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山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited *

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

(Stock Code: 568)

PROVISION FOR ASSET IMPAIRMENT AND ITS REVERSAL FOR FIRST THREE QUARTERS IN 2025

Shandong Molong Petroleum Machinery Co., Ltd.* (the “**Company**”), in accordance with the relevant requirements in the “Rules Governing the Listing of Shares on Shenzhen Stock Exchange” and “Accounting Standards for Business Enterprises”, and in order to more truly and accurately reflect the Company's financial condition and assets value as at 30 September 2025, and the operating results for the first three quarters in 2025, has conducted a comprehensive assessment of the various assets within the scope of the consolidated financial statements as at 30 September 2025 based on the principle of prudence. Impairment testing has been conducted on assets showing sign of impairment losses after assessment, and provisions for asset impairment have been made and reversed based on the results of the impairment testing, details of which are set out as follows:

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

After a comprehensive assessment and asset impairment testing of assets that may have signs of impairment, including accounts receivable, notes receivable, other receivables, prepayments, inventory, fixed assets, intangible assets, etc., the Company reversed the relevant asset impairment provision of RMB4,723,528.42 based on the testing results. The details are as follows:

Category	Items	Amount for the period ^(Note) (RMB)
Credit impairment losses	Bad debt losses on accounts receivable	-5,568,717.62
	Bad debt losses of other receivables	-398,814.58
	Bad debt losses on notes receivable	586,630.23
	Sub-total	-5,380,901.97
Asset impairment losses	Inventory impairment provision	657,373.55
	Sub-total	657,373.55
Total		-4,723,528.42

Note: Reversals are shown as negative figures, and provisions are shown as positive figures.

The above is the Company's preliminary accounting information. The final amount will be subject to the annual audit and confirmation of the accounting firm.

The reporting period in respect of the provision for asset impairment and its reversal described herein is from 1 January 2025 to 30 September 2025.

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

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

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

Based on the aforementioned policies, the Company reversed the provision for bad debts impairment of RMB5,568,700; the provision for bad debts on other receivables amounted to RMB398,800; and the provision for bad debts on notes receivable amounted to RMB586,600.

The reversal of the provision for bad debts of RMB5,568,700 was primarily due to the recovery of outstanding accounts receivable from customers aged over five years for which the provision for bad debts had been fully provided, which reduced the provision for bad debts.

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

The Company's end of year inventory is measured at the lower of cost and net realizable value. When the net realizable value of the inventory is lower than the cost, a provision for inventory depreciation loss is made. For merchandise inventories that are directly used for sale, such as inventory, work in progress, and materials for sale, the net realizable value is determined based on the estimated selling price of the inventory minus the estimated sales expenses and related taxes; the net realizable value of material inventories held is determined based on the estimated selling price of the finished goods produced minus the estimated costs to be incurred upon completion, estimated sales expenses and related taxes. According to the above policy, the Company has made provisions for inventory impairment of RMB657,400.

C. IMPACT ON THE COMPANY OF PROVISIONS FOR ASSET IMPAIRMENT AND ITS REVERSAL

The Company's current reversal of assets impairment provision amounted to RMB4,723,500 in total. The provisions for impairment losses and its reversal will increase net profit attributable to shareholders of the listed company by RMB4,723,500 for the first three quarters of 2025. The provisions for asset impairment losses and its reversal have not been audited by an accounting firm.

The provision for asset impairment and its reversal is in compliance with and in accordance with the relevant requirements in accounting standards and relevant policies and regulations and is in line with the Company's actual circumstances. Following the provision and reversal, the Company's financial conditions, asset value and operating results are fairly, objectively and truthfully reflected. The provision of asset impairment and its reversal will help further enhance the Company's risk prevention capabilities and ensure the Company's sustainable development, and there is no prejudice to the interests of the Company and all of its shareholders.

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

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

Shandong, the PRC
28 October 2025

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

** For identification purposes only*