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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025

HIGHLIGHTS

- For the six months ended 30 June 2025, revenue of the Group amounted to RMB797.5203 million, representing increase of approximately 31.90% as compared to the corresponding period of last year.
- Net profit attributable to equity owners of the Company amounted to RMB12.1637 million, as compared to RMB170.1349 million for the corresponding period of last year.
- Earnings per share was approximately RMB0.0152, as compared to RMB0.2132 for the corresponding period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025.

The board of directors (the “**Board**”) of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025.

The information contained in this announcement does not constitute the statutory financial statements of the Group for the six months ended 30 June 2025 but the financial information is extracted therefrom. The interim results for the six months ended 30 June 2025 have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the relevant requirements. They have not been audited by any accounting firm but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

Unless otherwise specified, the financial information of the Company is expressed in Renminbi (“**RMB**”).

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2025

		For the six months ended 30 June	
	Notes	2025 (Unaudited)	2024 (Unaudited)
Total operating revenue	3 and 4	797,520,309.74	604,627,930.88
Total operating costs		801,231,181.44	717,966,442.45
Operating costs		719,465,857.46	587,194,131.69
Business tax and surcharges		2,818,845.59	4,472,142.12
Selling expenses		6,242,978.05	6,823,207.62
Administrative expenses		18,546,581.79	66,070,521.83
Research and development expenditures		11,093,107.81	12,085,798.40
Finance costs	5	43,063,810.74	41,320,640.79
Including: Interest expenses		45,322,629.95	46,674,510.32
Interest income		799,536.45	568,696.72
Add: Credit impairment losses	6	2,989,050.80	(741,269.32)
Asset impairment losses	7	116,035.70	(8,955,173.29)
Gains on changes in fair value			
Investment income		(96,433.34)	282,091,477.58
Including: Gain on investment in associates and joint ventures			
Gains on disposal of assets	8	4,114,238.28	163,084.71
Other income	9	1,368,676.13	6,555,082.59
Operating profit		4,780,695.87	165,774,690.70
Add: Non-operating income	10	8,411,353.29	3,592,336.79
Less: Non-operating expenses		1,156,954.87	410,913.24
Total profit	11	12,035,094.29	168,956,114.25
Less: Income tax expenses	12	73,847.69	(394,994.52)
Net profit		11,961,246.60	169,351,108.77
Other comprehensive income		76,484.82	(113,111.93)
Total comprehensive income		12,037,731.42	169,237,996.84
Net profit attributable to			
Shareholders of the Company		12,163,676.06	170,134,914.07
Minority interests		(202,429.46)	(783,805.30)
Total comprehensive income attributable to			
Shareholders of the Company		12,232,512.40	170,033,113.14
Minority interests		(194,780.98)	(795,116.30)
Earnings per share	13		
(I) Basic earnings per share		0.0152	0.2132
(II) Diluted earnings per share		N/A	N/A
Dividends	14	N/A	N/A

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2025

		As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
	Notes		
Current assets			
Monetary funds		153,155,876.51	86,788,890.12
Bills receivable		31,302,915.09	28,076,117.35
Accounts receivable	15	318,057,006.39	220,326,415.43
Loans and advances			
Financing receivables		27,184,802.41	40,000.00
Prepayments		51,152,704.42	25,073,201.17
Other receivables		646,067,597.02	1,177,001,129.72
Including: Interests receivable			
Dividends receivable			
Inventories		435,425,997.98	397,733,225.95
Including: Data resources			
Assets classified as held for sale			
Other current assets		4,377,188.62	368,914.64
Total current assets		1,666,724,088.44	1,935,407,894.38
Non-current assets			
Available-for-sale financial assets		3,316,677.33	3,316,677.33
Long-term equity investments		41,666,457.34	1,666,457.34
Investment properties			
Fixed assets		324,515,398.73	327,402,077.12
Construction-in-progress		96,116.50	
Right-of-use assets		4,579,036.97	8,256,248.21
Intangible assets		193,431,753.79	143,873,622.76
Goodwill			
Deferred income tax assets			
Research and development expenditures		8,595,847.36	
Long-term deferred expenses			
Gain or loss on properties to be dealt			
Other non-current assets		83,741,000.00	259,900.00
Total non-current assets		659,942,288.02	484,774,982.76
Total assets		2,326,666,376.46	2,420,182,877.14

		As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
	Notes		
Current liabilities			
Short-term borrowings		1,355,564,076.98	1,425,765,913.39
Bills payable		0.00	7,128.75
Accounts payable	16	304,130,361.51	294,207,878.68
Receipts in advance			
Contract liabilities		61,755,648.26	35,099,585.13
Salaries payable		31,518,257.75	57,404,024.93
Taxes payable		6,511,035.57	15,106,998.95
Other payables		25,344,902.72	40,123,921.92
Including: Interests payable			
Other current liabilities		12,524,866.09	19,147,733.93
Non-current liabilities due within one year		13,859,800.05	30,042,081.68
Total current liabilities		1,811,208,948.93	1,916,905,267.36
Net current assets		(144,484,860.49)	18,502,627.02
Total assets less current liabilities		515,457,427.53	503,277,609.78
Non-current liabilities			
Long-term borrowings			153,809.38
Lease liabilities		256,036.15	178,746.58
Long-term payables			
Estimated liabilities		4,960,656.25	4,960,656.25
Deferred revenue		6,085,498.10	6,085,498.10
Bonds payable			
Deferred income tax liabilities		4,834.38	4,834.38
Other non-current liabilities			
Total non-current liabilities		11,307,024.88	11,383,544.69
Total liabilities		1,822,515,973.81	1,928,288,812.05
Shareholders' equity			
Share capital		797,848,400.00	797,848,400.00
Capital reserve		979,777,355.57	979,777,355.57
Surplus reserve		187,753,923.88	187,753,923.88
General risk reserve			
Undistributed profits		(1,457,415,218.66)	(1,469,578,894.72)
Other comprehensive income		(3,462,450.32)	(3,531,286.66)
Total equity attributable to shareholders of the parent company		504,502,010.47	492,269,498.07
Minority interests		(351,607.82)	(375,432.98)
Total shareholders' equity		504,150,402.65	491,894,065.09

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2025

	2025								
	Equity attributable to shareholders of the parent company								
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. 1 January 2025 (audited)	797,848,400.00	979,777,355.57	(3,531,286.66)		187,753,923.88		(1,469,578,894.72)	(375,432.98)	491,894,065.09
II. Changes during the period			68,836.34				12,163,676.06	23,825.16	12,256,337.56
(I) Total comprehensive income			68,836.34				12,163,676.06	23,825.16	12,256,337.56
(II) Shareholders' capital injection and reduction									
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others									
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Surplus reserve offsetting against losses									
4. Others									
(V) Special reserve									
1. Appropriations during the period				4,036,068.36					4,036,068.36
2. Utilisations during the period				4,036,068.36					4,036,068.36
(VI) Others									
III. 30 June 2025 (unaudited)	797,848,400.00	979,777,355.57	(3,462,450.32)		187,753,923.88		(1,457,415,218.66)	(351,607.82)	504,150,402.65

	2024								
	Equity attributable to shareholders of the parent company								
Item	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. 1 January 2024 (audited)	797,848,400.00	867,591,781.76	(3,301,679.88)		187,753,923.88		(1,425,879,061.33)	(89,310,843.88)	334,702,520.55
II. Changes during the period		712,165.19	(101,800.93)				170,134,914.07	89,004,263.24	259,749,541.57
(I) Total comprehensive income			(101,800.93)				170,134,914.07	(795,116.30)	169,237,996.84
(II) Shareholders' capital injection and reduction		712,165.19						89,799,379.54	90,511,544.73
1. Ordinary shares contributed by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Share-based payments included in shareholders' equity									
4. Others		712,165.19						89,799,379.54	90,511,544.73
(III) Profit appropriations									
1. Appropriations of surplus reserve									
2. Appropriations of general risk reserve									
3. Appropriations to the owners									
4. Others									
(IV) Transfer within shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Surplus reserve offsetting against losses									
4. Others									
(V) Special reserve									
1. Appropriations during the year				3,782,113.84					3,782,113.84
2. Utilisations during the year				3,782,113.84					3,782,113.84
(VI) Others									
III. 30 June 2024 (unaudited)	797,848,400.00	868,303,946.95	(3,403,480.81)		187,753,923.88		(1,255,744,147.26)	(306,580.64)	594,452,062.12

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

The Company is a limited liability company established in the People's Republic of China ("PRC" or "China"), with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Main Board of Shenzhen Stock Exchange ("SZSE"). The address of the registered office of the Company is at No. 99 Xing Shang Road, Gucheng Subdistrict, Shouguang City, Shandong Province, PRC, and the address of the principal place of business of the Company in Hong Kong is at 5/F, Kam Sang Building, 257 Des Voeux Road Central, Hong Kong.

The financial statements are presented in RMB, which is also the functional currency of the Company.

During the six months ended 30 June 2025, the Group was principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry. The main products included petroleum-drilling machinery equipment, petroleum and natural gas pipeline equipment, oil and gas exploitation equipment and castings and forgings, etc.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group have been prepared, on the basis of actual transactions and events, in accordance with the Accounting Standard for Business Enterprises promulgated by the Ministry of Finance and its application guidelines, interpretations and relevant requirements (collectively "Accounting Standard for Business Enterprises"), the disclosure requirements under the China Securities Regulatory Commission (the "CSRC")'s Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2023 Revision) and its relevant requirements, and the disclosure-related requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

There were no changes in the accounting policies adopted for the preparation of the financial statements for the current period.

3. TOTAL OPERATING REVENUE

Total operating revenue includes operating revenue and income from other businesses. Operating revenue only represents the net amounts received and receivable by the Group from external sales of goods and rendering of services less trade discounts during the six months ended 30 June 2025.

Analysis of the Group's operating revenue for the six months ended 30 June 2025 is as follows:

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Pipe products	755,173,945.20	542,742,258.39
Castings and forgings		5,724,946.04
Three kinds of pumping units	13,830,858.84	14,317,014.33
Petroleum machinery parts	12,976.43	1,061,486.64
Others	28,502,529.27	40,782,225.48
Total	797,520,309.74	604,627,930.88

4. SEGMENT INFORMATION

(1) Basis for determining reportable segments and accounting policies

1) Basis for determining reportable segments

Based on its internal organisational structure, management requirements and internal reporting system, the Group's operating businesses are divided into four reportable segments. Management of the Group regularly evaluates the operating results of these reportable segments for the purposes of making decisions on resource allocation to and performance evaluation of these segments. The main products provided by the Group's reportable segments include pipe products, three kinds of pumping units, petroleum machinery parts, and others.

2) Accounting policies for the reportable segments

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

Segment reporting information – For the six months ended 30 June 2025 (Unaudited)

	Pipe products	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue:						
Revenue from external sales	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27		797,520,309.74
Revenue from inter-segment sales						
Total segment operating revenue	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27		797,520,309.74
Total operating revenue as reported	755,173,945.20	13,830,858.84	12,976.43	28,502,529.27		797,520,309.74
Segment expenses	689,036,287.39	12,266,816.72	4,216.94	27,104,324.35	(2,989,050.80)	725,422,594.60
Segment operating profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	2,989,050.80	72,097,715.14
Adjusted for:						
Administrative expenses					18,546,581.79	18,546,581.79
Research and development expenditures					11,093,107.81	11,093,107.81
Finance costs					43,063,810.74	43,063,810.74
Investment income					(96,433.34)	(96,433.34)
Gains on disposal of assets					4,114,238.28	4,114,238.28
Other income					1,368,676.13	1,368,676.13
Operating profit as reported	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(64,327,968.47)	4,780,695.87
Non-operating income					8,411,353.29	8,411,353.29
Non-operating expenses					1,156,954.87	1,156,954.87
Total profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(57,073,570.05)	12,035,094.29
Income tax					73,847.69	73,847.69
Net profit	66,137,657.81	1,564,042.12	8,759.49	1,398,204.92	(57,147,417.74)	11,961,246.60
Total segment assets	1,971,921,392.48	58,966,007.73	4,710,921.98	151,199,288.03	139,868,766.24	2,326,666,376.46
Total segment liabilities	632,431,929.65	13,307,198.48	5,366,212.41	8,394,827.04	1,163,015,806.23	1,822,515,973.81

Segment reporting information – For the six months ended 30 June 2024 (Unaudited)

	Pipe products	Castings and forgings	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Total
Operating revenue:							
Revenue from external sales	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Revenue from inter-segment sales							
Total segment operating revenue	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Total operating revenue as reported	542,742,258.39	5,724,946.04	14,317,014.33	1,061,486.64	40,782,225.48		604,627,930.88
Segment expenses	547,388,223.42	6,192,575.32	12,316,078.15	679,782.52	40,867,995.31	741,269.32	608,185,924.04
Segment operating profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	(741,269.32)	(3,557,993.16)
Adjusted for:							
Administrative expenses						66,070,521.83	66,070,521.83
Research and development expenditures						12,085,798.40	12,085,798.40
Finance costs						41,320,640.79	41,320,640.79
Investment income						282,091,477.58	282,091,477.58
Gains on disposal of assets						163,084.71	163,084.71
Other income						6,555,082.59	6,555,082.59
Operating profit as reported	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	168,591,414.54	165,774,690.70
Non-operating income						3,592,336.79	3,592,336.79
Non-operating expenses						410,913.24	410,913.24
Total profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	171,772,838.09	168,956,114.25
Income tax						(394,994.52)	(394,994.52)
Net profit	(4,645,965.03)	(467,629.28)	2,000,936.18	381,704.12	(85,769.83)	172,167,832.61	169,351,108.77
Total segment assets	1,819,179,922.54	563,001,895.90	82,979,111.90	10,136,687.75	220,635,409.55	89,882,553.02	2,785,815,580.65
Total segment liabilities	521,903,085.69	839,967,950.66	20,530,666.26	7,019,165.12	19,278,157.97	782,664,492.83	2,191,363,518.53

(2) Revenue from external sales by origin of revenue and non-current assets by location of assets

The Group derives all revenue from external sales from the PRC and overseas but all of its assets are located in the PRC. Therefore, the disclosures of revenue from external sales by origin of revenue are as follows:

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Revenue from external sales derived from the PRC	540,724,609.12	372,373,974.21
Revenue from external sales derived from other countries	256,795,700.62	232,253,956.67
Total	797,520,309.74	604,627,930.88

5. FINANCE COSTS

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Interest expenses	45,322,629.95	46,674,510.32
Less: Interest expenses capitalised		
Less: Interest income	(799,536.45)	(568,696.72)
Exchange differences	(1,650,660.89)	(4,960,535.36)
Others	191,378.13	175,362.55
Total	43,063,810.74	41,320,640.79

6. CREDIT IMPAIRMENT LOSSES

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Loss on bad debts	2,989,050.80	(741,269.32)
Including: Accounts receivable	2,678,442.15	656,707.39
Bills receivable	70,143.82	652,545.51
Other receivables	240,464.83	(2,050,522.22)
Others		
Total	2,989,050.80	(741,269.32)

7. ASSET IMPAIRMENT LOSSES

For the six months ended 30 June 2025 (Unaudited)

Item	2025	2024
Loss on impairment of inventories and loss on impairment of costs of contract performance	116,035.70	(8,955,173.29)
Total	116,035.70	(8,955,173.29)

8. GAINS ON DISPOSAL OF ASSETS

For the six months ended 30 June 2025 (Unaudited)

Source of gains on disposal of assets	2025	2024
Gains on disposal of fixed assets	4,114,238.28	163,084.71
Total	4,114,238.28	163,084.71

9. OTHER INCOME

For the six months ended 30 June 2025 (Unaudited)

Source of other income	2025	2024
Stability subsidies		
Work-based training subsidies	1,361,627.77	6,448,846.81
Others	7,048.36	106,235.78
Total	1,368,676.13	6,555,082.59

10. NON-OPERATING INCOME

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Total gains on disposal of non-current assets	–	–
Including: Gains on disposal of fixed assets	–	–
Gains on disposal of intangible assets	–	–
Government grants	–	–
Litigation compensation	7,486,346.36	–
Others	925,006.93	3,592,336.79
Total	8,411,353.29	3,592,336.79

11. TOTAL PROFIT

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Total profit has been arrived at after charging/(crediting)		
Staff costs (including directors' remuneration)	60,462,868.03	75,260,101.72
Amortisation of intangible assets	3,125,808.42	5,189,174.26
Auditor's remuneration (included in administrative expenses)	1,349,056.60	1,367,924.49
Cost of inventories recognised as expense	693,580,969.61	548,882,498.25
Depreciation of fixed assets	28,178,102.30	72,915,950.48
Cost of research and development (included in administrative expenses)	10,221,955.21	10,750,438.75
Losses (gains) on disposal of non-current assets	4,083,646.35	281,321,729.97

12. INCOME TAX EXPENSES

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Current income tax expenses	73,847.69	62,936.72
– PRC	73,847.69	62,936.72
Deferred income tax expenses		(457,931.24)
Total	73,847.69	(394,994.52)

The Company has been listed as a high and new technology enterprise and is subject to the PRC enterprise income tax at a PRC income tax rate of 15% (2024: 15%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

13. EARNINGS PER SHARE

For the six months ended 30 June 2025 (Unaudited)

	2025	2024
Calculated based on the net profit attributable to shareholders of the parent company:	12,163,676.06	170,134,914.07
Basic earnings per share	0.0152	0.2132
Diluted earnings per share	N/A	N/A
Calculated based on the net profit from continuing operations attributable to shareholders of the parent company:	12,163,676.06	170,134,914.07
Basic earnings per share	0.0152	0.2132
Diluted earnings per share	N/A	N/A

14. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (2024: Nil).

15. ACCOUNTS RECEIVABLE

For the six months ended 30 June 2025 (Unaudited)

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Accounts receivable	361,729,290.97	266,677,142.16
Less: Provision for bad debts of accounts receivable	43,672,284.58	46,350,726.73
Total	318,057,006.39	220,326,415.43

The Group as primary obligor satisfies its obligations of supplying products to customers in a timely manner by reference to the category, standard and time requested by the customers in accordance with the provisions of the contracts. There are different payments terms for different customers and different products: domestic 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. 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.

Aging analysis of accounts receivable for the six months ended 30 June 2025 based on the date of invoices is as follows:

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Within 1 year	321,081,364.46	221,427,518.61
1–2 years	372,911.15	2,226,344.02
2–3 years		
Over 3 years	40,275,015.36	43,023,279.53
Total	361,729,290.97	266,677,142.16

16. ACCOUNTS PAYABLE

Aging analysis of accounts payable for the six months ended 30 June 2025 based on the date of invoices is as follows:

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Within 1 year	249,026,100.98	228,402,199.71
1–2 years	12,206,802.68	20,662,282.33
2–3 years	11,187,530.51	11,163,851.48
Over 3 years	31,709,927.34	33,979,545.16
Total	304,130,361.51	294,207,878.68

17. CAPITAL COMMITMENTS

As at 30 June 2025, the Group had the following commitments in respect of capital expenditures:

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Contracted but not recognised in financial statements – Commitment in respect of acquisition and construction of long-term assets	0	0

18. CONTINGENT LIABILITIES

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

For the six months ended 30 June 2025, the Group recorded unaudited operating revenue of approximately RMB797.5203 million, representing an increase of 31.90% compared with the same period of last year. The unaudited operating profit was approximately RMB4.7807 million, compared with a profit of RMB165.7747 million in the same period of last year. The total unaudited profit was approximately RMB12.0351 million, compared with a profit of RMB168.9561 million in the same period of last year. The unaudited net profit attributable to shareholders of the listed company was approximately RMB12.1637 million, compared with a profit of RMB170.1349 million in the same period of last year.

Business Review

The Company is principally engaged in the design and research and development, processing and manufacturing, sales service, and export trade of products for the energy equipment industry, with main products include oil-drilling machinery and equipment, oil and gas transportation equipment, oil and gas extraction equipment, etc. These products are mainly used in the manufacturing of related equipment in the fields of oil and gas energy drilling and production, mechanical processing, urban pipe networks, etc. During the Reporting Period, the Company's main products were pipes, casing and other pipe products, accounting for nearly 95% of the Company's operating income.

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 net profit attributable to shareholders of the listed company decreased year-on-year, mainly due to the non-recurring investment income from the sale of equity interests in two subsidiaries in the same period of last year. During the Reporting Period, the Company had a sufficient number of product orders, with a significant year-on-year increase in production and sales volume. The Company's operating income rose, utilization of capacity improved, and the gross profit margin of its products increased significantly year-on-year. The Company has strengthened its basic management, paid close attention to cost control, and achieved remarkable results in cost reduction and efficiency improvement. The above factors combined led to the Company's operating results after deducting non-recurring gains and losses turning around from loss to profit.

Significant Events Subsequent to the Reporting Period

The Group had no significant events subsequent to the reporting period.

Prospects

The energy equipment industry in which the Company operates covers the manufacturing of specialized equipment for energy extraction such as oil, natural gas, shale gas, coal, and coalbed methane, and falls within the scope of the oil and natural gas specialized equipment manufacturing and service industry. Therefore, the development and prospects of the oil and gas extraction industry are directly relevant to the development of the industry in which the Company operates. In the long term, the global economic growth rate, the price trend and consumer demand for oil and gas, global oil exploration and development expenditure, and the scale of oil and gas extraction are the deciding factors influencing the prospects of the industry in which the Company operates. In recent years, international crude oil prices have remained at a relatively high level, providing support for global investment in oil and gas exploration and development. This has driven the continuous recovery of capital expenditures of oil and gas companies, increased demand for oil and gas equipment and services, and a sustained upturn in the industry's prospects.

According to the data from the National Bureau of Statistics, in the first half of 2025, oil and gas production grew steadily, with both crude oil and natural gas output increasing year-on-year. The capacity of oil and gas supply continued to improve. In February 2025, the National Energy Administration released the “Guiding Opinions on Energy Work in 2025”, which put forward the main targets of energy work in 2025: In terms of capacity of supply, the total national energy production will steadily increase. Crude oil production remained above 200 million tons, natural gas production maintained a relatively fast growth rate, and the scale of oil and gas reserves continued to increase. Give full play to the role of fossil energy as a safety net and safeguard the bottom line of energy security. Strengthen the foundation for energy security, enhance oil and gas exploration and development, achieve new breakthroughs in enhancing oil recovery in old oilfields, building production on a large scale in deep and deepwater areas, and increasing production of unconventional oil and gas. Accelerate the construction of a national-level shale oil demonstration zone, continuously improve oil and gas reserve capacity, and promote the construction of major projects such as gas storage. Accelerate the building of a new development pattern, implement the new energy security strategy to a higher standard, speed up the planning and construction of a new energy system, and continuously enhance the capacity of energy security. A series of domestic energy security policies, such as intensifying the exploration and development of oil and gas resources, increasing reserves and production, and accelerating the integrated development of oil and gas exploration and development with new energy, will help further boost the prospects of the domestic oil and gas industry.

Significant Investments Held

During the six months ended 30 June 2025, the Company did not hold any significant investments.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2025, the Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans on Material Investment or Capital Assets

During the six months ended 30 June 2025, the Group did not have any future plans on material investment or capital assets.

Foreign Exchange Exposure

During the six months ended 30 June 2025, the Group's revenue was denominated in RMB and United States dollars and its expenses were denominated in Hong Kong dollars, RMB and United States dollars. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any prolonged or significant change in RMB against United States dollars and RMB against Hong Kong dollars may have impact on the Group's results and financial position.

Corporate Governance

The Company is committed to reaching high standards of corporate governance. The principles of corporate governance adopted by the Company emphasized a quality board, sound internal control, and transparency and accountability to stakeholders. During the six months ended 30 June 2025, the Company has adopted and complied with all the code provisions contained in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Audit Committee

The Company established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code to review and oversee the financial reporting process, risk management and internal audit and control procedures. The Audit Committee has reviewed the Group's unaudited interim results and financial statements for the six months ended 30 June 2025. The Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and the results for the six months ended 30 June 2025. The interim results for the six months ended 30 June 2025 have not been audited by the auditors of the Company.

Director's Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules and requires directors to follow the Model Code while conducting securities transactions. The Model Code also applies to the Company's senior management. The Company has made specific enquiries to all directors and all of them have confirmed that they have fully complied with the Model Code for the six months ended 30 June 2025.

Purchase, Sale or Redemption of Listed Securities of the Group

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2025.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Stock Exchange and the Company. The interim report for the six months ended 30 June 2025 will be dispatched to the shareholders of the Company as and when appropriate and will be available on the Company's website at <http://www.molonggroup.com> and the websites of the Stock Exchange and SZSE in due course.

By order of the Board
Shandong Molong Petroleum Machinery Company Limited*
Chan Wing Nang, Billy
Company Secretary

Shandong, the PRC
22 August 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 Director, 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 purpose only