



海隆控股有限公司*
Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1623

2024
ANNUAL REPORT

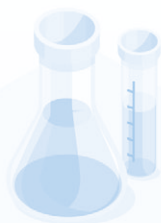
TECHNOLOGICAL
INNOVATION



* For identification purpose only

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Hilong Holding Limited (“**Hilong**”, “**we**”, “**us**”, “**our**” or the “**Company**”), I hereby present the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 (the “**reporting period**”) to our shareholders.

RESULTS

In 2024, the oil price showed a downward trend compared with last year, but it remained at a medium to high position. International and geographical factors such as supply shortage and economic recovery supported the oil price. The production adjustments on the supply side promoted the international oil price to remain above the medium position, while the recovery of economic growth on the demand side drove capital expenditure. The recovery of demand for aviation and gasoline consumption was the main driving force for the growth of oil consumption. At the same time, China gradually deepened and upgraded its cooperation with the Middle East and Central Asia regions covering from oil and gas trade to resource development and to technical cooperation. High-level summits such as the China-Central Asia Summit have also brought great opportunities to oil industry enterprises. Hilong adhered to the strategy of scientific and technological innovation, intelligent and high-quality development, and has achieved good results in key countries and regions such as the United States, Canada and the Middle East. The Group also strengthened its cash flow management by implementing active financial measures, such as strengthening accounts receivable management and inventory management measures, to enhance the overall operating efficiency, securing a relatively stable cash flow in 2024. In 2024, Hilong actively expanded both international and domestic markets and adopted a scientific management approach within the Group. While intensifying its efforts in market development, the Company attached importance to scientific development and technological innovation, and has been gradually developing into an asset-light, digital and high-tech intelligent enterprise. Business units of the Group were having a full workload. The three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services, achieved important orders of high-end customers in a number of new and old markets, establishing a solid foundation for the long-term development of the Group. Hilong remained its stable and efficient scientific operation in 2024. During the reporting period, Hilong recorded a total revenue of RMB4,668.3 million, representing an increase of 9.8% compared with 2023. The digital and intelligent transformation of Hilong has achieved remarkable results, further empowering the development and growth of its products and businesses.

YEAR UNDER REVIEW

During the reporting period, the revenue of the oilfield equipment manufacturing and services segment was RMB2,124.7 million, representing a decrease of 18.7% compared with 2023. In 2024, demand in major drilling tool markets such as the U.S. and Canada declined slightly, and Hilong remained ahead of the competition in the market. The sales volume of various drilling tool products basically remained stable, and the orders on hand for various drilling tool products such as drill pipes and heavy weight drill pipes were basically stable. In 2024, Hilong constantly developed advanced technology and optimised its production processes. Hilong has overcome many scientific research difficulties and continued to improve the quality of products and services. Its product performance and the quality of services have reached or surpassed the level of its international competitors. The oilfield equipment manufacturing and services segment contributed the most to the Group's revenue and achieved business breakthroughs in markets such as the United States, Canada, the Middle East and Southeast Asia. Hilong explored major customers such as Precision Drilling and has become the major drilling tool supplier to high-end customers such as PD, SAVANA and Ensign. Hilong's sour service drilling tool with special buckles and the full promotion of HLNST special buckles achieved good sales performance in markets of the United States and Canada. The achievements made in the advance layout and planning of the North American market indicated that the comprehensive strengths of the Group's high-tech and high-end drilling tools has been recognised by international high-end customers. In the Middle East market, we have passed the drilling tool certification in respect of Saudi Aramco and KOC deep well drilling rigs, laying the foundation for entering the high-end market in the Middle East. In the Middle East, Hilong has also made market and business breakthroughs, and all the user orders with high-end

CHAIRMAN'S STATEMENT

customers such as KCA and EDC have been secured. During the reporting period, Hilong signed a series of contracts with major customers and high-end customers in China in respect of the supply of drilling tools and bottomhole assembly,



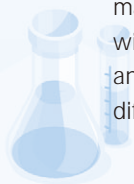
CHAIRMAN'S STATEMENT

In 2024, the offshore engineering services segment recorded a total revenue of RMB963.8 million, representing a 105.9% increase from 2023. Hilong Offshore Engineering has been making great to develop into a specialized offshore engineering company with EPCIC integrated turnkey capacity, forming a business capability of the whole industry chain. The digital intelligent system connecting with the Group has gone live and the Intelligent Control Technology Center had a record high number of projects, which effectively supported the two business lines of market development and project execution, resulting in a significant increase in workload as compared to last year, which will have great development potential in the future. For instance, the land construction and commissioning of our EPC project in Congo have all been completed, and the Chevron project in Thailand has also been progressing smoothly. In addition, we also signed transportation and installation contracts with world-renowned offshore oil companies for the first time, expanded our business to the whole process of offshore engineering industry ecology and transformed into a technology company that can undertake multiple projects. At the same time, Hilong Offshore Engineering was having a number of projects in the process of project bidding, representing an increasing recognition and satisfaction towards Hilong Offshore Engineering from customers. Hilong attaches great importance to high-tech research and development, and has applied for the qualification as an annual technology-based enterprise. 2024 was a year of great significance in the development of Hilong Offshore Engineering, with remarkable progress in infrastructure management, operational capability and business development, further improving the international and domestic project management capabilities and overseas project design and construction capabilities, accumulating experience of the information-based systematic management means and technology services, and laying a solid foundation for the development route of light assets and integrated turnkey capabilities.

OUTLOOK

Looking forward to 2025, despite the unfavorable factors of trade protectionism and tariff war, the overall economic recovery will drive the growth of oil consumption, the pattern of tight crude oil supply may continue, and the international oil price may fluctuate slightly in the middle range. Benefiting from the breakthrough of upstream exploration and development and the expansion of downstream refining and chemical capacity, we are expected to obtain more orders from owners of oil companies in overseas countries. We are optimistic about the medium and long-term business development in the Middle East, Southeast Asia and South America, which will bring us great opportunities in the market and the promising future prospects of our projects can be expected.

In terms of the international drill pipe market, the Company will continue to promote high value-added products of drilling tools which meet the differentiated needs of high-end customers, combine market development with product development more deeply, introduce more interdisciplinary talents and professional talents, and intensify efforts to promote the automation, digitalization, intelligent transformation and new technology research and development of drill pipe production line equipment; We will deeply develop the high-end demand in the Middle East, the United States and Canada, and further enhance the market reputation of Hilong drilling tools. The research, development and promotion of products such as large-scale thick-walled HLU165 super high-strength drill pipes, high pressure-resistant special buckle for offshore riser, HLNST special buckles, HL130S and HL135MS high strength sour service drill pipes, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes, drill pipes with radio frequency identification tags and intelligent drill pipes as well as automatic transformation of production line, information construction of production management system, heat treatment technology of drill pipes, and thickening and identification inspection technology will be intensified. In the domestic drill pipe market, Hilong will actively follow up the existing business opportunities and vigorously develop differentiated markets to provide customers with high-end drill pipe products that meet their differentiated needs.



CHAIRMAN'S STATEMENT

Regarding the oil services business, Hilong will adhere to scientific and technological innovation, light assets and digital management transformation, break through the bottleneck of traditional business development, and demonstrate strong technical and management capabilities. We will actively explore foreign markets, and strive to enter into new businesses and new contracts in new and old markets such as Nigeria, Ecuador, Brazil and Kuwait. On the basis of drilling and workover business, we will actively develop various types of services including drilling turnkey, oilfield environmental protection, nanofluids production enhancement, drilling tool repair, trade services, etc., and provide more diversified and characteristic services on the basis of traditional drilling and workover services. We will make every effort to improve our technical ability and scientific research level, and build the core competitiveness of Hilong Oil Service. We will stabilize the existing drilling and workover rig equipment business, maintain a high level of utilization rate of its drilling rigs, and continue to adjust its business layout. We will continue to establish a turnkey drilling technical team to improve the technical level of turnkey drilling, shorten the drilling and well completion cycle, so as to achieve a high profit level. We will give full play to its existing business platform, continue to carry out business such as trade and oilfield environmental protection to create new profits. We will make use of the Company's market development and management capabilities, strive to identify social resources, reduce business risks, and amplify the platform effect and economies of scale. On the basis of consolidating the existing business, the Company will actively expand the directional well and horizontal well technical service capability of the RSS rotary steering system. At the same time, the Company will vigorously carry out domestic MPD technical services and develop overseas MPD service markets. Taking nanotechnology used in production enhancement as a breakthrough point, we will actively explore the sales of drilling and workover rig equipment and spare parts, and tubing and casing trading business, so as to enhance the linkage and synergy among various businesses and maximize profits!

In offshore engineering services, we will speed up the layout and construction in Southeast Asia and West Africa, and focus on strengthening the formation of digital delivery and management capability of offshore engineering by leveraging our offshore engineering experience. We will make efforts in contracting and implementing projects such as engineering commissioning, digital and intelligence in the international market. We will focus on in-depth research on key directions such as pipeline laying, jacket installation and dismantling, block floating, and a digital management system for commissioning and completion. On the basis of stable installation and submerged pipeline laying business, we will actively transform scientific and technological achievements and establish the Company's long-term technical reserve by increasing the introduction of talents. We will provide light asset-input and high-yield products and services. We will adhere to the route of innovative R&D and international development, and constantly improve our turnkey project integrated service ability. We will excavate technical hotspots, track the latest technological frontiers, and improve the comprehensive technical capabilities of the Company's offshore engineering. We will strengthen market development and construction, expand key projects in key areas of the market and improve profitability. We will adhere to the guidance of talents and technology, strengthen the technical service ability and risk management and control ability of our core businesses, and continuously improve the service quality and service ability of Hilong Offshore Engineering in domestic and foreign markets.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, management team and staff. The Group's past achievements are all due to their efforts and contributions, and future development requires their efforts to continuously enhance the Company's leading position in domestic and foreign markets.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jun (張軍)

(Chairman, Executive Chairman and Co-Chief Executive Officer (appointed as Chief Executive Officer on 15 October 2024))

Mr. Wang Tao (汪濤)

(Chief Executive Officer)
(resigned on 15 October 2024)

Non-executive Directors

Ms. Zhang Shuman (張姝嫻)

Dr. Yang Qingli (楊慶理)

Mr. Cao Hongbo (曹宏博)

Dr. Fan Ren Da Anthony (范仁達)

Independent Non-executive Directors

Mr. Wang Tao (王濤)

Mr. Wong Man Chung Francis (黃文宗)

Mr. Shi Zheyang (施哲彥)

AUTHORIZED REPRESENTATIVES

Mr. Zhang Jun (張軍)

Ms. Sham Ying Man (岑影文)

AUDIT COMMITTEE

Mr. Wong Man Chung Francis (黃文宗)

(Chairman of Audit Committee)

Mr. Wang Tao (王濤)

Ms. Zhang Shuman (張姝嫻)

REMUNERATION COMMITTEE

Mr. Wang Tao (王濤)

(Chairman of Remuneration Committee)

Mr. Wong Man Chung Francis (黃文宗)

Mr. Shi Zheyang (施哲彥)

NOMINATION COMMITTEE

Mr. Wang Tao (王濤) (Chairman of Nomination Committee)

Mr. Wang Tao (汪濤) (resigned on 15 October 2024)

Dr. Yang Qingli (楊慶理) (appointed on 15 October 2024)

Mr. Shi Zheyang (施哲彥)

COMPANY SECRETARY

Ms. Sham Ying Man (岑影文)

AUDITOR

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REGISTERED OFFICE

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Grand Cayman, KY1-1111

Cayman Islands

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Baoshan Industrial Zone

Shanghai

PRC

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33 Hysan Avenue

Causeway Bay

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

China Construction Bank, Yuepu Branch

Bank of China, Baoshan Branch

Industrial & Commercial Bank of China, Baoshan Branch

Shanghai Pudong Development Bank, Baoshan Branch

STOCK CODE

1623

WEBSITE

www.hilonggroup.com

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by business segment for the years indicated:

Continuing operation

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Oilfield equipment manufacturing and services				
– Drill pipes	1,995,105	42.7	2,317,689	54.5
– Oil country tubular goods (“OCTG”) coating services	–	–	111,606	2.6
– Drill pipe components	9,601	0.2	70,708	1.7
– Hardbanding	–	–	7,052	0.2
– Others	119,994	2.7	107,366	2.5
Subtotal	2,124,700	45.6	2,614,421	61.5
Oilfield services	1,579,862	33.8	1,168,928	27.5
Offshore engineering services	963,770	20.6	468,182	11.0
Total revenue	4,668,332	100.0	4,251,531	100.0

Revenue increased by RMB416.8 million, or 9.8%, from RMB4,251.5 million in 2023 to RMB4,668.3 million in 2024. Such increase was mainly due to the increase in revenue from the oilfield services and offshore engineering services segment.

Oilfield equipment manufacturing and services. Revenue from the oilfield equipment manufacturing and services segment decreased by RMB489.7 million, or 18.7%, from RMB2,614.4 million in 2023 to RMB2,124.7 million in 2024. Such decrease primarily reflected the decrease in revenue derived from sales of drill pipes.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the revenue analysis of the drill pipe sales for the years indicated:

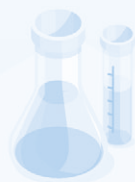
	Year ended 31 December	
	2024	2023
Sales of drill pipes		
– International market		
– volume (tonnes)	63,851	64,004
– unit price (RMB/tonne)	28,620	30,734
Subtotal (RMB'000)	1,827,419	1,967,086
– The PRC market		
– volume (tonnes)	8,115	16,651
– unit price (RMB/tonne)	20,663	21,056
Subtotal (RMB'000)	167,686	350,603
Total (RMB'000)	1,995,105	2,317,689

Revenue from sales of drill pipes in the international market decreased by RMB139.7 million, or 7.1%, from RMB1,967.1 million in 2023 to RMB1,827.4 million in 2024. The decrease primarily reflected a decrease of 6.9% in the average selling price of drill pipes sold from RMB30,734 in 2023 to RMB28,620 in 2024. Such decrease in the average selling price primarily reflected more intense market competition in the Middle East market.

Revenue from sales of drill pipes in the PRC market decreased by RMB182.9 million, or 52.2%, from RMB350.6 million in 2023 to RMB167.7 million in 2024. The decrease primarily reflected a decrease of 51.3% in the volume of drill pipes sold from 16,651 tonnes in 2023 to 8,115 tonnes in 2024. Such decrease in the sales volume primarily reflected the decreased demands from domestic markets.

Oilfield service. Revenue from the oilfield services segment increased by RMB411.0 million, or 35.2%, from RMB1,168.9 million in 2023 to RMB1,579.9 million in 2024. Such increase primarily reflected the increase in revenue from tubing and casing trading business and the recovery of the utilization rate of drilling rigs in 2024 as compared to 2023.

Offshore engineering service. Revenue from the offshore engineering service segment increased by RMB495.6 million, or 105.9%, from RMB468.2 million in 2023 to RMB963.8 million in 2024. The increase primarily reflected the increase in revenue from the subsea pipeline laying project and offshore drilling platform construction project.



Cost of sales and provision of services

Cost of sales/services increased by RMB210.5 million, or 6.3%, from RMB3,336.1 million in 2023 to RMB3,546.6 million in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB206.3 million, or 22.5%, from RMB915.5 million in 2023 to RMB1,121.8 million in 2024. Gross profit margin was 24.0% in 2024, increased by 2.5% from that in 2023.

Selling and Marketing Expenses

Selling and marketing expenses increased by RMB18.6 million, or 25.0%, from RMB74.3 million in 2023 to RMB92.9 million in 2024. These expenses, amounting to 2.0% of revenue in 2024, were higher than 1.7% in 2023.

Administrative Expenses

Administrative expenses increased by RMB99.9 million, or 22.1%, from RMB451.2 million in 2023 to RMB551.1 million in 2024. Such increase primarily reflected the increase in staff costs and corporate overheads.

Other (Losses)/Gains – Net

The Group recognized net loss of RMB68.1 million in 2024 and net gain of RMB62.2 million in 2023. The net loss recognized in 2024 primarily reflected the exchange loss of RMB40.9 million from the operating activities as a result of the depreciation of the Nigerian Naira. The net gain recognized in 2023 reflected the exchange gain of RMB54.3 million from the operating activities as a result of the appreciation of the United States Dollar (“USD”).

Finance Costs – Net

Finance costs – net increased by RMB98.2 million, or 62.3%, from RMB157.7 million in 2023 to RMB255.9 million in 2024. Such increase is primarily due to decrease in gains on repurchasing the Notes (zero in 2024 compared to RMB154.8 million gains on repurchasing the Notes in 2023), and was partly offset by the decrease of RMB23.2 million interest expenses due to decline of the balance of borrowings and the decrease in net foreign exchange loss of RMB18.2 million from the financing activities resulting from the appreciation of USD.

Profit before Income Tax

As a result of the foregoing, the Group recognized profit before income tax of RMB276.8 million in 2023 and profit before income tax of RMB115.9 million in 2024.

Income Tax Expense

The Group recognized income tax expense of RMB81.1 million in 2023 and RMB85.8 million in 2024. Effective tax rate was approximately 29.3% in 2023 and 74.0% in 2024, the increase of effective tax rate mainly reflected the unbalanced distribution of profit among the Group’s subsidiaries and the increase of tax losses of subsidiaries not recognized.

Profit for the year attributable to equity owners of the Company

As a result of the foregoing, the Group recognized profit for the year attributable to equity owners of the Company of RMB148.7 million in 2023 and profit for the year attributable to equity owners of the Company of RMB28.3 million in 2024.

Inventories

Inventories generally consist of raw materials, work-in-progress and finished goods, as well as packing materials and low value consumables. The following table sets forth the inventory balances as of the dates indicated as well as the turnover days of average inventory for the years indicated:

	As at/for the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Inventory	1,095,842	1,076,014
Turnover days of inventory (in days) ⁽¹⁾	112	128

⁽¹⁾ Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2023 and 2024. Average inventory equals inventory balance at the beginning of the year plus inventory balance at the end of the year, divided by two.

The decrease in turnover days of inventory from 128 days as at 31 December 2023 to 112 days as at 31 December 2024 primarily reflected (i) a decrease in inventory balance for the oilfield equipment manufacturing and services segment, and (ii) higher revenue derived from provision of services, which generally requires lesser consumption of inventory compared to that from sales of goods.

Trade and Other Receivables

Trade and other receivables of RMB2,620.8 million (2023: RMB2,397.4 million) included gross trade receivable of RMB2,054.5 million (2023: RMB1,883.4 million).

The following table sets forth an aging analysis of trade receivables from sales of products and provision of services to third parties and related parties as at the dates indicated and turnover days of the gross trade receivables for the years indicated:

	As at/for the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Trade receivables		
– Within 90 days	1,307,989	1,422,475
– Over 90 days and within 180 days	374,921	203,426
– Over 180 days and within 360 days	61,613	72,602
– Over 360 days and within 720 days	157,615	106,670
– Over 720 days	152,397	78,199
	2,054,535	1,883,372
Turnover days of trade receivables ⁽¹⁾	154	146

⁽¹⁾ Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365 for each of the years ended 31 December 2023 and 2024. Average trade receivables equals balance of trade receivables at the beginning of the year plus balance at the end of the year, divided by two.



The increase in turnover days of trade receivables from 146 days as at 31 December 2023 to 154 days as at 31 December 2024 primarily reflected that the settlement for trade receivables due from certain oil and gas companies in the international market was less active and slowed down in 2024.

Trade and Other Payables

Trade and other payables of RMB1,737.7 million (2023: RMB1,395.3 million) included trade payables of RMB1,261.0 million (2023: RMB991.6 million).

Trade payables represent payables due to third party suppliers and related parties. The following table sets forth an aging analysis of trade payables due to third parties and related parties as at the dates indicated and turnover days of trade payables for the years indicated:

	As at/for the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Trade payables		
– Within 90 days	785,331	798,906
– Over 90 days and within 180 days	322,212	109,989
– Over 180 days and within 360 days	32,818	47,701
– Over 360 days and within 720 days	116,201	12,715
– Over 720 days	4,467	22,303
	1,261,029	991,614
Turnover days of trade payables ⁽¹⁾	116	88

⁽¹⁾ Turnover days of trade payables for a year equals average trade payables divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2023 and 2024. Average trade payables equals to balance of trade payables at the beginning of the year plus balance at the end of the year, divided by two.

Liquidity and Financial Resources

As at 31 December 2024, the Group had total cash and cash equivalents amounting to RMB721.6 million (2023: RMB840.4 million). The Group's net borrowing as at 31 December 2024 was RMB1,964.9 million (2023: RMB2,023.5 million), being total borrowing of RMB2,686.5 million (2023: RMB2,863.9 million) less cash and cash equivalents of RMB721.6 million (2023: RMB840.4 million). After taking into account the restricted cash of RMB44.7 million (2023: RMB93.0 million), the Group's net borrowing as at 31 December 2024 was RMB1,920.2 million (2023: RMB1,930.5 million), being total borrowing less cash and cash equivalents and restricted cash.

As at 31 December 2024, cash and cash equivalent were mainly denominated in RMB, USD and RUB.

The current ratio of the Group as at 31 December 2024 was 110.2% (2023: 117.0%), calculated on the basis of current assets of RMB5,166.0 million (2023: RMB5,140.6 million) over current liabilities of RMB4,686.9 million (2023: RMB4,394.9 million).

Capital Expenditures

Capital expenditures were RMB360.7 million and RMB358.6 million in 2023 and 2024, respectively. The increase in capital expenditures in 2024 was mainly due to the recovery of overseas business in the oilfield services segment.

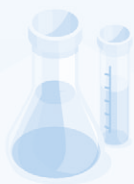
Indebtedness

As at 31 December 2024, the outstanding indebtedness of RMB2,686.5 million was mainly denominated in USD and RMB. The following table sets forth the breakdown of the indebtedness as at the dates indicated:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Non-current		
Bank borrowings	429	125,504
Less: Current portion of non-current borrowings – secured	(429)	(6,068)
	–	119,436
Current		
Bank borrowings	409,368	485,648
Other borrowings	15,585	18,427
2024 Notes	2,261,082	2,234,333
Less: Current portion of non-current borrowings – secured	429	6,068
	2,686,464	2,744,476
	2,686,464	2,863,912

As at 31 December 2024, bank borrowings of RMB2,645.8 million were obtained at a fixed rate (31 December 2023: RMB2,693.4 million).

In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation ("SINO SURE", a national policy insurance institution), and enjoyed a preferential interest rate. As at 31 December 2024, USD33,545,000 were drawn down, out of which USD32,760,000 had been repaid in past years and 2024. The remaining principals will be fully repayable in 2025.



Reference is made to “Management Discussion and Analysis – Financial Review” of the Company’s 2021 annual report and the announcement dated 18 November 2024 in relation to the Company’s 9.75% senior secured notes (Reg S: ISIN Number: XS2344083139; Common Code: 234408313; Rule 144A: ISIN Number: XS2344082917; Common Code: 234408291; IAI: ISIN Number: XS2344083303; Common Code: 234408330) (the “**2024 Notes**”). The Company issued the 2024 Notes on 18 May 2021, and, in connection with the 2024 Notes, the Company pledged certain drilling rigs as securities. On 20 May 2021, the Company announced that the 2024 Notes had been listed on the Singapore Exchange Securities Trading Limited. Pursuant to the terms of the 2024 Notes, all outstanding principal amount on the Notes together with the accrued and unpaid interest thereon are due and payable on the maturity date of 18 November 2024 (the “**2024 Notes Maturity Date**”). The outstanding principal amount of USD314,546,000 on the 2024 Notes together with the accrued and unpaid interest thereon were not settled on the 2024 Notes Maturity Date, which constituted an event of default under the 2024 Notes. See “Other significant events” in this annual report for details.

Gearing Ratio

The Group’s objectives in capital management are to maintain the Group’s ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with peers in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including “current and non-current borrowings” as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated balance sheet plus net debt.

The gearing ratios as at 31 December 2023 and 31 December 2024 are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Total borrowings	2,686,464	2,863,912
Add: Lease liabilities	27,326	29,801
Less: Cash and cash equivalents	(721,631)	(840,384)
Restricted cash	(44,705)	(93,010)
Net debt	1,947,454	1,960,319
Total equity	3,259,124	3,329,005
Total capital	5,206,578	5,289,324
Gearing ratio	37.40%	37.06%

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended 31 December 2024.

Foreign Exchange

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of RMB into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the USD. Under this policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 11.3% appreciation of RMB against the USD from 21 July 2005 to 31 December 2024. There remains significant pressure on the PRC government to adopt a more flexible currency policy, which could result in a more fluctuated exchange rate of the RMB against USD. The Group may consider entering into currency hedging transactions to further manage its exposure to fluctuations in exchange rates, or nature hedging by actively matching the currency structure of monetary assets and liabilities. However, the effectiveness of such transactions may be limited. The revenue denominated in USD represented 44.6% and 44.2% of the total revenue of the Group in 2024 and 2023, respectively.

Staff and Remuneration Policy

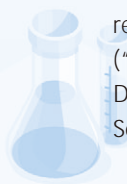
As at 31 December 2024, the total number of full-time employees employed by the Group was 2,453 (31 December 2023: 2,370). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 31 December 2024:

On-site workers	1,494
Administrative	336
Engineering and technical support	442
Research and development	98
Sales, marketing and after-sales services	63
Company management	20
	2,453

Employee costs excluding the Directors' remuneration totaled RMB902.8 million.

Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills. The Group offers employees remuneration packages mainly on the basis of individual performance and experience and also pays regard to industrial practice, which include basic wages, performance related bonuses and the social security and benefits. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on the relevant statutory percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities.

The Company adopted a share award scheme on 11 September 2023 (the "**2023 Award Scheme**"). The 2023 Award Scheme is funded solely by the existing Shares and it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). No share awards have been granted under the 2023 Award Scheme during the year ended 31 December 2024. For further details of the 2023 Award Scheme, please refer to the Company's announcement dated 13 September 2023.

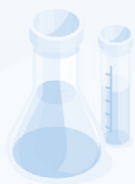


BUSINESS REVIEW

In 2024, the oil price showed a downward trend compared with last year, but it remained at a medium to high position. International and geographical factors such as supply shortage and economic recovery supported the oil price. The production adjustments on the supply side promoted the international oil price to remain above the medium position, while the recovery of economic growth on the demand side drove capital expenditure. The recovery of demand for aviation and gasoline consumption was the main driving force for the growth of oil consumption. At the same time, China gradually deepened and upgraded its cooperation with the Middle East and Central Asia regions covering from oil and gas trade to resource development and to technical cooperation. Market developments have also brought great opportunities to oil industry enterprises. Hilong adhered to the strategy of scientific and technological innovation, intelligent and high-quality development, and has achieved good results in key countries and regions such as the United States, Canada and the Middle East. The Group also strengthened its cash flow management by implementing active financial measures, such as strengthening accounts receivable management and inventory management measures, to enhance the overall operating efficiency, securing a relatively stable cash flow in 2024. In 2024, Hilong actively expanded both international and domestic markets and adopted a scientific management approach within the Group. While intensifying its efforts in market development, the Company attached importance to scientific development and technological innovation, and has been gradually developing into an asset-light, digital and high-tech intelligent enterprise. Business units of the Group were having a full workload. The three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services, achieved important orders of high-end customers in a number of new and old markets, establishing a solid foundation for the long-term development of the Group. Hilong maintained its stable and efficient scientific operation in 2024. During the reporting period, Hilong recorded a total revenue of RMB4,668.3 million, representing an increase of 9.8% compared with 2023. The digital and intelligent transformation of Hilong has achieved remarkable results, further empowering the development and growth of its products and businesses.

Oilfield Equipment Manufacturing and Services

During the reporting period, the revenue of the oilfield equipment manufacturing and services segment was RMB2,124.7 million, representing a decrease of 18.7% compared with 2023. In 2024, demand in major drilling tool markets such as the United States and Canada declined slightly, and Hilong remained ahead of the competition in the market. The sales volume of various drilling tool products basically remained stable, and the orders on hand for various drilling tool products such as drill pipes and heavy weight drill pipes were basically stable. In 2024, Hilong constantly developed advanced technology and optimised its production processes. Hilong has overcome many scientific research difficulties and continued to improve the quality of products and services. Its product performance and the quality of services have reached or surpassed the level of its international competitors. The oilfield equipment manufacturing and services segment contributed the most to the Group's revenue and achieved business breakthroughs in markets such as the United States, Canada, the Middle East and Southeast Asia. Hilong explored major customers such as Precision Drilling and has become the major drilling tool supplier to high-end customers such as PD, SAVANA and Ensign. Hilong's sour service drilling tool with special buckles and the full promotion of HLNST special buckles achieved good sales performance in markets of the United States and Canada. The achievements made in the advance layout and planning of the North American market indicated that the comprehensive strengths of the Group's high-tech and high-end drilling tools has been recognized by international high-end customers. In the Middle East market, we have passed the drilling tool certification in respect of Saudi Aramco and KOC deep well drilling rigs, laying the foundation for entering the high-end market in the Middle East. In the Middle East, Hilong has also made market and business breakthroughs, and all the user orders with high-end customers such as KCA and EDC have been secured. During the reporting period, Hilong signed a series of contracts with major customers and high-end customers in China in respect of the supply of drilling tools and bottomhole assembly, and also performed well in the domestic market. Our partners highly recognized our products such as high-strength sour service, high-strength and high-torque drill pipe and HLNST drilling tools with special buckles, which enabled us to form in-depth sales and market cooperation in China. While exploring development in the high-end market and high-end customers, Hilong adhered to high-tech development such as technological innovation and digital and intelligent transformation, attached great importance to the building of a team of scientific research talents, and strengthened the exchange of scientific research achievements, such that the Company has built a scientific research team with rich experience in terms of product technical service and system management, demonstrating Hilong's strategic deployment of continuously developing new products and expanding new markets under the guidance of scientific and technological innovation. The related drilling tool enterprises under the Group were recognized as National Specialized and New Small Giant (國家專精特新小巨人). Shanghai Hilong Drill Pipe Co., Ltd. (上海海隆石油鑽具有限責任公司) was recognized as the eighth batch of "National Manufacturing Individual Champion Enterprise" (國家製造業單項冠軍企業) by the Ministry of Industry and Information Technology.

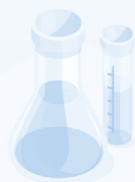


Oilfield Services

In 2024, the oilfield services segment recorded a total revenue of RMB1,579.9 million, representing a growth of 35.2% compared with 2023. Benefitting from the continuous increase of capital expenditure of upstream enterprises in the industry, it has brought better business opportunities to the oilfield services industry than the past, and was also very conducive to the development of Hilong's oilfield services. Hilong's oilfield services seized the business opportunity to continuously improve its product and service capabilities by all-round scientific and digital management and established its oilfield management department to vigorously develop oilfield management and market demand for increasing production. Hilong has completed customized oilfield digital management solutions in countries such as Brazil, Iraq and Libya, promoted oilfield digital management technology, and completed a number of applications of oilfield sludge treatment and pipeline gathering and transportation viscosity reduction technology. Hilong systematically integrated various businesses of drilling and workover services, technical services and trade services and signed long term cooperation agreements with a number of partners. It explored the synergy and mutual complement among different business segments, adhered to market orientation and technology-driven strategies, and created a "One Body and Two Wings" business development model. Hilong's oilfield services maintained a leading utilization rate for drilling and workover rigs in the industry, and idle drilling rigs on standby successfully secured new orders again. We also entered into, renewed, or extended a number of contracts for drilling rigs in operation, ensuring sufficient workload in general. While continuing to develop the conventional well drilling and workover markets, the Company also actively expanded turnkey drilling projects, so as to develop high-tech integrated turnkey business. Hilong's turnkey business capability has reached a new level. In 2024, the overall relocation speed of the drilling fleet remained steady, which indicated that the Company's operating efficiency and organising and managing ability have been greatly improved. Apart from the conventional well drilling and workover services, the Company also actively participated in the promotions of other technical service projects and constantly explored new business fields to increase revenue for the Group. The Company maintained stable development in fields of environmental protection technology and services such as drilling and workover mud (oil-based mud alternative solutions, high-performance water-based mud and so forth), rock fragments processing and well site recovery, coiled tubing business, production enhancement technology based on nanofluids flooding, refined managed pressure drilling ("MPD") technology, RSS directional and horizontal well drilling and other comprehensive technical services, and developed diversified technical services businesses including well completion and production enhancement, drilling speed and efficiency improvement, oilfield environmental protection, rotary steering technology as well as the establishment of maintenance base. The trade service business of this segment also had great improvement compared with 2023 and achieved new breakthroughs in the tubing and casing trading business. In 2024, the Oilfield Service Division adopted multiple approaches which focused on the transformation towards "light assets and technology-driven" operations, expanded new businesses in all directions, and enhanced integrated service capabilities through technological innovation.

Offshore Engineering Services

In 2024, the offshore engineering services segment recorded a total revenue of RMB963.8 million, representing a 105.9% increase from 2023. Hilong Offshore Engineering has been making great to develop into a specialized offshore engineering company with EPCIC integrated turnkey capacity, forming a business capability of the whole industry chain. The digital intelligent system connecting with the Group has gone live and the Intelligent Control Technology Center had a record high number of projects, which effectively supported the two business lines of market development and project execution, resulting in a significant increase in workload as compared to last year, which will have great development potential in the future. For instance, the land construction and commissioning of our EPC project in Congo have all been completed, and the Chevron project in Thailand has also been progressing smoothly. In addition, we also signed transportation and installation contracts with world-renowned offshore oil companies for the first time, expanded our business to the whole process of offshore engineering industry ecology and transformed into a technology company that can undertake multiple projects. At the same time, Hilong Offshore Engineering was having a number of projects in the process of project bidding, representing an increasing recognition and satisfaction towards Hilong Offshore Engineering from customers. Hilong attaches great importance to high-tech research and development, and has applied for the qualification as an annual technology-based enterprise. Focusing on in-depth research on key scientific research directions such as pipeline laying, jacket installation and dismantling, and block floating support, Hilong put an emphasis on strengthening the digital delivery and construction of management capability of offshore engineering, with research results having been achieved. 2024 was a year of great significance in the development of Hilong Offshore Engineering, with remarkable progress in infrastructure management, operational capability and business development, further improving the international and domestic project management capabilities and overseas project design and construction capabilities, accumulating experience of the information-based systematic management means and technology services, and laying a solid foundation for the development route of light assets and integrated turnkey capabilities.



Technology Research and Development

Hilong has been adhering to leading enterprise transformation with scientific and technological innovation and informatisation digitalisation, relying on technology to comprehensively improve the Company's operation and management. In terms of drilling tool products, the Company strengthened continual research on and promoted the application of high-strength sour service, and high-strength and high-torque drill pipe technology. We completed the development of large-scale thick-walled HLU165 super high-strength drill pipes, the development of high-pressure resistant special buckles for offshore risers and the acceptance of the project for the HL125S high-strength sour service drill pipe. We have carried out the development and construction of an information technology system at the drilling tool factory and completed a technology upgrade and renovation project. Projects such as the development of HLNST special screw heads have been completed, and orders have been obtained from the North American market. It has formed large-scale sales and has been unanimously recognized by high-end customers in the United States and Canada. Hilong has developed HL135MS/HL130S higher-strength sour service drill pipes on the basis of previous high-strength sour service drill pipe projects. We have signed a large order in US dollars in respect of core products such as HL125S high-strength sour service drill pipes. We have completed the software development of information management of drill pipes and drilling tools with radio frequency identification tags, and have currently received orders for drill pipes with radio frequency identification tags from customers in the Middle East. The research and development of intelligent drill pipes is in progress. The production processes, equipment and systems of drilling tools are constantly optimized and upgraded, which improves production efficiency and saves production costs. In tandem with the Group's digital transformation, production equipment is automated and intelligentized. Projects including 125S sour service drill pipe obtained the Hi-Tech Achievement Transformation Recognition. The high-strength and high-strength sour service drill pipe project recently won the Shanghai Invention and Innovation Gold Award and other honors. In the oilfield services sector, we continuously summarize experiences and lessons learned in drilling and well completion turnkey projects and continuously improve our technical service capabilities for drilling turnkey projects, including the drilling technical ability of extended-reach horizontal wells. We have strengthened the localized development and promotion of key drilling equipment components for precision managed pressure drilling (MPD), the finalization and promotion of MPD managed pressure drilling technology as well as the upgrading, promotion and application of rotary steering technology and nanofluids flooding production enhancement technology. In terms of offshore engineering, in order to enhance the offshore construction capabilities, we have carried out a number of research projects such as offshore engineering technology and offshore engineering digital technology. Several companies under the Hilong Group were newly granted the qualification of "Highly Specialized and Innovative" (專精特新) enterprise at the state level as well as the Shanghai municipal level, fully demonstrating Hilong's overall technological advantages and brand competitiveness. In the future, Hilong will continue to lead in technological innovation and establish joint technology centers with universities to comprehensively enhance its scientific research capabilities. It will also fully integrate digitalization and intelligence into scientific research, manufacturing, warehousing and logistics, financial accounting, operations and office work, etc., to help the Company's operations and development.

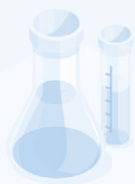
OUTLOOK

Looking forward to 2025, despite the unfavorable factors of trade protectionism and tariff war, the overall economic recovery will drive the growth of oil consumption, the pattern of tight crude oil supply may continue, and the international oil price may fluctuate slightly in the middle range. Benefiting from the breakthrough of upstream exploration and development and the expansion of downstream refining and chemical capacity, we are expected to obtain more orders from owners of oil companies in overseas countries. We are optimistic about the medium and long-term business development in the Middle East, Southeast Asia and South America, which will bring us great opportunities in the market and the promising future prospects of our projects can be expected.

In 2025, Hilong will continue to give play to its brand advantages. In addition to stabilizing the United States and Canada markets, we will develop new high-end customers in the Middle East, Southeast Asia, South America and other countries and regions to obtain high-end orders, and strive to make greater breakthroughs in new markets and new businesses, and strive to continuously enhance the international market share and brand service image.

In respect of the domestic market, China has entered the seventh year in implementing the seven-year action plan for the oil and gas industry which spans from 2019 to 2025. As mentioned in the Plan for Accelerated Development of Domestic Exploration and Production for 2019–2025, further investments in risk exploration will be made, amounting to RMB5 billion each year from 2019 to 2025, and the amount of exploration work and proven reserves shall double by 2025. Based on the above, we believe that the domestic and overseas oil and gas industry is following an upward market trend as a whole.

In terms of the international drill pipe market, the Company will continue to promote high value-added products of drilling tools which meet the differentiated needs of high-end customers, combine market development with product development more deeply, introduce more interdisciplinary talents and professional talents, and intensify efforts to promote the automation, digitalization, intelligent transformation and new technology research and development of drill pipe production line equipment; we will deeply develop the high-end demand in the Middle East, the United States and Canada, and further enhance the market reputation of Hilong drilling tools. The research, development and promotion of products such as large-scale thick-walled HLU165 super high-strength drill pipes, high pressure-resistant special buckle for offshore riser, HLNST special buckles, HL130S and HL135MS high strength sour service drill pipes, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes, drill pipes with radio frequency identification tags and intelligent drill pipes as well as automatic transformation of production line, information construction of production management system, heat treatment technology of drill pipes, and thickening and identification inspection technology will be intensified. In the domestic drill pipe market, Hilong will actively follow up the existing business opportunities and vigorously develop differentiated markets to provide customers with high-end drill pipe products that meet their differentiated needs.



Regarding the oil services business, Hilong will adhere to scientific and technological innovation, light assets and digital management transformation, break through the bottleneck of traditional business development, and demonstrate strong technical and management capabilities. We will actively explore foreign markets, and strive to enter into new businesses and new contracts in new and old markets such as Nigeria, Ecuador, Brazil and Kuwait. On the basis of drilling and workover business, we will actively develop various types of services including drilling turnkey, oilfield environmental protection, nanofluids production enhancement, drilling tool repair, trade services, etc., and provide more diversified and characteristic services on the basis of traditional drilling and workover services. We will make every effort to improve our technical ability and scientific research level, and build the core competitiveness of Hilong Oil Service. We will stabilize the existing drilling and workover rig equipment business, maintain a high level of utilization rate of its drilling rigs, and continue to adjust its business layout. We will continue to establish a turnkey drilling technical team to improve the technical level of turnkey drilling, shorten the drilling and well completion cycle, so as to achieve a high profit level. We will give full play to its existing business platform, continue to carry out business such as trade and oilfield environmental protection to create new profits. We will make use of the Company's market development and management capabilities, strive to identify social resources, reduce business risks, and amplify the platform effect and economies of scale. On the basis of consolidating the existing business, the Company will actively expand the directional well and horizontal well technical service capability of the RSS rotary steering system. At the same time, the Company will vigorously carry out domestic MPD technical services and develop overseas MPD service markets. Taking nanotechnology used in production enhancement as a breakthrough point, we will actively explore the sales of drilling and workover rig equipment and spare parts, and tubing and casing trading business, so as to enhance the linkage and synergy among various businesses and maximize profits.

In offshore engineering services, we will speed up the layout and construction in Southeast Asia and West Africa, and focus on strengthening the formation of digital delivery and management capability of offshore engineering by leveraging our offshore engineering experience. We will make efforts in contracting and implementing projects such as engineering commissioning, digital and intelligence in the international market. We will focus on in-depth research on key directions such as pipeline laying, jacket installation and dismantling, block floating, and a digital management system for commissioning and completion. On the basis of stable installation and submerged pipeline laying business, we will actively transform scientific and technological achievements and establish the Company's long-term technical reserve by increasing the introduction of talents. We will provide light asset-input and high-yield products and services. We will adhere to the route of innovative R&D and international development, and constantly improve our turnkey project integrated service ability. We will excavate technical hotspots, track the latest technological frontiers, and improve the comprehensive technical capabilities of the Company's offshore engineering. We will strengthen market development and construction, expand key projects in key areas of the market and improve profitability. We will adhere to the guidance of talents and technology, strengthen the technical service ability and risk management and control ability of our core businesses, and continuously improve the service quality and service ability of Hilong Offshore Engineering in domestic and foreign markets.

OTHER SIGNIFICANT EVENTS

(1) Suspension of Trading on the Stock Exchange

Trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on Tuesday, 2 April 2024 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

(2) Resignation of Auditor

The Company's former auditor, PricewaterhouseCoopers, has tendered its resignation as the auditor of the Company with effect from 30 May 2024. For details of the resignation of PricewaterhouseCoopers, please refer to the announcement of the Company dated 31 May 2024.

(3) Resumption Guidance

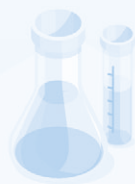
On 12 June 2024, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the shares of the Company on the Stock Exchange (the "**Resumption Guidance**"):

- (a) conduct an appropriate independent investigation into the matters relating the sale and procurement of pipe materials involving four Russian subsidiaries of the Group and Metal Technology Co., Ltd. ("**MTC**") from 1 October 2022 to 31 December 2023, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (b) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (c) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (d) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules;
- (e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (f) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

For details of the Resumption Guidance, please refer to the announcement of the Company dated 18 June 2024.

(4) Progress of Fulfillment of the Resumption Guidance

For quarterly update on status of resumption and the Company's resumption plan in fulfilling the Resumption Guidance, please refer to the announcements of the Company dated 28 June 2024, 27 September 2024 and 30 December 2024 in accordance with Rules 13.09 and 13.24A of the Listing Rules.



(5) Appointment of New Auditor

The Company appointed Crowe (HK) CPA Limited (“**Crowe**”) as the new auditor of the Company with effect from 8 July 2024 and to hold office until the conclusion of the next annual general meeting of the Company. The re-appointment of Crowe as the auditor of the Company was duly passed by the shareholders of the Company at the 2024 annual general meeting of the Company held on 23 December 2024.

(6) Update on the 2024 Notes and progress of offshore debt restructuring

As set out in “Management Discussion and Analysis – Financial Review – Indebtedness” of this annual report, the outstanding principal amount of USD314,546,000 on the 2024 Notes together with the accrued and unpaid interest thereon were not settled on the 2024 Notes Maturity Date, which constituted an event of default under the 2024 Notes. As of the date of this annual report, no agreement on the terms of the restructuring of the 2024 Notes has been reached between the Company and certain holders of the 2024 Notes (the “**Ad Hoc Group**”). Notwithstanding the foregoing, the Company maintains a constructive dialogue with the Ad Hoc Group and its advisors, with a view to reaching an agreement on various economic terms as soon as practicable. For details, please refer to the Company’s announcement dated 18 November 2024.

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DIRECTORS AND SENIOR MANAGEMENT

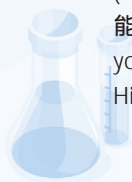
BOARD OF DIRECTORS

The table below sets forth the information regarding the Board:

Name	Age	Management Position
ZHANG Jun (張軍)	57	Chairman, Executive Director, Executive Chairman and Co-Chief Executive Officer (<i>appointed as Chief Executive Officer on 15 October 2024</i>)
ZHANG Shuman (張姝嫻)	51	Non-executive Director
YANG Qingli (楊慶理)	68	Non-executive Director
CAO Hongbo (曹宏博)	62	Non-executive Director
FAN Ren Da Anthony (范仁達)	64	Non-executive Director
WANG Tao (王濤)	78	Independent Non-executive Director
WONG Man Chung Francis (黃文宗)	60	Independent Non-executive Director
SHI Zheyang (施哲彥)	68	Independent Non-executive Director

Executive Director

Mr. ZHANG Jun (張軍), aged 57, is an Executive Director, the chairman of the Board and executive chairman of the Company. Mr. Zhang has also been appointed as the chief executive officer of the Company on 15 October 2024 and act as the co-chief executive officer of the Company since 23 December 2024. He is also a substantial and controlling shareholder of the Company. He has been a director of the Company since 15 October 2008 and was appointed as an Executive Director on 2 December 2010. Mr. Zhang served as the chief executive officer of the Company from 2 December 2010 to 15 December 2017, responsible for the overall business operations and strategy formulation of the Company. He was re-designated to executive chairman of the Company on 15 December 2017, responsible for the overall strategic planning of the Group, new market development, and capital market related and investor relations management. Mr. Zhang serves as the director of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司), the director of Hilong Marine Engineering (Hong Kong) Limited and the director of Hilong Petroleum Marine Engineering Technical Services (Hong Kong) Limited. He also serves as the director/senior management of other subsidiaries of the Group. Mr. Zhang has over 34 years of experience in the petroleum industry. From 2001 to 2007, he was engaged in the formation of several subsidiaries of the Group. Mr. Zhang began his career in the petroleum industry at First Machinery Factory of Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠), a subsidiary of China National Petroleum Corporation, which is a state-owned enterprise, in 1990 upon graduation from Hebei Radio and TV University (河北廣播電視大學). He served as a technician and participated in the introduction of the first petroleum drill pipe coating production line from the United States into China in 1993. During his employment with First Machinery Factory of Huabei Petroleum Administration Bureau, Mr. Zhang held a number of positions, including vice general manager. During his service as vice general manager, he was responsible for the financial, operational and infrastructural management of the factory. He resigned from the factory in 2001 to fully focus on the management of the Group. Mr. Zhang received a Diploma in Mechanical Manufacturing Process and Equipment from Hebei Radio and TV University in 1990. In 2009, he was a "Top 10 Influential Leader in China's Petroleum and Petrochemistry Equipment Manufacturing Industry in 2009 (2009中國石油石化裝備製造業十大最具影響力領軍人物)", a title conferred by the National Energy Commission (國家能源委員會). Mr. Zhang is the elder brother of Ms. ZHANG Shuman, Non-executive Director of the Company, and the younger brother-in-law of Mr. CAO Hongbo, Non-executive Director of the Company. He is also the sole director of Hilong Group Limited, a substantial and controlling shareholder of the Company.



Non-executive Directors

Ms. ZHANG Shuman (張姝嫻), aged 51, is a Non-executive Director and a member of the Audit Committee of the Company. She has been a director of the Company since 15 October 2008 and was appointed as an Executive Director on 2 December 2010. She was re-designated to a Non-executive Director of the Company on 29 March 2012. Ms. Zhang served as the chief strategy officer of the Company from 2 December 2010 to 24 March 2017, primarily responsible for the financial affairs and strategic investment activities of the Group. She also served as the joint company secretary of the Company from 10 February 2011 to 24 March 2017. She also served as a director of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) from 2008 to August 2021. Ms. Zhang has over 28 years of experience in the oil service industry, including the experience as a translator of First Machinery Factory of Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠) from 1996 to 2003. From 2003 to 2006, Ms. Zhang acted as the joint secretary to the board of directors and coordinator of a Chinese joint venture invested by UMW Ace (L) Ltd. Ms. Zhang received a Bachelor's Degree in International Economics Law from China University of Political Science and Law (中國政法大學) in 1997 and an Executive Master of Business Administration degree through a distance learning program organised by Sino-European International Management Institute (中歐國際管理學院) in 2009. She holds a Certificate of Accounting Professional issued by the Beijing Municipal Financial Bureau (北京市財政局). Ms. Zhang is the younger sister of Mr. ZHANG Jun, Executive Director and chairman of the Board, executive chairman, co-chief executive officer and substantial and controlling shareholder of the Company, and the younger sister-in-law of Mr. CAO Hongbo, Non-executive Director of the Company.

Dr. YANG Qingli (楊慶理), aged 68, is a Non-executive Director of the Company. He was appointed as a Non-executive Director on 21 August 2015 and a member of the Nomination Committee of the Company on 15 October 2024. Dr. Yang is a senior engineer of professor level. He has over 42 years of experience in operation technologies, practices and management of petroleum engineering. Dr. Yang started his career in 1982 when he joined Changqing Oilfield as a technician of the drilling team. In 1984, he became the deputy manager of No. 2 Drilling Company of Changqing Petroleum Exploration Bureau (長慶石油勘探局第二鑽井公司) and was mainly in charge of technology, production and operation. In 1998, he served as the assistant to the director of Changqing Petroleum Exploration Bureau (the "Bureau") where he assisted in managing the Bureau's business operation. From 2000 to 2005, Dr. Yang served as the deputy director and Party Committee Secretary of the Bureau, and was in charge of production, safety management, human resources and stability management. During 2005 to 2008, he served as the director of marketing management department and the director of engineering technology and marketing department of China National Petroleum Corporation ("CNPC"), respectively. From 2008 to February 2015, Dr. Yang was the general manager of CNPC Technical Service Company (中國石油天然氣集團公司工程技術分公司) where he was directly in charge of the technology research and development as well as operation and business management of geophysical exploration, drilling, testing, logging, borehole operation and fracturing operated by CNPC. Dr. Yang graduated from East China Petroleum Institute (華東石油學院) (currently Vand05 nowneratUniversity of Politicum Instire hithhelor's

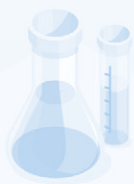
DIRECTORS AND SENIOR MANAGEMENT

Dr. FAN Ren Da Anthony (范仁達), aged 64, is a Non-executive Director of the Company. He was appointed as a Non-executive Director on 25 July 2022. He has extensive experience in corporate finance, mergers and acquisitions, venture capital, company consolidation and restructuring. He is currently the chairman and managing director of AsiaLink Capital Limited.

Dr. Fan has been a director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, since August 2011 and is currently serving as an executive director of that company. Dr. Fan is also an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), Uni-President China Holdings Ltd. (Stock Code: 220), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Technovator International Limited (Stock Code: 1206), Semiconductor Manufacturing International Corporation (Stock Code: 981) and Neo-Neon Holdings Limited (Stock Code: 1868), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Fan served as an independent non-executive director of Raymond Industrial Limited (Stock Code: 229), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 1994 to May 2021, Hong Kong Resources Holdings Company Limited (currently known as 3DG Holdings (International) Limited) (Stock Code: 2882), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from September 2008 to February 2024, China Development Bank International Investment Limited (Stock Code: 1062), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from March 2012 to March 2024, and China Dili Group (Stock Code: 1387), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from August 2008 to August 2024, and Haitong Securities Co Ltd (Stock Code: 6837), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from October 2023 to March 2025. Dr. Fan is the Founding President of The Hong Kong Independent Non-Executive Director Association. Dr. Fan holds a master's degree in Business Administration from the United States of America and a PhD in Economics.

Note:

- (1) According to the disclosure under statement of the disciplinary action of The Stock Exchange of Hong Kong Limited dated 4 December 2023 against Hong Kong Resources Holdings Company Limited (currently known as 3DG Holdings (International) Limited) (Stock Code: 2882) ("**Hong Kong Resources**") and eight directors, a censure was made by The Stock Exchange of Hong Kong Limited against Dr. Fan on 4 December 2023. The Stock Exchange of Hong Kong Limited found that Dr. Fan breached his director's duties under Rule 3.08 of the Listing Rules and his director's Undertakings under Form B of Appendix 5 under the Listing Rules to comply with the Listing Rules to the best of his ability and to use his best endeavours to procure the company's Listing Rule compliance in respect of the money lending business as an independent non-executive director. Dr. Fan has been directed by the Listing Committee to attend 20 hours of training on regulatory and legal topics including Listing Rules compliance. For further details, please refer to the announcement of the Company dated 5 December 2023.
- (2) According to the enforcement news issued by the Securities and Futures Commission dated 14 March 2025 (the "**News**") in relation to the commencement of legal proceedings in the Court of First Instances to seek disqualification and compensation orders against eight former directors of Hong Kong Resources at the material time for their alleged failure in preventing misappropriation of HK\$74.41 million in corporate funds. The eight former directors of Hong Kong Resources include Dr. Fan, a non-executive director of the Company. The News relates to Hong Kong Resources only and (other than Dr. Fan mentioned above) does not involve any director or senior management of the Company. For further details, please refer to the announcement of the Company dated 17 March 2025.



Independent Non-executive Directors

Mr. WANG Tao (王濤), aged 78, is an Independent Non-executive Director, the chairman of the Remuneration Committee, the chairman of the Nomination Committee and a member of the Audit Committee of the Company. He was appointed as an Independent Non-executive Director on 2 December 2010. Mr. Wang has over 54 years of experience in the petroleum industry. From 1970 to 1979, he worked for No. 5214 Factory of the Fifth Machinery Industry Department of the PRC (中華人民共和國第五機械工業部5214廠) as a technician. From 1979 to 1998, he served as a technician, assistant engineer, senior engineer, deputy director of workshop, deputy factory manager and factory manager of First Machinery Factory of Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠). From 1998 to 2003, he acted as the factory manager of Jinan Diesel Engine Factory (濟南柴油機廠) and the general manager, chairman and senior engineer of professor level of Jinan Diesel Engine Company Limited (濟南柴油機股份有限公司). He also served as the deputy general manager of China Petroleum Materials and Equipment (Group) Corporation (中國石油物資裝備(集團)總公司) from 2001 to 2003 and its general manager from 2003 to his retirement in 2007. Mr. Wang studied at Xi'an Military Telecommunication Engineering College (西安軍事電訊工程學院) (currently known as Xidian University (西安電子科技大學)) from 1965 to 1970 and obtained a Certificate of Completion of Studies in 1970.

Mr. WONG Man Chung Francis (黃文宗), aged 60, is an Independent Non-executive Director and the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He was appointed as an Independent Non-executive Director on 24 March 2017. He is currently an independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited including China Oriental Group Company Limited (stock code: 581), Wai Kee Holdings Limited (stock code: 610), Integrated Waste Solutions Group Holdings Limited (stock code: 923), Greenheart Group Limited (stock code: 94) and Qeeka Home (Cayman) Inc. (stock code: 1739). He served as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768), a company listed on The Stock Exchange of Hong Kong Limited, from June 2016 to August 2018 and an independent non-executive director of China New Higher Education Group Limited (stock code: 2001), a company listed on The Stock Exchange of Hong Kong Limited, from March 2017 to December 2019. He also served as an independent non-executive director of GCL Technology Holdings Limited (formerly known as GCL-Poly Energy Holdings Limited, stock code: 3800), a company listed on The Stock Exchange of Hong Kong Limited, from April 2016 to May 2022, Digital China Holdings Limited (stock code: 861), a company listed on The Stock Exchange of Hong Kong Limited, from August 2006 to June 2024, IntelliCentrics Global Holdings Ltd. (stock code: 6819), the listing of the company's shares on The Stock Exchange of Hong Kong Limited was withdrawn on 8 May 2024, from January 2020 and Shanghai Dongzheng Automotive Finance Co., Ltd. (stock code: 2718), the listing of the company's shares on The Stock Exchange of Hong Kong Limited was cancelled on 29 April 2024, from February 2020. He holds a Master's Degree in Management from Guangzhou Jinan University (廣州暨南大學) in the People's Republic of China. Mr. Wong is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Certified Tax Advisor of the Taxation Institute of Hong Kong and a fellow member of the Society of Chinese Accountants and Auditors. He is a senior Certified Public Accountant (Practising) and has over 36 years of experience in auditing, taxation, internal control and governance, acquisition and financial consultancy, restructuring and liquidation, family trust and wealth management matters. Mr. Wong worked at KPMG, an international accounting firm, for over six years and Hong Kong Securities Clearing Company Limited for one year and ten months. Mr. Wong is a founding director and member of Francis M.C. Wong Charitable Foundation Limited, a charitable organisation.

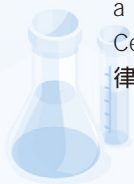
Mr. SHI Zheyuan (施哲彦), aged 68, is an Independent Non-executive Director of the Company. He was appointed as an Independent Non-executive Director of the Company on 25 August 2017 and was appointed as a member of the Nomination Committee and the Remuneration Committee of the Company on 21 June 2019 and 19 June 2020 respectively. Mr. Shi has nearly 50 years of work experience in the petroleum industry. From April 2014 to July 2016, he was the deputy chief economist and the head of the security department of China National Petroleum Corporation (“CNPC”). He served as the head of the security department in April 2007. From December 2000 to April 2007, he was the deputy director of the general office of CNPC. From July 1995 to December 2000, he served as the deputy general manager of China Petroleum Engineering & Construction Corporation. From March 1992 to July 1995, he was the secretary (director level) at the general office secretariat of CNPC. From October 1985 to March 1992, he worked at the CNPC Managers Training Institute of the Ministry of Petroleum Industry (石油工業部北京石油管理幹部學院), where he successively served as the deputy director and director of the general office of CPC Party Committee, and the director of the institute head’s office and the head of the human resources department. From October 1979 to October 1985, he served as the officer and deputy head of the Department of Transport under East China Oil Transport Administration Bureau (華東輸油管理局運輸處). Starting his work at Liaohe Oil Field (遼河油田) in January 1975, he served as the confidential secretary of the CPC Party Committee’s general office for the transportation division of Liaohe Oil Field from May 1978 to October 1979. Mr. Shi is a senior engineer. He holds a Bachelor’s Degree in Business Administration from Southwest Petroleum University (西南石油學院).

SENIOR MANAGEMENT

For the biography of Mr. ZHANG Jun, please refer to “– Executive Director” in this section. Other members of the senior management team of the Company consist of the following:

Mr. GAO Zhihai (高智海), aged 55, joined the Group in June 2005 and has been appointed as the co-chief executive officer of the Company with effect from 23 December 2024. Mr. Gao has been the vice president of the Company and the chairman of the board of Shanghai Boteng Welding Consumable Co., Ltd. (上海博騰焊接材料有限公司) (“Shanghai Boteng”) since 2020, and is responsible for the Group’s research and development and technology management, and project engineering management and Shanghai Boteng’s overall development planning and operation management planning. Mr. Gao has over 29 years of experience in the petroleum industry. Prior to joining the Group, Mr. Gao worked at CNPC Tubular Goods Research Institute (中國石油天然氣集團管材研究所) from 1995 to 2005. Mr. Gao received a Bachelor’s Degree in Engineering from Southwest Petroleum University (西南石油大學) in 1992 and a Master’s Degree in Engineering in 1995. Mr. Gao became an engineer in 1998, a senior engineer in 2003 and a senior engineer (professor level) in 2008. He is the inventor of High Performance Anti-wear and Friction Reduction Flux Cored Wire for Drill Pipe (鑽桿高性能防磨減摩耐磨帶藥芯焊絲).

Mr. CHEN Yong (陳勇), aged 51, is the chief financial officer of the Company. After joining the Group in August 2008, Mr. Chen served in various positions in Hilong Group of Companies Ltd., including finance controller, audit supervisor, assistant to the president and internal control director. He was appointed as the chief financial officer of the Company in 2016. As the chief financial officer, Mr. Chen is responsible for overall financial and corporate finance management. Mr. Chen received a Master’s Degree in Economics from Shanghai University of Finance and Economics (上海財經大學). He is a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom (FCCA), and has obtained the Legal Professional Qualification Certificate (法律職業資格證書) of the PRC.



Mr. ZHANG Bingzhong (張丙中), aged 52, is the vice president of the Company and the general manager of Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司) (“**Hilong Oil Service**”). Since joining the Group in August 2008, Mr. Zhang has held various positions such as assistant to the general manager of Hilong Oil Service, general manager of Hilong Oil Service in Ecuador, general manager of the oilfield equipment segment of the Group in Russia, and was appointed as the vice president of the Company and the general manager of Hilong Oil Service in 2023. Mr. Zhang has over 25 years of experience in the petroleum industry. Prior to joining the Group, Mr. Zhang worked in North China Petroleum Drilling Bureau No. 3 Drilling Company (華北石油鑽探局第三鑽井公司) and CNPC Greatwall Drilling Company (中國石油集團長城鑽探工程有限公司) successively, from 1997 to 2008. He received a Bachelor’s Degree in petroleum mine machinery from Jiangnan Petroleum University (江漢石油學院) (now known as Yangtze University (長江大學)) in 1997 and a Master Degree in mechanical design and theory from China University of Petroleum (中國石油大學) in 2003.

Mr. GU Hong (顧洪), aged 56, serves as the senior vice president of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and the general manager of Hilong Petroleum Offshore Engineering Limited (海隆石油海洋工程有限公司) since joining the Group in December 2023. He has over 32 years of experience in the petroleum industry.

Prior to joining the Group, from March 2018 to December 2021, Mr. Gu served as the assistant to the president of China Offshore Oil Engineering co., Ltd. (中國海洋石油工程股份有限公司). From August 2008 to March 2018, he was the general manager of Offshore Oil Engineering International Company (海洋石油工程國際工程公司). From August 2004 to August 2008, he held the position of senior facilities manager at China National Offshore Oil Corp. (“**CNOOC**”) Southeast Asia Branch (中國海洋石油集團有限公司東南亞分公司). Mr. Gu worked as a director at Devon Energy China Limited (丹文能源中國有限公司) from 2002 to 2004. He served as the chief engineer at the CNOOC Energy Development Co., Ltd. Oilfield Construction Engineering Branch (中海油能源發展股份有限公司油田建設工程分公司) from 1999 to 2001, and as the director of the design office at CNOOC’s Platform Company (中海油平台公司) from 1995 to 1999. From 1993 to 1995, Mr. Gu served as an engineer at CNOOC Bohai Platform Company (中海油渤海平台公司).

Mr. Gu obtained a bachelor’s degree in power systems and automation in 1992 from Tianjin University (天津大學) and a master’s degree in power system and automation in 1997 from Tianjin University. He was certified as an Engineer in 1997 and later became a Senior Engineer in 2003.

Notes:

1. Mr. DAI Daliang (代大良) has resigned as the executive president of the Company, the director of Hilong Oil Service and Engineering Nigeria Limited and the director and the general manager of Hilong Oil Service and Engineering Co., Ltd. with effect from 15 October 2024.
2. Mr. XU Changxue (徐昌學), the chief engineer of the Company and the head of Hilong Tubular Goods Research Institute (海隆石油管材研究所), retired on 19 May 2024.
3. Mr. CAO Yuhong (曹育紅) has resigned as the general manager of the oilfield equipment segment of the Group with effect from 15 October 2024.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2024.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that its shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Company and its member companies (the “**Group**”) to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. The Company has applied the principles set out in Part 2 of the CG Code during the year under review. The manner in which the principles and code provisions set out in Part 2 of the CG Code are applied and implemented during the year ended 31 December 2024 is explained in this Corporate Governance Report.

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations.

Save as disclosed in “Board of Directors – Chairman and Chief Executive Officer”, the Company has complied with all the applicable code provisions set out in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has established written guidelines for Directors, senior management and employees regarding securities transactions (the “**Securities Transactions Guideline**”) on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules.

On 20 March 2024, the Company was informed by Mr. Zhang, an executive Director of the Company, that he had acquired interests of an aggregate of 1,800,000 shares of the Company (the “**Shares**”) for an aggregate consideration of HK\$163,918 (excluding the relevant transaction fees) at an average price of HK\$0.091 per Share on 20 March 2024 (the “**Transaction**”), although Mr. Zhang, as a Director, was prohibited from dealing with the securities of the Company during the black-out period (being the period from 28 January 2024 up to the date of publication of the announcement of annual results for the year ended 31 December 2023 on 18 October 2024).

Mr. Zhang voluntarily and immediately notified the Company of the Transaction after he realized the Transaction was conducted during the blackout period. He apologised for the inadvertent oversight of instructing the broker to place orders for the Transaction and acknowledged that he had breached Rules A.3 and B.8 of the Model Code. Mr. Zhang confirmed that: (i) he did not possess any inside information of the Company that is required but not yet disclosed at the time of the Transaction; and (ii) he undertook to donate any gain (if any) from the acquisition and future sale (outside of the blackout period) of the relevant Shares under the Transaction to charitable organization.

In order to avoid similar incident in the future, the Company will continue to implement the following actions: (i) remind all Directors the importance of complying with Appendix C3 to the Listing Rules in their dealings of the Shares and in particular the importance of giving written notice prior to conducting any intended dealings; (ii) remind all Directors to instruct their respective brokers to refrain from processing and carrying out any instructions for dealings in Shares by Directors during any prohibition period under Appendix C3 to the Listing Rules; and (iii) provide briefings to develop and refresh the Directors' knowledge and enhance their awareness of good corporate governance practices, including a refresher course as to the directors' duties, corporate governance and the Model Code.

Save as disclosed above, having made specific inquiries to all Directors, all of them have confirmed that they have complied with the required standards set out in the Model Code throughout the reporting period.

No incident of non-compliance of the Securities Transactions Guideline by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The following are the members of the Board during the reporting period and as at the date of this annual report:

Executive Directors:

Mr. Zhang Jun (*Chairman, Executive Chairman and Co-Chief Executive Officer (since 23 December 2024)*)

Mr. Wang Tao (汪濤) (*Chief Executive Officer (resigned on 15 October 2024)*)

Non-executive Directors:

Ms. Zhang Shuman

Dr. Yang Qingli

Mr. Cao Hongbo

Dr. Fan Ren Da Anthony

Independent Non-executive Directors:

Mr. Wang Tao (王濤)

Mr. Wong Man Chung Francis

Mr. Shi Zheyang

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Mr. Zhang Jun is the elder brother of Ms. Zhang Shuman; and Mr. Cao Hongbo is the elder brother-in-law of Mr. Zhang Jun and Ms. Zhang Shuman.

Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication of a majority of Directors.

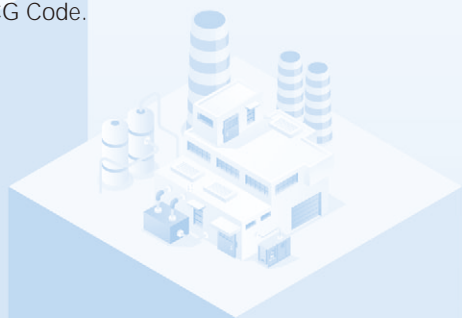
During the year, the Board held five meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Mr. Zhang Jun	5/5
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	2/2
Ms. Zhang Shuman	5/5
Dr. Yang Qingli	5/5
Mr. Cao Hongbo	5/5
Dr. Fan Ren Da Anthony	5/5
Mr. Wang Tao (王濤)	5/5
Mr. Wong Man Chung Francis	5/5
Mr. Shi Zheyang	5/5

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. Wang Tao (汪濤) resigned as the chief executive officer of the Company with effect from 15 October 2024. Mr. Zhang currently serves as the co-chief executive officer of the Company and chairman of the Board. Mr. GAO Zhihai has been appointed as the co-chief executive officer of the Company since 23 December 2024 to assist Mr. Zhang in the overall business operations and strategy formulation of the Company. Despite the deviation from code provision C.2.1 of the CG Code, the Board believes that Mr. Zhang, being the chairman of the Board, is familiar with the Company's business operation and has excellent knowledge and experience of the Company's business which will be conducive to improve the efficiency of the Company's overall strategic planning. Further, the Board is of the view that the balanced composition of the executive, the non-executive and the independent non-executive Directors on the Board and the various committees of the Board in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. As such, the Board considers that the deviation from code provision C.2.1 is appropriate in the current situation. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.



Independent Non-executive Directors

Throughout the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director regarding his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism since 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the reporting period, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the reporting period, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Terms of Directors

Each of the Directors of the Company is engaged on a service contract (in the case of Executive Director) or on a letter of appointment (in the case of Non-executive Director and Independent Non-executive Director) for a term of three years, and is subject to retirement by rotation and re-election at least once every three years in accordance with the Articles of Association of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company, oversees the businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Group. The Directors of the Board make decisions objectively in the interests of the Company.

The Board reserves for its decision on all major matters of the Company including the approval and monitoring of all policy matters, overall strategies and budgets, internal control system and risk management system, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the Co-Chief Executive Officers and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have full and timely access to all the information of the Company and may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board, for discharging their duties to the Company.

All Directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

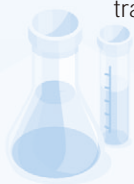
The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

Continuing Professional Development of Directors

The Directors have to always pay attention to their responsibilities as the Directors of the Company and pay attention to the operation mode, business activities and development of the Company.

Each newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for the Directors and trainings conducted/hosted by external advisers will be arranged. Also, reading materials on relevant topics will be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.



During the year, the Company and its professional advisors organised training for all Directors. In addition, relevant reading materials including legal and regulatory updates, particularly the updates on the CG Code and relevant Listing Rules amendments, guidance on lending transactions, role of director, and directors' responsibilities when assessing transactions, have been provided to the Directors for their reference and studying.

The training records of the Directors for the year are summarised as follows:

Directors	Type of Training ^{Note}
<i>Executive Directors</i>	
Mr. Zhang Jun	A&B
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	B
<i>Non-executive Directors</i>	
Ms. Zhang Shuman	A&B
Dr. Yang Qingli	A&B
Mr. Cao Hongbo	A&B
Dr. Fan Ren Da Anthony	A&B
<i>Independent Non-executive Directors</i>	
Mr. Wang Tao (王濤)	A&B
Mr. Wong Man Chung Francis	A&B
Mr. Shi Zheyang	A&B

Note:

Types of Training

- A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
- B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 6 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, overseeing the Company's financial reporting system, risk management system and internal control system, reviewing and monitoring effectiveness of internal audit function, making recommendation to the Board on the re-appointment, remuneration and terms of engagement of external auditor and monitoring the independence of external auditor, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, risk management and internal control or other matters of the Company.

During the year, the Audit Committee held three meetings to review annual financial results and report in respect of the year ended 31 December 2023, interim financial results and report in respect of the six months ended 30 June 2024, the unaudited consolidated financial statements for the nine months ended 30 September 2024, the preliminary financial budget and internal audit plan of the Company for the year 2025, and significant issues on financial reporting and compliance procedures, risk management system and internal control system, relationship with auditors including the remuneration, terms of engagement, independence and re-appointment of auditors, non-exempt continuing connected transactions, arrangements for employees to raise concerns about possible improprieties, the implementation and effectiveness of the Whistleblowing Policy, and to evaluate and assess the effectiveness of the Audit Committee and the adequacy of the terms of reference of the Audit Committee and consider whether any update or amendment is required.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors. The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Wong Man Chung Francis	3/3
Mr. Wang Tao (王濤)	3/3
Ms. Zhang Shuman	3/3

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of the Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year, the Remuneration Committee met two times to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the Directors and senior management, key terms of the new letters of appointment entered with one Non-executive Director and other related matters, compensation payable to the resigned executive Director for any loss of office and other related matters, and to evaluate and assess the effectiveness of the Remuneration Committee and the adequacy of the terms of reference of the Remuneration Committee and consider whether any update or amendment is required.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wang Tao (王濤)	2/2
Mr. Wong Man Chung Francis	2/2
Mr. Shi Zheyang	2/2

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy, as appropriate, reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy, and monitoring the progress on achieving the objectives, and assessing the independence of Independent Non-executive Directors; reviewing and assessing the adequacy of the corporate governance guidelines of the Company and making recommendations to the Board for any proposed changes.



In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy to implement the corporate strategy of the Company. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2024, the Nomination Committee met two times to review the structure, size, composition and diversity of the Board, the "Board Diversity Policy" and consider whether any update or amendment is required, to assess the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting, to consider and make recommendation to the Board on the letters of appointment for one Non-executive Director, to make recommendation to the Board to appoint Mr. Zhang, executive director, the chairman of the Board and executive chairman, to assume the interim duties and responsibilities of the chief executive officer, to evaluate and assess the effectiveness of the "Nomination Policy", the Nomination Committee and the adequacy of the terms of reference of the Nomination Committee and consider whether any update or amendment is required and to review the progress of the proposed appointment of new chief executive officer of the Company.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Wang Tao (王濤)	2/2
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	N/A
Mr. Shi Zheyang	2/2
Dr. Yang Qingli	2/2

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Board has adopted the "Board Diversity Policy" with a view to achieving sustainable and balanced development in the Board. Selection of board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional and industry experience, skills, knowledge and length of service with the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

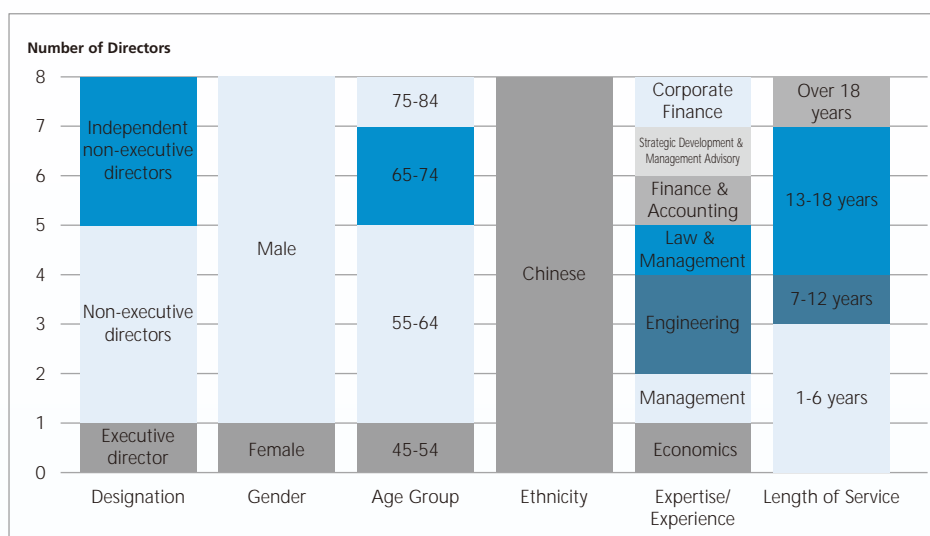
The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The following chart shows the diversity profile of the Board as at 31 December 2024:



Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	12.5%	87.5%
Senior Management	0%	100%
Other employees	9.75%	90.25%
Overall workforce	9.74%	90.26%

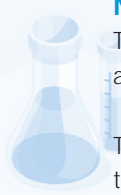
The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group and wishes to achieve at least 15% of female Directors, 15% of female senior management and 15% of female employees by the end of 2025.

The Board will continue, taking into account the business needs of the Company and changes from time to time that may affect the Company's business plans, to ensure the gender diversity when recruiting staff at senior level, so that the female senior management and potential successors will join the Board in due course to ensure gender diversity of the Board. The Company will continue to focus on training talent in different gender and providing long-term development opportunities for staff in different gender.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and nomination of suitable candidate for appointment as Directors to the Nomination Committee of the Company.

The Board has adopted a Nomination Policy which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors and ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.



The Nomination Policy sets out the criteria for the selection of a proposed candidate, including but not limited to the following:

- Reputation for integrity;
- Accomplishment and experience;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Policy also sets out the criteria for evaluation and recommendation to the Board on the re-appointment of retiring Director(s) and the position(s) of the Independent Non-executive Directors, and the process and procedures for the nomination of Directors:

- The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.
- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.
- Pursuant to the Articles of Association of the Company, if a shareholder wishes to propose a person for election as a Director, such shareholder shall have given a notice in writing of the intention to propose that person for election as a Director and also a notice in writing by that person of his willingness to be elected shall be given to the Company at least seven (7) days before the date of general meeting. Such period for lodgment of the notices shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.
- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board met twice to review the Company's corporate governance policies and practices, contribution required from directors for performing their responsibilities, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Securities Transactions Guideline, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, and review the dividend policy of the Company.

DIRECTORS' RESPONSIBILITIES FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

The Directors have prepared the financial statements in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

As at 31 December 2024, the Group's current liabilities included borrowings of RMB2,686,464,000, of which the Group failed to repay loan notes of RMB2,261,082,000 (the "2024 Notes") on due date on 18 November 2024 and bank and other borrowings of RMB425,382,000 are repayable within 12 months from the end of the reporting period but the Group's cash and cash equivalents amounted to RMB721,631,000 only as at 31 December 2024. This condition, together with other matters disclosed in Note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have been undertaking plans and measures to improve the Group's liquidity and financial position. For details, please refer to Note 2.2 to the consolidated financial statements.

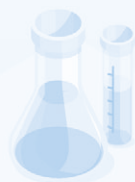
The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 69 to 70 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the remuneration paid/payable to the Group's external auditor and its affiliate, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
– Current year	5,540
– Under-provision for prior year	2,767
Non-audit Services	
– Others ⁽¹⁾	113
Total	8,420

⁽¹⁾ Other non-audit services included the review of the Company's Environmental, Social and Governance Report.



DIVIDEND POLICY

Subject to the Cayman Islands Companies Law and the Articles of Association of the Company, the Company may from time to time in general meeting declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

- (i) results of operations;
- (ii) cash flows and financial condition;
- (iii) operation and capital requirements;
- (iv) shareholders' interests;
- (v) general business conditions and strategies;
- (vi) taxation considerations;
- (vii) contractual, statutory and regulatory restriction, if any; and
- (viii) any other factors that the Board may deem relevant.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the profits of the Company, and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. The Board may also pay any fixed dividend which is payable on any shares of the Company half – yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment. At the time when dividend payment is made, the Company should consider reserving appropriate amount of reserve for present or future circumstances and make no declaration or payment thereon.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the risk management system and internal control system and reviewing

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- (3) **Comprehensiveness:** Enterprise risk management involves all employees of the Company, and plays important roles in decision-making, management and execution in all areas of businesses;
- (4) **Materiality:** The Company focuses on risk management of key businesses and high risk areas; and
- (5) **Cost effectiveness:** The Company optimises existing resources, and implements effective risk control procedures at a reasonable cost to enhance the efficiency and effectiveness of risk management system and internal control system.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment;
- Determines the risk management strategies and internal control procedures to prevent, avoid or mitigate the risks; and
- Strengthens the monitoring and warning function of the system continuously based on the result of risk assessment.

Risk Monitoring and Reporting

- Establishes hierarchical supervisory responsibilities in the Group to ensure that risk monitoring is objective and effective;
- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place;
- Revises the risk management strategies and internal control procedures in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.



Review of Risk Management and Internal Control Systems

Management together with the Audit Committee have reviewed the Group's risk management system and internal control system for the year ended 31 December 2024 and reported to the Board. As disclosed in "Management Discussion and Analysis – Other Significant Events" of this annual report, the Independent Advisor has conducted the investigation and identified certain internal control weaknesses of the Company. In this connection, the Company has engaged Acclime Consulting (Hong Kong) Limited as the internal control consultant ("**Internal Control Consultant**") to conduct an independent review of the internal control procedures of the Company and all the subsidiaries identified in the investigation ("**Internal Control Review**"). Considerable progress has been made. The Company will publish an announcement in relation to the key findings of the Internal Control Review, rectification recommendations and the implementation of remedial actions in due course.

Internal Audit Function

The Group has established an internal audit team, which assesses the adequacy and effectiveness of the risk management system and internal control system of the Group regularly, and reports to the Audit Committee and the Board on the audit results semi-annually and makes recommendations to the Board and the management to address the significant deficiencies of the system or problems that identified during the monitoring process.

Company Inside Information Management

Important inside message delivered through Company's mailbox and important electronic files were encrypted by password. In addition, the Company has set up "whistle-blowing" window to enhance control of inside information leakage.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2024, the Company held once anti-corruption training and briefing to all employees. There were no non-compliance cases in relation to bribery and corruption.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

COMPANY SECRETARY

Ms. Sham Ying Man is the company secretary of the Company. The primary contact person at the Company is Mr. Chen Yong (Chief Financial Officer). Ms. Sham Ying Man is a manager of Tricor Services Limited, a member of Vistra Group and a global professional service provider specialising in integrated business, corporate and investor services. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2024 to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution would be proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the Company's Articles of Association and results of the poll will be posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company after each general meeting.

Pursuant to the Company's Articles of Association, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The purpose of the meeting must be stated in the written requisition.

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

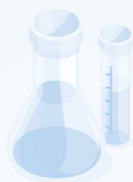
As regards proposing a person for election as a Director of the Company, please refer to the procedures posted on the Company's website.

Shareholders may send written enquiries or requests to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: No. 1825, Luodong Road, Baoshan Industrial Zone, Shanghai, People's Republic of China (For the attention of Mr. Chen Yong, Chief Financial Officer)

Email: chenyong@hilonggroup.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.



COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The attendance records of Directors at the annual general meeting held during the year are as follows:

Name of Directors	Attendance
Mr. Zhang Jun	1/1
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	N/A
Ms. Zhang Shuman	1/1
Dr. Yang Qingli	1/1
Mr. Cao Hongbo	1/1
Dr. Fan Ren Da Anthony	1/1
Mr. Wang Tao (王濤)	1/1
Mr. Wong Man Chung Francis	1/1
Mr. Shi Zheyang	1/1

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Company continues to enhance communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer questions at their enquires.

During the year, the Company has made changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited. Shareholders may refer to the Company's Articles of Association for further details of their rights.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy aims to set out the principles of the Company in relation to the shareholders' communications, with the objective of ensuring that its communications with the shareholders of the Company are timely, transparent, accurate and open. The Board reviewed the implementation and effectiveness of the shareholders' communication policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(a) Shareholders' Enquiries

Enquiries about Shareholding

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar.

Enquiries of the Company

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

(b) Corporate Communications

"Corporate Communications" have the meaning ascribed thereto in the Listing Rules, which include but not limited to (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communications of the Company should be made available to the shareholders in a timely manner. Corporate Communications will be provided to shareholders in both English and Chinese versions to facilitate shareholders' understanding. Shareholders shall have the right to choose the language (either English or Chinese or both) or means of receipt of the Corporate Communications (in printed form or through electronic means).

(c) Corporate Website

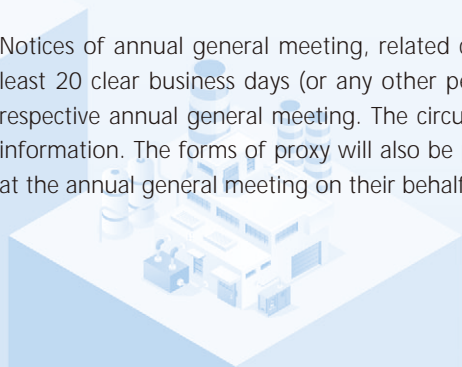
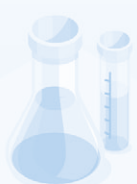
Any information or documents of the Company posted on the Hong Kong Exchanges and Clearing Limited's website will also be published on the Company's website (www.hilonggroup.com) immediately thereafter. Other corporate information, such as principal business activities and latest development of the Company and its subsidiaries, as well as the share price and dividend history of the Company will also be available on the Company's website.

The Company shall publish its results announcement on the Company's website after the results have been approved by the Board. The results announcement contains the business performance and results of the Group, details on the dividend payment and closure of the register of members and any other information required to be disclosed under the Listing Rules from time to time.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company provide an opportunity for constructive communication between the Company and its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Board members, in particular, the chairmen of Board committees or their delegates, appropriate senior executives and the external auditors will attend annual general meeting of the Company to answer shareholders' questions (if any).

Notices of annual general meeting, related circulars and forms of proxy will be distributed to the shareholders at least 20 clear business days (or any other period required under the Listing Rules from time to time) prior to the respective annual general meeting. The circulars will set out details of the proposed resolutions and other relevant information. The forms of proxy will also be provided to the shareholders for appointing proxies to attend and vote at the annual general meeting on their behalf.



REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Group is an integrated oil field equipment and services provider and is principally engaged in manufacturing and distribution of oil and gas drilling equipment, and provision of oilfield and offshore engineering services. The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements of this annual report.

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in "Management Discussion and Analysis" from pages 7 to 23 of this annual report. Such section constitutes part of this directors' report.

Environmental Policies and Performance

Our production processes primarily involve the manufacture and assembly of components and we do not operate in a highly-polluted industry. Our operations in the PRC are subject to a number of environmental laws and regulations including the Environmental Protection Law, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution and its Implementing Regulations, etc. Pursuant to such laws and regulations, the discharge and disposal of contaminants, toxic and hazardous materials, including manufacturer's waste water, solid waste and waste gases, must comply with the applicable national and local standards. For the year ended 31 December 2024, the Group has been committed to complying with such applicable standards and the aforesaid environmental protection laws and regulations. Further, the Group did not incur any material cost in complying with such laws and regulations during the reporting period.

The Company places environmental protection as one of its top priorities. The Group has developed its own HSE management system with an objective that its operations do not cause any damage to the environment. The HSE policy has been strictly followed. In addition, several of the Group's subsidiaries have obtained certifications from Beijing CNP CHSE Conformity Center (北京中油健康安全環境認證中心) and ABS Quality Evaluations Inc. that their environmental management systems, particularly in relation to their drilling, offshore pipe-lying, offshore technical service activities, are in conformity with the requirements of the ISO 14001 standards.

When providing services to our clients, Hilong not only complies with the applicable local environmental laws and regulations of places it operates, but also fully commits to assisting clients in reducing waste and lowering waste treatment costs by optimizing its operation procedures and adopting new technologies even it is clients' responsibility to take charge of the waste produced (such as cuttings, waste mud, greenhouse gases emission) from their operation activities. Since its foundation in 2008, Hilong and its overseas subsidiaries have never received any complaints or fines

Our operations involve welding, handling of heavy machinery and components and hazardous chemicals. As a result, our employees may face the risk of various work-related injuries and accidents. We are subject to relevant rules and regulations on occupational health and safety such as the Safe Production Law and Law of the PRC on the Prevention and Control of Occupational Diseases. We have established HSE and safety production policies and management system to ensure that all parts of our operations are in compliance with existing laws and regulations on occupational, safety and health. In addition, several subsidiaries of the Group have obtained certifications from American Bureau of Shipping (ABS) and Beijing CNP CHSE Conformity Center (北京中油健康安全環境認證中心) that their health and safety management systems, particularly in relation to their drilling, offshore pipe-laying, offshore technical service activities, are in conformity with the requirements of certain international standards in relation to occupational, health and safety system such as the OHSAS 18001. Also, Hilong's safety management system of the pipe-laying and derrick vessel, Hilong 106, has been certified by ABS that it has complied with the requirements of the International Management Code for the Safe Operation of Ships and for Pollution Prevention. For the year ended 31 December 2024, there had been no instance of major work related injuries or casualties which could have a material and adverse impact upon our business and operations.

The Group also implemented several measures in order to mitigate emissions produced by the Group's offices, such as reducing energy consumption by switching off lightings and electrical appliances and using of LED lamps, implementing double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper.

Compliance with relevant Laws and Regulations

For the year ended 31 December 2024, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those that have significant impact on the Group.

On environmental matters, occupational health and safety, the Group is subject to various laws and regulations in relation to environmental protection and workplace safety. As mentioned in the section headed "Environmental Policies and Performance" above, for the year ended 31 December 2024, the Group has been committed to complying with the applicable standards on discharge and disposal of contaminants, toxic and hazardous materials and the applicable environmental protection laws and regulations. Regarding production safety, the Group has policies and measures in place to prevent and eliminate occupational damages and ensure safe production environment including (i) designating staff to be responsible for managing production safety; (ii) providing relevant employees of appropriate safety classes and training to ensure they possess the required knowledge and management skills on production safety; (iii) erecting appropriate safety signage on dangerous equipment and installations; (iv) ensuring safety-related equipment comply with national or industry standards; and (v) formulating emergency response plan for occupational diseases and accidents.

Our business involves production of hazardous chemicals and production, usage, and inspection of special equipment such as pressure pipelines. We are required by the relevant laws and regulations such as Regulations on the Administration of Permits for the Production of Industrial Products and Regulation to obtain production permits from designated authorities before manufacturing such products and equipment. For the year ended 31 December 2024, the Group obtained necessary production permits from the relevant authorities before commencing the production of hazardous chemical and special equipment.

On employees' rights and interests, the Group has been committed in complying with the requirements of the Labour Law of the People's Republic of China and Law of People's Republic of China on Employment Contracts and other relevant overseas laws and regulations in relation to employees' rights in order to safeguard all employees' rights and interests. All full-time employees in the PRC are covered by a state-managed retirement benefit plan operation by the government of the PRC, and are entitled to an annual pension. The Group has made annual contributions to the state – managed retirement benefit as required under the relevant law. The Group has also made contributions to a defined contribution mandatory provident fund for all full-time employees in Hong Kong.

On taxation, the Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in note 25 to the consolidated financial statements of this annual report.

As disclosed in the section headed “Non-compliance of Chapter 14 of the Listing Rules in respect of the Provisions of the Russian Guarantee” of the announcement of the Company dated 16 October 2024, the Russian Subsidiaries and Trade House Hilong-Rus Co., Ltd. provided guarantees in favour of Entity A (the “**Russian Guarantees**”) to secure bank borrowings pursuant to a number of loan agreements that it entered into with the Russian bank (“**Bank C**”). Prior to the consolidation of Entity A into the Group’s accounts for the years ended 31 December 2022 and 2023, the Russian Guarantees, in aggregate at the relevant times, would constitute a financial assistance which is subject to reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. As the Company did not announce, issue circular or obtain Shareholders’ approval for the provision of the Russian Guarantees, the Company acknowledges that the provision of the Russian Guarantees constituted non-compliance under Chapter 14 of the Listing Rules.

On corporate compliance, during the reporting period, save as disclosed in this annual report, the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the “**SFO**”) and the applicable provisions set out in the CG Code for, among other things, the disclosure of information and corporate governance.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company has always been actively fulfilling its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for customers, employees, shareholders and community.

Relationship with customers – Our customers primarily include a number of major PRC and international oil and gas companies. We have maintained well-established relationships with some of the largest PRC oil and gas companies by the provision of quality products, services and after-sales services. We have also maintained regular communications with these customers in order to understand their concerns, standards and industry trends. So far, our performance is widely recognised by the customers.

Relationship with employees – The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, trainings and guidelines are implemented to ensure that the working environment is healthy and safe. The Group provided regular occupational health and safety check-ups and trainings for its employees. Employees are regarded as the most important and valuable assets of the Group. The management met with the employee representatives regularly to understand the concerns of employees. The objectives of the Group’s human resources management are to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by providing opportunities within the Group for career advancement.

Relationship with shareholders – The Group recognizes the importance of protecting the interests of shareholders and having effective communications with them. The Group believes that the communication with its shareholders is a two-way process and thrives to ensure the quality and effectiveness of information disclosure, maintain regular dialogues with its shareholders and listen carefully to the views and feedback it receives from its shareholders. This can be done through annual general meetings, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

Relationship with the community – The Group is committed to participating in community events and has worked with a number of charities to support their work.

KEY RISKS AND UNCERTAINTIES

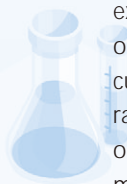
Fluctuations in domestic and international oil and natural gas prices – The economic condition, market uncertainty and various factors that are beyond our control, including actions by major oil-producing countries and the prices and availability of other energy resources, may reduce the worldwide demand for oil and natural gas and result in fluctuations in the prices for oil and natural gas. For example, as a result of the negative impact of the failure of OPEC and Russia to reach an agreement on production cuts, the crude oil price fluctuated dramatically. Any decline in the prices of oil and natural gas, even for a short period of time, may reduce or curtail the expenditure by oil and gas companies in connection with exploration, drilling and production activities, which may result in lower sales volumes and prices for our drilling – related products and oil field services in the PRC and overseas, and may materially and adversely affect our business, financial condition and results of operations.

Failure to renew our certification as a supplier of our key customers – We are approved by our key customers such as CNPC and Sinopec as their suppliers. Such status is necessary for us to sell our products to the subsidiaries or branch oil fields of our major customers. However, such status may be suspended if the Group, amongst other things, delays delivery, has operational problems, is unable to provide after-sales services, or has unsatisfactory financial results. In the event that such status is suspended or terminated by our key customers, or that we are unable to renew such status, our business, financial condition and results of operations may be adversely affected.

Delay or rescheduling of oil and gas pipeline projects – We derive a significant portion of our revenue from sales of drill pipes, and related services. Planned and ongoing oil and gas pipeline projects can be delayed or rescheduled for a number of reasons including changes in business strategy of pipeline operators, technical difficulties, natural disasters, delays in regulatory approval or budget constraints. Should any of the major projects of our clients to which we plan to supply our products and services be delayed or rescheduled, our business, financial condition and results of operations could be materially affected.

Failure to develop or adopt new production technologies – The oil and gas industry is competitive and the production technology underlying the industry is rapidly evolving. As customers' needs, related technologies and market trends are subject to change, the Group may not be able to correctly predict the trends in a timely manner or develop or adopt competitive technology on a timely basis, whether developed in-house or obtained through licence. Even if the Group has put in substantial investment of resources, time and capital to respond to and adapt to technological developments and changes in the oil and gas industry, there can be no assurance that the Group will succeed in adequately responding and adapting to such technological and industry developments. In the event that the Group is unable to respond successfully to technological and industry developments, its business, results of operations and competitiveness may be affected.

Certain risks inherent in overseas operations and risks associated with the international expansion of the Group's business – During the reporting period, a large portion of our revenue was derived from our oilfield services segment from the non-PRC markets. In addition, the Group generated a significant portion of drill pipes and related products revenue from sales to non-PRC markets. Further, as part of the business strategy, the Group intends to expand its business into other regions of the world. As a result, the Group may face certain risks inherent in its overseas operations and risks associated with its efforts to expand and maintain its business in international markets, including cultural differences and other difficulties in staffing and managing international operations; volatility in currency exchange rates; risks that foreign countries may impose withholding taxes; risks of barriers, such as anti-dumping and other tariffs or other restrictions being imposed on foreign trade; etc. If any of these risks materializes, or if the Group is unable to manage these risks effectively, the Group's ability to maintain or expand international business would be impaired, which may in turn affect the Group's business, financial condition, results of operations and prospects.



The impact of geopolitical factors arising in connection with military conflict between Russia and Ukraine on the Group's business operations

– Our business and financial results, including our ability to raise capital or raise capital on favorable terms, may be adversely affected by the geopolitical factors arising in connection with military conflict between Russia and Ukraine. We have business operations in Russia and Ukraine, and the military conflict between Russia and Ukraine has brought uncertainty to the global economy and trade and regulatory environments. If the conflict persists or deteriorates, we may be exposed to geopolitical risks. The geopolitical landscape may be further implicated, causing economic, social and political repercussions on a number of regions, which may give rise to a significant expansion of sanctions and trade restrictions among different countries. The Group's businesses may be adversely affected and result in adverse impact on the financial conditions, results of operations, cash flows and prospects of the Group, as well as the share price of the Company.

Prospects

The prospects of the Group is provided in the Chairman's Statement from pages 2 to 5 and in "Management Discussion and Analysis" from pages 7 to 23 of this annual report.

DIVIDEND

During the year ended 31 December 2024, no final dividend for the year ended 31 December 2023 was paid to the shareholders of the Company.

The Board resolved not to recommend any dividend for the year ended 31 December 2024.

RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2024 are set out in notes 17 and 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively. As at 31 December 2024, the reserves of the Company available for distribution to shareholders amounted to RMB1,255.7 million (2023: RMB1,241.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate revenue from sales of goods or rendering of services attributable to the Group's largest customer and five largest customers accounted for 7.8% and 26.8% of the Group's total revenue from sales of goods or rendering of services, respectively (2023: 10.6% and 25.2%). The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 9.9% and 31.0% of the Group's total purchases respectively during the year under review (2023: 6.0% and 23.2%).

During the year, to the best knowledge of the Directors, except for Hilong Pipeline Engineering and its subsidiaries, which are controlled by controlling shareholder of the Company, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) had any interest in any of the five largest customers or suppliers of the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2024 are set out in note 13(d) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group are set out in note 6 to the consolidated financial statements.

ISSUED SHARES

Details of and reasons for movements in the total issued shares of the Company during the year under review are set out in note 16 to the consolidated financial statements.

BUSINESS ACTIVITIES INVOLVING SANCTIONED ENTITIES

During the reporting period, certain counterparties of our Russian subsidiaries are identified as Sanctioned Targets under Chapter 4.4 of the Guide for New Listing Applicant. Although we are unable to preclude the possibility that any of our Russian Subsidiaries being designated to the SDN List, our Russian subsidiaries are trying their best efforts to wind down their business with Sanctioned Targets, and the Group has implemented a number of internal control measures to prevent the potential sanctions exposure of the Russian businesses from spilling over to the Group level.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 194 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's articles of association (the "Articles") or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Jun (張軍)

Mr. Wang Tao (汪濤) (resigned on 15 October 2024)

Non-executive Directors

Ms. Zhang Shuman (張姝嫻)

Dr. Yang Qingli (楊慶理)

Mr. Cao Hongbo (曹宏博)

Dr. Fan Ren Da Anthony (范仁達)

Independent Non-executive Directors

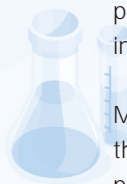
Mr. Wang Tao (王濤)

Mr. Wong Man Chung Francis (黃文宗)

Mr. Shi Zheyang (施哲彥)

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

Mr. Zhang Jun (張軍), Dr. Yang Qingli (楊慶理) and Mr. Cao Hongbo (曹宏博) will retire by rotation as the Directors at the forthcoming annual general meeting of the Company (the "AGM") in accordance with Article 84 of the Articles and pursuant to Appendix C1 of the Listing Rules. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.



Changes in Information of Directors

The change in information of Directors since the date of the 2024 Interim Report of the Company is as follows:

- Mr. Wang Tao (汪濤) has tendered his resignation as an executive Director and the chief executive officer of the Company with effect from 15 October 2024 and has ceased to be a member of the Nomination Committee of the Company, due to work adjustment.
- Mr. Zhang Jun has assumed the duties and responsibilities of the chief executive officer of the Company with effect from 15 October 2024 and has been the co-chief executive officer of the Company since 23 December 2024.
- Dr. Yang Qingli has been appointed as a member of the Nomination Committee of the Company with effect from 15 October 2024.
- Mr. Cao Yuhong, the younger brother of Mr. Cao Hongbo, a non-executive Director and the elder brother-in-law of Mr. Zhang Jun, the executive Director, chairman of the Board, executive chairman, chief executive officer and substantial and controlling shareholder of the Company, and Ms. Zhang Shuman, the non-executive Director of the Company and the younger sister of Mr. Zhang Jun, has resigned as the general manager of the oilfield equipment segment with effect from 15 October 2024.
- Dr. Fan Ren Da Anthony, a non-executive Director, ceased to act as the independent non-executive director of China Dili Group (Stock Code: 1387) since 12 August 2024, Hong Kong Resources Holdings Company Limited (currently known as 3DG Holdings (International) Limited) (Stock Code: 2882) since 9 February 2024 and China Development Bank International Investment Limited (Stock Code: 1062) since 20 March 2024, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.
- Mr. Wong Man Chung Francis, an independent non-executive Director, acted as an independent non-executive director of Shanghai Dongzheng Automotive Finance Co., Ltd (Stock Code: 2718), a company listed on The Stock Exchange of Hong Kong Limited and the listing of the company's shares was cancelled on 29 April 2024.
- Mr. Wong Man Chung Francis, an independent non-executive Director, acted as an independent non-executive director of IntelliCentrics Global Holdings Ltd. (Stock Code: 6819), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and the listing of the company's shares was withdrawn on 8 May 2024. The company has resolved to go for the voluntary liquidation at its extraordinary general meeting on 15 August 2024 and further resolved that Mr. Wong Man Chung Francis was appointed as its liquidator.
- Mr. Wong Man Chung Francis, an independent non-executive Director, ceased to act as an independent non-executive director of Digital China Holdings Ltd. (Stock Code: 861), a company listed on The Stock Exchange of Hong Kong Limited, on 27 June 2024.

Save as disclosed above, there were no changes in information of the Directors that are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company under which he agreed to act as an Executive Director for a term of three years, which may be terminated by not less than one month's notice in writing served by either the Executive Director or the Company. Each of the Non-executive Directors and the Independent Non-executive Directors has signed an appointment letter with the Company for a term of three years which may be terminated by one month's notice (in the case of the Non-executive Director) or not less than one month's notice (in the case of the Independent Non-executive Director) served by either the Non-executive Director/Independent Non-executive Director or the Company. The appointments of Directors are subject to the provisions of retirement by rotation of Directors under the Articles.

None of the Directors (including those proposed for re-election at the forthcoming AGM) has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence. A review of the staff and remuneration policy of the Group during the year is set out in "Management Discussion and Analysis – Financial Review – Staff and Remuneration Policy" of this annual report.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

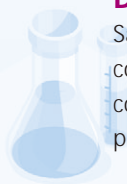
Details of Directors' remuneration and five highest paid individuals of the Group are set out in notes 20 and 21 to the consolidated financial statements.

The emoluments paid to the senior management (excluding the Directors) during the year ended 31 December 2024 were within the following bands:

	Number of Senior Management
HK\$500,001 to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	5
HK\$1,500,001 to HK\$2,000,000	1
	7

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, as at 31 December 2024 or during the year, none of the Directors or entities connected with the Directors was materially interested, either directly or indirectly, in any transaction, arrangement or contract that is significant in relation to the business of the Group to which the Company or any of its subsidiaries was a party.



CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance in relation to the Group's business was entered into between the Company, or any one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2024.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2024 which is still in force.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as set out in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2024.

2023 AWARD SCHEME

The Company adopted the 2023 Award Scheme on 11 September 2023 (the "**Adoption Date**"). The following is a summary of the principal terms of the 2023 Award Scheme:

(a) Purpose

The purposes and objectives of the 2023 Award Scheme are (i) to recognise the contributions by certain Eligible Participants (as defined below) and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(b) Eligible Participants

Eligible Participants under the 2023 Award Scheme include directors of the Company and employees of the Group (including persons who are granted an award by the Board ("**Award**") by way of restricted share units ("**RSU**") or the actual price at which the shares underlying the Awards ("**Awarded Shares**") are sold ("**Actual Selling Price**") in cash, as the Board may determine in accordance with the rules of the 2023 Award Scheme ("**Scheme Rules**") as an inducement to enter into employment contracts with these companies) ("**Employee Participants**"), directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company ("**Related Entity Participants**") and persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group ("**Service Providers**").

(c) Duration and Termination

The 2023 Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date, after which no further Awards will be granted. As at the date of this annual report, the remaining life of the 2023 Award scheme is approximately 8 years and 5 months. The 2023 Award Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participation in the Scheme (“**Selected Participant(s)**”).

(d) Maximum number of shares

The Board shall not make any further Awards which will result in the aggregate number of the Awarded Shares underlying the Awards awarded by the Board under the 2023 Award Scheme exceeding 10% of the issued share capital of the Company as of the Adoption Date (i.e. 169,643,860 Shares). The maximum number of Awarded Shares underlying the Awards which may be awarded to a Selected Participant under the 2023 Award Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period (i.e. 16,964,386 Shares).

(e) Administration

The 2023 Award Scheme shall be subject to the administration of the Board and the Trustee (being Computershare Hong Kong Trustees Limited and as defined in the Scheme Rules) in accordance with the Scheme Rules and the trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2023 Award Scheme to the administrator or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. The decision of the Board with respect to any matter arising under the 2023 Award Scheme (including the interpretation of any provision) shall be final and binding.

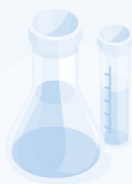
(f) Vesting of the Awards

The Board is entitled to impose any conditions, as it deems appropriate in its absolute discretion with respect to the vesting of the Awards on the Selected Participant, and shall inform the Trustee and such Selected Participant the relevant conditions of the Awards. Subject to the Scheme Rules and the fulfillment of all vesting conditions, including but not limited to the vesting conditions as set out in the grant notice, to the vesting of the Awards on such Selected Participant and all requirements applicable to such Selected Participant as specified in the 2023 Award Scheme and the grant notice (unless waived by the Board), the respective Awards granted to the Selected Participant pursuant to the 2023 Award Scheme shall vest in such Selected Participant in accordance with the vesting schedule (if any) as set out in the grant notice, and the Trustee shall cause the relevant Awarded Shares to be transferred to such Selected Participant on the Vesting Date, or pay the Selected Participants the proceeds in cash arising from the sale based on the Actual Selling Price of the relevant Awarded Shares. Subject to the vesting conditions set out in the grant notice, (i) 30% of the Awards will be vested on the first anniversary of the grant date of the Awards, (ii) 30% of the Awards will be vested on the second anniversary of the grant date of the Awards; and (iii) 40% of the Awards will be vested on the third anniversary of the grant date of the Awards.

There is (i) no amount payable on application or acceptance of the Award and no specific period within which payments or calls must or may be made or loans for such purposes must be repaid; and (ii) no purchase price for the Awards.

The 2023 Award Scheme is funded solely by the existing Shares and it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. For further details of the 2023 Award Scheme, please refer to the announcement of the Company dated 13 September 2023.

During the reporting period, the Company did not instruct the Trustee to purchase existing Shares and no Awards were granted under the 2023 Award Scheme.



DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, were as follows:

(a) Long position in the share of the Company

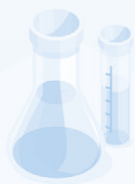
Name of Director	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the Company
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	715,461,000 ⁽¹⁾	
	Founder and beneficiary of three Mr. Zhang's family trusts/Interest of controlled corporation	112,300,800 ⁽²⁾	
	Beneficial owner	1,260,000	
		829,021,800	48.87%
Ms. Zhang Shuman	Interest of controlled corporation	24,300,000 ⁽³⁾	
	Beneficial owner	692,000	
		24,992,000	1.473%
Mr. Cao Hongbo	Beneficial owner	1,708,000	0.101%
Mr. Wong Man Chung Francis	Beneficial owner	1,288,000	0.076%
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	Beneficial owner	1,200,000	0.071%
Dr. Yang Qingli	Interest of spouse	77,000 ⁽⁴⁾	0.005%
Mr. Gao Zhihai	Beneficial owner	1,395,000	0.08%

REPORT OF THE DIRECTORS

Notes:

- (1) These shares are held by Hilong Group Limited, the entire share capital of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as the trustee of Mr. Zhang's trust. As Mr. Zhang Jun is the founder and beneficiary of Mr. Zhang's trust as well as the sole director of Hilong Group Limited, he is deemed to be interested in these shares.
- (2) 24,300,000 shares, 24,000,000 shares and 64,000,800 shares are held by Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited respectively, the entire share capital of each of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustees of three Mr. Zhang's family trusts. As Mr. Zhang Jun is the founder and one of the beneficiaries of these three Mr. Zhang's family trusts as well as the sole director of North Violet Investment Limited and LongZhi Investment Limited, he is deemed to be interested in these shares.
- (3) These shares are held by Younger Investment Limited of which Ms. Zhang Shuman is the sole director. Ms. Zhang Shuman is therefore deemed to be interested in these shares.
- (4) These shares are held by Ms. Gao Chunyi, spouse of Dr. Yang Qingli. Dr. Yang Qingli is therefore deemed to be interested in these shares.

(b) Long position in the share of a associated corporation in the share 00140.021 Tm((b))-40. company ed in F1 1



Notes:

- (1) 715,461,000 shares are held by Hilong Group Limited, the entire share capital of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustee of Mr. Zhang's trust. Mr. Zhang Jun is the founder and beneficiary of Mr. Zhang's trust.
- (2) 24,300,000 shares, 24,000,000 shares and 64,000,800 shares are held by Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited respectively, the entire share capital of each of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustees of three Mr. Zhang's family trusts. Mr. Zhang Jun is the founder and one of the beneficiaries of these three Mr. Zhang's family trusts.
- (3) Ms. Gao Xia is the spouse of Mr. Zhang Jun and is therefore deemed to be interested in the shares and underlying shares of the Company in which Mr. Zhang Jun is interested.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies, nor any significant investment held by the Company for the year ended 31 December 2024.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2024 is contained in note 30 to the consolidated financial statements. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions.

Particulars of the continuing connected transactions and connected transactions that are not exempt under Rule 14A.76 of the Listing Rules are set out as follows:

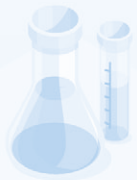
Continuing connected Transactions

1. *Renewal of 2023 Tenancy Agreements*

References are made to the announcement of the Company dated 7 February 2023 and 27 June 2023 regarding the 2023 Renewed Beijing Huashi Tenancy Agreements, the 2023 Renewed Shine New Material Tenancy Agreement, the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement ("**2023 Tenancy CCT Agreements**") and the announcement dated 5 January 2024 regarding the renewal of the 2023 Tenancy Agreements ("**2024 Tenancy CCT Announcement**"). Since each of the 2023 Tenancy Agreements has expired on 31 December 2023, on 5 January 2024, the Group and the relevant counterparties entered into the following renewal agreements:

- (i) the 2024 Renewed Beijing Huashi Tenancy Agreements entered into between Beijing Huashi Hailong Oil Investment Co., Ltd. (北京華實海隆石油投資有限公司) ("**Beijing Huashi Investment**") (as lessor) and Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司) ("**Hilong Oil Service**") (as lessee) in relation to the leases of the premises for office use for a term of six months commencing from 1 January 2024 to 30 June 2024;
- (ii) the 2024 Renewed Shine New Material Tenancy Agreement entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) ("**Hilong Group of Companies Ltd.**") (as lessor) and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司) ("**Hilong Shine New Material**") (as lessee) in relation to the lease of the premises for a manufacturing plant for a term of six months commencing from 1 January 2024 to 30 June 2024;

(iii) the 2024 Pipeline Tenancy Agreements entered into between (a) Hilong Group of Companies Ltd. (as lessor)



2. *Renewal of 2024 Tenancy Agreements*

References are made to the 2024 Tenancy CCT Announcement, the announcement dated 18 July 2024 and the clarification announcement dated 19 July 2024 regarding the renewal of the 2024 Tenancy Agreements (together, “**2024 Supplemental Tenancy CCT Announcements**”). Since each of the 2024 Tenancy CCT Agreements has expired on 30 June 2024, on 18 July 2024, the Group and the relevant counterparties entered into the following renewal agreements:

- (i) the 2024 Supplemental Beijing Huashi Tenancy Agreements entered into between Beijing Huashi Investment (as lessor) and Hilong Oil Service (as lessee) in relation to the lease of premises for office use for a term of six months commencing from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive);
- (ii) the 2024 Supplemental Shine New Material Tenancy Agreement entered into between Hilong Group of Companies Ltd. (as lessor) and Hilong Shine New Material (as lessee) in relation to the lease of the premises for a manufacturing plant for a term of six months commencing from 2024 Supplemental Shine New Material Effective Date to 31 December 2024 (both days inclusive); and
- (iii) the 2024 Supplemental Pipeline Tenancy Agreements entered into between (i) Hilong Group of Companies Ltd. (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Group of Companies Ltd. (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Technomash (as lessor) and Drilling Technology (as lessee) in relation to the leases of premises for office use and manufacturing plant for a term of six months commencing from 2024 Supplemental Pipeline Effective Date to 31 December 2024 (both days inclusive).

On 2024 Pipeline Petroleum Equipment Effective Date, Drilling Technology (as lessor) and Hilong Petroleum Pipeline Service (Surgut) LLC (“**Pipeline Surgut**”) (as lessee) entered into the 2024 Pipeline Petroleum Equipment Lease Agreement in relation to the operating lease of manufacturing test equipment for a term of six months commencing from 2024 Pipeline Petroleum Equipment Effective Date to 31 December 2024 (both days inclusive).

(The 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements and the 2024 Pipeline Petroleum Equipment Lease Agreement, together, “**2024 Supplemental Tenancy CCT Agreements**”).

The Company estimated that the aggregate annual caps for the transactions contemplated under the 2024 Supplemental Tenancy CCT Agreements (rounded up to the nearest thousand RMB) for the financial year ending 2024 is RMB38,782,000.

The counterparties under the 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements and the 2024 Pipeline Petroleum Equipment Lease Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

3. The Supplemental Agreements of the Coating Services and Hardbanding Services Agreements and The Renewal of the Welding Wire Supply Agreements

References are made to the announcement of the Company dated 22 December 2023 regarding the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement and the announcement dated 27 February 2024 regarding the supplemental agreement to the Coating Services and Hardbanding Services Agreement and the renewal of the Welding Wire Supply Agreement (“**2024 Hilong Energy CCT Announcement**”).

Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024 and the Welding Wire Supply Agreement has expired on 31 December 2023, the Group and the relevant counterparties entered into the following agreements:

- (1) the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the Coating Services and Hardbanding Services Agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. Hilong Pipeline and its subsidiaries (“**Hilong Pipeline Group**”) shall provide Hilong Energy Limited (海隆能源有限公司) (“**Hilong Energy**”) and its subsidiaries (“**Hilong Energy Group**”) with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement; and
- (2) the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024. Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

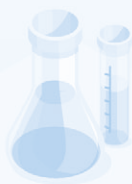
(The 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement, together, “**2024 Hilong Energy CCT Agreements**”)

The Company estimated that the aggregate proposed annual caps in relation to the transactions under the 2024 Hilong Energy CCT Agreement for the financial year ending 31 December 2024 is RMB297,060,000.

Hilong Energy is an indirect wholly-owned subsidiary of the Company, and Hilong Pipeline is a wholly-owned subsidiary of Hilong Shine New Material. As of the date of the 2024 Hilong Energy CCT Announcement, Hilong Shine New Material was held as to approximately 52.57% by Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd. (北京華實海隆石油機械設備有限公司) (“**BHH Petroleum Machine Equipment**”), which is held as to approximately 95.65% by Mr. Zhang Jun, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang Jun. As such, Hilong Pipeline is an associate of Mr. Zhang and thus a connected person of the Company.

Therefore, the transactions under the 2024 Hilong Energy CCT Agreements constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Further details of the 2024 Hilong Energy CCT Agreements are set out in the 2024 Hilong Energy CCT Announcement.



4. Continuing connected transactions arising from the completion of the disposal of the 100% equity in Hilong Pipeline

Prior to the Completion, Drilling Technology had entered into the Drill Pipe Supply Agreement with Technomash in relation to the supply of drill pipes from Drilling Technology to Technomash. Since Technomash became connected persons of the Company upon the Completion, the continuing transactions conducted under the Drill Pipe Supply Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the transactions under the Drill Pipe Supply Agreement.

Details of the Drill Pipe Supply Agreement are set out below:

Name of the agreement	Date	Parties	Subject	Terms of agreement	Historical transaction amount
Drill Pipe Supply Agreement	30 July 2020	(a) Drilling Technology (b) Technomash	Drilling Technology shall supply drill pipes to Technomash	One year, automatically renewed until terminated by 30 days prior written notice	The total historical transaction amount was RUB224,521,000 (equivalent to approximately RMB17,569,000) for the period from 1 January 2024 to 29 July 2024 (being the termination date of the Drill Pipe Supply Agreement)

Further details of the Drill Pipe Supply Agreement are set out in the announcement of the Company dated 21 February 2025.

5. Continuing connected transactions arising from the consolidation of financial statements of MTC in the Group's consolidated financial statements

References are made to the announcements dated 16 October 2024 and 18 October 2024 in relation to the key findings of the investigation and the Consolidation. After the Company retrospectively obtained control over MTC pursuant to a cooperation agreement dated 1 August 2024, the transactions under the MTC Transaction Agreements constituted continuing connected transactions.

Details of the transactions under the MTC Transactions Agreements are set out below:

Name of the agreement	Date	Parties	Subject	Terms of agreement	Historical transaction amount
Coating Services, Hardbanding Services and spraying and Warehousing Services Agreement	9 January 2024	(a) Technomash (b) MTC	Technomash shall provided MTC with coating services, hardbanding services and spraying and warehousing services as and when requested by MTC during term of the agreement	9 January 2024 to 31 December 2024	The total historical transaction amount was RUB273,801,000 (equivalent to approximately RMB21,429,000) for the year ended 31 December 2024

Name of the agreement	Date	Parties	Subject	Terms of agreement	Historical transaction amount
Drill Pipe and Welding Wire Supply and Painting Services Agreement	(a) 9 January 2024 for MTC Drill Pipe Supply Agreement (b) 16 January 2023 for MTC Welding Wire Supply and Painting Services Agreement	(a) MTC (b) Technomash	MTC shall supply drill pipes and welding wires to Technomash and provide Technomash with painting services as and when requested by Technomash during term of the agreements	One year, automatically renewed until terminated by 30 days prior written notice	The total historical transaction amount was RUB809,712,000 (equivalent to approximately RMB63,456,000) for the year ended 31 December 2024
Angle Valve and Sealing Ring Agreement	25 October 2022	(a) MTC (b) Pipeline Surgut	MTC shall supply angle valves and sealing rings to Pipeline Surgut	One year, automatically renewed until terminated by 30 days prior written notice	The total historical transaction amount was RUB115,000 (equivalent to approximately RMB9,000) for the year ended 31 December 2024

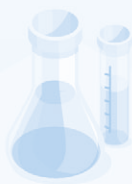
As of the date of the announcement dated 21 February 2025, the MTC Transaction Agreements have been terminated. Further details of the MTC Transaction Agreements are set out in the announcement of the Company dated 21 February 2025.

Annual Review and Disclosure

In respect of the continuing connected transactions under the Drill Pipe Supply Agreement, the Drill Pipe Supply Agreement was not reported to the Group level due to unintentional and inadvertent oversight of the staff of Drilling Technology, and such agreement was not disclosed in the Company’s announcement dated 27 June 2023 in relation to the continuing connected transactions pursuant to Rule 14A.60 of the Listing Rules. The Drill Pipe Supply Agreement and the Angle Valve and Sealing Ring Agreement was automatically renewed in July 2023 and October 2023, respectively, but no report was made to the financial control centre of the Group. The Drill Pipe Supply Agreement should have been, but were not, announced in accordance with Rule 14A.60(1) of the Listing Rules. The non-timely disclosure of the Drill Pipe Supply Agreement was due to its unintentional and inadvertent oversight. As at the date of this annual report, the Drill Pipe Supply Agreement has been terminated.

In respect of the MTC Transaction Agreements, the Board was unaware of the existence of MTC at the relevant time and no Board approvals were obtained. As the Company did not announce, issue circular or obtain shareholders’ approval for the MTC Transaction Agreements, the Company acknowledges that the transactions under the MTC Transaction Agreements constituted non-compliance under Chapter 14A of the Listing Rules. Given that the MTC Transaction Agreements have been terminated, the Board (including the independent non-executive Directors) is of the view that it would not be meaningful for the Company to convene a general meeting for obtaining independent Shareholders’ approval for approving and ratifying the MTC Transaction Agreements.

On 21 February 2025, the Board convened a meeting with the CCT IC Committee to, inter alia, review the transactions contemplated under the Drill Pipe Supply Agreement and the MTC Transaction Agreements. Further enhancement of internal control measures in relation to connected transactions have been adopted. For details, please refer to “Review of Risk Management and Internal Control Systems” in this annual report.



Save as disclosed above, the Independent Non-executive Directors of the Company have conducted an annual review on the above continuing connected transactions and confirm that the above transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the relevant agreement (including the pricing policies and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The board confirms that the Company's auditor, Crowe (HK) CPA Limited, has issued an unqualified letter to the Board in respect of the continuing connected transactions of the Company disclosed above confirming the matters stated in Rule 14A.56 of the Listing Rules.

As disclosed in note 30(b) to the consolidated financial statements, certain banking facilities of the Group were guaranteed by connected persons of the Company. Given such financial assistance received by the Group from these connected persons was conducted on normal commercial terms or better and was not secured by the assets of the Group, it would be fully exempt under Rule 14A.90 of the Listing Rules. Certain banking facilities of Hilong Pipeline were guaranteed by the Group prior to the completion of the Hilong Pipeline Disposal, the outstanding loan balance of such banking facilities was fully repaid and the relevant guarantees were released in September 2024.

Continuing Connected Transactions entered into after the reporting period

1. 2025 Renewed Tenancy CCT Agreements and 2025 Hilong Energy CCT Agreements

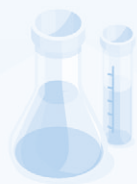
Reference are made to the 2024 Supplemental Tenancy CCT Announcements, the 2024 Hilong Energy CCT Announcement and the announcement dated 9 December 2024 and the clarification announcement dated 18 December 2024 regarding the renewal of the 2024 Supplemental Tenancy CCT Agreements and the 2024 Hilong Energy CCT Agreements ("2025 Renewed Tenancy and Hilong Energy CCT Announcements"). Since each of the 2024 Supplemental Tenancy CCT Agreements and the 2024 Hilong Energy Agreements has expired on 31 December 2024, on 9 December 2024, the Group and the relevant counterparties entered into the following renewal agreements:

- (i) the 2025 Renewed Beijing Huashi Tenancy Agreements entered into between Beijing Huashi Investment (as lessor) and Hilong Oil Service (as lessee) in relation to the lease of premises for office use and lease of car park spaces for a term of a one year commencing from 1 January 2025 to 31 December 2025;
- (ii) the 2025 Renewed Shine New Material Tenancy Agreement entered into between Hilong Group of Companies Ltd. (as lessor) and Hilong Shine New Material (as lessee) in relation to the lease of the premises for a manufacturing plant for a term of a one year commencing from 1 January 2025 to 31 December 2025;
- (iii) the 2025 Renewed Pipeline Tenancy Agreements entered into between (i) Hilong Group of Companies Ltd. (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Group of Companies Ltd. (as lessor) and Shenglong Oil and Gas (as lessee); (iii) Technomash (as lessor) and Drilling Technology (as lessee); and (iv) Pipeline Surgut (as lessor) and Longhai Petroleum Technology Service Center Limited Liability Company ("Longhai Petroleum") (as lessee) in relation to the leases of premises for office use and/or manufacturing plant for a term of one year commencing from 1 January 2025 to 31 December 2025;

REPORT OF THE DIRECTORS

- (iv) the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement for a term of a one year commencing from 1 January 2025 to 31 December 2025, pursuant to which Hilong Pipeline Group shall provide Hilong Energy Group with coating services, hardbanding services and spraying and packaging services as and when requested by Hilong Energy Group during the term of the agreement; and
- (v) the 2025 Welding Wire Supply Agreement for a term of a one year commencing from 1 January 2025 to 31 December 2025 pursuant to which Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

On 9 December 2024, Shanghai Longshi Investment Management Company Limited (上海隆視投資管理有限公司) ("**Longshi Investment**")



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Executive Directors and Non-executive Directors has confirmed that he/she is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Each of Mr. Zhang Jun and Hilong Group Limited, being controlling shareholders (the "**Controlling Shareholders**") of the Company, has entered into a Non-competition Deed (the "**Deed**"), details as described in the prospectus of the Company dated 11 March 2011, with the Company on 3 March 2011.

The Controlling Shareholders have confirmed their compliance with the non-competition undertakings under the Deed throughout the year of 2024. The Independent Non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the undertakings.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the Corporate Governance Report, the Company has complied with all the applicable code provisions set out in Part 2 of the CG Code contained in Appendix C1 of the Listing Rules throughout the year ended 31 December 2024.

SUBSEQUENT EVENTS

Suspension of trading and resumption progress

At the request of the Company, the trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 2 April 2024, and will remain suspended until further notice.

For further details of the material subsequent events from the end of the reporting period and up to the date of this report, please refer to the section headed "Management Discussion and Analysis – Other Significant Events" of this annual report.

AUDITOR

PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company with effect from 30 May 2024 and Crowe (HK) CPA Limited (“**Crowe**”) has been appointed as the new auditor of the Company with effect from 8 July 2024 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company. The resolution to re-appoint Crowe as auditor was duly passed by the shareholders of the Company at the 2024 annual general meeting of the Company held on 23 December 2024. Please refer to the section headed “Management Discussion and Analysis – Other Significant Events” for details.

The financial statements for the year ended 31 December 2024 have been audited by Crowe (HK) CPA Limited, certified public accountants.

On behalf of the Board

Zhang Jun

Chairman

Hong Kong, 30 March 2025



RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

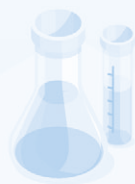
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSA



CONSOLIDATED BALANCE SHEET

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,366,346	2,315,342
Right-of-use assets	7	50,946	54,040
Intangible assets	8	132,970	135,843
Deferred income tax assets	10	150,531	147,300
Contract costs	5(d)	141,069	109,339
Prepayments	11	69,829	55,502
		2,911,691	2,817,366
Current assets			
Inventories	12	1,095,842	1,076,014
Contract assets	5(d)	38,039	7,063
Financial assets at fair value through other comprehensive income	3, 13(a)	212,583	118,399
Trade and other receivables	13(b)	2,620,792	2,397,381
Prepayments	11	363,565	511,793
Current income tax recoverable		68,873	96,513
Restricted cash	13(c)	44,705	93,010
Cash and cash equivalents	13(c)	721,631	840,384
		5,166,030	5,140,557
Total assets		8,077,721	7,957,923
EQUITY			
Capital and reserve attributable to equity owners of the Company			
Share capital	16	141,976	141,976
Other reserves	17	1,262,126	1,301,787
Currency translation differences		(459,721)	(359,806)
Retained earnings		2,319,537	2,251,582
		3,263,918	3,335,539
Non-controlling interests		(4,794)	(6,534)
Total equity		3,259,124	3,329,005

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

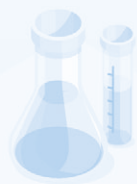
	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	13(d)	–	119,436
Contract liabilities	5(d)	62,520	39,038
Lease liabilities	7	17,548	22,724
Deferred income tax liabilities	10	33,804	36,146
Deferred income	14	17,803	16,719
		131,675	234,063
Current liabilities			
Trade and other payables	13(e)	1,737,743	1,395,278
Contract liabilities	5(d)	121,441	86,973
Current income tax liabilities		131,496	85,570
Borrowings	13(d)	2,686,464	2,744,476
Lease liabilities	7	9,778	7,077
Provision	15	–	75,475
Deferred income	14	–	6
		4,686,922	4,394,855
Total liabilities		4,818,597	4,628,918
Total equity and liabilities		8,077,721	7,957,923

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 71 to 193 were approved by the Board of Directors on 30 March 2025 and were signed on its behalf.

Director: Zhang Jun (張軍)

Director: Cao Hongbo (曹宏博)



CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Continuing operations			
Revenue	5(a)	4,668,332	4,251,531
Cost of sales and provision of services		(3,546,567)	(3,336,065)
Gross profit		1,121,765	915,466
Selling and marketing expenses		(92,913)	(74,305)
Administrative expenses		(551,147)	(451,232)
Research and development expenses		(24,800)	(18,434)
Net provision for impairment losses on receivables and contract assets	3.1(b)	(27,188)	(13,368)
Other income	22	14,145	14,139
Other (losses)/gains – net	23	(68,091)	62,243
Operating profit		371,771	434,509
Finance income	24	31,159	15,804
Finance costs	24	(287,057)	(173,524)
Finance costs – net		(255,898)	(157,720)
Profit before income tax	19	115,873	276,789
Income tax expense	25	(85,801)	(81,053)
Profit for the year from continuing operations		30,072	195,736
Discontinued operation			
Loss for the year from discontinued operation	34	–	(24,205)
Profit for the year		30,072	171,531
Other comprehensive (expenses)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income		19	(14)
Currency translation differences		(99,983)	(169,374)
Reclassification adjustments for foreign operations disposed of during the year	32	–	79,696
Other comprehensive expenses for the year, net of tax		(99,964)	(89,692)
Total comprehensive (expenses)/income for the year		(69,892)	81,839

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Profit for the year attributable to			
Equity owners of the Company		28,275	148,665
Non-controlling interests		1,797	22,866
		30,072	171,531
Profit/(loss) for the year attributable to equity owners of the Company			
from continuing operations		28,275	183,175
from discontinued operation		–	(34,510)
		28,275	148,665
Total comprehensive (expense)/income for the year attributable to			
Equity owners of the Company		(71,621)	59,117
Non-controlling interests		1,729	22,722
		(69,892)	81,839
Total comprehensive (expense)/income for the year attributable to equity owners of the Company			
from continuing operations		(71,621)	67,268
from discontinued operation		–	(8,151)
		(71,621)	59,117
Earnings/(loss) per share attributable to the equity owners of the Company for the year (expressed in RMB per share)			
From continuing and discontinued operations			
– Basic earnings per share	26	0.0167	0.0876
– Diluted earnings per share	26	0.0167	0.0876
From continuing operations			
– Basic earnings per share	26	0.0167	0.1079
– Diluted earnings per share	26	0.0167	0.1079
From discontinued operation			
– Basic loss per share	26	N/A	(0.0203)
– Diluted loss per share	26	N/A	(0.0203)

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Capital and reserves attributable to equity owners of the Company							Total equity RMB'000
		Ordinary shares (Note 16) RMB'000	Other reserves (Note 17) RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000	Total RMB'000	Non-controlling interests RMB'000	
	Notes							
As at 1 January 2023		141,976	1,309,078	2,105,332	(270,272)	3,286,114	31,788	3,317,902
Profit for the year		-	-	148,665	-	148,665	22,866	171,531
Other comprehensive expense		-	(14)	-	(89,534)	(89,548)	(144)	(89,692)
Total comprehensive (expense)/income for the year		-	(14)	148,665	(89,534)	59,117	22,722	81,839
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	(4,500)	(4,500)
Acquisition of additional interest in a subsidiary		-	(9,692)	-	-	(9,692)	7,491	(2,201)
Appropriation to statutory reserve	17(a)	-	2,415	(2,415)	-	-	-	-
Disposal of subsidiaries	32	-	-	-	-	-	(64,035)	(64,035)
As at 31 December 2023 and 1 January 2024								

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
Profit before income tax for the year			
– from continuing operations		115,873	276,789
– from discontinued operation		–	22,272
		115,873	299,061
Adjustments for:			
– Depreciation of property, plant and equipment	19(b), 34	236,033	249,427
– Depreciation of right-of-use assets	19(b), 34	10,359	7,554
– Amortisation of intangible assets	19(b), 34	7,642	8,641
– Amortisation of contract costs	19(b)	42,382	36,275
– Provision for impairment losses on receivables and contract assets	19(b), 34	27,188	25,939
– Share of profit of associates	9	–	(3,000)
– Loss on disposal of subsidiaries	34	–	143,801
– Net gains on disposal of associates	23	–	(17,023)
– Write-down on inventories	12	–	5,972
– Interest income	24, 34	(31,159)	(17,389)
– Finance costs	24, 34	287,057	177,923
– Loss on disposal of property, plant and equipment	23, 34	3,484	1,410
– Release of deferred government grants	22	(3,523)	(2,021)
– Impairment of intangible assets	34	–	10,403
– Impairment of prepayment	19(b)	4,002	12,585
– Write-off of other receivables	23	13,667	–
– Provision for onerous contract	19(b)	–	74,845
		713,005	1,014,403
Changes in working capital:			
– Increase in trade and other receivables		(261,353)	(1,407,063)
– Increase in financial assets at FVOCI		(94,165)	(138,298)
– Increase in inventories		(19,828)	(9,125)
– Decrease/(increase) in prepayments		107,897	(123,239)
– (Increase)/decrease in contract assets		(38,065)	181,238
– Increase in contract costs		(72,132)	(70,931)
– Increase in deferred income		4,601	27
– Increase in contract liabilities		57,950	2,329
– Increase in trade and other payables		84,701	797,990
– Decrease in provision		(75,475)	–
		(305,869)	(767,072)
Cash generated from operations		407,136	247,331
Interest received		31,159	17,389
Income tax paid, net of refunds		(16,734)	(45,001)

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
Net cash generated from operating activities		421,561	219,719
Investing activities			
Proceeds from disposal of property, plant and equipment		32,228	32,701
Deposit paid for acquisition of property, plant and equipment		(33,500)	(55,502)
Dividends received		–	3,425
Purchases of property, plant and equipment		(243,747)	(201,410)
Purchases of intangible assets	8	(1,097)	(4,019)
Advanced to related parties		(2,174)	(1,572)
Repayment from related parties		6,350	–
Placement of restricted cash		(158,167)	(93,010)
Withdrawal of restricted cash		206,472	95,755
Net proceeds from disposal of associates		–	58,565
Net proceeds from disposal of subsidiaries of the Group	32	–	451,422
Net cash (used in)/generated from investing activities		(193,635)	286,355
Financing activities			
Proceeds from borrowings		555,356	764,176
Repayments of borrowings		(761,392)	(761,246)
Dividend paid to non-controlling interests in subsidiaries		–	(4,500)
Interest paid		(153,459)	(313,552)
Principal element of lease payments		(9,151)	(5,420)
Capital contribution from non-controlling interests of a non-wholly-owned subsidiary		11	–
Acquisition of additional interest in a subsidiary		–	(2,201)
Repurchase of the 2024 Notes	13(d)(ii)	–	(170,931)
Repayment to related parties		(9,628)	(8,132)
Advanced from related parties		–	6,340
Net cash used in financing activities		(378,263)	(495,466)
Net (decrease)/increase in cash and cash equivalents		(150,337)	10,608
Effect of foreign exchange rates changes		31,584	49,293
Cash and cash equivalents at beginning of the year		840,384	780,483
Cash and cash equivalents at end of the year		721,631	840,384

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 GENERAL INFORMATION OF THE GROUP

Hilong Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 15 October 2008 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in manufacturing and distribution of oil and gas drilling equipment, and provision of oilfield and offshore engineering services.

The Company completed its global initial public offering and listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 21 April 2011.

The consolidated financial statements are presented in Renminbi thousand (RMB’000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 30 March 2025.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all HKFRS Accounting Standards (“**HKFRSs**”), which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Material accounting policy information adopted by the Group is disclosed below.

The consolidated financial statements have been prepared under the historical cost basis, except that certain financial assets are stated at fair value through profit or loss or fair value through other comprehensive income.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Application of new and amendments to HKFRS Accounting Standards

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s financial annual period beginning on or after 1 January 2024, to the consolidated financial statements for the current accounting year:

Amendments to HKAS 1

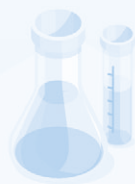
Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants

Amendments to HKAS 7 and HKFRS 7

Supplier Finance Arrangements

Amendments to HKFRS 16

Lease Liability in a Sale and Leaseback



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

2.1.1 Application of new standards and amendments to HKFRS Accounting Standards (continued)

The Group has not applied any new standards and amendments to HKFRSs that are not yet mandatorily effective for the current accounting period. The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met on or before the end of the reporting period, even if the lender does not test compliance until a later date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation ("HKAS 32").

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period. The disclosure includes information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments have no impact on the Group's consolidated financial statements for the current and prior years.

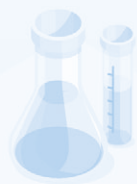
2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

2.1.2 New standards and in e p e a i o n n o y e a d o p e d

Certain new accounting standards, amendments to accounting standards have been published that are not mandatory for the year ended 31 December 2024 and have not been early adopted by the Group. The Group is in the process of making an assessment of the impact of these new standards and amendments upon initial application but is not yet in the position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

2.1.2 New standard and in preparation not yet adopted (continued)

HKFRS 18 Presentation and Disclosure in Financial Statements and consequential amendments to other HKFRSs

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements* (“**HKAS 1**”). It carries forward many requirements from HKAS 1 unchanged. HKFRS 18 brings major changes to the statement of profit or loss and notes to the financial statements as follows:

- (a) HKFRS 18 requires an entity:
 - (i) to classify income and expenses into operating, investing and financing categories in the statement of profit or loss, plus income taxes and discontinued operations;
 - (ii) to present two new defined subtotals, namely, operating profit or loss and profit or loss before financing and income taxes.
- (b) It requires an entity to disclose management-defined performance measures (“**MPM**”) and reconciliations between MPM and subtotals listed in HKFRS 18 or totals or subtotals required by HKFRSs.
- (c) It sets out requirements to help an entity determine whether information about items should be in the primary financial statements or in the notes and provides principles for determining the level of detail needed for the information.

HKFRS 18 also set out classification requirements for foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments.

In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 *Basis of Preparation of Financial Statements* and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18 and consequential amendments to other HKFRSs are effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact on the consolidated financial statements.

2.2 Going concern basis

At 31 December 2024, the current liabilities included borrowings of RMB2,686,464,000, of which the Group failed to repay the loan notes of RMB2,261,082,000 (the “**2024 Notes**”) on due date on 18 November 2024, and bank and other borrowings of RMB425,382,000 are repayable within 12 months from the end of the reporting period. The Group’s cash and cash equivalents amounted to RMB721,631,000 as at 31 December 2024.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Going concern basis (continued)

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The Group are undertaking the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

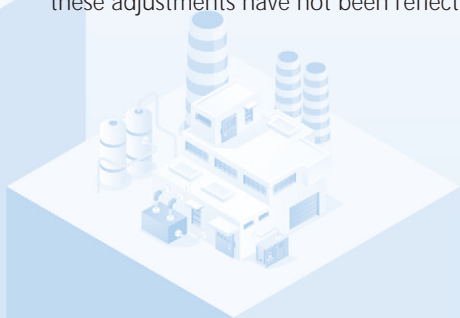
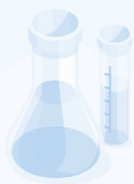
- The Group has been proactively working with its legal advisor and financial advisor for communicating with the holders of the 2024 Notes to seek their support on the proposed restructuring for extension of maturity date, and will continue its efforts to successfully complete the holistic proposed restructuring as earliest as it can, in order to achieve a long-term sustainable capital structure and to resolve its liquidity issue.
- The Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.
- The Group will continue its efforts to implement measures to speed up the collection of trade and other receivables and effectively control cost and expenses so as to improve its working capital and cash flow position.

The directors have reviewed the Group's cash flow projection prepared by management, which covers a period of at least 12 months from the date of approval of the consolidated financial statements. They are of the opinion that, the holders of the 2024 Notes will agree to the proposed restructuring plan to extend the maturity date of the 2024 Notes, the Group will successfully obtain new finance, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the plans and measures taken by management, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

- successfully completing the holistic restructuring of the 2024 Notes for extension of maturity date;
- successfully obtaining additional new sources of financing as and when needed; and
- successfully implementing measures to speed up the collection of trade and other receivables and effectively control costs and expenses.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations

The acquisition method is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group and the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

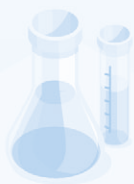
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss, or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. The subsequent accounting for the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recorded as goodwill. If, after reassessment, the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

(b) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid or received and the amount by which the non-controlling interests of the subsidiary is adjusted is recorded in capital reserve in equity and attributed to owners of the Company.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from a subsidiary if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the subsidiary's net assets including associated goodwill.

2.4 Associates

Investments in associates are accounted for using the equity method of accounting.

An associate is an entity over which the Group has significant influence but not control or joint control, generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Under the equity method of accounting, the investment in associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from associate are recognised as a reduction in the carrying amount of the investment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Associates (continued)

Upon the acquisition of the ownership interest in an associate, any excess of the cost of the investment in an associate over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is accounted for as goodwill, which is included in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of investments in associates is tested for impairment in accordance with the policy described in Note 2.9.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior executive management who make strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

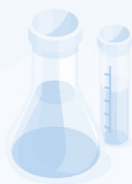
2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transaction and balance

Foreign currency transactions are translated into the functional currency of a group entity using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 Foreign currency translation (continued)

(b) *T r a n s a c t i o n a n d b a l a n c e (c o n i n e d)*

Foreign exchange gains and losses that relate to borrowings to the extent that they are regarded as an adjustment to interest costs, restricted cash and cash and cash equivalents are presented in the consolidated income statement within "Finance income or costs". All other foreign currency translation gains and losses are presented in the consolidated income statement within "Other gains – net".

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated into the functional currency of a group entity using the foreign exchange rates ruling at the transaction dates and are not re-translated. The transaction date is the date on which a group entity initially recognises such non-monetary asset or liability.

(c) *G r o u p c o m p a n i e s*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated at exchange rates prevailing on the reporting date. The results of foreign operations are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the foreign exchange rates ruling at the dates of the transactions are used.

Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operation on or after 1 January 2005, are translated into RMB at the closing foreign exchange rate at the end of the reporting period. Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation acquired before 1 January 2005 are translated at the foreign exchange rate at the date of acquisition of the foreign operation. The resulting exchange difference is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve, except to the extent that the translation difference is allocated to non-controlling interests.

(d) *D i s p o s a l o f f o r e i g n o p e r a t i o n a n d p a r t i a l d i s p o s a l*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated currency translation difference is reclassified to profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Property, plant and equipment

Property, plant and equipment for own use, other than freehold land and construction in progress, are stated at historical cost less depreciation and provision for impairment losses, if any. Freehold land is not depreciated and is stated at historical cost less provision for impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings and facilities	5 to 40 years
Vessel	25 years
Machinery and equipment	3 to 25 years
Office and electronic equipment	3 to 10 years
Vehicles	3 to 10 years

The estimated useful lives of leasehold improvements were lower of estimated useful lives of 5 to 10 years or lease term.

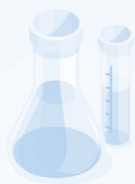
Construction in progress represents buildings, plant and machinery under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within "Other gains – net" in the consolidated income statement.

The freehold land of the Group is mainly located in Canada, North America and Russia. Such land ownership has infinite useful life.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level, before aggregation.

(b) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

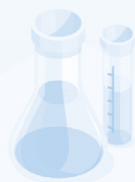
- | | |
|----------------------------|---------------|
| – Computer software | 2 to 10 years |
| – Proprietary technologies | 10 years |

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Internal and external sources of information is reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- contract costs; and
- investments in subsidiaries in the Company's balance sheet.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(c) *Mea emen*

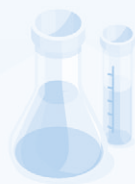
At initial recognition, the Group measures a financial asset other than trade receivables (Note 2.14) at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “Other gains – net”, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Other gains – net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other gains – net” and impairment expenses are presented as separate line item in the consolidated income statement. As at 31 December 2024 and 2023, the Group’s bills receivable was recognised as FVOCI due to the due purpose for both collection of contractual cash flows and for selling.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within “Other gains – net” in the period in which it arises.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) *Credit loss allowance for expected credit losses, contract assets and lease receivables*

The Group recognises a loss allowance for expected credit losses ("ECL") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI");
- contract assets as defined in HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15");
- financial assets (other than equity securities) measured at FVOCI (recycling);
- lease receivables; and
- financial guarantee contracts, which are not measured at FVPL.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Credit losses of financial instruments other than financial guarantee contracts are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;
- financial guarantee contracts: current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) *Measurement of ECL (continued)*

Measurement of ECL (continued)

ECL are measured on either of the following bases:

- 12-month ECL (“**12-m ECL**”): these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are losses that are expected to result from all possible default events over the expected life of a financial instrument.

Loss allowances for trade receivables, contract assets without significant financing component and lease receivables are always measured at an amount equal to lifetime ECL. ECL on trade receivables, contract assets and lease receivables are estimated using a provision matrix based on the Group’s historical credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date.

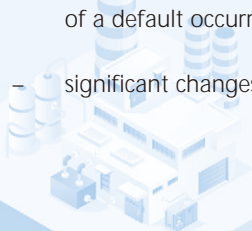
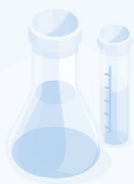
For all other financial instruments, the Group recognises a loss allowance equal to 12-m ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast 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 Group;
- an actual or expected significant change in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower’s economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring; and
- significant changes in the expected performance and behaviour of the borrower.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) Credit loss from financial instruments, contracted and lease receivable (continued)

Significant increases in credit risk (continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For a financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed 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 shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) Credit loss from financial instruments, contracted and lease receivable (continued)

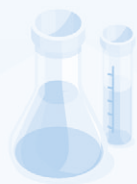
Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group has identified the "Gross Domestic Product" ("GDP") and "Rule of Law" ("RoL") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with the corresponding adjustment recognised through a loss allowance account. For the financial assets that are measured at FVOCI (recycling), the loss allowance is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the balance sheet.

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) Credit impairment of financial instruments, contracts and lease receivables (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact 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 debtor;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or
- the disappearance of an active market for a that financial asset because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 5 years past due or when the Group 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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Investments and other financial assets (continued)

(d) Credit losses from financial instruments, contracts and lease receivable (continued)

Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset.

Subsequent to initial recognition, the financial guarantee, if not designated as at FVPL and it does not arise from a transfer of a financial asset, is measured at the higher of the amount of ECL determined and the amount initially recognised as deferred income less the cumulative amount of income recognised in accordance with the principles of HKFRS 15 in profit or loss over the term of the guarantee issued.

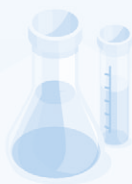
The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECL on the financial guarantee is determined to be higher than the carrying amount in respect of the guarantee (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described above apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. ECL on financial guarantee contract for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.12 Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.13 Contract assets and contract cost

(a) *Contract assets*

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and they should be presented separately. If the Group transfers control of goods or services to a customer before the customer pays consideration, the Group should record either contract assets or receivables depending on the nature of the Group's right to consideration for its performance.

Contract assets are assessed for ECL in accordance with the policy set out in Note 2.10(d).

(b) *Contract costs*

The Group incurs costs to obtain and fulfill a contract. As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs, representing mobilisation cost occurred related to oilfield service contracts, are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 13(b) for further information about the Group's accounting for trade receivables and see Note 2.10 and Note 3.1 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2.10(d).

2.16 Restricted cash

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee and as security deposits under bank borrowing agreements and the bank deposit over three months of maturity at acquisition. Such restricted cash will be released when the Group repays the related trade facilities or bank loans. Contractual restrictions affecting use of bank balances are disclosed in Note 13(d). If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

2.17 Ordinary shares

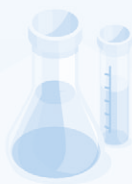
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.19 Contract liabilities

Contract liabilities are recognised if the Group receives consideration (or if it has the unconditional right to receive consideration) in advance of performance. Contract liabilities which are expected to be settled within 12 months after the end of the period are presented as current liabilities in the balance sheet, otherwise are presented as other non-current liabilities. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

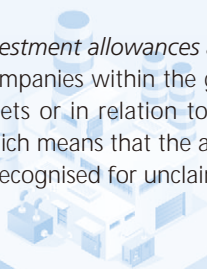
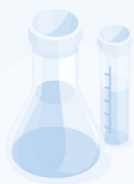
Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.23 Employee benefits

(a) Pension obligation

The People's Republic of China ("PRC") employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined-contribution pension plans sponsored by the government of their respective country of residence.

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the MPF Scheme vest immediately.

There were no forfeited contributions (by employers on behalf of employees who leave the defined contribution retirement benefit plans prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(b) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by these housing funds.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.24 Share-based payments

(a) Equity-settled share-based payment transaction

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services to be received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

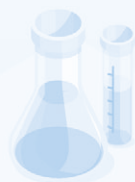
- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.25 Provisions, contingent liabilities and onerous contracts

(i) *Provision and contingent liability*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future losses.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group is also disclosed as contingent liability unless the probability of outflow of economic benefits is remote.

(ii) *Onerous contract*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials); and an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract. Before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets used in fulfilling the contract.

2.26 Revenue recognition

(i) *Revenue from sale of products*

The Group manufactures and sells a range of products, including the production of oilfield equipment and coating materials for anti-corrosive and anti-friction purpose. Sales are recognised when the control of the products has transferred, being when the products are delivered to and inspected by customers according to terms of each contract and there is no unfulfilled obligation that could affect the customers to acceptance of the products.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.26 Revenue recognition (continued)

(ii) Revenue recognition of pipeline coating service, oilfield service and offshore engineering service

The Group provided pipeline coating services to domestic and overseas customers. The revenue was recognised over time upon result is achieved as the Group's performance creates or enhances an asset that the customer controls.

The Group provides a range of oilfield services, including the provision of well drilling services and integrated comprehensive services to oil and gas producers. The Group charges the oil and gas producers at a fixed day rate which will be specific in each contract. Oilfield services revenue is recognised upon completion of each day when services are provided.

The offshore engineering division provides full-scale engineering design, simulation analysis, technical support and a variety of engineering construction services to oil and gas industry. Revenue from providing such services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual cost spent relative to the total expected cost, which provides a faithful depiction of the transfer of the services.

(iii) Financing component

The Group does not expect to have significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Earnings per share

(i) Basic earnings per share

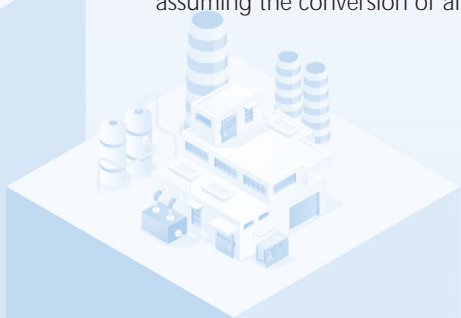
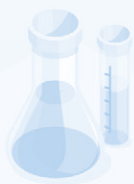
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs and any other changes in income or expense associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.28 Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right-of-use asset is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

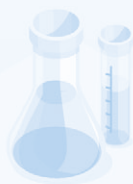
The Group presents right-of-use assets and lease liabilities as separate line items in the consolidated balance sheet.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

2.31 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated income statement as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.32 Research and development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project, and use or sell it;
- it can be demonstrated how the research and development project will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and
- the expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditure that do not meet these criteria are recognised as an expense as incurred. Research and development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.33 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation also occurs if the operation is abandoned and the above criteria are met.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

2.34 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both the entity and the Group are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Ma ke i k*

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("USD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations. The Group's exposure to foreign currency risk mainly exists in cash and cash equivalents and restricted cash (Note 13(c)), trade and other receivables (Note 13(b)), borrowings (Note 13(d)) and trade and other payables (Note 13(e)).

As at 31 December 2024, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's net profit for the year would have been RMB176,737,000 lower/higher as a result of foreign exchange losses/gains (2023: net profit for the year would have been RMB162,752,000 lower/higher as a result of foreign exchange losses/gains) on translation of USD denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and borrowings.

(ii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of cash and cash equivalents and restricted cash are not expected to change significantly.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates and lease liabilities expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings and lease liabilities are disclosed in Note 13(d) and Note 7 respectively.

As at 31 December 2024, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net profit for the year would have been RMB1,502,000 (2023: RMB6,926,000) lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

(b) *C edi i k*

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables, debt instruments carried at FVOCI and contract assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) *Risk management*

Substantial balances of cash and cash equivalents and restricted cash were deposited in major financial institutions, which are of high credit quality.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

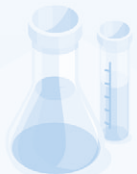
(i) Risk management (continued)

The table below sets out the bank deposit balances including restricted cash with the major counterparties as at 31 December 2024 and 2023:

As at 31 December

Counterparty	Rating	2024 RMB'000	2023 RMB'000
Hongkong and Shanghai Banking Corporation Limited*		215,402	68,704
Emirates Islamic Bank***	A+		

HILONG HOLDING (2023) LTD / F31 SCN (190)



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Security

For some trade receivables, the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets and contract assets

The Group has contract assets relating to offshore engineering services and certain inspection services and three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of products and from the provision of services
- Bills receivable carried at FVOCI, and
- Other financial assets carried at amortised cost

Trade receivables and contract assets

The Group has reviewed the credit risk exposure and the customers' expected pattern of settlement at year end.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 37.7% (2023: 32.5%) of the total trade receivables and contract assets at 31 December 2024. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2024, 10.9% (2023: 12.3%) and 36.6% (2023: 36.6%) of the total trade receivables and contract assets are due from the Group's largest trade debtor within offshore engineering services segment (2023: within the oilfield equipment manufacturing and services segment) and the five largest trade debtors respectively.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets and is calculated using a provision matrix.

To measure the expected credit losses, for trade receivables and contract assets which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contract terms. The contract assets are the Group's amo

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for trade receivables and contract assets:

	Current	Past due within one year	Past due one to two years	Past due two to three years	Past due more than three years	Total
31 December 2024						
Average expected credit loss rate						
– Trade receivables						
China - State-owned enterprise ("SOE")	0.4%	1.6%	9.1%	21.1%	34.8%	2.8%
China - Other than SOE	6.9%	27.7%	35.8%	19.1%	100.0%	16.4%
Other than China	0.1%	0.3%	2.0%	3.9%	20.8%	0.4%
	2.5%	2.9%	15.9%	19.1%	25.9%	4.5%
– Contract assets						
Other than China	0.1%	0.3%	2.0%	3.9%	20.8%	0.1%
Gross carrying amount (RMB'000)						
– Trade receivables						
China – SOE	6,214	34,825	877	289	1,459	43,664
China – Other than SOE	289,962	94,674	77,841	56,066	132	518,675
Other than China	510,756	865,484	111,330	179	4,447	1,492,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

	Current	Past due within one year	Past due one to two years	Past due two to three years	Past due more than three years	Total
31 December 2023						
Average expected credit loss rate						
- Trade receivables						
China – State-owned enterprise ("SOE")	0.8%	4.6%	17.9%	40.5%	78.0%	3.5%
China – Other than SOE	2.3%	11.7%	31.0%	51.8%	100.0%	17.3%
Other than China	0.0%	0.1%	1.8%	3.4%	28.9%	0.4%
	0.5%	1.9%	30.3%	35.2%	45.8%	4.6%
- Contract assets						
Other than China	0.0%	0.1%	1.8%	3.4%	28.9%	0.0%
Gross carrying amount (RMB'000)						
- Trade receivables						
China – SOE	137,904	37,588	2,340	2,601	2,691	183,124
China – Other than SOE	240,685	28,857	87,841	68,776	2,209	428,368
Other than China	1,012,274	209,466	1,360	36,573	12,207	1,271,880
	1,390,863	275,911	91,541	107,950	17,107	1,883,372
- Contract assets						
Other than China	7,063	-	-	-	-	7,063
	1,397,926	275,911	91,541	107,950	17,107	1,890,435
Loss allowance (RMB'000)						
- Trade receivables						
China – SOE	1,163	1,736	418	1,055	2,100	6,472
China – Other than SOE	5,504	3,370	27,253	35,645	2,209	73,981
Other than China	313	219	24	1,249	3,522	5,327
	6,980	5,325	27,695	37,949	7,831	85,780
- Contract assets						
Other than China	-	-	-	-	-	-
	6,980	5,325	27,695	37,949	7,831	85,780

Debtors with gross carrying amount of RMB6,038,000 as at 31 December 2024 (2023: RMB17,107,000) were considered as credit-impaired.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

The closing loss allowances for trade receivables and contract assets as at 31 December 2024 and 31 December 2023 reconcile to the opening loss allowances as follows:

	Contract assets	Trade receivables		Total
	(not credit-impaired)	(not credit-impaired)	(credit-impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	(549)	(23,958)	(76,011)	(100,518)
(Increase)/decrease in provision for receivables loss allowance				
– loss allowance on trade receivables and contract assets	–	(71,462)	46,922	(24,540)
Derecognised upon disposal of subsidiaries	–	15,444	5,124	20,568
Transfer to credit-impaired	–	2,576	(2,576)	–
Transfer	549	(549)	–	–
Write-off of loss allowance	–	–	18,710	18,710
As at 31 December 2023 and 1 January 2024	–	(77,949)	(7,831)	(85,780)
(Increase)/decrease in provision for receivables loss allowance				
– loss allowance on trade receivables and contract assets	(26)	(50,562)	44,217	(6,371)
Transfer to credit-impaired	–	37,950	(37,950)	–
As at 31 December 2024	(26)	(90,561)	(1,564)	(92,151)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase (2023: decrease) in the loss allowance:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB37,232,000 (2023: RMB1,933,000) for receivables that are current or past due within one year;
- decrease in balances for past due more than 3 years resulted in a decrease in loss allowance of RMB6,267,000 (2023: RMB68,180,000);
- write-off of trade receivables with a gross carrying amount of RMBNil (2023: RMB18,710,000) resulted in a decrease in loss allowance of RMBNil (2023: RMB18,710,000); and
- derecognition of trade receivables with a gross carrying amount of RMBNil (2023: RMB423,522,000) upon disposal of subsidiaries resulted in a decrease in loss allowance of RMBNil (2023: RMB20,568,000).

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than five years past due. Trade receivables with an aggregate contractual amount of RMBNil (2023: RMB18,710,000) written off during the current year are still subject to enforcement activity.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Bills receivable at FVOCI

The Group assesses on a forward-looking basis the expected credit losses associated with its bills receivable at FVOCI, which are bank acceptance bills and commercial acceptance bills arising from the course of ordinary businesses. The impairment methodology applied depends on whether there has been a significant increase in credit risk. As at 31 December 2024 and 2023, the identified impairment loss was immaterial.

Other financial assets at amortised cost

Other financial assets at amortised cost include receivables due from related parties and key management personnel and other receivables.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Amounts due from related parties

The Group regularly monitors the business performance of related parties. The Group's credit risks in these balances are evaluated through the value of the assets held by these entities. Other than amounts due from two related parties, the directors of the Company believe that, there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed that the ECL for amounts due from related parties is insignificant and thus no loss allowance is recognised. For the related parties that has significant increase in credit risk, the Group measured lifetime ECL for the outstanding amount and recorded allowance provision of RMB37,358,000 at 31 December 2024 (2023: RMB20,817,000).

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. As at 31 December 2024, the Group recognised ECL of RMB5,101,000 (2023: RMB825,000) for other receivables and deposits.

Assessment of ECL based on internal credit rating

The Group's internal credit risk grading assessment, which is used for ECL assessment for amounts due from associates and related parties, other receivables and deposits and financial guarantees, comprises the following categories of internal credit ratings:

Internal credit rating	Description	ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles in full	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

The table below details the credit risk exposures of the Group's amounts due from related parties, other receivable and deposits and financial guarantee contracts.

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2024 RMB'000	2023 RMB'000
Amounts due from related parties	N/A	Medium risk	Lifetime ECL	62,264	65,010
	N/A	Low risk	12m ECL	170,070	206,498
				232,334	271,508
Other receivables and deposits	N/A	Low risk	12m ECL	393,364	277,918
Financial guarantee contracts	N/A	Low risk	12m ECL	-	130,000

Notes:

- (1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- (2) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

At 31 December 2024, amounts due from two related parties with gross carrying amount of RMB62,264,000 (2023: RMB65,010,000) are assessed individually.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

Movements in ECL recognised for other receivables including amounts due from related parties and deposits during the years are as follows:

	12 month ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
At 1 January 2023	-	(20,243)	-	(20,243)
Changes due to financial instruments recognised at 1 January 2023:				
- Impairment losses recognised	-	(574)	-	(574)
New financial assets originated	(825)	-	-	(825)
At 31 December 2023 and 1 January 2024	(825)	(20,817)	-	(21,642)
Changes due to financial instruments recognised at 1 January 2024:				
- Impairment losses recognised	(3,937)	-	(16,541)	(20,478)
Transfers	-	20,817	(20,817)	-
New financial assets originated	(339)	-	-	(339)
At 31 December 2024	(5,101)	-	(37,358)	(42,459)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

Changes in the loss allowance for other receivables including amounts due from related parties and deposit are mainly due to:

	Increase in 12-month ECL RMB'000	Increase in lifetime ECL (Not credit- impaired) RMB'000
Year ended 31 December 2024		
Advance of new balances with gross carrying amount of RMB78,776,000	339	-
Amount due from related parties with gross amount of RMB62,264,000 defaulted and transferred to credit impaired	-	16,541
Year ended 31 December 2023		
Advance of new balances with gross carrying amount of RMB114,440,000	825	-

(iv) Financial guarantee contracts

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to Hilong Pipeline Engineering Technology Service Co., Ltd ("Hilong Pipeline Engineering") and its subsidiaries and related companies controlled by the controlling shareholder (Note 30), that the Group could be required to pay amounted to RMB130,000,000 at 31 December 2023. The Group does not hold any collateral or other credit enhancements over the guarantees. RMB100,000,000 of the banking facilities has been utilised by the related companies at 31 December 2023. The fair value of these financial guarantees, at dates of initial recognition, were considered insignificant. At 31 December 2023, the directors of the Company have performed impairment assessment, and conclude that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss.

During the year ended 31 December 2024, all financial guarantees issued to bank in respect of bank facilities granted to Hilong Pipeline Engineering and its subsidiaries and related companies controlled by the controlling shareholders were released. At 31 December 2024, there is no outstanding financial guarantee issued to banks in respect of bank facilities granted to the party outside the group companies.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- (v) Net impairment losses on financial assets and contract assets for the year recognised in the consolidated income statement:

Continuing operations

	2024 RMB'000	2023 RMB'000
Impairment losses recognised on:		
Trade receivables	6,345	11,969
Contract assets	26	–
Other receivables	20,817	1,399
	27,188	13,368

(c) Liquidity risk

Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2024						
Non-derivatives						
Borrowings and interest payables	2,970,424	–	–	–	2,970,424	2,822,520
Trade and other payables (excluding interest payables and other tax liabilities)	1,531,342	–	–	–	1,531,342	1,531,342
Lease liabilities	11,523	6,247	6,129	9,215	33,114	27,326
	4,513,289	6,247	6,129	9,215	4,534,880	4,381,188
As at 31 December 2023						
Non-derivatives						
Borrowings and interest payables	2,993,579	108,578	38,283	–	3,140,440	2,890,374
Trade and other payables (excluding interest payables and other tax liabilities)	1,264,246	–	–	–	1,264,246	1,264,246
Lease liabilities	8,327	8,264	8,068	10,401	35,060	29,801
Financial guarantee contracts	130,000	–	–	–	130,000	–
	4,396,152	116,842	46,351	10,401	4,569,746	4,184,421

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The amount included above for financial guarantee contracts is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantees. Based on expectation at the end of the reporting period, the directors of the Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

Long-term bank borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. At 31 December 2024, the aggregate carrying amount of these bank borrowings amounted to RMB429,000 (2023: RMB6,068,000). The management believes that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Long-term Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash outflows RMB'000	Carrying amount RMB'000
At 31 December 2024	440	–	440	429
At 31 December 2023	308	6,153	6,461	6,068

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including “current and non-current borrowings” as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio between 30% to 40%.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The gearing ratios as at 31 December 2024 and 31 December 2023 are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Total borrowings (Note 13(d))	2,686,464	2,863,912
Add: Lease liabilities (Note 7)	27,326	29,801
Less: Cash and cash equivalents (Note 13(c))	(721,631)	(840,384)
Restricted cash (Note 13(c))	(44,705)	(93,010)
Net debt	1,947,454	1,960,319
Total equity	3,259,124	3,329,005
Total capital	5,206,578	5,289,324
Gearing ratio	37.40%	37.06%

3.3 Fair value estimation

(i) Financial instruments measured at fair value

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Financial instruments measured at fair value (continued)

The following table sets out the Group's financial instruments that were measured at fair value as at 31 December 2024 and 31 December 2023:



3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) *Financial instruments measured at fair value (continued)*

Valuation inputs and relationships to fair value

Financial instruments	Fair value hierarchy	Valuation Techniques and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVOCI				
- Bills receivable	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Interest rates that correspond to the expected risk level ranging from 1.41% to 2.19% (2023: 1.83% to 2.58%)	The lower the discount rate, the higher the fair value

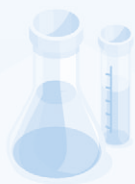
The Group did not change any valuation techniques in determining the Level 3 fair values.

Sensitivity analysis

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in the expected future cash flow that reflect the expected risk level of the financial assets at the end of the reporting period. If the respective discount rate had been increased/decreased by 10%, the total comprehensive income (net of tax), for the year ended 31 December 2024 would have decreased/increased by approximately RMB54,000 and RMB2,000 (2023: RMB93,000 and RMB19,000) as a result of the changes in fair value of the financial assets.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2024 and 2023 except for the 2024 Notes, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed in Note 13(d)(vi).



4 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) *De e mina ion on lea e e m of con ac i h ene al op ion*

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal options, specifically, the leases relating to offices, plant and equipment. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

4 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

(b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful life of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

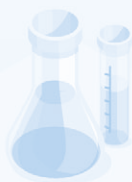
Property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(iii) Expected credit loss provision

The impairment provision for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 2.10 and Note 3.1(b)(iii). Changes in these assumptions and estimates could materially affect the result of the assessment and impairment charge to the consolidated income statement.

(i) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Details of the calculation of value in use are disclosed in Note 8(a).



4 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

(b) Key sources of estimation uncertainties (continued)

() Current and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

At 31 December 2024, deferred tax asset of RMB55,570,000 (2023: RMB57,550,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(i) Revenue recognition and provision for one-off contracts

The Group recognises contract revenue in relation to provision of offshore engineering and inspection services according to the management's estimation of the total outcome of the contract including the assessment of profitability of on-going contracts as well as the progress towards complete satisfaction of works of individual contract. Stage of completion was determined based on the proportion of contract costs incurred for works performed to date relative to the estimated total contract costs (input method). Total contract costs are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the past experience of similar projects. Notwithstanding that the management reviews and revises the estimates of contract revenue and costs for the contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised, including the provision for onerous contracts, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as senior executive management. Senior executive management reviews the Group's internal reporting in order to assess performance and allocate resources. Senior executive management has determined the operating segment based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on profit before income tax without allocation of finance income, finance costs and corporate overheads, which is consistent with that in the consolidated financial statements.

The corporate overheads are not considered as business segment expenses as such expenses are general management expenses and incurred by the headquarters of the Group, and are not specifically attributable to individual segments.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segments.

The amount provided to senior executive management with respect to total liabilities is measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments.

The Group's operations are mainly organised under the following business segments:

- Oilfield equipment manufacturing and services provision, including the production of oilfield equipment;
- Oilfield services provision, including the provision of well drilling services, integrated comprehensive services, oil country tubular goods ("OCTG") trading and related services to oil and gas producers; and
- Offshore engineering services provision, including the provision of offshore engineering services and offshore design services.

Sales between segments are based on terms mutually agreed.

(a) Revenue

The revenue of the Group for the years ended 31 December 2024 and 2023 are set out as follows:

Con in ing ope a ion

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Oilfield equipment manufacturing and services	2,124,700	2,614,421
Oilfield services	1,579,862	1,168,928
Offshore engineering services	963,770	468,182
	4,668,332	4,251,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5 SEGMENT INFORMATION (continued)

(b) Segment information

The segment information provided to senior executive management for the reportable segments as at and for the year ended 31 December 2024 and 2023 is as follows:

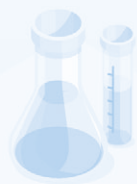
Con in ing ope a ion

Business segment	Year ended 31 December 2024			
	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	2,146,537	1,583,500	966,935	4,696,972
Inter-segment sales	(21,837)	(3,638)	(3,165)	(28,640)
Revenue from external customers	2,124,700	1,579,862	963,770	4,668,332
Revenue from contracts with customers:				
– at a point in time	2,100,282	718,367	25,544	2,844,193
– over time	17,632	849,717	938,226	1,805,575
	2,117,914	1,568,084	963,770	4,649,768
Revenue from other sources:				
– rental income – operating lease payments that are fixed	6,786	11,778	–	18,564
	2,124,700	1,579,862	963,770	4,668,332
Results				
Segment gross profit	559,371	472,691	89,703	1,121,765
Segment profit	319,639	156,775	185	476,599
Corporate overheads				(104,828)
Operating profit				371,771
Finance income				31,159
Finance costs				(287,057)
Profit before income tax				115,873
Other information				
Depreciation of property, plant and equipment	53,642	115,822	66,569	236,033
Depreciation of right-of-use assets	7,239	–	3,120	10,359
Amortisation of intangible assets	6,048	794	800	7,642
Amortisation of contract costs	–	42,382	–	42,382
Provision for/(reversal of) impairment losses on receivables and contract assets	22,265	19,289	(14,366)	27,188
Impairment loss on prepayment	4,002	–	–	4,002
Write-off of other receivable	–	13,667	–	13,667
Additions to non-current segment assets (note c)	116,980	241,663	–	358,643

5 SEGMENT INFORMATION (continued)
(b) Segment information (continued)

As at 31 December 2024

Business segment	Oilfield equipment manufacturing and services	Oilfield services	Offshore engineering services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	3,245,785	2,831,547	2,000,389	8,077,721
Total assets				8,077,721
Segment liabilities (note b)	3,484,979	720,551	613,067	4,818,597
Total liabilities				4,818,597
Asymmetrical allocation to segment assets and liabilities (no e a)				
Deferred income tax assets	92,752	26,985	30,794	150,531
Current income tax recoverable	7,740	61,133	–	68,873
Restricted cash	17,278	20,796	6,631	44,705
Cash and cash equivalents	447,127	234,894	39,610	721,631
Borrowings	2,604,564	62,443	19,457	2,686,464
Deferred income tax liabilities	19,397	14,407	–	33,804
Current income tax liabilities	78,216	52,396	884	131,496
Lease liabilities	21,101	–	6,225	27,326



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Con in ing ope a ion

Year ended 31 December 2023

Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	2,638,420	1,185,913	468,392	4,292,725
Inter-segment sales	(23,999)	(16,985)	(210)	(41,194)
Revenue from external customers	2,614,421	1,168,928	468,182	4,251,531
Revenue from contracts with customers:				
– at a point in time	2,385,329	264,118	–	2,649,447
– over time	207,892	904,810	433,105	1,545,807
	2,593,221	1,168,928	433,105	4,195,254
Revenue from other sources:				
– rental income – operating lease payments that are fixed	21,200	–	35,077	56,277
	2,614,421	1,168,928	468,182	4,251,531
Results				
Segment gross profit/(loss)	638,485	365,948	(88,967)	915,466
Segment profit/(loss)	558,712	149,477	(188,607)	519,582
Corporate overheads				(85,073)
Operating profit				434,509
Finance income				15,804
Finance costs				(173,524)
Profit before income tax				276,789
Other information				
Depreciation of property, plant and equipment	53,217	113,857	56,615	223,689
Depreciation of right-of-use assets	4,512	–	2,880	7,392
Amortisation of intangible assets	6,630	853	–	7,483
Amortisation of contract costs	–	36,275	–	36,275
Provision for/(reversal of) impairment losses on receivables and contract assets	(24,458)	(5,843)	43,669	13,368
Provision for onerous contract	–	–	74,845	74,845
Impairment loss on prepayment	–	–	12,585	12,585
Write-down of inventories	5,972	–	–	5,972
Additions to non-current segment assets (note c)	102,445	159,571	65,157	327,173

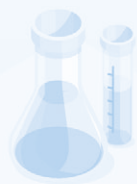
5 SEGMENT INFORMATION (continued)**(b) Segment information (continued)****Continuing operation**

As at 31 December 2023

Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Segment assets	3,874,674	2,460,153	1,623,096	7,957,923
Total assets				7,957,923
Segment liabilities (note b)	3,894,433	458,391	276,094	4,628,918
Total liabilities				4,628,918
Asymmetrical allocation to segment assets and liabilities (note a)				
Deferred income tax assets	90,246	23,762	33,292	147,300
Current income tax recoverable	5,946	89,660	907	96,513
Restricted cash	67,798	18,623	6,589	93,010
Cash and cash equivalents	624,158	189,178	27,048	840,384
Borrowings	2,760,399	50,092	53,421	2,863,912
Deferred income tax liabilities	20,475	15,671	-	36,146
Current income tax liabilities	44,030	40,970	570	85,570
Lease liabilities	29,801	-	-	29,801

Notes:

- (a) For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments. However, the finance income, finance cost and income tax expenses were not included in the measurement of segment results of each reporting segment as unallocated. In the opinion of the CODM, such asymmetrical allocation is in accordance with the internal management reports for the purposes of resources allocation and performance assessment and effect of such asymmetrical allocation is disclosed above.
- (b) As at 31 December 2024, the 2024 Notes of RMB2,261,082,000 (2023: RMB2,234,333,000) was included in the total liabilities of oilfield equipment manufacturing and services segment.
- (c) Capital expenditure represents additions to non-current segment assets which exclude those relating to discontinued operation and exclude financial instruments and deferred income tax assets.



5 SEGMENT INFORMATION (continued)

(c) Geographical segments

Although the Group's three segments are managed on a worldwide basis, they operate in six principal geographical areas of the world. In the People's Republic of China ("PRC"), the Group produces and sells a broad range of drill pipes and related products. In Russia, Central Asia, East Europe, Middle East and North and South America, the Group sells drill pipes and related products. In North America, the Group provides drill pipe operating lease services. In Central Asia, South Asia, Africa, South America, Middle East and East Europe, the Group provides drilling and related oilfield engineering services. In the PRC and Southeast Asia, the Group provides offshore engineering services. The following table shows the Group's total consolidated revenue by geographical market, based on where the goods and services were provided:

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
The PRC (place of domicile) (including Hong Kong SAR)	455,885	675,416
Russia and other countries in Central Asia and East Europe	895,417	933,753
Middle East		
United Arab Emirates	852,960	750,668
Iraq	181,422	325,690
Oman	209,891	142,623
Other countries in Middle East	5,877	223,252
North and South America		
Ecuador	367,989	360,047
Canada	217,387	392,474
United States of America	180,092	45,889
Brazil	138,879	–
Other countries in North and South America	17,025	2,811
South Asia and Southeast Asia		
Thailand	189,381	102,311
Pakistan	146,973	123,254
Singapore	325,293	–
Other countries in South Asia and Southeast Asia	48,707	176
Africa		
Nigeria	227,979	170,613
Congo	184,880	–
Other countries in Africa	19,927	–
Oceania		
Australia	2,368	2,554
	4,668,332	4,251,531

5 SEGMENT INFORMATION (continued)

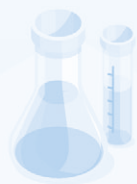
(c) Geographical segments (continued)

The following table sets out the carrying amount of non-current assets from continuing operations (excluding deferred income tax assets and those relating to discontinued operations) by geographical areas on the below basis:

- in the case of property, plant and equipment and right-of-use assets, based on the locations of the assets;
- in the case of intangible assets, contract costs and prepayments, based on the locations of the operations to which they are allocated.

Continuing operation

	At 31 December	
	2024 RMB'000	2023 RMB'000
The PRC (place of domicile) (including Hong Kong SAR)	399,389	1,519,482
Russia and other countries in Central Asia and East Europe	129,124	62,383
Middle East		
United Arab Emirates	285,172	217,277
Iraq	279,914	229,784
Oman	187,566	205,844
North and South America		
Ecuador	60,796	47,348
Canada	57,103	84,223
United States of America	20,466	23,700
Other countries in North and South America	28	–
South Asia and Southeast Asia		
Thailand	1,087,329	–
Pakistan	77,950	128,569
Malaysia	23,346	–
Other countries in South Asia and Southeast Asia	44,768	15,944
Africa		
Nigeria	107,681	135,512
Other countries in Africa	528	–
	2,761,160	2,670,066



5 SEGMENT INFORMATION (continued)**(d) Assets and liabilities related to contracts with customers**

The Group has recognised the following assets and liabilities related to contracts with customers:

	<i>Notes</i>	31 December 2024 RMB'000	31 December 2023 RMB'000
Current contract assets relating to offshore engineering and inspection services	<i>(i)</i>	38,065	7,063
Loss allowance	<i>3.1(b)</i>	(26)	–
Total contract assets		38,039	7,063
Non-current asset recognised for costs incurred to fulfil a contract	<i>(iv)</i>	141,069	109,339
Contract liabilities			
Current			
– Sales and service contracts	<i>(i), (ii)</i>	121,441	86,973
Non-current			
– Mobilisation fee	<i>(i), (ii)</i>	62,520	39,038
		183,961	126,011

At 1 January 2023, contract assets amounted to RMB188,301,000 (after loss allowance of RMB549,000).

At 1 January 2023, contract liabilities amounted to RMB160,814,000.

(i) Significant change in contract assets and liabilities

The contract assets primarily relate to the Group's right to consideration for work in relation to provision of offshore engineering services and inspection services completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies the contract assets as current because the Group expects to realise them within twelve months after the reporting period.

For the contracts for sales of goods and provision of services, when the Group receives a deposit before the production activity commences or before the service is rendered, this will give rise to contract liability at the start of a contract, until the revenue recognised on the contract exceeds the amount of the deposit. The Group receives a deposit on acceptance of orders on a case-by-case basis and this has resulted in a contract liability.

Mobilisation fees mainly represent the mobilisation cost compensated by corresponding clients which should be deferred and recognised in the consolidated income statement over the service period afterwards on straight-line basis.

5 SEGMENT INFORMATION (continued)

(d) Assets and liabilities related to contracts with customers (continued)

(i) Significant change in contract assets and liabilities (continued)

The significant changes in contract assets in the current year are due to an increase in overall contract activity. The significant changes in contract assets during the year ended 31 December 2023 are because the offshore engineering project undertaken by the Group as at 31 December 2022 reached billing milestone and the contract assets became trade receivable during the year ended 31 December 2023. Such contract was completed during the year ended 31 December 2023 and the new contract performing as at 31 December 2023 is starting from May 2023.

The significant changes in contract liabilities during the year ended 31 December 2023 are due to an increase in overall contract activity which is partially offset by the impact of disposal of subsidiaries. The significant change in contract liabilities balances for the year ended 31 December 2024 was due to increase in overall contract activity.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

Continuing operations and discontinued operation

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Sales of goods	44,479	91,412
– Provision of service	13,361	8,076
– Mobilisation fee	10,243	9,895
	68,083	109,383

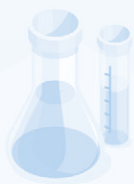
During the years ended 31 December 2024 and 2023, there is no revenue recognised being related to performance obligations that were satisfied in a prior year.

(iii) Revenue expected to be recognised in the future from contract liabilities

At 31 December 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB62,520,000 (2023: RMB39,038,000). This amount represents revenue expected to be recognised in the future from oilfield services contracts and offshore engineering services contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within the next 5 years.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and 2023 and the expected timing of recognising revenue are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	233,969	13,608
More than one year but not more than two years	11,566	24,007
More than two years	50,954	7,760
	296,489	45,375





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and facilities RMB'000	Vessel RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2023									
Cost	44,546	386,956	1,475,512	2,569,358	55,006	28,137	7,731	121,061	4,688,307
Accumulated depreciation	-	(97,301)	(433,884)	(1,555,218)	(38,249)	(21,233)	(7,731)	-	(2,153,616)
Net book amount	44,546	289,655	1,041,628	1,014,140	16,757	6,904	-	121,061	2,534,691
Year ended 31 December 2023									
Net book amount at 1 January 2023	44,546	289,655	1,041,628	1,014,140	16,757	6,904	-	121,061	2,534,691
Transferred from construction in progress	-	6,557	-	14,212	138	-	-	(20,907)	-
Additions	223	9,914	131,919	84,684	2,357	2,900	-	51,263	283,260
Disposals	-	(65)	-	(28,622)	(391)	(136)	-	(4,897)	(34,111)
Disposal of subsidiaries (Note 32)	(4,705)	(100,154)	-	(100,509)	(5,439)	(3,235)	-	(50,319)	(264,361)
Depreciation (Notes 19 & 34)	-	(22,620)	(56,561)	(164,853)	(3,807)	(1,586)	-	-	(249,427)
Currency translation differences	(909)	(5,183)	19,946	31,624	(901)	(173)	-	886	45,290
Closing net book amount	39,155	178,104	1,136,932	850,676	8,714	4,674	-	97,087	2,315,342
As at 31 December 2023									
Cost	39,155	290,224	1,634,736	1,649,917	39,963	17,658	6,257	97,087	3,774,997
Accumulated depreciation	-	(112,120)	(497,804)	(799,241)	(31,249)	(12,984)	(6,257)	-	(1,459,655)
Net book amount	39,155	178,104	1,136,932	850,676	8,714	4,674	-	97,087	2,315,342



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RMB'000	Buildings and facilities RMB'000	Vessel RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2024									
Net book amount at 1 January 2024	39,155	178,104	1,136,932	850,676	8,714	4,674	-	97,087	2,315,342
Transferred from construction in progress	-	515	-	71,786	446	-	-	(72,747)	-
Additions	-	446	-	180,004	8,957	685	-	109,157	299,249
Disposals	(18,500)	-	-	(11,756)	(727)	(818)	-	(3,911)	(35,712)
Depreciation (Note 19)	-	(19,665)	(64,956)	(146,533)	(3,388)	(1,491)	-	-	(236,033)
Currency translation differences	(2,018)	2,633	15,353	22,050	(838)	621	-	(14,301)	23,500
Closing net book amount	18,637	162,033	1,087,329	966,227	13,164	3,671	-	115,285	2,366,346
As at 31 December 2024									
Cost	18,637	375,332	1,650,089	1,890,700	38,817	13,335	6,257	115,285	4,108,452
Accumulated depreciation	-	(213,299)	(562,760)	(924,473)	(25,653)	(9,664)	(6,257)	-	(1,742,106)
Net book amount	18,637	162,033	1,087,329	966,227	13,164	3,671	-	115,285	2,366,346

(a) Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

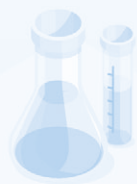
Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Capitalised to inventories	48,001	26,625
Cost of provision of services	173,471	172,138
Research and development expenses	1,658	-
Administrative expenses	12,896	23,667
Selling and marketing expenses	7	1,259
	236,033	223,689

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Plant leased out under operating leases (included within “freehold land”, “buildings and facilities” and “machinery and equipment” category in Note 6)

	Freehold land RMB'000	Machinery and equipment RMB'000	Buildings and facilities RMB'000	Total RMB'000
At 1 January 2023				
Cost	14,943	24,406	38,884	78,233
Accumulated depreciation	–	(18,397)	(12,347)	(30,744)
Net book amount	14,943	6,009	26,537	47,489
Year ended 31 December 2023				
As at 1 January 2023	14,943	6,009	26,537	47,489
Additional portion leased under new leases	–	862	16,581	17,443
Released from leases	–	(786)	–	(786)
Depreciation	–	(1,397)	(1,634)	(3,031)
Currency translation differences	(29)	239	–	210
Closing net book amount	14,914	4,928	41,483	61,325
As at 31 December 2023				
Cost	14,914	24,023	81,998	120,935
Accumulated depreciation	–	(19,095)	(40,515)	(59,610)
Net book amount	14,914	4,928	41,483	61,325



6 PROPERTY, PLANT AND EQUIPMENT (continued)**(b) Plant leased out under operating leases (included within “freehold land”, “buildings and facilities” and “machinery and equipment” category in Note 6) (continued)**

	Freehold land RMB'000	Machinery and equipment RMB'000	Buildings and facilities RMB'000	Total RMB'000
At 1 January 2024				
Cost	14,914	24,023	81,998	120,935
Accumulated depreciation	–	(19,095)	(40,515)	(59,610)
Net book amount	14,914	4,928	41,483	61,325
Year ended 31 December 2024				
As at 1 January 2024	14,914	4,928	41,483	61,325
Additional portion leased under new leases	–	41,540	9,841	51,381
Released from leases	–	(187)	(3,471)	(3,658)
Disposals	(18,500)	–	–	(18,500)
Depreciation	–	(32,299)	(8,055)	(40,354)
Currency translation differences	3,586	(1,357)	–	2,229
Closing net book amount	–	12,625	39,798	52,423
As at 31 December 2024				
Cost	–	59,310	76,335	135,645
Accumulated depreciation	–	(46,685)	(36,537)	(83,222)
Net book amount	–	12,625	39,798	52,423

The Group leases out portion of the Group's plant under operating leases. The leases typically run for an initial period of 3-12 months, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

7 LEASES

	2024 RMB'000	2023 RMB'000
Right-of-use assets		
Ownership interest in leasehold land held for own use	26,328	27,184
Other properties leased for own use	24,618	26,856
	50,946	54,040
Lease liabilities		
Within 1 year	9,778	7,077
After 1 year but within 2 years	5,107	7,336
After 2 years but within 5 years	4,309	7,025
After 5 years	8,132	8,363
	17,548	22,724
	27,326	29,801

(i) Ownership interest in leasehold land held for own use

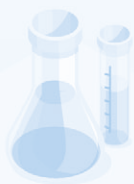
The Group holds several industrial land in the PRC for its oilfield equipment manufacturing and service business with lease terms within 50 years, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. For the interest in leasehold land in the PRC, lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office, warehouses and manufacturing facilities through tenancy agreements. The leases typically run for an initial period of 3 to 30 years. None of the leases includes variable lease payments.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2023: nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7 LEASES (continued)

(ii) Other properties leased for own use (continued)

Lease liabilities of RMB27,326,000 are recognised with related right-of-use assets of RMB24,618,000 at 31 December 2024 (2023: lease liabilities of RMB29,801,000 and related right-of-use assets of RMB26,856,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The incremental borrowing rates applied to lease liabilities range from 4.8% to 15% (2023: 4.8% to 15%).

(iii) The movements of the right-of-use assets for the years ended 31 December 2024 and 2023 were as follows:

	For the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Opening net book value	54,040	51,850
Additions	8,167	19,837
Disposal of subsidiaries (Note 32)	–	(10,033)
Depreciation charge (Notes 19 & 34)	(10,359)	(7,554)
Currency translation differences	(902)	(60)
Closing net book value	50,946	54,040

During the year, additions to right-of-use assets represented the capitalised lease payments payable under new tenancy agreements.

(iv) Expenses have been charged to the consolidated income statement as follows:

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets (no e)	12,196.85	12,374.96

7 LEASES (continued)**(iv) Expenses have been charged to the consolidated income statement as follows: (continued)****Continuing operations**

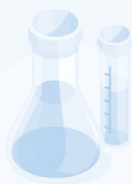
	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Capitalised to inventories	5,410	6,463
Cost of provision of services	190,300	115,156
Administrative expenses	23,520	30,520
Selling and marketing expenses	643	2,228
	219,873	154,367

The Group regularly entered into short-term leases for offices, plant, machinery and equipment. At 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above relates.

The total cash outflow for leases in 2024 was RMB220,613,000 (2023: RMB161,097,000), out of which RMB11,099,000 (2023: RMB7,341,000) was relating to financing activities and the remainder was relating to operating activities.

8 INTANGIBLE ASSETS

	Goodwill note (a) RMB'000	Proprietary technologies RMB'000	Computer software RMB'000	Total RMB'000
As at 1 January 2023				
Cost	158,378	85,097	17,883	261,358
Accumulated amortisation	–	(27,879)	(12,018)	(39,897)
Impairment provision	–	(2,097)	–	(2,097)
Net book amount	158,378	55,121	5,865	219,364
Year ended 31 December 2023				
Opening net book amount	158,378	55,121	5,865	219,364
Additions	–	–	4,019	4,019
Amortisation charge (Notes 19 and 34)	–	(6,993)	(1,648)	(8,641)
Disposal of subsidiaries (Note 32)	(51,754)	(3,654)	(3,692)	(59,100)
Impairment (Note 34)	–	(10,403)	–	(10,403)
Currency translation differences	(10,117)	661	60	(9,396)
Closing net book amount	96,507	34,732	4,604	135,843
As at 31 December 2023 and 1 January 2024				
Cost	96,507	62,605	16,812	175,924
Accumulated amortisation	–	(27,873)	(12,208)	(40,081)
Net book amount	96,507	34,732	4,604	135,843



8 INTANGIBLE ASSETS (continued)

	Goodwill (note (a)) RMB'000	Proprietary technologies RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2024				
Opening net book amount	96,507	34,732	4,604	135,843
Additions	–	–	1,097	1,097
Amortisation charge (Note 19)	–	(6,309)	(1,333)	(7,642)
Currency translation differences	–	3,682	(10)	3,672
Closing net book amount	96,507	32,105	4,358	132,970
As at 31 December 2024				
Cost	96,507	68,783	17,860	183,150
Accumulated amortisation	–	(36,678)	(13,502)	(50,180)
Net book amount	96,507	32,105	4,358	132,970

Notes:

(a) Impairment test for goodwill

As at 30 June 2021, the Group completed the reorganization of coating business within the segment of oilfield equipment manufacturing and services, together the reporting structure and management team changed to drilling business related (“**Drilling Business**”) and coating business related (“**Coating Business**”) within the oilfield equipment manufacturing and services segment (the “**Reorganization**”). The Reorganization changes the composition of the CGUs to which goodwill has been allocated. Therefore, the Group reallocated the goodwill based on the fair value using discounted cash flow method for the Drilling Business and the Coating Business respectively. The Coating Business was disposed in the year ended 31 December 2023 (Note 34).

A segment level summary of goodwill is presented below:

	As at 31 December	
	2024 RMB'000 Drilling Business	2023 RMB'000 Drilling Business
Oilfield equipment manufacturing and services	96,507	96,507

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using 2% growth rates. This growth rate is consistent with forecasts included in industry reports specific to the industry in which the CGUs operate.

8 INTANGIBLE ASSETS (continued)

(a) Impairment test for goodwill (continued)

The key assumptions used for value-in-use calculations in the oilfield equipment manufacturing and services segment are as follows:

	As at 31 December	
	2024 Drilling Business	2023 Drilling Business
Growth rate	3%	3%-4%
Gross margin	26%	24%
Discount rate	14%	15%

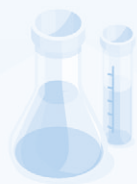
Management determined budgeted gross margin based on past performance and its expectations of market development. The growth rate was determined by the management based on expectation of the market development and the business development of the CGUs. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments and sensitivity test, no goodwill was impaired as at 31 December 2024 (2023: nil).

At 31 December 2024, the recoverable amount of the Drilling Business exceed its carrying amount by RMB190,507,000 (2023: RMB217,630,000). If the discount rate was increased to 15.1% (2023: 15.7%) or the budgeted growth rate covering the five-year period were reduced by 1.1% (2023: 0.7% to 0.9%) or the gross margin was reduced by 0.9% (2023: reduced by 1%), while other parameters remain constant, the recoverable amount of the unit would equal its carrying amount.

(b) The amortisation of intangible assets has been charged to the consolidated income statement as follows:

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Amortisation		
Administrative expenses	4,194	4,624
Cost of sales	3,448	2,859
	7,642	7,483



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9 INTERESTS IN ASSOCIATES

During the year ended 31 December 2023, the Group disposed all of its interests in associates, either directly or indirectly through disposal of subsidiaries. The movement in investment in the associates is as follows:

	2024 RMB'000	2023 RMB'000
Beginning of year	–	93,847
Share of profits of associates	–	3,000
Disposal of subsidiaries (Note 32)	–	(51,880)
Disposal of associates	–	(41,542)
Dividends declared	–	(3,425)
End of year	–	–

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority on the same taxable entity. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred income tax assets	262,199	160,618
Set-off of deferred income tax liabilities	(111,668)	(13,318)
Net deferred income tax assets	150,531	147,300
Deferred income tax liabilities	(145,472)	(49,464)
Set-off of deferred income tax assets	111,668	13,318
Net deferred income tax liabilities	(33,804)	(36,146)

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

Movements in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Impairment provision on assets RMB'000	Unrealised profit note (a) RMB'000	Lease liability RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	64,891	25,901	101,790	906	8,749	202,237
(Charged)/credited to the consolidated income statement (Notes 25 & 34)	(5,591)	(5,312)	(17,065)	2,839	(1,435)	(26,564)
Disposal of subsidiaries	(1,750)	(3,243)	(10,062)	-	-	(15,055)
As at 31 December 2023 and 1 January 2024	57,550	17,346	74,663	3,745	7,314	160,618
(Charged)/credit to the consolidated income statement (Note 25)	109,688	(9,114)	1,058	(51)	-	101,581
As at 31 December 2024	167,238	8,232	75,721	3,694	7,314	262,199

Note (a) Deferred income tax assets on unrealised profit are mainly related to the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

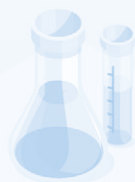
Deferred income tax assets are recognised for tax losses carried forward arising from to the extent that realization of related tax benefits through future taxable profits is probable.

Deferred tax assets have not been recognised in respect of the following items:

	2024 RMB'000	2023 RMB'000
Tax losses	733,106	685,215
Deductible temporary differences	10,873	138,543
	743,979	823,758

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Tax losses of RMB300,133,000 (2023: RMB256,093,000) with expiry dates are disclosed in the following table, and other tax losses of RMB432,973,000 (2023: RMB429,122,000) may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(a) (continued)

	2024 RMB'000	2023 RMB'000
2024	–	29
2025	12,405	12,059
2026	25,615	9,412
2027	17,000	8,407
2028	38,825	24,487
2029 or after [#]	206,288	201,699
	300,133	256,093

[#] The expiry dates of tax losses are up to 2034 (2023: within 2033).

Deferred income tax liabilities	Withholding taxation on unremitted earnings of certain subsidiaries RMB'000	Gains on remeasuring interests in certain associate on acquisition RMB'000	Accelerated tax depreciation expenses RMB'000	Right-of-use asset RMB'000	Total RMB'000
As at 1 January 2023	(36,733)	(3,381)	(3,884)	(1,705)	(45,703)
Charged to the consolidated income statement (Notes 25 & 34)	–	–	(12,590)	(2,393)	(14,983)
Disposal of subsidiaries (Note 32)	6,465	3,381	1,377	–	11,223
Currency translation differences	–	–	(1)	–	(1)
As at 31 December 2023 and 1 January 2024	(30,268)	–	(15,098)	(4,098)	(49,464)
Credited to the consolidated income statement (Note 25)	–	–	(96,570)	562	(96,008)
As at 31 December 2024	(30,268)	–	(111,668)	(3,536)	(145,472)

Deferred tax liabilities have not been recognised in respect of temporary differences relating to the undistributed profits of subsidiaries of RMB3,645,027,000 (2023: RMB3,190,829,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11 PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments for purchase of raw materials	304,445	399,933
Prepayments for purchase of property, plant and equipment	69,829	55,502
Prepayments for subcontracting cost	15,208	39,511
Prepayments of insurance and other expenses	43,912	72,349
	433,394	567,295

Analysed as:

	2024 RMB'000	2023 RMB'000
Non-current assets	69,829	55,502
Current assets	363,565	511,793
	433,394	567,295

12 INVENTORIES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Raw materials	515,057	545,503
Work in progress	207,714	169,580
Finished goods	358,544	346,251
Packing materials	724	842
Low value consumables	13,803	13,838
	1,095,842	1,076,014

All the inventories are expected to be recovered within one year.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

Con in ing ope a ion

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	2,407,366	2,125,242
Write down of inventories	–	5,972
	2,407,366	2,131,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

		As at 31 December	
		2024	2023
		RMB'000	RMB'000
Financial assets			
Financial assets at FVOCI	(a)	212,583	118,399
Financial assets at amortised cost			
– Trade and other receivables	(b)	2,620,792	2,397,381
– Cash and cash equivalents	(c)	721,631	840,384
– Restricted cash	(c)	44,705	93,010
		3,387,128	3,330,775
		3,599,711	3,449,174
Financial liabilities			
Financial liabilities at amortised cost			
– Borrowings	(d)	2,686,464	2,863,912
– Trade and other payables	(e)	1,737,743	1,395,278
– Lease liabilities (Note 7)		27,326	29,801
		4,451,533	4,288,991

(a) Financial assets at FVOCI

	2024	2023
	RMB'000	RMB'000
Bills receivable	212,583	118,399

Bills receivable with a fair value of RMB212,583,000 (2023: RMB118,399,000) were recognised as FVOCI as at 31 December 2024, because the Group held the bills receivable both for collection of contractual cash flows and for selling in 2024, where its cash flows represent solely payments of principal and interest. Fair value gain of RMB19,000 (2023: fair value loss of RMB14,000) were recognised in FVOCI reserve for the year ended 31 December 2024.

The following are the Group's bills receivable at 31 December 2024 and 2023 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (Note 13(d)).

		Bills discounted to banks with full recourse RMB'000
At 31 December 2024		
Carrying amount of bills receivables		171,268
Carrying amount of bank borrowings		(171,067)
At 31 December 2023		
Carrying amount of bills receivables		53,737
Carrying amount of bank borrowings		(53,737)

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Trade and other receivables

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade receivables (i)	2,054,535	1,883,372
– Due from related parties (Note 30(c))	26,852	26,711
– Due from third parties	2,027,683	1,856,661
Less: provision for loss allowance of receivables (ii)	(92,125)	(85,780)
Trade receivables – net	1,962,410	1,797,592
Other receivables (iii)	658,382	599,789
Trade and other receivables – net	2,620,792	2,397,381

At 1 January 2023, net trade receivables from contracts with customers amounted to RMB1,413,752,000 (after provision for loss allowance of RMB99,969,000).

As at 31 December 2024 and 2023, the carrying amounts of the trade and other receivables of the Group, approximated their fair values.

The trade receivables of RMB29,034,000 (2023: RMB64,400,000) of the Group were used to secure borrowings from financial institutions as at 31 December 2024 (Note 13(d)(iii)).

As at 31 December 2024 and 2023, the carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
– USD	1,034,620	1,037,302
– RMB	747,436	831,246
– RUB	330,247	198,391
– ETB	157,297	–
– THB	100,886	–
– IQD	86,632	–
– OMR	80,685	–
– AED	26,484	296,719
– CAD	37,798	8,641
– Other currencies	18,707	25,082
	2,620,792	2,397,381

* RUB – Russian Rouble, ETB – Ethiopian Birr, THB – Thai Baht, IQD – Iraqi Dinar, OMR – Omani Rial, AED – the United Arab Emirates Dirham, CAD – Canadian Dollar.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**(b) Trade and other receivables (continued)**

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
USD	64,563	254,435
RMB	50,227	40,260
RUB	31,009	–
Other currencies	1,297	21,369

- (i) The ageing analysis of trade receivables from sales of products and provision of services to third parties and related parties based on invoice date, before provision for loss allowance, as at 31 December 2024 and 2023 was as follows:

	2024 RMB'000	2023 RMB'000
Trade receivables, gross		
– Within 90 days	1,307,989	1,422,475
– Over 90 days and within 180 days	374,921	203,426
– Over 180 days and within 360 days	61,613	72,602
– Over 360 days and within 720 days	157,615	106,670
– Over 720 days	152,397	78,199
	2,054,535	1,883,372

Trade receivables are due within a credit period ranging from 0 to 360 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 3.1(b).

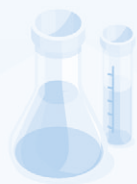
At 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of RMB1,247,603,000 (2023: RMB492,509,000) which are past due at the reporting date and provision for loss allowance of RMB71,733,000 (2023: RMB78,800,000) were made.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Trade and other receivables (continued)

(ii) Movements in provision for loss allowance of trade receivables are as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
As at 1 January	(85,780)	(99,969)
Provision for impairment loss allowance (Notes 3.1(b)(iii) and 34)	(6,345)	(24,540)
Transfer from contract assets	–	(549)



13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Cash and cash equivalents and restricted cash (continued)

The Group's cash and cash equivalents and restricted cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
USD	242,134	238,293
CAD	24,618	4,680
Other currencies	19,862	14,584

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(d) Borrowings

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Non-current		
Bank borrowings – unsecured (i)	429	125,504
Less: Current portion of non-current borrowings – unsecured (i)	(429)	(6,068)
	–	119,436
Current		
Bank borrowings – secured (iii)	282,113	340,933
Bank borrowings – unsecured (i)	127,255	144,715
Other borrowing – secured (iii)	15,585	18,427
2024 Notes – secured (ii)	2,261,082	2,234,333
Current portion of non-current borrowings – unsecured (i)	429	6,068
	2,686,464	2,744,476
	2,686,464	2,863,912

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(d) Borrowings (continued)

(i) Bank borrowings secured

Of the total unsecured bank borrowings of RMB127,684,000 (2023: RMB270,219,000), RMB5,640,000 (2023: RMB249,119,000) were guaranteed by certain third parties, details as below.

- (a) RMBnil (2023: RMB114,026,000) were guaranteed by related parties of the Group which are subsidiaries of Hilong Pipeline Engineering;
- (b) In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation (“**SINO SURE**”, a national policy insurance institution), and enjoyed preferential interest rate. As at 31 December 2021, USD19,685,000, equivalent to RMB125,506,000 were drawn down, out of which USD6,120,000, USD6,300,000 and USD6,480,000 had been repaid during 2022, 2023 and 2024 respectively. At 31 December 2024, the remaining principals of USD785,000 (equivalent to RMB5,640,000) (2023: USD7,265,000 (equivalent to RMB50,093,000)) will be fully repayable in 2025. This loan balance is also guaranteed by the Company and one of the subsidiaries namely Hilong Group of Companies Ltd.

(ii) Senior Note

In May 2021, the Company completed the restructuring of the 2020 Notes and 2022 Notes by issuing new Senior Notes amounting to USD398,945,000, among which USD21,600,000 with a maturity of 4 years.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(d) Borrowings (continued)

(iii) Bank and other borrowings secured

The Group's bank and other borrowings of RMB297,698,000 (2023: RMB359,360,000) as at 31 December 2024 were secured by bank acceptance bills and commercial acceptance bills recognised in bills receivables of RMB171,268,000 (2023: RMB53,737,000), trade receivables of RMB29,034,000 (2023: RMB64,400,000) and consideration from future performance of sale contracts of RMB23,126,000 (2023: RMB36,834,000) of the Group and bank deposits of RMB798,000 (2023: RMB42,832,000).

Of the secured bank and other borrowings, RMB95,000,000 (2023: RMB248,216,000) were guaranteed by certain subsidiaries of the Group, of which RMB93,000,000 (2023: RMB161,518,000) were also guaranteed by related parties of the Group including Mr. Zhang Jun, the controlling shareholder and executive director of the Company, and certain entities controlled by him.

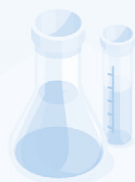
(i) Borrowing currency

The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Borrowings:		
– USD	2,275,673	2,339,402
– RMB	383,293	395,295
– RUB	25,393	114,026
– CAD	–	15,189
– Other currencies	2,105	–
	2,686,464	2,863,912

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
USD	2,270,032	2,265,851
CAD	–	15,189
RMB	–	5,050



13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**(d) Borrowings (continued)****() Borrowing in the area and maturity date**

The maturity of borrowings is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
On demand or within 1 year	2,686,464	2,744,476
Between 1 and 2 years	–	81,695
Between 2 and 5 years	–	37,741
	2,686,464	2,863,912

The exposure of the Group's borrowings is as follows:

	2024 RMB'000	2023 RMB'000
Fixed-rate borrowings	2,645,824	2,693,378
Variable-rate borrowings	40,640	170,534
	2,686,464	2,863,912

The Group's variable-rate borrowings carry interest by reference to Loan Prime Rate issued by the People's Bank of China and Key Rate of the Bank of Russia. Interest is reset every twelve months. The weighted average of effective interest rates to the Group's borrowings are as follows:

	2024	2023
Fixed-rate borrowings	9.01%	8.70%
Variable-rate borrowings	3.40%	14.14%

(i) Borrowing fair value

The carrying amounts of borrowings, other than the 2024 Notes, are not materially different to their fair values, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	As at 31 December 2024		As at 31 December 2023	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
2024 Notes	2,261,082	1,120,584	2,234,333	1,158,719

The level of fair value hierarchy for the fair value disclosed is in Level 1.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

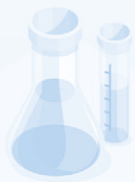
(d) Borrowings (continued)

(ii) Borrowing facilities

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
USD facilities	2,030	204,885
RMB facilities	9,185	121,626
RUB facilities	384,160	42,559
BMD facilities	400	–
	395,775	369,070

(e) Trade and other payables



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For the year ended 31 December 2024

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Trade and other payables (continued)

As at 31 December 2024 and 2023, all trade and other payables of the Group were non-interest bearing, and their carrying amounts, excluding welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their fair values due to their short maturities.

As at 31 December 2024 and 31 December 2023, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
– RMB	710,799	634,189
– USD	669,635	471,966
– THB	164,481	–
– RUB	94,173	110,655
– AED	53,585	109,223
– OMR	17,673	11,360
– CAD	2,314	34,941
– Other currencies	25,083	22,944
	1,737,743	1,395,278

* THB – Thai Baht, OMR – Omani Rial.

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
USD	206,637	181,179
RMB	23,897	67,713
CAD	–	17,000
Other currencies	9,897	11,033

The ageing analysis of the trade payables, including amounts due to related parties which was trading related in nature, based on invoice date was as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade payables		
– Within 90 days	785,331	798,906
– Over 90 days and within 180 days	322,212	109,989
– Over 180 days and within 360 days	32,818	47,701
– Over 360 days and within 720 days	116,201	12,715
– Over 720 days	4,467	22,303
	1,261,029	991,614

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Trade and other payables (continued)

The ageing analysis of the bills payables based on the bills issued date was as follows:

	2024 RMB'000	2023 RMB'000
Within 90 days	9,104	1,344

The credit periods on purchases of goods range from 0 to 90 days. All trade and other payables are expected to be settled within one year or are payable on demand.

14 DEFERRED INCOME

Deferred income represents government grants of RMB17,803,000 (2023: RMB16,719,000) relating to certain research projects and of RMBnil (2023: RMB6,000) relating to production lines, respectively. Government grants relating to research projects are recognised as other income (Notes 22 and 34) in the consolidated income statement over the financial period necessary to match them with the costs that they are intended to compensate; government grants relating to production lines are deferred and recognised as other income (Notes 22 and 34) in the consolidated income statement on a straight-line basis over the expected useful lives of the related production lines.

Government grants

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Government grants	17,803	16,725
Analysed as		
Current liabilities	–	6
Non-current liabilities	17,803	16,719
	17,803	16,725

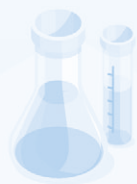


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17 OTHER RESERVES

	Statutory reserve <i>Note (a)</i>	Merger reserve	Share options reserve	Share premium	FVOCI reserve	Capital redemption reserve	Capital reserve <i>Note (b)</i>	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	131,199	(496)	46,089	1,175,144	(7)	702	(43,553)	1,309,078
Appropriation to statutory reserve	2,415	-	-	-	-	-	-	2,415
Other comprehensive expense	-	-	-	-	(14)	-	-	(14)
Acquisition of additional interest in a subsidiary (<i>Note 31</i>)	-	-	-	-	-	-	(9,692)	(9,692)
As at 31 December 2023	133,614	(496)	46,089	1,175,144	(21)	702	(53,245)	1,301,787
As at 1 January 2024	133,614	(496)	46,089	1,175,144	(21)	702	(53,245)	1,301,787
Appropriation to statutory reserve	6,409	-	-	-	-	-	-	6,409
Other comprehensive income	-	-	-	-	19	-	-	19
Transfer upon expiry of share option	-	-	(46,089)	-	-	-	-	(46,089)
As at 31 December 2024	140,023	(496)	-	1,175,144	(2)	702	(53,245)	1,262,126



18 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

(i) Share options scheme

At the annual general meeting of the shareholders on 10 May 2013, the shareholders adopted a share option scheme (the “**2013 Share Option Scheme**”) for options to subscribe for not more than 5% ordinary shares of the then total outstanding shares of the Company. The purpose of the 2013 Share Option Scheme is to provide incentive or reward to certain directors or employees of the Group for their contribution to the Group.

The fair value of the services to be received in exchange for the grant of the options is recognised as an expense on a straight-line basis over vesting period of each tranche. These share options are measured at fair value at grant day. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of services to be provided by employee, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

On 5 February 2014, options for a total of 19,980,000 ordinary shares of the Company under the 2013 Share Option Scheme were granted to certain employees of the Group to take up options at a nominal consideration to subscribe for ordinary shares of the Company, subject to fulfillment of vesting conditions. The 2013 Share Option Scheme shall be valid and effective for ten years ending on 10 May 2023, after which no further options will be granted.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Group recognised the total expense of RMBnil (2023: RMBnil) for the year ended 31 December 2024 attributable to share options granted by the Company.

The movements in the number of share options granted to employees on 5 February 2014 and outstanding during the current and prior years are as follows:

	Exercise price (per share in HKD)	Outstanding options Year ended 31 December	
		2024	2023
Beginning of the year	5.93	15,350,700	15,350,700
Expired	5.93	(15,350,700)	nil
End of the year	5.93	–	15,350,700

18 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (continued)**(i) Share options scheme (continued)**

The particulars of share options granted to employees and remaining outstanding as at 31 December 2024 and 2023 are as follows:

Vesting period	Exercisable period	Exercise price (per share in HKD)	Outstanding options	
			2024	2023
From 5 February 2014 to 4 February 2015	From 5 February 2015 to 4 February 2024	5.93	-	3,070,140
From 5 February 2014 to 4 February 2016	From 5 February 2016 to 4 February 2024	5.93	-	3,070,140
From 5 February 2014 to 4 February 2017	From 5 February 2017 to 4 February 2024	5.93	-	3,070,140
From 5 February 2014 to 4 February 2018	From 5 February 2018 to 4 February 2024	5.93	-	3,070,140
From 5 February 2014 to 4 February 2019	From 5 February 2019 to 4 February 2024	5.93	-	3,070,140
			-	15,350,700

All of the outstanding options were expired during the year ended 31 December 2024, and no options were granted or exercised during 2024 (2023: nil).

The share options outstanding at 31 December 2023 were all exercisable and had an exercise price of HK\$5.93 per share and a weighted average remaining contractual life of 0.10 year.

(ii) Share award scheme

The Company has a share award scheme which was adopted on 11 September 2023 whereby the directors of the Company are authorised, at their discretion, to award employees of the Group, including directors of any company in the Group, ordinary shares of the Company at nil consideration, subject to fulfillment of vesting conditions. The share award scheme shall be valid and effective for ten years ending on 10 September 2033, after which no further shares will be awarded.

During the year ended 31 December 2024 and 2023, there is no share awarded by the Company to any director or employee of the Group, and there is no unvested award at 31 December 2024 and 2023.



19 PROFIT BEFORE INCOME TAX**Continuing operations**

Profit before taxation from continuing operations is arrived at after charging (crediting):

	2024 RMB'000	2023 RMB'000
(a) Employee benefits expenses (including directors' emoluments):		
Salaries, wages and other benefits	850,725	577,162
Contributions to defined contribution retirement plans	52,084	32,764
	902,809	609,926
Less: amount capitalised in inventories	(359,913)	(127,182)
amount included in cost of provision of services	(214,527)	(206,307)
	328,369	276,437
	2024 RMB'000	2023 RMB'000
(b) Other items:		
Amortisation of intangible assets (Note 8(b))	7,642	7,483
Amortisation of contract costs (Note 5(d)(iv))	42,382	36,275
Depreciation of property, plant and equipment (Note 6(a))	236,033	223,689
Depreciation of right-of-use assets (Note 7(iv))	10,359	7,392
Impairment losses recognised on		
– prepayment (Note 23)	4,002	12,585
– trade and other receivables and contract assets, net (Note 3.1(b)(v))	27,188	13,368
Loss on disposal of property, plant and equipment (Note 23)	3,484	1,272
Short term lease expenses (Note 7(iv))	209,514	146,975
Auditor's remuneration		
– audit services		
– Current year	5,540	3,000
– Under-provision for prior year	2,767	–
– other services	113	–
	8,420	3,000
Research and development expenses		
– Current year expenditure	24,800	18,434
Provision for onerous contract (Note 15)	–	74,845
Cost of inventories recognised as an expense (Note 12)	2,407,366	2,131,214

20 EMPLOYEE BENEFIT EXPENSES

Continuing and discontinued operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	850,725	725,630
Social security costs, pension costs, and housing benefits (i)	52,084	47,538
	902,809	773,168

(i) Pension costs – defined contribution plans

During the year ended 31 December 2024, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2023: nil).

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 include two (2023: three) directors whose emoluments are reflected in Note 21. The emoluments payable to the remaining three (2023: two) individuals during the year are as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Salaries	2,310	1,580
Discretionary bonus	1,250	1,046
Pension costs – defined contribution plans	206	128
Other social security costs, housing benefits and other employee benefits	247	163
	4,013	2,917

The emoluments fell within the following bands:

	Year ended 31 December	
	2024 Number of individuals	2023 Number of individuals
Emolument bands:		
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	1	2
	3	2

No directors or these highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2024:

	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Pension costs – defined contribution plans RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Executive Directors						
Zhang Jun (張軍) (Co-Chief Executive Officer) (note (i))	–	960	500	58	83	1,601
Wang Tao (汪濤) (Chief Executive Officer) (note (ii))	183	608	418	–	–	1,209
Non-executive Directors						
Zhang Shuman (張妹嫻)	219	457	837	56	43	1,612
Cao Hongbo (曹宏博)	219	–	–	–	–	219
Yang Qingli (楊慶理)	219	–	–	–	–	219
Fan Ren Da Anthony (范仁達)	548	–	–	–	–	548
Independent Non-executive Directors						
Wang Tao (王濤)	219	–	–	–	–	219
Wong Man Chung Francis (黃文宗)	219	–	–	–	–	219
Shi Zheyang (施哲彥)	219	–	–	–	–	219
Chief Executive						
Gao Zhihai (高智海) (note (iii))	–	–	–	–	–	–
	2,045	2,025	1,755	114	126	6,065

For the year ended 31 December 2023:

	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Pension costs – defined contribution plans RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Executive Directors						
Zhang Jun (張軍)	–	838	666	–	118	1,622
Wang Tao (汪濤) (Chief Executive Officer)	–	730	596	–	87	1,413
Non-executive Directors						
Zhang Shuman (張妹嫻)	216	457	840	16	80	1,609
Cao Hongbo (曹宏博)	–	432	405	–	9	846
Yang Qingli (楊慶理)	216	–	–	–	–	216
Fan Ren Da Anthony (范仁達)	541	–	–	–	–	541
Independent Non-executive Directors						
Wang Tao (王濤)	216	–	–	–	–	216
Wong Man Chung Francis (黃文宗)	216	–	–	–	–	216
Shi Zheyang (施哲彥)	216	–	–	–	–	216
	1,621	2,457	2,507	16	294	6,895

21 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executives' emoluments (continued)

Notes:

- (i) Appointed as Chief Executive Officer with effect from 15 October 2024 and become Co-Chief Executive Officer on 23 December 2024.
- (ii) Resigned as Executive Director and Chief Executive Officer with effect from 15 October 2024.
- (iii) Appointed as Co-Chief Executive Officer with effect from 23 December 2024.

The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments were for their services as directors of the Company and the Group.

The independent non-executive directors' emoluments were for their services as directors of the Company.

No emoluments were paid by the Group to the directors and chief executive as an inducement to join upon joining the Group or to leave the Group as compensation for loss of office for both years.

(b) Directors' material interests in transactions, arrangements or contracts

Other than those in Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

22 OTHER INCOME

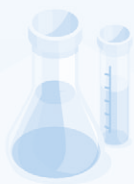
Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Other government grants	10,622	6,831
Release of deferred government grant	3,523	2,021
Interest income from late payment of lease receivables	–	5,287
	14,145	14,139

23 OTHER (LOSSES)/GAINS – NET

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Loss on disposal of property, plant and equipment – net	(3,484)	(1,272)
Gain on disposal of associates	–	17,023
Impairment loss on prepayment	(4,002)	(12,585)
Net foreign exchange (losses)/gains	(40,919)	54,291
Write-off of other receivables	(13,667)	–
Others	(6,019)	4,786
	(68,091)	62,243



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24 FINANCE COSTS – NET

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Finance income:		
– Interest income derived from bank deposits	31,159	15,804
Finance costs:		
– Interest expense on 2024 Notes and bank and other borrowings	(258,360)	(281,565)
– Net foreign exchange losses	(26,749)	(44,904)
– Interest expense on lease liabilities	(1,948)	(1,882)
– Gains on repurchasing the 2024 Notes (Note 13(d) (ii))	–	154,827
	(287,057)	(173,524)
Finance costs – net	(255,898)	(157,720)

25 INCOME TAX EXPENSE

Continuing operations

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Current income tax	91,374	46,525
Deferred income tax (Note 10)	(5,573)	34,528
Income tax expense	85,801	81,053

25 INCOME TAX EXPENSE (continued)

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Profit before tax	115,873	276,789
Tax calculated at statutory tax rates applicable to each group entity	24,280	42,008
Tax effect of:		
Expenses not deductible for tax purpose	86,895	42,400
Income not subject to tax	(15,976)	(10,821)
Additional deduction expenses	(8,789)	(13,189)
Statutory tax concession	(8,957)	(20,245)
Utilisation of previously unrecognised tax losses	(13,818)	(26,776)
Tax losses not recognised	20,827	44,477
Other deductible temporary differences not recognised	1,339	23,199
Tax charge	85,801	81,053

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in British Virgin Islands, Dubai, Abu Dhabi and Labuan are not subject to any income tax according to relevant rules and regulations.

In accordance with the two-tiered profits tax regime, Hong Kong profits tax was calculated on 8.25% of the first HKD2,000,000 and 16.5% of the remaining balance of the estimated assessable profits from 1 April 2018 for one subsidiary of the Group.

Enterprises incorporated in other places (other than the Mainland China) are subject to income tax rates ranging from 15% to 35% prevailing in the places in which these enterprises operated for the years ended 31 December 2024 and 2023.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the Mainland China is 25%.

Certain subsidiaries are qualified for new/high-tech technology enterprises status or incorporated in the western region of the Mainland China and engaged in encouraged industries, and therefore enjoy a preferential income tax rate of 15%.

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of their earnings generated from 1 January 2008.

25 INCOME TAX EXPENSE (continued)

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respects to Taxes on Income, a lower 5% withholding tax rate can be applied if the immediate holding companies of the PRC subsidiaries are established in Hong Kong and can be considered as a "beneficial owner". Hilong Energy Limited ("Hilong Energy") is a Hong Kong registered company and is the immediate holding company of the PRC subsidiaries, which has successfully applied for and been qualified as a "beneficial owner". Given the above, the local tax authority approved Hilong Group of Companies Ltd., the PRC holding company of all other subsidiaries in the PRC, to use a 5% withholding tax rate when it distributed its profits to Hilong Energy from 2019 to 2021. As at 31 December 2024, Hilong Energy is in the process of renewal of the qualification.

Additional deduction expenses

Pursuant to the CIT Law, an additional tax deduction expenses (including research and development expenses incurred) is allowed, after the approval by the tax authorities is obtained. This additional allowed deduction is calculated at 100% of the actual research and development expenses incurred from 1 January 2021.

26 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

Continuing operations

Basic earnings per share is computed by dividing the net profit for the year attributable to ordinary equity owners by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2024	2023
Profit attributable to equity owners of the Company (RMB'000)	28,275	148,665
Weighted average number of ordinary shares in issue (thousands of shares)	1,696,439	1,696,439
Basic earnings per share (RMB per share)	0.0167	0.0876

Discontinued operations

Basic earnings per share is computed by dividing the net profit for the year attributable to ordinary equity owners from continuing operations by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2024	2023
Profit attributable to equity owners of the Company (RMB'000)	28,275	183,175
Weighted average number of ordinary shares in issue (thousands of shares)	1,696,439	1,696,439
Basic earnings per share (RMB per share)	0.0167	0.1079

26 EARNINGS/(LOSS) PER SHARE (continued)

Basic earnings/(loss) per share (continued)

Discontinued operation

Basic loss per share is computed by dividing the net loss for the year attributable to ordinary equity owners from discontinued operation by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2024	2023
Loss attributable to equity owners of the Company (RMB'000)	N/A	(34,510)
Weighted average number of ordinary shares in issue (thousands of shares)	N/A	1,696,439
Basic loss per share (RMB per share)	N/A	(0.0203)

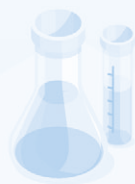
Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the Company's shares for both 2024 and 2023.

27 DIVIDENDS

The Directors have determined that no dividend will be proposed for the year ended 31 December 2024 (2023: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28 RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings RMB'000 (Note 13(d))	Lease liabilities RMB'000 (Note 7)	Interest payables RMB'000 (Note 13(e))	Amounts due to related parties RMB'000 (Note 13(e))	Total RMB'000
At 1 January 2023	(3,294,993)	(19,144)	(33,645)	(23,763)	(3,371,545)
Changes from financing cash flows	168,001	7,341	311,631	1,792	488,765
New leases entered	–	(19,837)	–	–	(19,837)
Interest expenses (Notes 24 & 34)	–	(1,921)	(285,796)	–	(287,717)
Disposal of subsidiaries (Note 32)	148,000	3,328	–	(90,512)	60,816
Exchange differences	(20,549)	432	(37,850)	–	(57,967)
Gain on repurchasing the 2024 Notes (Note 24)	154,827	–	–	–	154,827
Other non-cash items	(19,198)	–	19,198	–	–
At 31 December 2023 and 1 January 2024	(2,863,912)	(29,801)	(26,462)	(112,483)	(3,032,658)
Changes from financing cash flows	206,036	11,099	151,511	9,628	378,274
New leases entered	–	(8,167)	–	–	(8,167)
Interest expenses (Note 24)	–	(1,948)	(258,360)	–	(260,308)
Exchange differences	(28,588)	1,491	(2,745)	–	(29,842)
At 31 December 2024	(2,686,464)	(27,326)	(136,056)	(102,855)	(2,952,701)

29 COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2024 RMB'000	2023 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– acquisition of property, plant and equipment	17,816	45,226

(b) Operating lease arrangements

The G o p a l e o

Undiscounted lease payments receivable on leases of certain buildings and facilities (Note 6(b)) are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	–	525

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The immediate and ultimate parent company of the Group is Hilong Group Limited, which owns 42.17% (31 December 2023: 42.17%) equity interest in the Company as at 31 December 2024. The ultimate controlling shareholder of the Group is Mr. Zhang Jun.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2024 and 2023, and balances arising from related party transactions as at 31 December 2024 and 2023.

(a) Name and relationship with related parties

Controlling Shareholder

Mr. Zhang Jun

Close family members of the Controlling Shareholder

Ms. Zhang Shuman

Ms. Zhang Shuli

Controlled by the Controlling Shareholder

Hilong Group Limited

Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.

Beijing Huashi Hailong Oil Investments Co., Ltd. ("Huashi Hailong Oil")

Shanghai Hilong Shine New Material Co., Ltd.

Shanghai Hilong Shine New Materials Research Institute

Hilong Pipeline Engineering Technology Service Co., Ltd. ("Hilong Pipeline Engineering") and its subsidiaries
(note (i))

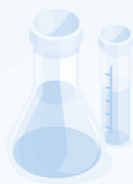
Joint-controlled by the Controlling Shareholder

Shanghai Longshi Investment Management Co., Ltd.

Associate of Hilong Pipeline Engineering

Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. (note (ii))

Xi'an et nline-s0ampaMy are subject to commo8A0lurin2d.



30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(b) Transactions with related parties**

Save as disposal of Hilong Pipeline Engineering and its subsidiaries and its associates to Shanghai Hilong Shine New Material Co., Ltd. (Note 32) and disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2024 and 2023, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Sales of goods or services:		
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.	–	10,497
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	–	401
Shanghai Hilong Shine New Material Co., Ltd.	–	9,175
Shanghai Hilong Shine New Materials Research Institute	–	727
Hilong Pipeline Engineering and its subsidiaries	80,740	3,501
	80,740	24,301
Purchase of goods or services:		
Shanghai Hilong Shine New Material Co., Ltd.	–	6,202
Hilong Pipeline Engineering and its subsidiaries	265,986	–
Short-term rental expenses:		
Beijing Huashi Hailong Oil Investments Co., Ltd. (note (a))	11,149	11,149
Hilong Pipeline Engineering and its subsidiaries (notes (b))	9,012	506
Interest expenses on lease liabilities:		
Shanghai Longshi Investment Management Co., Ltd. (note (c))	367	197
Rental income and utility fee income:		
Shanghai Hilong Shine New Material Co., Ltd. (note (d))	6,721	3,305
Shanghai Hilong Shine New Material Research Institute	–	792
Hilong Pipeline Engineering and its subsidiaries (notes (d) and (e))	12,226	264

Notes:

- (a) During the years ended 31 December 2024 and 2023, the Group entered into various six months leases (2023: one-year leases) in respect of certain leasehold properties from related parties for the use as office and manufacturing plant and renewed upon the expiry of the leases. The fixed rent payable by the Group under the leases ranged from RMB31,000 to RMB644,000 per month (2023: RMB31,000 to RMB644,000 per month). Some leases include an option to renew the leases when all terms are renegotiated.
- (b) During the years ended 31 December 2024 and 2023, the Group entered into six months leases (2023: one-year lease) in respect of certain properties and certain manufacturing test equipment with a related party for the Group's use as office and for production of drill pipes and renewed upon the expiry of the leases. The fixed rent payable by the Group under the lease ranged from RUB715,000 (equivalent to approximately RMB56,000) to RUB9,366,000 (equivalent to approximately RMB757,000) (2023: RUB3,065,000 (equivalent to approximately RMB243,000) to RUB3,318,000 (equivalent to approximately RMB263,000)) per month.

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties (continued)

Notes: (continued)

- (c) In August 2020, the Group entered into various three-year leases in respect of certain leasehold properties from a related party for use as office. The fixed rent payable by the Group under the leases were RMB19,000 to RMB276,000 per month. At the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of RMB8,896,000. In August 2023, the Group renewed the leases and entered into another three-year leases in respect of these leasehold properties from the related party for use as office. The fixed rent payable by the Group under the leases were RMB55,000 to RMB254,000 per month. At the renewal of the leases, the Group recognised adjustment to right-of-use assets and lease liabilities of RMB10,172,000. The leases include an option to renew the leases when all terms are renegotiated.

The outstanding balance arising from the leasing arrangement with the related party is included in "Lease liabilities" (Note 7).

- (d) During the years ended 31 December 2024 and 2023, the Group entered into various lease agreements to lease certain portion of the factory premises and offices to related parties for six months (2023: one year) and renewed upon the expiry of the leases. The fixed rent receivable by the Group under the leases ranged from RMB50,000 to RMB424,000 per month (2023: RMB66,000 to RMB275,000 per month) and the monthly utility fee income ranged from RMB4,000 to RMB996,000 per month (2023: nil). Some leases include an option for the lessees to renew the leases when all terms are renegotiated.
- (e) During the year ended 31 December 2024, the Group entered into lease agreement to lease certain manufacturing test equipment for production of drill pipes to related party for six months. The fixed rent receivable by the Group under the lease is RUB22,600 (equivalent to approximately RMB2,000) per month. The lease includes an option for the lessee to renew the lease when all terms are renegotiated.

Other than above, the Group has the following related party transactions:

- (i) During the years ended 31 December 2024 and 2023, certain banking facilities of the Group were guaranteed by Mr. Zhang Jun, Mr. Cao Hongbo, a non-executive director of the Company, and Ms Zhang Shuli, Huashi Hilong Oil.
- (ii) During the year ended 31 December 2023, certain banking facilities of Hilong Pipeline Engineering and its subsidiaries were guaranteed by the Group.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the terms of the underlying agreements.

(c) Balances with related parties

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade receivables due from:		
Shanghai Hilong Shine New Material Co., Ltd.	6,203	2,483
Hilong Pipeline Engineering and its subsidiaries (note (i))	20,649	24,228
	26,852	26,711
Less: provision for loss allowance of receivables	(2,739)	(1,758)
	24,113	24,953

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(c) Balances with related parties (continued)**

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Other receivables due from:		
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.	46,204	51,753
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.	42,606	42,606
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	19,658	22,404
Shanghai Hilong Shine New Material Co., Ltd.	4,264	5,066
Hilong Pipeline Engineering and its subsidiaries	117,943	149,556
Shanghai Hilong Shine New Materials Research Institute	1,659	123
	232,334	271,508
Less: provision for loss allowance of receivables	(37,868)	(20,817)
	194,466	250,691
Lease liabilities due to:		
Shanghai Longshi Investment Management Co., Ltd.	5,721	8,932
Trade payables due to:		
Hilong Pipeline Engineering and its subsidiaries	192,844	60,589
Beijing Huashi Hailong Oil Investments Co., Ltd	1,502	1,502
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd	18	18
Shanghai Hilong Shine New Material Co., Ltd	19	7
Shanghai Longshi Investment Management Co., Ltd.	7,300	–
	201,683	62,116

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Other payables due to:		
Shanghai Longshi Investment Management Co., Ltd	11,282	13,134
Beijing Huashi Hailong Oil Investments Co., Ltd	3,677	7,790
Mr. Zhang Jun	938	938
Hilong Pipeline Engineering and its subsidiaries	86,958	128,348
	102,855	150,210

Trade receivables due from related parties are due within a credit period ranging from 0 days to 360 days from the date of billing and are unsecured. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 3.1(b)(iii). Net provision of impairment losses of RMB981,000 (2023: Net reversal of impairment losses of RMB1,084,000) for trade receivables due from related parties was recognised in profit or loss for the year ended 31 December 2024.

Trade payables due to related parties are due within a credit period ranging from 0 days to 90 days from the date of billing and are unsecured.

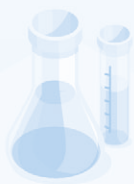
The lease liabilities due to a related party are interest free but calculated at effective interest rate of 5% per annum and are settled every six months.

The other receivables and other payables due from/to related parties were unsecured, non-interest bearing and repayable on demand. Net provision of impairment losses of RMB17,051,000 (2023: RMB574,000) for other receivables due from related parties was recognised in profit or loss for the year ended 31 December 2024.

(d) Key management personnel compensation

Key management personnel includes directors (executive and non-executive) and senior management (including chief financial officer and general managers etc.). The compensation paid or payable to key management personnel for employee services is shown below:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Salaries and fees	7,843	8,465
Discretionary bonus	4,636	5,691
Pension costs – defined contribution plans and social security costs	1,071	1,219
	13,550	15,375



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUBSIDIARIES

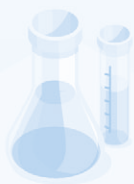
Company name	Country/place of incorporation and date of incorporation	Particulars of issued/paid up capital	Effective interests held by the Group (%)		Direct/Indirect	Principal activities
			As at 31 December 2024	2023		
Hilong Energy Holding Limited	British Virgin Islands, 15 October 2008	USD2	100%	100%	Direct	Investment holding
Hilong Group of Companies Ltd.	the PRC, 14 January 2005	RMB150,000,000	100%	100%	Indirect	Distribution of oil and gas equipment
Hilong Drill Pipe (Wuxi) Co., Ltd.	the PRC, 30 August 2005	USD3,600,000	100%	100%	Indirect	Manufacture and distribution of oil and gas equipment
Shanghai Boteng Welding Consumable Co., Ltd.	the PRC, 29 December 2005	RMB3,000,000	100%	100%	Indirect	Manufacture and distribution of hardbanding materials
Hilong Investment Ltd.	Malaysia, 13 September 2006	USD100	100%	100%	Indirect	Investment holding
Shanghai Hilong Tubular Goods Research Institute	the PRC, 27 October 2006	RMB5,000,000	100%	100%	Indirect	Research and development on the technology of manufacturing oil and gas equipment
Hilong Petroleum Pipe Company LLC	Abu Dhabi, 6 November 2006	AED1,000,000	100%	100%	Indirect	Manufacture and distribution of oil and gas equipment
Shanghai Hilong Drill Pipe Co., Ltd.	the PRC, 17 November 2006	RMB50,000,000	100%	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hilong Petropipe Co., Ltd.	Canada, 17 April 2007	CAD100	100%	100%	Indirect	Oil and gas equipment trading
Hilong Energy Limited	Hong Kong, 8 July 2008	HKD1	100%	100%	Indirect	Investment holding
Hilong Oil Service & Engineering Co., Ltd.	the PRC, 16 July 2008	RMB300,000,000	100%	100%	Indirect	Oilfield service provision
Hilong USA LLC	USA, 9 November 2008	USD1,030,000	100%	100%	Indirect	Oil and gas equipment trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and date of incorporation	Particulars of issued/paid up capital	Effective interests held by the Group (%)		Direct/Indirect	Principal activities
			As at 31 December 2024	2023		
Hilong Oil Service Ltd.	Malaysia, 4 March 2009	USD5,000,000	100%	100%	Indirect	Oilfield service provision
Hilong Oil Service & Engineering Ecuador CIA. Ltd.	The Republic of Ecuador, 18 March 2009	USD20,000,000	100%	100%	Indirect	Oilfield service provision
Shanghai Hilong Tubular Goods Manufacturing Co., Ltd.	the PRC, 16 April 2009	RMB20,000,000	100%	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hilong Oil Service & Engineering Nigeria Ltd.	Nigeria, 26 July 2010	NGN30,000,000	100%	100%	Indirect	Oilfield service provision
Shanghai Hilong Petroleum Chemicals Research Institute	the PRC, 1 November 2012	RMB10,000,000	100%	100%	Indirect	Research and development on the technology of pipes
Trade House Hilong-Rus Co., Ltd.	Russia, 25 March 2013	RUB300,000	100%	100%	Indirect	Oil and gas equipment trading
Hilong Oil Service & Engineering Pakistan (Pvt.) Ltd.	Pakistan, 4 April 2013	PKR5,000,000	100%	100%	Indirect	Oilfield service provision
Hilong Petroleum Marine Engineering Technical Services (Hong Kong) Limited	Hong Kong, 9 December 2013	HKD10,000	70%	70%	Indirect	Offshore engineering service provision
Hilong Marine Engineering (Hong Kong) Limited	Hong Kong, 16 December 2013	HKD10,000	100%	100%	Indirect	Offshore engineering service provision
Hilong USA Holding Corp.	USA, 11 February 2014	USD10	100%	100%	Indirect	Investment holding
Hilong Drilling & Engineering Service Limited (formerly known as "Oriental Oil Service & Engineering Ltd.")	Malaysia, 15 January 2014	USD1,000	100%	100%	Indirect	Oilfield service provision
Hilong Oil Service & Engineering Albania SHPK	Albania, 28 July 2014	ALL3,000,000	100%	100%	Indirect	Oilfield service provision





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and date of incorporation	Particulars of issued/paid up capital	Effective interests held by the Group (%)		Direct/Indirect	Principal activities
			As at 31 December 2024	2023		
Hilong Oil Service & Engineering Ukraine LLC	Ukraine, 24 October 2018	USD50,000	100%	100%	Indirect	Oilfield service provision
Hilong Leasing (Tianjin) Co., Ltd. (note c)	The PRC, 19 June 2020	RMB1,000,000	90%	90%	Indirect	Offshore engineering service provision
Drilling Technology Limited Liability Company ("Drilling Technology")	Russia, 19 February 2018	RUB5,000,000	100%	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hailong Petroleum Engineering (Tianjin) Co., Ltd.	The PRC, 26 November 2021	RMB50,000,000	90%	90%	Indirect	Offshore engineering service provision
Ocean Oil Service (IA)	Sharjah, 6 September 2022	Nil	100%	100%	Indirect	Offshore engineering service provision
Oriental Oil Service Ltd Limited Liability Company	Russia, 20 April 2023	RUB10,000	100%	100%	Indirect	Oilfield service provision
Hailong Petroleum Technology (Beijing) Co., Ltd.	PRC, 26 June 2023	RMB30,000,000	100%	100%	Indirect	Oilfield service provision
Limited Liability Company "Service Center Longhai Petroleum Technology" (formerly known as "Service Center Hilong Petroleum Technology Limited Liability Company")	Russia, 27 July 2023	RUB10,000,000	100%	100%	Indirect	Oilfield service provision
Botn Rus LLC	Russia, 4 August 2023	RUB10,000	100%	100%	Indirect	Oil and gas equipment trading
Metal Technology Co., Limited ("MTC") (note b)	Russia, 23 September 2022	RUB10,000	100%	100%	Indirect	Oil and gas equipment trading
Hilong Offshore Construction (Thailand) Ltd	Thailand, 4 December 2023	Baht 51,000	100%	100%	Indirect	Offshore engineering service provision
Chenxing Oil Hi-tech (Tianjin) Co., Ltd	PRC, 11 May 2024	RMB30,000,000	100%	-	Indirect	Oilfield service provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and date of incorporation	Particulars of issued/paid up capital	Effective interests held by the Group (%)		Direct/Indirect	Principal activities
			As at 31 December 2024	2023		
Hilong Oil Service and Engineering Brazil LTDA	Brazil, 21 October 2024	USD500,000	100%	–	Indirect	Oilfield service provision
Hilong Shipping Holding Limited	Hong Kong, 9 September 2024	HKD10,000	100%	–	Indirect	Offshore engineering service provision
LLC "Longhai Oil Service"	Belarus, 12 November 2024	BYN100,000	100%	–	Indirect	Oilfield service provision
Hilong Energy Engineering (B) Sdn Bhd	Brunei, 17 December 2024	BND100	100%	–	Indirect	Offshore engineering service provision
HeTech Equipment (Tianjin) Co., Ltd (note d)	PRC, 11 May 2024	RMB70,000	100%	–	Indirect	Oilfield service provision

* The above subsidiaries established in the PRC are in the legal form of limited liability company.

Note (a): During the year ended 31 December 2023, the Group acquired additional 49% equity interest in Ocentra Offshore Pte. Ltd., increasing its equity interest to 100%. The consideration for the additional 49% interest of US\$300,000 (equivalent to approximately RMB2,201,000) was paid in cash. An amount of RMB7,491,000 (being the proportionate share of the carrying amount of the net liabilities of Ocentra Offshore Pte. Ltd. has been transferred from non-controlling interests. The difference of RMB9,692,000 between the increase in the non-controlling interests and the consideration paid has been debited to capital reserve.

Note (b): As at 31 December 2023, the entire equity interest in MTC is held by an individual who is a finance staff of the Group in Russia ("Nominee Shareholder"). The Group obtained control over MTC by entering into contractual arrangement (the "Cooperation Agreement") with the Nominee Shareholder which does not have expiration date.

Pursuant to the Cooperation Agreement, the Nominee Shareholder would manage MTC in accordance with instructions from Drilling Technology, an indirect wholly-owned subsidiary of the Company in Russia, including any amendment to constitutional documents of MTC, restructuring and winding up of MTC, appointment or removal of management of MTC, increase or reduction of the share capital of MTC, and approval of material transactions or related party transactions of MTC. Further, the Nominee Shareholder of MTC has granted Drilling Technology the exclusive and irrevocable right to purchase from the Nominee Shareholder the entire equity interest in MTC for RUB10,000 at any time. In addition, the Nominee Shareholder has agreed that without prior written consent of Drilling Technology, she will not transfer or otherwise dispose of the equity interest in MTC or declare any dividend.

On 4 December 2024, Drilling Technology and Trade House Hilong-Rus Co., Ltd. ("Hilong-Rus"), both being subsidiaries of the Company, entered into an agreement with the Nominee Shareholder, pursuant to which the Nominee Shareholder agreed to transfer the entire issued share capital of MTC to Drilling Technology and Hilong-Rus (the "MTC Transfer").

The MTC Transfer was completed in December 2024 and the Group completed the necessary governmental filings on 14 February 2025.

Note (c): The 90% equity interest in this subsidiary is held on trust by a staff of the Group.

Note (d): The equity interest in this subsidiary is held on trust by a staff of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

		As at 31 December	
		2024	2023
		RMB'000	RMB'000
Note			
ASSETS			
Non-current assets			
Investments in subsidiaries		3,729,429	3,729,429
Current assets			
Other receivables		545,484	341,311
– Amounts due from subsidiaries		501,894	326,771
– Amounts due from other related parties		43,590	13,899
– Amounts due from third parties		–	641
Cash and cash equivalents		9,261	8,543
		554,745	349,854
Total assets		4,284,174	4,079,283
EQUITY			
Capital and reserve attributable to equity owners of the Company			
Ordinary shares	16	141,976	141,976
Other reserves	Note (a)	1,175,749	1,221,838
Retained earnings	Note (a)	79,951	19,597
Total equity		1,397,676	1,383,411
LIABILITIES			
Current liabilities			
Borrowings		2,261,082	2,234,333
Other payables		625,416	461,539
– Amounts due to subsidiaries		481,433	430,720
– Amounts due to third parties		143,983	30,819
Total liabilities		2,886,498	2,695,872
Total equity and liabilities		4,284,174	4,079,283

The balance sheet of the Company was approved by the Board of Directors on 30 March 2025 and was signed on its behalf.

Director: Zhang Jun

Director: Cao Hongbo

33 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (continued)

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
As at 1 January 2023	69,225	1,221,838
Loss for the year	(49,628)	–
As at 31 December 2023	19,597	1,221,838
As at 1 January 2024	19,597	1,221,838
Profit for the year	14,265	–
Transfer upon expiry of share options	46,089	(46,089)
As at 31 December 2024	79,951	1,175,749

34 DISCONTINUED OPERATION**Year ended 31 December 2023****Disposal of the operation of the line pipe technology and service provision and provision of coating services**

On 31 March 2023, Hilong Group of Companies Ltd., an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Hilong Shine New Material Co., Ltd., a related party controlled by the controlling shareholder (the "Purchaser"), whereby the Group conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Group's businesses of the line pipe technology and services provision and provision of coating services comprising multifunctional coating materials and coating services, inspection services and maintenance services for various pipes utilised in oil and gas drilling and transmission processes in the PRC as well as overseas markets (representing 100% of the equity interest in Hilong Pipeline Engineering Technology Service Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Target Company", together with its subsidiaries, the "Target Group")) at the consideration of RMB700,000,000, subject to the terms and conditions of the agreement. The disposal was completed on 28 November 2023 when the Group lost control of the Target Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34 DISCONTINUED OPERATION (continued)

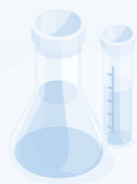
	Period from 1 January 2023 to 28 November 2023
<i>Note</i>	RMB'000
Revenue (note)	371,368
Cost of sales and provision of services (Note)	–
Gross profit	371,368
Selling and marketing expenses	(39,349)
Administrative expenses	(109,386)
Research and development expenses	(31,997)
Net provision for impairment losses on receivables and contract assets	(12,571)
Other income	3,555
Other losses – net	(15,733)
Operating profit	165,887
Finance income	1,585
Finance costs	(4,399)
Finance costs – net	(2,814)
Share of profit of associates	3,000
Profit before income tax	166,073
Attributable income tax expenses	(46,477)
Profit after tax from discontinued operation	119,596
Loss on disposal of subsidiaries from discontinued operation	32 (143,801)
Loss for the period from discontinued operation	(24,205)
(Loss)/profit for the period from discontinued operation attributable to:	
– equity owners of the Company	(34,510)
– non-controlling interests	10,305
	(24,205)

Note:

The inter-company transactions between continuing operations and discontinued operation are eliminated against discontinued operation, as the Group expects the transactions between continuing operations and discontinued operation will continue subsequent to the disposal and therefore to give an indication of the results of the continuing businesses on an ongoing basis.

34 DISCONTINUED OPERATION (continued)

	Period from 1 January 2023 to 28 November 2023
<i>Note</i>	RMB'000
Loss for the period from discontinued operation is arrived at after charging/(crediting) the following:	
Finance income:	
– Interest income derived from bank deposits	(1,585)
Finance costs:	
– Interest expense on bank and other borrowings	4,231
– Net foreign exchange losses	129
– Interest expense on lease liabilities	39
	4,399
Finance costs – net	2,814
Other items:	
Amortisation of intangible assets	
– charged to the administrative expenses	1,158
Depreciation of property, plant and equipment	25,738
Depreciation of right-of-use assets	162
Impairment losses recognised on	
– intangible assets	8 10,403
– trade receivables	12,571



34 DISCONTINUED OPERATION (continued)

	Period from 1 January 2023 to 28 November 2023
<i>Note</i>	RMB'000
Loss for the period from discontinued operation is arrived at after charging/(crediting) the following: (continued)	
Loss on disposal of property, plant and equipment	138
Short term lease expenses	6,781
Attributable income tax expenses:	
Current income tax	39,459
Deferred income tax	7,018
	46,477
Cash flows from discontinued operation:	
Net cash used in operating activities	(57,620)
Net cash used in investing activities	(43,709)
Net cash generated from financing activities	7,279
	(94,050)

FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, equity and liabilities of the Group for the last five financial years, is set out below.

