) Objectives and policies of risk management

Risks associated with the financial instruments of the Company mainly include credit risk, liquidity risk and market risk.

The Company engages in risk management with the aim of achieving an appropriate balance between risk and return, whereby the adverse impact of risks on the Company's operating results is minimized, with a view to maximizing the profit of shareholders and other stakeholders. Based on such objectives of risk management, the underlying strategy of the Group's risk management is to identify and analyze all kinds of risks the Group is exposed to, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

XII. Risks associated with financial instruments *(continued)*

1. Risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

(1) Credit risk

Credit risk refers to the risk associated with the default of contractual obligations by a counterparty resulting in financial losses to the Company.

The Company manages credit risk on a collective basis. Credit risks mainly arise from bank deposits, bills receivable, accounts receivable, and other receivables.

The Company's bank deposits are mainly placed in reputable financial institutions with high credit ratings. The Company does not expect that there will be significant credit risk on its bank deposits.

For bills receivable, accounts receivable, other receivables and long-term receivables, the Company has formulated related policies to control exposure of credit risks. The Company evaluates customers' credit quality and sets related credit period based on their financial position, credit records and other factors such as current market situations. The Company monitors the credit history of its customers on a regular basis. For customers with poor credit history, the Company uses written reminders, shortened credit periods or canceled credit periods to ensure that the Company's overall credit risk is within a manageable range.

The Company's maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company did not provide any other guarantees that may expose the Company to credit risk.

Of the Company's account receivables, account receivables from the top five customers accounted for 73.27% (2023: 71.84%) of the Company's total account receivables. Of the Company's other receivables, other receivables from the top five companies in terms of amount owed accounted for

XII. Risks associated with financial instruments *(continued)*

1. Risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

(2) Liquidity risk (continued)

As at the end of the period, the financial liabilities and off-balance sheet guarantees held by the Company are analyzed by their maturity as follows at their remaining undiscounted contractual cash flows:

Unit: RMB

	Balance at the end of the period			
Item	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**Total**
Financial liabilities:				
Short-term borrowings	**1,425,765,913.39**	—	—	**1,425,765,913.39**
Bills payable	**7,128.75**	—	—	**7,128.75**
Accounts payable	**294,207,878.68**	—	—	**294,207,878.68**
Other payables	**40,123,921.92**	—	—	**40,123,921.92**
Non-current liabilities due within one year	**30,042,081.68**	—	—	**30,042,081.68**
Other current liabilities	**19,147,733.93**	—	—	**19,147,733.93**
Long-term borrowings	—	**153,809.38**	—	**153,809.38**
Lease liabilities	—	**178,746.58**	—	**178,746.58**

As at the end of the previous year, the financial liabilities and off-balance sheet guarantees held by the Company are analyzed by their maturity as follows at their remaining undiscounted contractual cash flows:

Unit: RMB

	Balance at the end of the previous year			
Item	Within 1 year	1 to 3 years	3 to 5 years	Total
Financial liabilities:				
Short-term borrowings	1,633,111,107.94	—	—	1,633,111,107.94
Accounts payable	509,647,241.72	—	—	509,647,241.72
Other payables	34,143,155.71	—	—	34,143,155.71
Non-current liabilities due within one year	52,797,378.40	—	—	52,797,378.40
Other current liabilities	43,395,150.74	—	—	43,395,150.74
Lease liabilities	—	14,615,767.79	—	14,615,767.79
Long-term payables	19,854,583.39	—	—	19,854,583.39

The financial liabilities disclosed above are based on their undiscounted cash flows and may differ from the carrying amounts in the balance sheet.

For a signed guarantee contract, the maximum guarantee amount does not represent the amount to be paid.

XII. Risks associated with financial instruments *(continued)*

1. Risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

(3) Market risk

The market risk of a financial instrument is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may arise from both recognized interest-bearing financial instruments and unrecognized financial instruments, such as certain loan commitments.

The Company's interest rate risk mainly arises from interest-bearing debts such as loans from financial institutions. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring.

The Company closely monitors the impact of changes in interest rates on the Company's exposure to interest rate risk.

The interest-bearing financial instruments held by the Company are as follows:

Unit: RMB

Item	**Amount for the current period**	Amount for the previous period
Financial instruments with fixed interest rates	—	—
Financial liabilities	—	—
Including: Short-term borrowings	**1,425,765,913.39**	1,633,111,107.94
Long-term borrowings	**2,009,473.25**	—
Total	**1,427,775,386.64**	1,633,111,107.94
Financial instruments with floating interest rates	—	—
Financial assets	—	—
Including: Monetary funds	**86,788,890.12**	99,072,876.12
Total	**1,514,564,276.76**	1,732,183,984.06

XII. Risks associated with financial instruments *(continued)*

1. Risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

(3) Market risk (continued)

Interest rate risk *(continued)*

For financial instruments held at the balance sheet date that expose the Company to fair value interest rate risk, the effect on net profit and shareholders' equity in the above sensitivity analysis is the effect of re-measuring the above financial instruments at the new interest rate, assuming a change in interest rates at the balance sheet date. For floating rate non-derivative instruments held at the balance sheet date that expose the Company to cash flow interest rate risk, the effect on net profit and shareholders' equity in the above sensitivity analysis is the effect of the change in the above interest rates on interest expense or income estimated on an annual basis. The analysis for the previous year was based on the same assumptions and methodology.

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in a currency other than the reporting currency.

The Company's principal operations are located in China and its principal activities are settled in Renminbi. However, as the Company's foreign-currency assets and liabilities and foreign-currency transactions are mainly denominated in U.S. dollars and euros, the Company's recognized foreign-currency assets and liabilities and future foreign-currency transactions are still subject to foreign exchange risk.

The amounts of the Company's foreign-currency financial assets and foreign-currency financial liabilities translated into Renminbi as at the end of the period are as follows:

Unit: RMB

	Foreign-currency liabilities		Foreign-currency assets	
Item	**Balance at the end of the period**	Balance at the end of the previous year	**Balance at the end of the period**	Balance at the end of the previous year
USD	**11,311,753.51**	10,829,237.38	**58,426,862.26**	108,233,271.05
EUR	—	—	**2,438,389.19**	2.99
HKD	**947,103.08**	—	**9.29**	9.09
Total	**12,258,856.59**	10,829,237.38	**60,865,260.74**	108,233,283.13

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

XII. Risks associated with financial instruments *(continued)*

1. Risks arising from financial instruments *(continued)*

(1) Objectives and policies of risk management *(continued)*

(3) Market risk (continued)

Exchange rate risk *(continued)*

The Company closely monitors the impact of changes in exchange rates on the Company's exposure to exchange rate risk. Currently, the Company does not have any measures in place to hedge its exposure to exchange rate risk. However, the management is responsible for monitoring the exchange rate risk and will consider hedging significant exchange rate exposures if necessary.

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currencies against Renminbi on the current profit or loss of the Company is as follows:

Increase (decrease) in profit after tax	**Amount for the period**		Amount for the previous period	
Increase in exchange rate of USD	**5%**	**2,000,509.90**	5%	4,137,808.64
Decrease in exchange rate of USD	**-5%**	**(2,000,509.90)**	-5%	(4,137,808.64)
Increase in exchange rate of EUR	**5%**	**103,631.54**	5%	0.13
Decrease in exchange rate of EUR	**-5%**	**(103,631.54)**	-5%	(0.13)
Increase in exchange rate of HKD	**5%**	**(40,251.49)**	5%	0.38
Decrease in exchange rate of HKD	**-5%**	**40,251.49**	-5%	(0.38)

2. Financial assets

(1) By transfer method

✓ Applicable ☐ Not applicable

Unit: RMB

Transfer method	**Nature of financial assets transferred**	**Amount of financial assets transferred**	**Derecognized**	**Basis for determining derecognition**
Endorsement	Financing receivables	3,131,094.02	Derecognized	The Company transferred substantially all of its risks and rewards
Discounted	Financing receivables	23,142,668.49	Derecognized	The Company transferred substantially all of its risks and rewards
Endorsement	Bills receivable	14,747,389.73	Not derecognized	The Company retained substantially all of its risks and rewards, including the risk of default associated with it
Discounted	Bills receivable	13,562,689.02	Not derecognized	The Company retained substantially all of its risks and rewards, including the risk of default associated with it
Total	–	54,583,841.26	–	–

XII. Risks associated with financial instruments *(continued)*

2. Financial assets *(continued)*

(2) Financial assets derecognized due to transfer

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Method of transferring financial assets	Amount of derecognized financial assets	Gain or loss related to derecognition
Financing receivables	Endorsement	3,131,094.02	—
Financing receivables	Discounted	23,142,668.49	111,485.64
Total	—	26,273,762.51	111,485.64

(3) Continuing involvement with transferred financial assets

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Method of transferring financial assets	Amount of assets formed by continuing involvement	Amount of liabilities formed by continuing involvement
Bills receivable	Endorsement	14,747,389.73	14,747,389.73
Bills receivable	Discounted	13,562,689.02	13,562,689.02
Total	—	28,310,078.75	28,310,078.75

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

	Fair value at the end of the period			
Item	Fair value measurements categorized into Level 1	Fair value measurements categorized into Level 2	Fair value measurements categorized into Level 2	Total
I. Recurring fair value measurements	—	—	—	—
(4) Financing receivables	—	—	**40,000.00**	**40,000.00**
(iii) Investments in other equity instruments	—	—	**3,316,677.33**	**3,316,677.33**
Total assets measured at fair value on a recurring basis	—	—	**3,356,677.33**	**3,356,677.33**
II. Non-recurring fair value measurements	—	—	—	—

2. Basis for determining the market price of recurring and non-recurring fair value measurements categorized into level 1

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized into level 2

Level 2: inputs other than level 1 inputs that are either directly (i.e. price) or indirectly (i.e. derived from the price) observable for underlying assets or liabilities.

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized into level 3

Level 3: inputs that are unobservable for underlying assets or liabilities.

XIV. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Shouguang Molong Holdings Co., Ltd.	Shouguang	Other financial services	RMB150,000.00	29.53%	29.53%

Description of the parent company of the Company

Molong Holdings is a wholly owned subsidiary of Shouguang Jinxin, which is in turn wholly owned by the State-owned Assets Supervision and Administration Bureau of Shouguang City.

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Bureau of Shouguang City.

2. Subsidiaries of the Company

Details of subsidiaries of the Company are set out in Note X.1.(1) Composition of the Group.

XIV. Related parties and related party transactions *(continued)*

3. Joint ventures and associates of the Company

Details of joint ventures and associates of the Company are set out in Note X.2 Interests in joint arrangements or associates.

The following joint ventures or associates entered into related party transactions with the Company during the current period or had balances of related party transactions with the Company from the previous period:

Name of joint ventures or associates	Relationship with the Company
Karamay Yalong Petroleum Machinery Co., Ltd. (克拉瑪依亞龍石油機械有限公司)	Associate of the Company

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Shouguang State-owned Assets Supervision and Administration Bureau (壽光市國有資產監督管理局)	

XIV. Related parties and related party transactions *(continued)*

4. Other related parties *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Shouguang Hi-tech Zone Investment and Development Group Co., Ltd. (壽光高新區投資開發集團有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Weifang Huayuan Heat Co., Ltd. (濰坊華源熱力有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Ronggeng Agricultural Technology Co., Ltd. (壽光融耕農業科技有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shandong Bolan Biotechnology Co., Ltd. (山東博嵐生物科技有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Rongyuan Agricultural Technology Co., Ltd. (壽光市融源農業科技有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Jinhan Supply Chain Management Co, Ltd. (壽光金瀚供應鏈管理有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Jinsheng Investment Co., Ltd. (壽光金盛投資有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Tianyi New Energy Co., Ltd. (壽光天一新能源有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Gaotou Hongxin Industrial Park Operation and Management Co., Ltd. (壽光高投泓鑫產業園運營管理有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shandong Chengsen Biotechnology Co., Ltd. (山東承森生物科技有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Jindun Motorist Training Co., Ltd. (壽光市金盾機動車駕駛員培訓有限責任公司	A company controlled by the parent company of the controlling shareholder of the Company
Shandong Chiming Salt Chemistry Co., Ltd. (山東池銘鹽化有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Hengze Industrial Development Co., Ltd. (壽光恒澤產業發展有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shandong Longxing Plastic Film Technology Co., Ltd. (山東龍興塑膜科技股份有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang High-tech Zone Infrastructure Development Co., Ltd. (壽光市高新區基礎設施開發有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Qiyuan Operation Management Co., Ltd. (壽光啟源營運管理股份有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Kefa Investment Co., Ltd. (壽光科發投資有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Fruit and Vegetable Variety Right Trading Center Co., Ltd. (壽光果菜品種權交易中心有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Jintou Heating Power Co., Ltd. (壽光市金投熱力有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Guoyu New Energy Co., Ltd. (壽光市國譽新能源科技有限公司)	A company controlled by the parent company of the controlling shareholder of the Company
Shouguang Industry Investment Holding Group Co., Ltd. (壽光市產業投資控股集團有限公司)	A company where a director of the Company holds an office
Shandong Boyuan Pharmaceutical & Chemical Co., Ltd. (山東博苑醫藥化學股份有限公司)	A company where a director of the Company holds an office
Weifang Xingchen Investment Co., Ltd. (濰坊市興晨投資有限公司)	A company where a director of the Company holds an office
Shouguang Jintou Equity Investment Fund Management Co., Ltd. (壽光市金投股權投資基金管理有限公司)	A company where a director of the Company holds an office

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

XIV. Related parties and related party transactions

Name of other related parties	Relationship between other related parties and the Company
Shandong Global Software Co., Ltd. (山東環球軟件股份有限公司)	A company where a director of the Company holds an office
Shouguang Financial Investment Group Co., Ltd. (壽光市金融投資集團股份有限公司)	A company where a director of the Company held an office in the past 12 months
Shandong Jiuan Insurance Broker Co., Ltd. (山東九安保險經紀股份有限公司)	A company where a director of the Company held an office in the past 12 months
Shandong Jiu'an Investment Management Co., Ltd. (山東九安投資管理有限公司)	A company where a director of the Company held an office in the past 12 months
Shandong Qi'an Health Management Co., Ltd. (山東齊安健康管理有限公司)	A company where a director of the Company held an office in the past 12 months
Subei Lujiang Mining Co., Ltd. (肅北魯江礦業有限公司)	A company where a director of the Company held an office in the past 12 months
Shandong Ju'an Siwei Risk Management Consulting Co., Ltd. (山東居安思危風險管理諮詢有限公司)	A company where a director of the Company held an office in the past 12 months
Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司)	A company where a related natural person of the Company holds an office
Weifang Mimosa Nursing Technology Co., Ltd (濰坊含羞草護理科技股份有限公司)	A company where a related natural person of the Company holds an office
Shouguang Haihengwei Real Estate Development Co., Ltd (壽光市海恒威房地產開發有限公司)	A company where a related natural person of the Company holds an office
Shouguang Jinkong Asset Management Co., Ltd. (壽光市金控資產管理有限公司)	A company where a related natural person of the Company holds an office
Shouguang Changxu Thermal Power Co., Ltd. (壽光昶旭熱力有限公司)	A company where a related natural person of the Company holds an office
Shouguang Chengsai Agricultural Technology Co., Ltd. (壽光市誠賽農業科技有限公司)	A company where a related natural person of the Company holds an office
Shouguang Jincan Agricultural Technology Co., Ltd. (壽光市金燦農業科技有限公司)	A company where a related natural person of the Company holds an office
Kunpeng (Shandong) Asset Management Co., Ltd. (昆朋(山東)資產管理有限公司)	A company where a related natural person of the Company holds an office
Qingdao Jinxin Huijin Finance Leasing Co., Ltd (青島金鑫匯金融資租賃有限公司)	A company where a related natural person of the Company holds an office
Shouguang Jintou Culture Industry Development Co., Ltd. (壽光市金投文化產業發展有限公司)	A company where a related natural person of the Company holds an office
Shouguang Industrial Investment and Education Technology Development Co., Ltd. (壽光市產投教育科技發展有限公司)	A company where a related natural person of the Company holds an office
Shouguang Jindu Engineering Management Co., Ltd. (壽光市金都工程管理有限公司)	A company where a related natural person of the Company holds an office
Shandong Zhimeng Holdings Co., Ltd. (山東智夢控股有限公司)	A legal person holding more than 5% of the Company's shares and parties acting in concert with it
Shouguang Panjin Property Co., Ltd. (壽光市磐金置業有限公司)	A legal person holding more than 5% of the Company's shares and parties acting in concert with it
Shouguang Hongsen Logistics Co., Ltd. (壽光市鴻森物流有限公司)	A legal person holding more than 5% of the Company's shares and parties acting in concert with it
Shouguang Ruisen New Building Materials Co., Ltd. (壽光市瑞森新型建材有限公司)	A legal person holding more than 5% of the Company's shares and parties acting in concert with it

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions

(1) Related party transactions regarding purchase and sale of goods and rendering and receipt of services

List of purchase of goods/receipt of services

Unit: RMB

Related party	Subject matter of the related party transaction	Amount for the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount for the previous period
Weifang Huiyi Property					

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(2) Related party leasing

The Company as a lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease expenses for short-term leases and leases of low-value assets accounted for using the simplified approach (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rentals paid		Interest expenses on lease liabilities assumed		Increased right-to-use assets	
		Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Shouguang Xiangrun Industry Co., Ltd. (壽光祥潤實業有限公司)	Houses and buildings	–	–	–	–	–	–	6,524.65	85,077.62	568,482.09	1,078,738.32

(3) Related party guarantees

The Company as a guaranteed party

Unit: RMB

Guarantor	Guarantee amount	Commencement date of the guarantee	Expiry date of the guarantee	Has the guarantee been fulfilled
Shouguang Jinxin (Note 1)	60,000,000.00	18 September 2021	18 September 2024	Yes
Shouguang Maolong (Note 2)	45,000,000.00	6 February 2024	6 February 2025	No
Shouguang Maolong	50,350,000.00	22 February 2024	22 February 2025	No
Shouguang Maolong	39,000,000.00	24 May 2024	24 May 2025	No
Shouguang Maolong	31,640,000.00	17 October 2024	17 October 2025	No
Shouguang Maolong	5,600,000.00	31 October 2024	31 October 2025	No
Shouguang Maolong (Note 3)	40,000,000.00	22 March 2024	22 March 2025	No
Shouguang Maolong	35,000,000.00	23 April 2024	23 April 2025	No
Shouguang Maolong	77,500,000.00	27 May 2024	27 May 2025	No
Shouguang Maolong	86,500,000.00	6 June 2024	6 June 2025	No

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(3) Related party guarantees

Descriptions of related party guarantees

Note 1: At the twelfth meeting of the sixth session of the board of directors of the Company on 26 August 2021, the "Resolution in relation to the Commencement of Finance Lease Business" (《關於開展融資租賃業務的議案》) was considered and approved. It was agreed that the Company shall commence the sale-and-leaseback financing business with Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司) with a total amount of up to RMB60 million for a period of no longer than 36 months, and that Shouguang Jinxin (the controlling shareholder of the Company's controlling shareholder) shall provide a joint and several liability guarantee for the Company for free. Details are available on the website of cninfo (http://www.cninfo.com.cn) in the announcement numbered 2021-052.

Note 2: At the eighth extraordinary meeting of the seventh session of the board of directors of the Company on 6 February 2024, the "Announcement in relation to the Provision of Guarantee by a Subsidiary for the Company" was considered and approved, whereby Shouguang Maolong, a wholly-owned subsidiary of the Company, provided a joint and several liability guarantee for the Company's application for a loan of up to RMB200 million from Bank of China Limited, Shouguang Sub-branch, for a term of not more than 12 months. Details are available on the website of cninfo (http://www.cninfo.com.cn) in the announcement numbered 2024-012.

Note 3: At the tenth extraordinary meeting of the seventh session of the board of directors of the Company on 18 March 2024, the "Announcement in relation to the Provision of Guarantee by a Subsidiary for the Company" was considered and approved, whereby Shouguang Maolong, a wholly-owned subsidiary of the Company, provided a joint and several liability guarantee for the Company's application for a loan of up to RMB330 million from the Industrial and Commercial Bank of China, Shouguang Sub-branch, for a term of not more than 12 months. Details are available on the website of cninfo (http://www.cninfo.com.cn) in the announcement numbered 2024-023.

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(4) Borrowings from/lending to related parties

Unit: RMB

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Borrowings				
Shouguang Jinxin	20,000,000.00	23 March 2023	26 January 2024	—
Shouguang Jinxin	20,000,000.00	27 March 2023	26 January 2024	—
Shouguang Jinxin	30,000,000.00	31 March 2023	7 February 2024	—
Shouguang Jinxin	30,000,000.00	5 July 2023	7 February 2024	—
Shouguang Jinxin	8,000,000.00	22 August 2023	7 February 2024	—
Shouguang Jinxin	5,000,000.00	29 August 2023	7 March 2024	—
Shouguang Jinxin	5,000,000.00	18 September 2023	7 March 2024	—
Shouguang Jinxin	5,000,000.00	13 October 2023	7 March 2024	—
Shouguang Jinxin	8,000,000.00	22 November 2023	7 March 2024	—
Shouguang Jinxin	5,000,000.00	14 December 2023	7 March 2024	—
Shouguang Jinxin	7,800,000.00	28 December 2023	7 March 2024	—
Shouguang Jinxin	10,000,000.00	31 December 2023	7 March 2024	—
Shouguang Jinxin	6,000,000.00	1 February 2024	7 March 2024	—
Shouguang Jinxin	56,000,000.00	4 February 2024	12 March 2024	—
Shouguang Jinxin	20,000,000.00	21 February 2024	21 March 2024	—
Shouguang Jinxin	50,000,000.00	6 March 2024	1 April 2024	—
Shouguang Jinxin	70,000,000.00	11 March 2024	1 April 2024	—
Shouguang Jinxin	20,000,000.00	25 March 2024	26 April 2024	—
Shouguang Jinxin	80,000,000.00	28 March 2024	20 June 2024	—
Shouguang Jinxin	20,000,000.00	1 April 2024	10 July 2024	—
Shouguang Jinxin	16,000,000.00	9 April 2024	31 July 2024	—
Shouguang Jinxin	15,000,000.00	15 April 2024	11 September 2024	—
Shouguang Jinxin	5,000,000.00	18 April 2024	11 September 2024	—
Shouguang Jinxin	20,000,000.00	29 April 2024	10 October 2024	—
Shouguang Jinxin	15,000,000.00	30 April 2024	17 October 2024	—
Shouguang Jinxin	10,000,000.00	6 May 2024	21 November 2024	—
Shouguang Jinxin	3,000,000.00	8 June 2024	21 November 2024	—
Shouguang Jinxin	6,000,000.00	11 June 2024	21 November 2024	—
Shouguang Jinxin	3,000,000.00	12 June 2024	21 November 2024	—
Shouguang Jinxin	5,000,000.00	25 June 2024	21 November 2024	—
Shouguang Jinxin	2,000,000.00	23 July 2024	22 November 2024	—
Shouguang Jinxin	3,000,000.00	25 July 2024	22 November 2024	—
Shouguang Jinxin	1,000,000.00	31 July 2024	22 November 2024	—
Shouguang Jinxin	6,000,000.00	5 August 2024	22 November 2024	—
Shouguang Jinxin	5,000,000.00	27 August 2024	22 November 2024	—
Shouguang Jinxin	5,000,000.00	27 August 2024	22 November 2024	—
Shouguang Jinxin	4,000,000.00	27 August 2024	22 November 2024	—

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(4) Borrowings from/lending to related parties *(continued)*

Related party	Amount of borrowings and lending	Commencement date	Expiry date	Descriptions
Shouguang Jinxin	4,150,000.00	5 September 2024	25 November 2024	—
Shouguang Jinxin	10,000,000.00	9 September 2024	25 November 2024	—
Shouguang Jinxin	3,600,000.00	20 September 2024	25 November 2024	—
Shouguang Jinxin	5,000,000.00	27 September 2024	25 November 2024	—
Shouguang Jinxin	10,000,000.00	11 October 2024	25 November 2024	—
Shouguang Jinxin	5,000,000.00	17 October 2024	25 November 2024	—
Shouguang Jinxin	5,000,000.00	17 October 2024	25 November 2024	—
Shouguang Jinxin	30,000,000.00	18 November 2024	20 February 2025	—
Lending	—	—	—	—

(5) Compensation of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration of key management personnel	**1,867,177.07**	2,828,314.86

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(5) Compensation of key management personnel *(continued)*

① The remuneration details of the directors, supervisors and senior management of the Company in 2024 are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
Han Gao Gui	—	—	—	—	—
Yuan Rui	—	—	—	—	—
Zhang Zhi Yong	—	—	—	—	—
Wang Tao	—	198,207.91	69,795.86	33,702.28	301,706.05
Yao You Ling (Resigned)	—	122,882.00	0.00	2,041.89	124,923.89
Li Zhi Xin (Resigned)	—	76,851.57	24,413.97	3,929.79	105,195.33
Sub-total	—	397,941.47	94,209.83	39,673.96	531,825.26
Non-executive director					
Zhang Min	—	—	—	—	—
Ma Qing Wen	—	—	—	—	—
Ding Yi (Resigned)	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive director					
Zhang Zhen Quan	13,000.00	—	—	—	13,000.00
Dong ShaoHua	13,000.00	—	—	—	13,000.00
Zhang Bing Gang	13,000.00	—	—	—	13,000.00
Tang Qing Bin (Resigned)	107,000.00	—	—	—	107,000.00
Song Zhi Wang (Resigned)	107,000.00	—	—	—	107,000.00
Cai Zhong Jie (Resigned)	107,000.00	—	—	—	107,000.00
Sub-total	360,000.00	0.00	0.00	0.00	360,000.00
Supervisor					
Liang Guo Liang	—	12,141.89	4,179.84	4,413.33	20,735.07
Li Jing Wei	80,000.00	—	—	—	80,000.00
Jiang Zhen Jian	8,666.67	—	—	—	8,666.67
Liu Shu Bao (Resigned)	—	81,865.39	26,216.11	13,610.77	121,692.27
Liu Cheng An (Resigned)	71,333.33	—	—	—	71,333.33
Sub-total	160,000.00	94,007.29	30,395.95	18,024.10	302,427.33
Other senior management					
Han Lei Fang	—	127,399.99	35,416.32	13,015.91	175,832.23
Zhu Yan Li	—	126,194.25	33,556.99	5,651.26	165,402.50
Song Guang Jie	—	20,415.50	—	6,144.00	26,559.50
Bao Mo Gang	—	—	—	—	0.00
Zhao Xiao Tong	—	123,878.68	37,324.46	6,916.94	168,120.08
Zhu Lin	—	18,861.36	3,278.04	3,574.44	25,713.84
Zhang Quan Jun (Resigned)	—	82,429.71	24,189.91	4,676.72	111,296.34
Sub-total	—	499,179.48	133,765.72	39,979.27	672,924.48
Total	520,000.00	991,128.24	258,371.50	97,677.34	1,867,177.07

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(5) Compensation of key management personnel *(continued)*

② The remuneration details of the directors, supervisors and senior management of the Company in 2023 are as follows:

Unit: RMB

Name	Fees (or allowance)	Salary	Contribution to pension plan	Subsidies and benefits	Total
Executive director					
Yang Yun Long (Resigned)	—	—	—	—	—
Yuan Rui	—	—	—	—	—
Yao You Ling	—	363,707.07	—	5,222.85	368,929.92
Li Zhi Xin	—	517,011.98	67,037.41	11,329.24	595,378.63
Zhao Xiao Tong	—	321,887.83	67,037.41	4,911.01	393,836.25
Sub-total	—	1,202,606.88	134,074.82	21,463.10	1,358,144.80
Non-executive director					
Ding Yi	—	—	—	—	—
Zhang Min	—	—	—	—	—
Liu Ji Lu (Resigned)	16,800.00	—	—	—	16,800.00
Wang Quan Hong (Resigned)	—	—	—	—	—
Sub-total	16,800.00	—	—	—	16,800.00
Independent non-executive director					
Tang Qing Bin	120,000.00	—	—	—	120,000.00
Song Zhi Wang	120,000.00	—	—	—	120,000.00
Cai Zhong Jie	120,000.00	—	—	—	120,000.00
Sub-total	360,000.00	—	—	—	360,000.00
Supervisor					
Liu Shu Bao	—	119,254.54	41,572.25	10,523.90	171,350.69
Liu Cheng An	80,000.00	—	—	—	80,000.00
Li Jing Wei	80,000.00	—	—	—	80,000.00
Sub-total	160,000.00	119,254.54	41,572.25	10,523.90	331,350.69
Other senior management					
Zhang Quan Jun	—	348,853.05	67,037.41	13,827.37	429,717.83
Hao Yun Feng (Resigned)	—	267,785.73	61,470.05	3,045.76	332,301.54
Sub-total	—	616,638.78	128,507.46	16,873.13	762,019.37
Total	536,800.00	1,938,500.20	304,154.53	48,860.13	2,828,314.86

Note: Subsidies and benefits mainly include seniority allowance and meal allowance provided by the Company for employees.

XIV. Related parties and related party transactions *(continued)*

5. Related party transactions *(continued)*

(5) Compensation of key management personnel *(continued)*

③ During the year, the five highest paid individuals of the Company included one director (previous year: two) and four other personnel (previous year: three), and the salary range of the four other personnel was RMB0 – 900,000.

The salaries of the highest paid individuals are as follows:

Unit: RMB

Item	**Amount for the year**	Amount for the previous year
Fees (or allowance)	—	—
Salary	**1,032,170.17**	1,833,709.64
Contribution to pension plan	**276,094.13**	670,374.11
Subsidies and benefits	**103,143.33**	50,973.38
Total	**1,411,407.64**	2,555,057.13

The number of the highest paid individuals by pay group is as follows (by number):

Annual remuneration range	**Number of persons in this year**	Number of persons in the previous year
RMB0 to 900,000 (equivalent to approximately HKD0 to 1 million)	**5**	5
Total	**5**	5

④ For the financial year ended 31 December 2024, no other bonuses, either discretionary or based on the Company's, the Group's or any Group member's performance, were paid to or receivable by the five highest paid individuals, and no other emoluments were paid by the Company to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

(6) Other related party transactions

The Company did not conduct other related party transactions or continuing related party transactions.

XIV. Related parties and related party transactions *(continued)*

6. Amounts due from and due to related parties

(1) Receivables

Unit: RMB

		Balance at the end of the period		Balance at the beginning of the period	
Item	**Related party**	**Book balance**	**Provision for bad debts**	Book balance	Provision for bad debts
Accounts receivables	Karamay Yalong Petroleum Machinery Co., Ltd.	**1,395,150.60**	**13,951.51**	3,427,939.47	1,097,287.10
Prepayments	Weifang Huiyi Property Management Co., Ltd.	**160,909.60**	—	58,280.00	—

(2) Payables

Unit: RMB

Item	**Related party**	**Book balance at the end of the period**	**Book balance at the beginning of the period**
Other payables	Shouguang Xiangrun Industry Co., Ltd.	1,624,105.24	1,703,185.10
Non-current liabilities due within one year	—	182,638.22	—
Lease liabilities	—	178,746.58	—

7. Commitment of related parties

On 24 February 2025, after the consideration and approval at the third extraordinary meeting of the eighth session of the board of directors of the Company, to support the Company's operations and development and satisfy its financing needs, Shouguang Jinxin provided financial assistance of up to RMB300 million (including RMB300 million) to the Company for a term of less than one year (including one year), with an interest rate not higher than the one-year loan prime rate (LPR) announced by the People's Bank of China. Shouguang Jinxin may provide the financial assistance in installments according to actual circumstances, and the interest shall be calculated based on the actual number of days of use of the loan, and the Company may repay the loan in advance. The financial assistance did not require the Company to provide any form of guarantee, mortgage, pledge or any other form of security. As at the date of the financial report, Shouguang Jinxin had provided financial support of RMB1.084 million to the Company.

XV. Share-based payment

1. General situation of share-based payment

☐ Applicable ✓ Not applicable

2. Share-based payment settled by equity

☐ Applicable ✓ Not applicable

3. Share-based payment settled in cash

☐ Applicable ✓ Not applicable

4. Share-based payment expenses in the current period

☐ Applicable ✓ Not applicable

5. Modification and termination of share-based payment

Nil

6. Others

No share-based payment was made during the year.

XVI. Commitments and contingencies

1. Significant commitments

Significant commitments existing on the balance sheet date

As at 31 December 2024, the Company had no discloseable commitments.

2. Contingencies

(1) Significant contingencies on the balance sheet date

Contingent liabilities arising from pending litigation and arbitration and their financial impact

Maolong New Materials, originally a wholly-owned subsidiary of the Company, was sued by Shandong Yulong Environmental Protection Technology Co., Ltd. (山東譽隆環保科技有限公司) in respect of the dispute over the "Renovation and Construction and Lease Framework Agreement in relation to the 600-ton Lime Production Line of Shouguang Maolong" (《壽光懋隆600噸石灰生產線改造建設及租賃框架協議》), while the Company and Maolong New Materials were sued by Shandong Yulong Environmental Protection Technology Co., Ltd. in respect of the dispute over the "Cooperative Production Agreement in relation to Shouguang Maolong's 600-ton Lime Production Line" (《壽光懋隆600噸石灰生產線合作生產協議》). As at the date of the financial report, the case was in the process of trial and the Company had provided for estimated liabilities of RMB4.9607 million in respect of the litigation.

(2) The Company shall give an explanation if it has no discloseable significant contingencies:

The Company has no discloseable significant contingencies.

XVII. Events subsequent to the balance sheet date

1. Significant non-adjusting events

Unit: RMB

Item	Details	Impact on financial position and operating results	Reason for not being able to estimate the impact
Implementation of debt transfer and debt restructuring	In January 2024, after the transfer of 70% equity interest in Shouguang Baolong, financial assistance of RMB461.7095 million to Shouguang Baolong was passively formed. On 12 February 2025, the Company convened the second extraordinary meeting of the eighth session of the board of directors, where the "Resolution in relation to the Implementation of Debt Transfer and Debt Restructuring" was considered and approved, and it was agreed that the Company and Shandong Shouguang Vegetable Wholesale Market Co., Ltd. (山東壽光蔬菜批發市場有限公司) ("Vegetable Wholesale Company") shall enter into the "Tripartite Agreement" with Shouguang Baolong. Pursuant to the agreement, the Company's claim of a debt of RMB169.1198 million owed by Shouguang Baolong shall be transferred to the Vegetable Wholesale Company, and the Vegetable Wholesale Company shall pay a consideration comprising of RMB84 million in cash and land and buildings (structures) held by it with an appraised value of RMB85.1198 million. After the completion of the transaction, the balance of the amount owed by Shouguang Baolong to the Company was approximately RMB292 million. As at the date of approval of this financial report, the cash amount of RMB84 million has been received while the transfer of the related land and buildings has not been completed.	—	—

XVII. Events subsequent to the balance sheet date *(continued)*

1. Significant non-adjusting events *(continued)*

Item	Details	Impact on financial position and operating results	Reason for not being able to estimate the impact
Application for the liquidation of a debtor of the Company was accepted	On 3 March 2025, the People's Court of Shouguang City, Shandong Province (the "Shouguang Court") announced ((2025) Lu 0783 Po No.1) that it had accepted the application for the liquidation of Shouguang Baolong, and 28 February 2025, a bankruptcy administrator was appointed. The Company had previously entered into the "Mortgage Contract" with Shouguang BaoLong, pursuant to which, if Shouguang BaoLong fails to repay the loan on time, the Company has the right to exercise the rights of a mortgagee on the mortgaged assets. Currently, the Company's production and operation are normal, and the above matter has not caused any significant impact on the Company's existing production and operation.	—	—
Recovery of financial assistance from Maolong New Materials	The equity transfer agreement entered into between the Company and Shouguang Huarong Agricultural Technology Co., Ltd. (壽光華融農業科技有限公司) ("Huarong Agriculture") stipulates that Huarong Agriculture shall also assume Maolong New Materials' debt of RMB714 million owed to the Company. According to the "Repayment Agreement" entered into by the Company, Huarong Agriculture and Shouguang Maolong in October 2024, Huarong Agriculture shall repay all amounts to Shandong Molong on behalf of Shouguang Maolong within twelve months from the date of completion of the equity transfer (i.e. completion of the business change registration). As at the date of approval of this financial report, a repayment amount of RMB360 million has been received.	—	—

XVII. Events subsequent to the balance sheet date *(continued)*

2. Profit Distribution

Amount of dividends to be distributed for every ten shares (RMB)	0
Number of bonus shares to be distributed for every ten shares (shares)	0
Number of shares to be transferred into share capital for every ten shares (shares)	0
Amount of dividends declared for every ten shares upon consideration and approval (RMB)	0
Number of bonus shares declared for every ten shares upon consideration and approval (shares)	0
Number of shares declared to be transferred into share capital for every ten shares upon consideration and approval (shares)	0
Profit distribution plan	According to the annual profit distribution plan approved at the first meeting of the eighth session of the board of directors of the Company held on 28 March 2025, the Company intended not to pay a final dividend for the year ended 31 December 2024. The above profit distribution plan is yet to be considered and approved by the general meeting.

3. Sales return

As at the date of the financial report, there was no major sales return of the Company.

4. Description of other events subsequent to the balance sheet date

As at 28 March 2025, there were no other discloseable events subsequent to the balance sheet date.

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

XVIII. Other important matters

1. Segment information

(1) Basis for the determination of reporting segments and their accounting policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into five reporting segments, which are determined for the basis of internal organizational structure, management requirements and internal reporting system. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance. The main products provided by each reporting segment of the Group include oil casing, three kinds of pumping units, petroleum machinery parts, castings and forgings, 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	Three kinds of pumping units	Petroleum machinery parts	Castings and forgings	Others	Unassigned items	Inter-segment offset	Total
Operating revenue								
Revenue from external sales	1,230,613,168.65	34,145,876.14	1,867,935.18	7,141,888.99	82,577,801.08	–	–	1,356,346,670.03
Revenue from inter-segment transactions	–	–	–	–	–	–	–	–
Total segment operating revenue	1,230,613,168.65	34,145,876.14	1,867,935.18	7,141,888.99	82,577,801.08	–	–	1,356,346,670.03
Total operating revenue as reported	1,230,613,168.65	34,145,876.14	1,867,935.18	7,141,888.99	82,577,801.08	–	–	1,356,346,670.03
Segment expenses	1,298,938,665.44	29,707,850.21	1,519,842.58	7,637,017.04	96,611,104.54	1,484,223.50	–	1,435,898,703.31
Segment operating profit	(68,325,496.79)	4,438,025.93	348,092.60	(495,128.05)	(14,033,303.46)	(1,484,223.50)	–	(79,552,033.28)
Adjusted for	–	–	–	–	–	–	–	0.00
Administrative expenses	–	–	–	–	–	118,952,881.37	–	118,952,881.37
Research and development expenses	–	–	–	–	–	29,309,446.94	–	29,309,446.94
Finance costs	–	–	–	–	–	96,614,115.45	–	96,614,115.45
Investment income	–	–	–	–	–	260,617,460.17	–	260,617,460.17
Gains on disposal of assets	–	–	–	–	–	5,465,378.04	–	5,465,378.04
Other gains	–	–	–	–	–	10,062,983.36	–	10,062,983.36
Operating profit as reported	(68,325,496.79)	4,438,025.93	348,092.60	(495,128.05)	(14,033,303.46)	29,785,154.31	–	(48,282,655.47)
Non-operating income	–	–	–	–	–	6,594,454.34	–	6,594,454.34
Non-operating expenses	–	–	–	–	–	5,904,948.42	–	5,904,948.42
Total profit	(68,325,496.79)	4,438,025.93	348,092.60	(495,128.05)	(14,033,303.46)	30,474,660.23	–	(47,593,149.55)
Income tax	–	–	–	–	–			

XIX. Notes to principal line items in the financial statements of the parent company

1. Accounts receivable

(1) Disclosure by age

Unit: RMB

Age	**Book balance at the end of the period**	Book balance at the beginning of the period
Within 1 year (inclusive)	**221,335,663.51**	516,397,871.19
1–2 years	**2,226,344.02**	2,596,020.65
2–3 years	**—**	707,219.17
Over 3 years	**63,982,578.21**	65,897,537.92
4–5 years	**—**	1,786,213.66
Over 5 years	**63,982,578.21**	64,111,324.26
Total	**287,544,585.74**	585,598,648.93

(2) Disclosure by method of provision for bad debts

Unit: RMB

	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		**Provision for bad debts**			Book balance		Provision for bad debts		
Type	**Amount**	**Percentage**	**Amount**	**Provision rate**	**Book value**	Amount	Percentage	Amount	Provision rate	Book value
Including:										
Accounts receivable provided for bad debts on a collective basis	**287,544,585.74**	**100.00%**	**46,349,808.18**	**16.12%**	**241,194,777.56**	585,598,648.93	100.00%	49,336,733.97	8.43%	536,261,914.96
Including:										
Combination of amounts due from customers	**266,585,287.06**	**92.71%**	**46,349,808.18**	**17.39%**	**220,235,478.88**	301,530,809.50	51.49%	49,336,733.97	16.36%	252,194,075.53
Amount due from related parties within the scope of consolidation	**20,959,298.68**	**7.29%**	–	–	**20,959,298.68**	284,067,839.43	48.51%	–	–	284,067,839.43
Total	**287,544,585.74**	–	**46,349,808.18**	–	**241,194,777.56**	585,598,648.93	–	49,336,733.97	–	536,261,914.96

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

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

1. Accounts receivable *(continued)*

(2) Disclosure by method of provision for bad debts *(continued)*

Provision for bad debts on a collective basis: combination of amounts due from customers

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Within 1 year	221,335,663.51	2,213,356.64	1.00%
1–2 years	2,226,344.02	1,113,172.01	50.00%
2–3 years	—	—	—
3–4 years	—	—	—
4–5 years	—	—	—
Over 5 years	43,023,279.53	43,023,279.53	100.00%
Total	266,585,287.06	46,349,808.18	—

Provision for bad debts on a collective basis: amount due from related parties within the scope of consolidation

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Within 1 year	—	—	—
1–2 years	—	—	—
2–3 years	—	—	—
3–4 years	—	—	—
4–5 years	—	—	—
Over 5 years	20,959,298.68	—	—
Total	20,959,298.68	—	—

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

1. Accounts receivable *(continued)*

(2) Disclosure by method of provision for bad debts *(continued)*

If provision for bad debts of accounts receivables was made using the general approach of expected credit loss:

☐ Applicable ✓ Not applicable

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

Provision for bad debts for the current period:

Unit: RMB

Type	Balance at the beginning of the period	Movement during the current period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts of accounts receivable	49,336,733.97	–	2,986,925.79	–	–	46,349,808.18
Total	49,336,733.97	–	2,986,925.79	–	–	46,349,808.18

(4) Accounts receivables actually written off during the current period

There were no accounts receivables actually written off in the year.

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

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

1. Accounts receivable *(continued)*

(5) Accounts receivable and contract assets with top five balances at the end of the period grouped by debtor

Unit: RMB

Name of entity	Balance of accounts receivable at the end of the period	Balance of contractual assets at the end of the period	Balance of accounts receivable and contractual assets at the end of the period	Proportion to the total balance of accounts receivable and contractual assets at the end of the period	Balance of provision for bad debts of accounts receivable and impairment allowance for contract assets at the end of the period
Xinjiang Yaxin Coalbed Methane Investment and Development (Group) Co., Ltd. (新疆亞新煤層氣投資開發(集團)有限責任公司)	85,398,088.68	—	85,398,088.68	29.70%	853,980.90
China Petroleum & Chemical Corporation (中國石油化工股份有限公司)	34,730,613.08	—	34,730,613.08	12.08%	347,306.13
CNOOC China Limited (中海石油(中國)有限公司)	41,774,199.62	—	41,774,199.62	14.53%	417,741.99
Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司)	33,504,539.52	—	33,504,539.52	11.65%	335,045.39
MPM Corporation	20,959,298.68	—	20,959,298.68	7.29%	0.00
Total	216,366,739.58	—	216,366,739.58	75.25%	1,954,074.41

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables

Unit: RMB

Item	**Balance at the end of the period**	Balance at the beginning of the period
Other receivables	**1,271,310,029.86**	466,585,433.39
Total	**1,271,310,029.86**	466,585,433.39

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	**Book balance at the end of the period**	Book balance at the beginning of the period
Employee working capital	**530,000.00**	644,000.00
Deposits and security deposits	**2,214,528.00**	3,297,459.71
Accounts due from/to other entities	**1,281,156,752.93**	138,767.29
Related parties within the scope of consolidation	**94,518,117.85**	462,536,062.03
Less: Provision for bad debts of other receivables	**(107,109,368.92)**	(30,855.64)
Total	**1,271,310,029.86**	466,585,433.39

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

2) Disclosure by age

Unit: RMB

Age	**Book balance at the end of the period**	Book balance at the beginning of the period
Within 1 year (inclusive)	**944,493,377.68**	466,444,917.79
1–2 years	**433,905,337.49**	149,700.00
2–3 years	—	10,000.00
Over 3 years	**20,683.61**	11,671.24
3–4 years	**10,000.00**	987.63
Over 5 years	**10,683.61**	10,683.61
Total	**1,378,419,398.78**	466,616,289.03

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on an individual basis: Shouguang Huarong Agricultural Technology Co., Ltd.

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision	Reason for provision
Shouguang Huarong Agricultural Technology Co., Ltd.	–	–	**812,453,392.51**	—	—	—
Total	–	–	**812,453,392.51**	—	—	—

Provision for bad debts on an individual basis: Weihai Baolong

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Weihai Baolong	–	–	**7,800,738.92**	**468,044.34**	**6.00%**	—
Total	–	–	**7,800,738.92**	**468,044.34**	—	—

1 January 2024 to 31 December 2024
(Unless otherwise indicated, all figures are stated in RMB)

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on an individual basis: Shouguang Baolong

Unit: RMB

	Balance at the beginning of the period		Balance at the end of the period			
Name	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision rate	Reason for provision
Shouguang Baolong	–	–	**460,774,392.56**	**106,598,864.95**	**23.13%**	—
Total	–	–	**460,774,392.56**	**106,598,864.95**	—	—

Provision for bad debts on a collective basis: employee working capital

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Employee working capital	530,000.00	0.00	—
Total	530,000.00	0.00	—

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on a collective basis: deposits and security deposits

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Deposits and security deposits	2,214,528.00	—	—
Total	2,214,528.00	—	—

Provision for bad debts on a collective basis: related parties within the scope of consolidation

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Related parties within the scope of consolidation	94,518,117.85	—	—
Total	94,518,117.85	—	—

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Provision for bad debts on a collective basis: amounts due from other entities

Unit: RMB

	Balance at the end of the period		
Name	Book balance	Provision for bad debts	Provision rate
Amounts due from other entities	128,228.94	42,459.63	33.11%
Total	128,228.94	42,459.63	—

Provision for bad debts using the general approach of expected credit loss.

Unit: RMB

Provision for bad debts	Phase 1 Expected credit losses in the next 12 months	Phase 2 Lifetime expected credit losses (not credit impaired)	Phase 3 Lifetime expected credit losses (credit-impaired)	Total
Balance on 1 January 2024	19,019.40	165.00	11,671.24	30,855.64
Balance on 1 January 2024 in the current period	—	—	—	—
— Transferred to Phase 2	(5,304.08)	5,304.08	—	—
Provision for the current period	17,260.92	477,255.36	25,668,870.84	26,163,387.12
Reversal for the current period	13,715.32	165.00	987.63	14,867.95
Other changes	—	—	80,929,994.11	80,929,994.11
Balance on 31 December 2024	17,260.92	482,559.44	106,609,548.56	107,109,368.92

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

3) Disclosure by method of provision for bad debts (continued)

Classification basis and provision rate of bad debt provision for each stage

Significant changes in the book balance of loss allowance in the current period

☐ Applicable ✓ Not applicable

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

Nil

5) Other receivables actually written off during the current period

There were no other receivables actually written off during the current year.

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

2. Other receivables *(continued)*

(1) Other receivables *(continued)*

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

Unit: RMB

Name of entity	Nature of payment	Balance at the end of the period	Age	Percentage of the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
Shouguang Huarong Agricultural Technology Co., Ltd.	Current account	812,453,392.51	Within 1 year	58.94%	—
Shouguang Baolong	Current account	460,774,392.56	Within 1 year,1-2 years	33.43%	106,598,864.95
Molong Logistic	Current account	94,518,117.85	Within 1 year	6.86%	—
Weihai Baolong	Current account	7,800,738.92	Within 1 year,1-2 years	0.57%	468,044.34
Nanjing Tendering Center of Sinopec International Co., Ltd. (中國石化國際事業有限公司南京招標中心)	Security deposits for bidding	1,016,728.00	Within 1 year	0.07%	—
Total	—	1,376,563,369.84	—	99.87%	107,066,909.29

7) Presented as other receivables due to centralized management of capital

Nil

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

3. Long-term equity investments

Unit: RMB

	Balance at the end of the period			Balance at the beginning of the period		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	**72,280,516.44**	—	**72,280,516.44**	1,762,019,921.73	1,321,701,397.76	440,318,523.97
Total	**72,280,516.44**	—	**72,280,516.44**	1,762,019,921.73	1,321,701,397.76	440,318,523.97

(1) Investment in subsidiaries

Unit: RMB

			Movements during the current period					
Investee	Balance at the beginning of the period (Book value)	Balance of impairment provision at the beginning of the period	Increase in investment	Decrease in investment	Provision for impairment	Others	Balance at the end of the period (Book value)	Balance of impairment provision at the end of the period
Weihai Baolong	117,000,000.00	103,000,000.00	–	220,000,000.00	–	–	–	–
MPM Corporation	7,276,230.00	–	–	–	–	–	7,276,230.00	–
Shouguang Baolong	–	105,000,000.00	–	105,000,000.00	–	–	–	–
Molong Logistic	3,000,000.00	–	–	–	–	–	3,000,000.00	–
Shouguang Maolong	293,042,293.97	1,113,701,397.76	–	1,406,743,691.73	–	–	–	–
Molong I&E	10,000,000.00	–	–	–	–	–	10,000,000.00	–
Molong Commercial	10,000,000.00	–	–	–	–	–	10,000,000.00	–
Molong Electro-mechanical	–	–	42,004,286.44	–	–	–	42,004,286.44	–
Total	440,318,523.97	1,321,701,397.76	42,004,286.44	1,731,743,691.73	–	–	72,280,516.44	–

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

4. Operating revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	**Costs**	Revenue	Costs
Principal operations	**1,264,821,609.22**	**1,199,493,548.30**	1,173,090,394.88	1,092,469,037.61
Other operations	**77,658,061.79**	**85,940,008.98**	98,653,178.32	80,156,216.37
Total	**1,342,479,671.01**	**1,285,433,557.28**	1,271,743,573.20	1,172,625,253.98

Breakdown of operating revenue and operating costs:

Unit: RMB

Contract category	Segment 1		Total	
	Operating revenue	Operating costs	Operating revenue	Operating costs
By type of operation				
Including:				
Pipe products	1,227,793,076.93	1,168,100,269.03	1,227,793,076.93	1,168,100,269.03
Three kinds of pumping units	34,145,876.14	29,053,836.42	34,145,876.14	29,053,836.42
Petroleum machinery parts	1,867,935.18	1,484,065.04	1,867,935.18	1,484,065.04
Others	78,672,782.76	86,795,386.79	78,672,782.76	86,795,386.79
Classified by operating area				
Including:				
At home	934,151,396.98	924,818,184.07	934,151,396.98	924,818,184.07
At abroad	408,328,274.03	360,615,373.21	408,328,274.03	360,615,373.21
Classified by the time of transfer of goods				
Including:				
Goods transferred at a point in time	1,342,479,671.01	1,285,433,557.28	1,342,479,671.01	1,285,433,557.28
Classified by contract term				
Including:				
Short-term contracts	1,342,479,671.01	1,285,433,557.28	1,342,479,671.01	1,285,433,557.28
Classified by sale channel				
Including:				
Direct sales	1,342,479,671.01	1,285,433,557.28	1,342,479,671.01	1,285,433,557.28
Total	1,342,479,671.01	1,285,433,557.28	1,342,479,671.01	1,285,433,557.28

XIX. Notes to principal line items in the financial statements of the parent company *(continued)*

4. Operating revenue and operating costs *(continued)*

Information on performance obligations:

Item	The implementation time of performance obligation	The significant payment terms	The nature of the goods promised to transfer	Whether is the main responsible person	The amounts assumed by the Company and is expected to be returned to the customer	Type of the quality assurance provided by the Company and related obligations
Sales at abroad	Goods are loaded and departure	As to export business, payment terms are mainly payment upfront. As to oil casing products, most of the customers are subject to payment in advance, under which customers are to make full payment before delivery of products. As to petroleum machinery parts, the credit term is normally 2 months.	Goods	Yes	No	Product warranties
Sales at home	After the customer receives the goods and signs for the receipt, the Company shall obtain the customer's receipt voucher, and the oil casing sold on the commission basis, and the customer will settle with the Company after receipt of the goods.	The customers of pipes are normally subject to payment in advance of delivery, and domestic customers of oil casing are normally subject to payment terms of 3-6 months after invoicing for account settlement.	Goods	Yes	No	Product warranties

Other descriptions

Information related to transaction price apportioned to residual performance obligations:

The incomes of unfulfilled or partially-fulfilled performance obligation that has signed in contract at the end of report period are RMB0.823 billion. The amount is expected to be recognized as incomes in 2025.

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of long-term equity investments	**(38,042,746.82)**	—
Total	**(38,042,746.82)**	—

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

XX. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains or losses on disposal of non-current assets	**266,401,524.54**	Mainly comprised of the gains arising from the disposal of equity interests in subsidiaries during the current period.
Government grants (except for government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) recognised in current profit or loss	**446,332.02**	Mainly comprised of the amortization of asset-related deferred revenue and the receipt of employment stabilization subsidy during the current period.
Gains or losses arising from contingencies not related to the normal operation of the Company	**(4,960,656.25)**	Mainly comprised of contingent liabilities arising from pending litigations during the current period.
Non-operating income and expenses other than the above items	**5,839,410.35**	Mainly comprised of liquidated damages received from overseas customers and waived payables during the current period.
Less: Effect on income tax	**219.71**	—
Effect on minority interests (after tax)	**4.48**	—
Total	**267,726,386.47**	—

XX. Supplementary information *(continued)*

1. Breakdown of extraordinary gains or losses for the current period *(continued)*

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

2. Return on net assets and earnings per share

		Earnings per share	
Profit for the reporting period	**Weighted average return on net assets**	**Basic earnings per share (RMB/share)**	**Diluted earnings per share (RMB/share)**
Net profit attributable to ordinary shareholders of the Company	-10.87%	(0.05)	(0.05)
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-77.44%	(0.39)	(0.39)

It was calculated based on Article 4 "Companies should calculate basic earnings per share by dividing net profit for the period attributable to ordinary shareholders by weighted average number of ordinary shares in issue" under ASBE 34 "earnings per share".

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

(1) Differences in net profit and net assets in the financial report as disclosed in accordance with IASs and PRC GAAP

☐ Applicable ✓ Not applicable

(2) Differences in net profit and net assets in the financial report as disclosed under the overseas accounting standards and PRC GAAP

☐ Applicable ✓ Not applicable

(3) Reason(s) for accounting difference between domestic and international accounting standards; if adjustment has been made to data audited by overseas audit firm, specify the name of the overseas audit firm

☐ Applicable ✓ Not applicable