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山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited *

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

(Stock Code: 568)

ANNOUNCEMENT ON PROVISION FOR ASSET IMPAIRMENT

Shandong Molong Petroleum Machinery Co., Ltd. (the "**Company**"), in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises" and in order to truly, accurately and fairly reflect the Company's financial condition and operating results, has conducted a comprehensive review and analysis of the relevant assets of Shouguang Maolong New Materials Technology Development Co., Ltd. ("**Shouguang Maolong**") in the consolidated financial statements as at 31 August 2024. Impairment testing have been conducted on assets that may be subject to impairment losses and provisions for asset impairment have been made, details of which are set out as follows:

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

In order to truly reflect the status of the assets of its subsidiary Shouguang Maolong, the Company has engaged an independent third-party valuer, Beijing Zhongheyi Assets Appraisal Ltd.* (北京中和誼資產評估有限公司), to evaluate the assets of Shouguang Maolong as at 31 August 2024. An asset valuation report was issued, impairment testing has been conducted on assets that may be subject to impairment losses and asset impairment provisions have been made.

The asset items for which the company has made provision for asset impairment mainly include inventories, fixed assets and intangible assets. From January to August 2024, RMB65.4988 million was provided for impairment of various assets. The details of the provisions for impairment for various assets are as follows:

Provision for Asset Impairment Items	Amount of Provision for Impairment (RMB'0,000)
Inventory depreciation loss	433.68
Provision for impairment of fixed asset	4,032.18
Provision for impairment of intangible assets	2,084.02
Total	6,549.88

B. REASONS FOR MAKING PROVISION FOR ASSET IMPAIRMENT

(1) 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 RMB4.3368 million.

(2) Reasons for accruing asset impairment provisions for fixed assets

On the balance sheet date, due to the temporary idleness of Shouguang Maolong's fixed assets and insufficient utilization of production capacity, the Company has conducted impairment tests on related assets which revealed signs of impairment. The Company uses the calculation method of comparing the estimated recoverable amount with the book value to calculate the provision for impairment for the Company's fixed assets. At the same time, the Company engaged a professional valuer to evaluate the recoverable amount of Shouguang Maolong's related assets. Based on the evaluation results of the valuation report, a provision for impairment for fixed asset of RMB40.3218 million has been made.

(3) Reasons for provision of asset impairment provisions for intangible assets

On the balance sheet date, as Shouguang Maolong salt sea-use rights were idle and failed to generate actual income, the Company conducted an impairment test on related assets which revealed signs of impairment. The Company uses the calculation method of comparing the estimated recoverable amount with the book value to calculate the provision for impairment for the Company's intangible assets. According to the evaluation results of the valuation report, a provision for impairment for fixed asset of RMB20.8402 million has been made.

C. JUSTIFICATION FOR THE PROVISION FOR ASSET IMPAIRMENT

The provision for asset impairment is in compliance with the relevant provisions of the "Accounting Standards for Business Enterprises" and the Company's accounting policies, is in line with the Company's actual situation, and can fairly, objectively and truly reflect the Company's financial conditions as at 31 August 2024 and operating results for January to August 2024. The financial information related to the provision for asset impairment has been audited by an accounting firm.

D. IMPACT OF PROVISIONS FOR ASSET IMPAIRMENT ON THE COMPANY

The various provisions for impairment for assets made from January to August 2024 will reduce the total profit in the Company's consolidated financial statements by RMB65.4988 million, reduce the Company's net profit by RMB65.4988 million, and reduce the net profit attributable to shareholders of the listed company by RMB65.4988 million, and reduce the net assets attributable to shareholders of listed companies by RMB65.4988 million.

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

Shandong, the PRC
14 October 2024

As at the date of this announcement, the board of directors of the Company comprises the executive Directors, namely Mr. Han Gao Gui and Mr. Yuan Rui; the non-executive Directors, namely Mr. Ding Yi and Ms. Zhang Min; and the independent non-executive Directors, namely Mr. Tang Qing Bin, Mr. Song Zhi Wang and Mr. Cai Zhong Jie.

** For identification purposes only*