



海隆控股有限公司*

Hilong Holding Limited

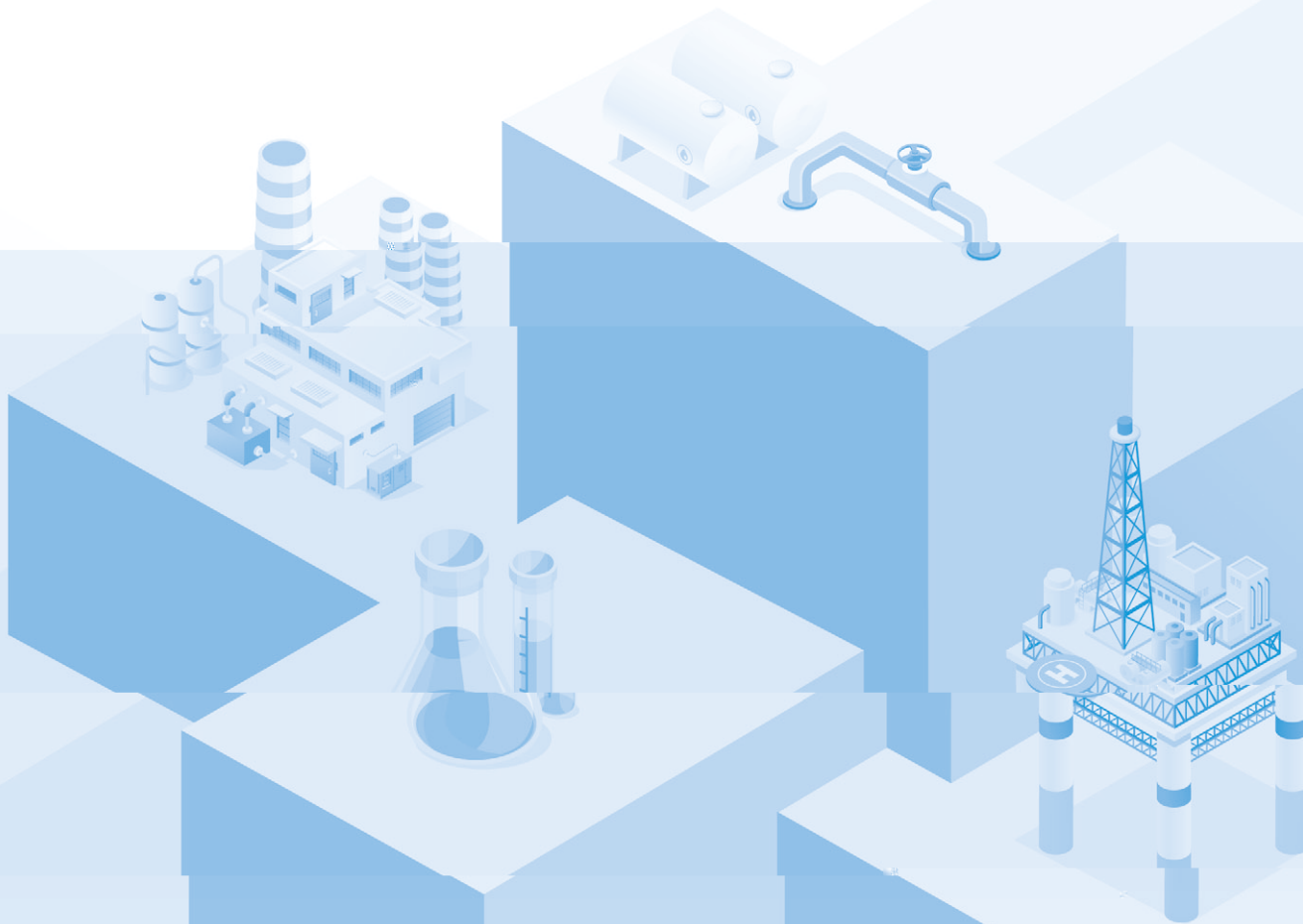
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1623



* For identification purpose only

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Interim Condensed Consolidated Balance Sheet	18
Interim Condensed Consolidated Income Statement and Other Comprehensive Income	20
Interim Condensed Consolidated Statement of Changes in Equity	22
Interim Condensed Consolidated Statement of Cash Flows	23
Notes to the Interim Condensed Consolidated Financial Information	24
Other Information	52



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Zhang Jun (張軍)
(Chairman, Executive Chairman and Co-Chief Executive Officer)

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)
Dr. Yang Qingli (楊慶理)
Mr. Shi Zheyang (施哲彥)
Mr. Wong Man Chung Francis (黃文宗)
(appointed on 29 August 2025)
Ms. Zhang Shuman (張姝嫻)
(appointed on 29 August 2025)

COMPANY SECRETARY

Ms. Sham Ying Man (岑影文)

AUDITOR

Crowe (HK) CPA Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER

No. 1825, Luodong Road
Baoshan Industrial Zone
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

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 periods indicated:

	Six months ended 30 June			
	2025		2024	
	RMB'000	%	RMB'000	%
Oilfield equipment manufacturing and services				
– Drill pipes	675,329	29.1	1,070,369	43.4
– Drill pipe components	580	–	8,052	0.3
– Others	40,734	1.8	54,043	2.2
Subtotal	716,643	30.9	1,132,464	45.9
Oilfield services	843,740	36.3	923,497	37.5
Offshore engineering services	762,154	32.8	409,680	16.6
Total revenue	2,322,537	100.0	2,465,641	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue decreased by RMB143.1 million, or 5.8%, from RMB2,465.6 million for the six months ended 30 June 2024 to RMB2,322.5 million for the six months ended 30 June 2025 (the “Interim Period”). Such decrease was mainly due to the decrease in revenue from oilfield equipment manufacturing and services and the oilfield services segment.

Oilfield equipment manufacturing and services. Revenue from the oilfield equipment manufacturing and services segment decreased by RMB415.8 million, or 36.7%, from RMB1,132.5 million for the six months ended 30 June 2024 to RMB716.6 million for the Interim Period. Such decrease primarily reflected the decrease in revenue derived from sales of drill pipe.

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

	Six months ended 30 June	
	2025	2024
Sales of drill pipes		
– International market		
– volume (tonnes)	24,687	34,057
– unit price (RMB/tonne)	24,880	27,518
Subtotal (RMB'000)	614,233	937,172
– The PRC market		
– volume (tonnes)	4,134	7,241
– unit price (RMB/tonne)	14,777	18,396
Subtotal (RMB'000)	61,096	133,197
Total (RMB'000)	675,329	1,070,369

Revenue from sales of drill pipes in the international market decreased by RMB323.0 million, or 34.5%, from RMB937.2 million for the six months ended 30 June 2024 to RMB614.2 million for the Interim Period. The decrease primarily reflected a decrease of 27.5% in the volume of drill pipes sold from 34,057 tonnes for the six months ended 30 June 2024 to 24,687 tonnes for the Interim Period. Such decrease in the sales volume primarily reflected less demand from the Middle East market due to the decline in oil prices.

Revenue from sales of drill pipes in the PRC market decreased by RMB72.1 million, or 54.1%, from RMB133.2 million for the six months ended 30 June 2024 to RMB61.1 million for the Interim Period. The decrease primarily reflected a 42.9% decrease in the volume of drill pipes sold from 7,241 tonnes for the six months ended 30 June 2024 to 4,134 tonnes for the Interim Period. Such decrease in the sales volume primarily reflected less demand due to intense market competition in the PRC market.

Oilfield services. Revenue from the oilfield services segment decreased by RMB79.8 million, or 8.6%, from RMB923.5 million for the six months ended 30 June 2024 to RMB843.7 million for the Interim Period. Such decrease was mainly reflected in the decrease in revenue from well drilling services and the decline in the utilization rate of drilling rigs for the Interim Period as compared to the same period in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Offshore engineering services. Revenue from the offshore engineering service segment increased by RMB352.5 million, or 86.0%, from RMB409.7 million for the six months ended 30 June 2024 to RMB762.2 million for the Interim Period. The increase primarily reflected the increase in revenue from the subsea pipeline laying project and offshore drilling platform construction project.

Cost of Sales/Services

Cost of sales and provision of services increased by RMB33.8 million, or 1.8%, from RMB1,887.3 million for the six months ended 30 June 2024 to RMB1,921.1 million for the Interim Period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit decreased by RMB176.9 million, or 30.6%, from RMB578.3 million for the six months ended 30 June 2024 to RMB401.4 million for the Interim Period. Gross profit margin was 17.3% for the Interim Period, decreased by 6.2% from that for the six months ended 30 June 2024.

Selling and Marketing Expenses

Selling and marketing expenses decreased by RMB19.7 million, or 31.2%, from RMB63.1 million for the six months ended 30 June 2024 to RMB43.4 million for the Interim Period. These expenses, amounting to 1.9% of revenue for the Interim Period, were lower than 2.6% for the six months ended 30 June 2024.

Administrative Expenses

Administrative expenses increased by RMB11.3 million, or 4.9%, from RMB232.5 million for the six months ended 30 June 2024 to RMB243.8 million for the Interim Period. Such an increase primarily reflected the increase in staff costs and travelling expenses.

Other Losses – Net

The Group recognized a net loss of RMB283.9 million for the Interim Period and a net loss of RMB33.3 million for the six months ended 30 June 2024. The net loss recognized for the Interim Period reflected (i) the impairment loss of RMB329.3 million on write-down of the vessel which was classified as asset held for sale, and (ii) the exchange gains of RMB52.6 million from the operating activities as a result of the appreciation of the Ruble. The net loss recognized for the six months ended 30 June 2024 reflected the exchange loss of RMB28.7 million from the operating activities as a result of the depreciation of the Nigerian Naira.

Finance Costs – Net

Finance costs – net decreased by RMB28.0 million, or 21.7%, from RMB129.0 million for the six months ended 30 June 2024 to RMB101.0 million for the Interim Period. Such decrease primarily reflected the decrease of RMB13.0 million interest expenses on 2024 Notes and bank and other borrowings due to decline of the balance of borrowings and the increase in net foreign exchange gains/(losses) of RMB14.1 million from the financing activities resulting from the depreciation of the United States Dollar (“USD”).

(Loss)/Profit before Income Tax

As a result of the foregoing, the Group recognized profit before income tax of RMB100.1 million for the six months ended 30 June 2024 and loss before income tax of RMB283.4 million for the Interim Period.

Income Tax Expense

The Group recognized

MANAGEMENT DISCUSSION AND ANALYSIS

(Loss)/Profit for the Period Attributable to Equity Owners of the Company

As a result of the foregoing, the Group recognized profit for the period attributable to equity owners of the Company of RMB46.0 million for the six months ended 30 June 2024 and loss of RMB 324.2 million for the Interim Period.

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 periods indicated:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Inventory	1,236,730	1,095,842
Turnover days of inventory (in days) ⁽¹⁾	<u>110</u>	<u>112</u>

⁽¹⁾ Turnover days of inventory for a period or a year equals average inventory divided by total cost of sales and then multiplied by 182 for the Interim Period and by 365 for the year ended 31 December 2024. Average inventory equals inventory balance at the beginning of the period or year plus inventory balance at the end of the period or year, divided by two.

The increase in inventories from 31 December 2024 to 30 June 2025 reflected the increase of reserves for new orders in the overseas market.

Trade and Other Receivables

Trade and other receivables of RMB2,649.4 million (31 December 2024: RMB2,620.8 million) included trade receivables of RMB2,189.8 million (31 December 2024: RMB2,054.5 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 trade receivables as at the dates indicated:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Trade receivables, gross		
– Within 90 days	1,429,414	1,307,989
– Over 90 days and within 180 days	314,987	374,921
– Over 180 days and within 360 days	152,120	61,613
– Over 360 days and within 720 days	141,968	157,615
– Over 720 days	<u>151,292</u>	<u>152,397</u>
	<u>2,189,781</u>	<u>2,054,535</u>
Turnover days of trade receivables ⁽¹⁾	<u>166</u>	<u>154</u>

⁽¹⁾ Turnover days of trade receivables for a period or a year equals average trade receivables divided by revenue and then multiplied by 182 for the Interim Period, and by 365 for the year ended 31 December 2024. Average trade receivables equals balance of trade receivables at the beginning of the period or year plus balance at the end of the period or year, divided by two.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in turnover days of trade receivables from 154 days as at 31 December 2024 to 166 days as at 30 June 2025 primarily reflected the reduced efficiency and the slow down of the settlement process for trade receivables due from certain oil and gas companies in the international market during the Interim Period.

Trade and Other Payables

Trade and other payables of RMB1,849.3 million (31 December 2024: RMB1,737.7 million) included trade payables of RMB1,249.0 million (31 December 2024: RMB1,261.0 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 dates indicated:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Trade payables		
– Within 90 days	645,106	785,331
– Over 90 days and within 180 days	106,802	322,212
– Over 180 days and within 360 days	347,956	32,818
– Over 360 days and within 720 days	134,229	116,201
– Over 720 days	14,936	4,467
	<u>1,249,029</u>	<u>1,261,029</u>
Turnover days of trade payables ⁽¹⁾	<u>119</u>	<u>116</u>

⁽¹⁾ Turnover days of trade payables for a period or a year equals average trade payables divided by total cost of sales and then multiplied by 182 for the Interim Period, and by 365 for the year ended 31 December 2024. Average trade payables equals to balance of trade payables at the beginning of the period or year plus balance at the end of the period or year, divided by two.

Liquidity and Financial Resources

As at 30 June 2025, the Group had total cash and cash equivalents amounting to RMB583.4 million (31 December 2024: RMB721.6 million). The Group's net borrowings as at 30 June 2025 was RMB1,895.8 million (31 December 2024: RMB1,964.9 million), being total borrowings of RMB2,479.2 million (31 December 2024: RMB2,686.5 million) less cash and cash equivalents of RMB583.4 million (31 December 2024: RMB721.6 million). After taking into account the restricted cash of RMB42.4 million (31 December 2024: RMB44.7 million), the Group's net borrowings as at 30 June 2025 was RMB1,853.4 million (31 December 2024: RMB1,920.2 million), being total borrowings less cash and cash equivalents and restricted cash.

As at 30 June 2025, cash and cash equivalent were mainly denominated in RMB, USD and RUB. The current ratio of the Group as at 30 June 2025 was 126.7% (31 December 2024: 110.2%), calculated on the basis of current assets of RMB5,735.5 million (31 December 2024: RMB5,166.0 million) over current liabilities of RMB4,526.9 million (31 December 2024: RMB4,686.9 million).

Treasury Policy

The Company has its own treasury policy setting out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy.

According to such treasury policy, the Company can invest in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time.

According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the chief financial officer. As at 30 June 2025, the Company did not have any short-term investment at FVPL (balance as at 31 December 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

As at 30 June 2025, the outstanding indebtedness of RMB2,479.2 million was mainly denominated in USD and RMB. The following table sets forth breakdown of the indebtedness as at the dates indicated:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Non-current		
Bank borrowings	–	429
Less: Current portion of non-current borrowings	–	(429)
	<u>–</u>	<u>–</u>
Current		
Bank borrowings	225,963	409,368
Other borrowings	1,545	15,585
2024 Notes	2,251,709	2,261,082
Current portion of non-current borrowings	–	429
	<u>2,479,217</u>	<u>2,686,464</u>
	<u>2,479,217</u>	<u>2,686,464</u>

As at 30 June 2025, borrowings of RMB2,444.2 million were obtained at a fixed rate (31 December 2024: RMB2,645.8 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 30 June 2025, USD33,545,000 were drawn down and had been fully repaid in past years and the six months ended 30 June 2025.

Reference is made to “Management Discussion and Analysis – Financial Review” of the Company’s 2021 annual report 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. The outstanding principal amount of USD314,546,000 on the 2024 Notes together with the accrued and unpaid interest thereon were due and payable on the maturity date of 18 November 2024, which constituted an event of default under the 2024 Notes.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2025 and 31 December 2024 are as follows:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Total borrowings	2,479,217	2,686,464
Add: Lease Liabilities	20,627	27,326
Less: Cash and cash equivalents	(583,362)	(721,631)
Restricted cash	(42,350)	(44,705)
Net debt	1,874,132	1,947,454
Total equity	2,948,895	3,259,124
Total capital	4,823,027	5,206,578
Gearing ratio	38.86%	37.40%

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2025, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

SIGNIFICANT INVESTMENTS HELD

The Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 30 June 2025) during the six months ended 30 June 2025.

CONTINGENT LIABILITIES

As at 30 June 2025, the Group had no contingent liabilities (31 December 2024: Nil).

PLEDGE OF ASSETS

As at 30 June 2025, the Group has pledged 17 drilling rigs as collateral in connection with the 2024 Notes. 4 drilling rigs are in operation in Nigeria, 5 drilling rigs are in operation in Ecuador, 2 drilling rigs are in operation in Ukraine, 2 drilling rigs are in operation in Iraq, 1 drilling rig is in operation in Brunei and 3 drilling rigs are in operation in Pakistan.

MANAGEMENT DISCUSSION AND ANALYSIS

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 11.6% appreciation of RMB against the USD from 21 July 2005 to 30 June 2025. 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 the 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 41.2% and 55.9% of the total revenue of the Company for the six months ended 30 June 2024 and the Interim Period, respectively.

STAFF AND REMUNERATION POLICY

As at 30 June 2025, the total number of full-time employees employed by the Group was 2,359 (31 December 2024: 2,453). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 30 June 2025:

On-site workers	1,400
Administrative	336
Engineering and technical support	414
Research and development	118
Sales, marketing and after-sales services	71
Company management	20
	<hr/>
	2,359

Employee costs excluding the Directors' remuneration totaled RMB294.8 million for the Interim Period.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2025. For further details of the 2023 Award Scheme, please refer to the Company’s announcement dated 13 September 2023.

BUSINESS REVIEW

In the first half of 2025, Hilong actively developed scientific and technological innovation, attached importance to talent development, focused on international development and enhanced its internal control system, so as to further develop into an intelligence-empowered high-tech enterprise and an asset-light, digital and high-tech intelligent enterprise. The Group adopted a scientific management approach and strengthened its cash flow management. While intensifying its efforts in market development, the Company prioritized scientific development and technological innovation. The digital and intelligent transformation of Hilong has achieved remarkable results, further empowering the development and growth of its products and businesses. With stable workload at the business units of the Group, the three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services, overcame various unfavorable factors and achieved breakthroughs with high-end customers across both new and old markets, establishing a solid foundation for the long-term development of the Group. Hilong maintained its stable and efficient scientific operations in the first half of 2025 and adhered to the strategy of scientific and technological innovation, intelligent and high-quality development, which 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, enhancing the overall operating efficiency and securing relatively stable revenue. During the Interim Period, Hilong recorded a total revenue of RMB2,322.5 million, representing a slight decrease of 5.8% compared with the first half of 2024.

Oilfield Equipment Manufacturing and Services

During the Interim Period, the revenue of the oilfield equipment manufacturing and services segment was RMB716.6 million, representing a decrease of 36.7% compared with the first half of 2024. In the first half of 2025, the oilfield equipment manufacturing and services segment constantly introduced high-end products with new technologies, optimized its production processes and market layout and introduced digital production system. Hilong launched the high-tech sulfur-resistant drill pipe series, drill pipes with radio frequency identification tags and relevant whole life cycle management, Hilong special buckles, high strength U165 drill pipes designated for 10,000-meter deep wells, super high-torque drill pipes designated for extended-reach horizontal wells and anti-wear drill pipes. By continuously enhancing the quality of its products and services, Hilong has achieved product performance and service standards that meet or exceed those of its international competitors. In terms of production layout, Hilong has made significant business breakthroughs in markets such as the United States, Canada, the Middle East, and Southeast Asia, and established drill pipe production bases and new production lines in regions including the Middle East and Central Asia, laying a solid foundation for further expansion in key markets such as the Middle East. With the upgrade and transformation of both domestic and overseas production lines, production efficiency has been improved. Hilong has once again secured important orders from major clients such as Ensign and Precision Drilling, and has become a primary drilling tool supplier to high-end customers. Hilong’s sulfur-resistant drilling tools with special buckles achieved strong sales performance again in the United States and Canadian markets following the full promotion of HLNST special buckles. In the first half of 2025, Hilong remained ahead of the competition in the market. The sales volume of various drilling tool products remained stable, and the order on hand for products such as drill pipes and heavy-weight drill pipes were generally consistent. Hilong’s hardbanding drill pipes achieved sales to high-end customers, marking a key milestone resulting from its advanced layout and planning in the North American market. At the same time, Hilong expanded its footprint in the United States and secured new orders, demonstrating that the Group’s high-tech and high-end drilling tools are gaining recognition from international high-end customers. Significant breakthroughs were also made in the Middle East market, where Hilong secured long-term contracts with major customers such as ADNOC Drilling.



MANAGEMENT DISCUSSION AND ANALYSIS

Hilong also achieved business breakthroughs and entered the Thailand market, laying a solid foundation for further expansion into Southeast Asia market. During the Interim Period, Hilong signed a series of contracts with major and high-end customers across key regions worldwide for the supply of drilling tools and bottomhole assemblies. In the domestic market, Hilong also received projects and orders from both important domestic and international partners, and entered into key projects with several major strategic partners.

Hilong strengthened the exchange of scientific research achievements, and developed a research team with extensive experience in product technical services and system management, demonstrating Hilong's strategic commitment of continuously developing new products and expanding market on the back of technological innovation. Related subsidiaries under the Group were recognized as National Specialized and New Small Giant (國家專精特新小巨人) and received financial subsidies for high-tech pillar projects.

Oilfield Services

In the first half of 2025, the oilfield services segment recorded a total revenue of RMB843.7 million, representing a decrease of 8.6% compared with the first half of 2024. Hilong's oilfield services seized the business opportunity to continuously improved 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, which was also very conducive to the development of Hilong's oilfield services. In the first half of 2025, the Oilfield Service Division adopted multiple approach focused on transitioning toward a "light-asset and technology-driven" operational model, expanded new business in all directions and enhanced its integrated service capabilities through technological innovation. In the first half of 2025, while continuing to develop conventional well drilling and workover markets and intensify efforts in equipment upgrades and technological advancements, the Company also actively pursued turnkey drilling projects to develop high-tech integrated turnkey business. Hilong's turnkey business capabilities reached a new level. The Company achieved breakthroughs in turnkey business in regions such as Nigeria and secured new contracts for well drilling and workover services in other key regions. The overall relocation speed of the drilling fleet remained stable, reflecting significant improvements in operational efficiency and organizational management. For example, our HL17 team set the fastest relocation speed record in the East Baghdad Oilfield and received unanimous praise from owners. Hilong signed long-term cooperation agreements with several strategic partners, explored synergies and mutual complementarity across different business segments, adhered to market-oriented and technology-driven strategies, and established a "One Body, Two Wings" business development model. Alongside rapid growth, the safety management capabilities of the drilling fleet were also significantly enhanced. In terms of technical business, Hilong has completed customized oilfield digital management solutions in countries such as Brazil, Iraq, and Libya, promoted oilfield digital management technologies, and completed a number of applications involving 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. Apart from conventional well drilling and workover services, the Company also actively participated in the promotion of other technical service projects and constantly explored new business areas to drive revenue growth for the Group.

We maintained steady progress in the fields of environmental protection technologies and services, including drilling and workover mud solutions (such as oil-based mud alternative solutions and high-performance water-based mud solutions), rock fragment processing, and well site restoration, coiled tubing operations, production enhancement technologies based on nanofluid flooding, refined managed pressure drilling ("MPD") techniques, RSS directional and horizontal well drilling, and other comprehensive technical services. Hilong further diversified its technical service businesses, covering well completion and production enhancement, drilling speed and efficiency improvement, oilfield environmental protection, rotary steering technology, and the establishment of maintenance bases. In terms of oilfield trading, the trade service business of this segment also had great improvement compared with the same period of 2024 and achieved new breakthroughs in the tubing and casing trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

Offshore Engineering Services

In the first half of 2025, the offshore engineering services segment recorded a total revenue of RMB762.2 million, representing an 86.0% increase from the first half of 2024. 2025 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 in information-based systematic management method and high-tech services, and laying a solid foundation for the development route of light assets and integrated turnkey capabilities. The future direction of Hilong Offshore Engineering for the next five years has been determined through strategic planning by the management of the Group. Construction projects at the company-level have been progressing smoothly. Early-stage preparations were thorough, and projects have been operating smoothly. Collaboration with partners in Shanghai has been effective, the economic budget is being well executed, and the Company's execution capabilities have been highly recognized by the project owners, which have subsequently operated with us on several projects such as platform renovation. Hilong Offshore Engineering also won bids for projects in Southeast Asia and other regions, with continued improvement in its project management capabilities. Projects in key regions such as Africa have been completed. Project deliveries were highly praised by the project owners. Project economic benefits have met or exceeded expectations. Adhering to a professional and youth-oriented talent strategy, the Company introduced high-level and high-quality personnel into core positions, while supplementing junior positions with high-tech talent, resulting in the completion of over 20 scientific research projects. Hilong Offshore Engineering has made significant steps toward becoming a specialized offshore engineering company with integrated EPCI turnkey capabilities, establishing comprehensive business capacity across the entire industry chain. The digital intelligent system integrated with the Group has been in operation and the Intelligent Control Technology Center had record-high number of projects, which effectively supported both market development and project execution. This led to a significant increase in workload compared to the previous year, indicating strong future growth potential. At the same time, Hilong Offshore Engineering was actively engaged in multiple project bidding processes, reflecting growing recognition and satisfaction from its customers. We placed strong emphasis on high-tech research and development and have applied for 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, the Company put an emphasis on strengthening the digital delivery and construction of management capability of offshore engineering, and has already achieved notable research outcomes.



MANAGEMENT DISCUSSION AND ANALYSIS

Technology Research and Development

Hilong has been adhering to leading enterprise transformation through scientific and technological innovation, as well as information digitalization, leveraging technology to comprehensively improve the Company's operations and management. In terms of drilling tool products, the Company continued to strengthen research and promote the application of high sulfur-resistant, high-strength and high torsion-resistant drill pipe technology. We completed the development of large-scale, thick-walled HLU165 ultra high strength special drill pipes, laying solid foundation for the development and promotion of high strength special drill pipes for 10,000-meter ultra-deep wells. We completed the development of high pressure-resistant special buckles for offshore risers, and continued to upgrade and promote our sulfur-resistant service drill pipe series for project completion. 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 which formed large-scale sales with recognition from high-end customers in the United States and Canada. Based on preliminary high strength sulfur-resistant drill pipe projects, Hilong has developed HL135MS/HL130S higher strength sulfur-resistant service drill pipes. We have secured large-value orders in U.S. dollars in respect of core products such as HL125S sulfur-resistant 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 high-end customers, achieving significant breakthroughs. 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 conjunction with the Group's digital transformation, we carried out automation and intelligent transformation of production equipment. In the oilfield services sector, we continuously improved our technical service capabilities for drilling and well completion 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 refined 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 subsidiaries of 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.

OUTLOOK

Looking forward to the second half of 2025, we are optimistic about the market's overall upward trajectory, with investments in crude oil extraction and similar sectors remaining stable. The Group will adhere to its high-tech development strategy, and will continue to develop new high-end customers in the United States, Middle East, Southeast Asia, South America and other countries and regions to obtain high-end orders. We will sustain our growth momentum, breakthrough performance ceilings, guard against various risks, and implement intelligent empowerment, striving to make greater breakthroughs in new markets and new businesses and continuously enhance the international market share and brand service image. We expect to obtain more orders from owners of oil companies in overseas countries. In terms of markets, the Group will increase the intensity and breadth of its products, such as acquiring more high-end customers and orders in regions such as the Middle East. Meanwhile, we will make improvements to our business model and promote more high-tech businesses and products, striving to achieve better performance in the second half of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

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 versatile talents and professional talents, and conduct focused product development and research on HL120SS and HL145MS high strength sulfur-resistant service drill pipe products. 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. We will intensify the promotion of large-scale, thick-walled HLU165 ultra high strength special drill pipes, high pressure-resistant special buckle for offshore riser, HLNST special buckles, HL130S and HL135MS high strength sulfur-resistant service drill pipes, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes and drill pipes with radio frequency identification tags that lead to high-end orders, while strengthening the promotion of intelligent drill pipes and establishing presence in major markets. We will also strengthen the research and development and promotion of the automatic transformation of production line,



MANAGEMENT DISCUSSION AND ANALYSIS

In offshore engineering services, we will strengthen overseas market staffing, enabling sales teams to penetrate frontlines and engage closely with customers. While maintaining existing customers, we will actively acquire new customers, pursue more bidding opportunities, and expand project types such as decommissioning and platform maintenance. We will organize summaries for completed projects to form organizational assets for guiding the bidding and execution of new projects and emphasize process management focusing on safety, quality, resources, budgets, procurement, costs and risks. We aim to reduce costs and enhance efficiency to strive for achieving comprehensive operational targets. Our departments will implement strategic planning at the execution level, further refine the Company's internal control systems, and build a compliant and efficient operational management system centered on the Company's core business while integrating high technology to materialize the Group's cost reduction and efficiency enhancement management. Each business center will strengthen capacity building. Our companies in Southeast Asia will focus on market development, enhancing local market development in existing personnel deployment regions such as Thailand, Brunei, West Africa, and Singapore. We will continue our efforts in the Middle East, leveraging the Saudi branch as a base to actively seek bidding opportunities and speed up the layout and construction in Southeast Asia and West Africa. We will focus on strengthening the formation of digital delivery and management capability of offshore engineering by leveraging our offshore engineering experience. Our teams will focus on contracting and implementing projects such as engineering commissioning, digital and intelligence in the international market. Focus areas include pipeline laying, jacket installation and dismantling and block floating, with continuous efforts to improve our turnkey project integrated service ability. Excavating technical hotspots, tracking the latest technological frontiers, and improving the comprehensive technical capabilities of the Company's offshore engineering remain our priorities. 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 complete in-depth research on key directions including digital management system. 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 stepping up the introduction of talents. We will adhere to the route of innovative R&D and international development and make efforts in delivering light asset-input and high-yield services.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER SIGNIFICANT EVENTS

(1) Fulfillment of All Resumption Guidance and Resumption of Trading on the Stock Exchange

As disclosed in the announcement of the Company dated 7 July 2025, the Company has fulfilled all the resumption guidance and trading in the shares of the Company on the Stock Exchange were resumed at 9:00 a.m. on Tuesday, 8 July 2025.

(2) Progress of the Implementation of Action Plan to Resolve Auditor's Disclaimer of Opinion

As disclosed in the annual report of the Company for the year ended 31 December 2024 published on 29 April 2025 (the "**2024 Annual Report**"), Crowe (HK) CPA Limited, the auditor of the Company, issued the disclaimer of opinion in relation to the consolidated financial statements of the Group for the year ended 31 December 2024 due to multiple uncertainties relating to going concern (the "**Disclaimer of Opinion**"), the details of which are set out on pages 69 to 70 of the 2024 Annual Report. The Company proposed to implement the plans and measures (the "**Action Plan**") to address the Disclaimer of Opinion. For quarterly update on the implementation of Action Plan to resolve the Disclaimer of Opinion, please refer to the announcements of the Company dated 31 July 2025 and 13 August 2025.

(3) Winding-Up Petition

A winding-up petition (the "**Petition**") dated 27 May 2025 was filed by The Bank of New York Mellon, London Branch against the Company at the High Court of the Hong Kong Special Administrative Region in relation to the non-payment of the US\$379,135,000 9.75% senior secured notes due November 2024 issued by the Company. Details of which have been set out in the Company's announcement dated 18 November 2024 issued by the Company. The Company will continue to seek legal advice and take all necessary actions to protect its legal rights. At the hearing of the High Court on 11 August 2025, the High Court ordered that the hearing of the Petition be adjourned to 27 October 2025.

SUBSEQUENT EVENTS

On 11 August 2025 (after trading hours), Hilong Shipping Holding Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, and PT CAKRA BUANA RESOURCES ENERGI TBK (the "**Purchaser**") entered into the written memorandum of agreement dated 11 August 2025, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Vessel named "**HAI LONG 106**" at the consideration of US\$100 million according to the terms and conditions set out therein (the "**Disposal**"). For details of the Disposal, please refer to the announcement of the Company dated 11 August 2025.

Save as disclosed in this interim report, the Company is not aware of any material subsequent events from 30 June 2025 to the date of this interim report.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2025

	Notes	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,302,145	2,366,346
Right-of-use assets	7	44,165	50,946
Intangible assets	7	129,007	132,970
Deferred income tax assets		151,337	150,531
Contract costs		151,895	141,069
Prepayments		67,959	69,829
		<u>1,846,508</u>	<u>2,911,691</u>
Current assets			
Inventories		1,236,730	1,095,842
Contract assets		–	38,039
Financial assets at fair value through other comprehensive income		156,822	212,583
Trade and other receivables	8(a)	2,649,354	2,620,792
Prepayments		277,715	363,565
Current income tax recoverable		68,253	68,873
Restricted cash		42,350	44,705
Cash and cash equivalents		583,362	721,631
		<u>5,014,586</u>	<u>5,166,030</u>
Asset classified as held for sale	9	720,903	–
		<u>5,735,489</u>	<u>5,166,030</u>
Total assets		<u>7,581,997</u>	<u>8,077,721</u>
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital	10	141,976	141,976
Other reserves	11	1,262,126	1,262,126
Currency translation differences		(445,066)	(459,721)
Retained earnings		1,995,301	2,319,537
		<u>2,954,337</u>	<u>3,263,918</u>
Non-controlling interests		<u>(5,442)</u>	<u>(4,794)</u>
Total equity		<u>2,948,895</u>	<u>3,259,124</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2025

(Continued)

	Notes	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities		32,755	62,520
Lease liabilities		13,067	17,548
Deferred income tax liabilities		45,664	33,804
Deferred income		14,740	17,803
		106,226	131,675
Current liabilities			
Trade and other payables	8(c)	1,849,283	1,737,743
Contract liabilities		116,288	121,441
Current income tax liabilities		74,528	131,496
Borrowings	8(b)	2,479,217	2,686,464
Lease liabilities		7,560	9,778
		4,526,876	4,686,922
Total liabilities		4,633,102	4,818,597
Total equity and liabilities		7,581,997	8,077,721

The notes on pages 24 to 50 form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		(Unaudited)	
		Six months ended 30 June	
	Notes	2025 RMB'000	2024 RMB'000
Revenue	6(a)	2,322,537	2,465,641
Cost of sales and provision of services		<u>(1,921,092)</u>	<u>(1,887,337)</u>
Gross profit		401,445	578,304
Selling and marketing expenses		(43,404)	(63,118)
Administrative expenses		(243,831)	(232,527)
Research and development expenses		(9,246)	(6,674)
Net provision for impairment losses on receivables and contract assets		(11,623)	(22,130)
Other income	13	8,095	8,549
Other losses – net	14	<u>(283,863)</u>	<u>(33,294)</u>
Operating (loss)/profit		(182,427)	229,110
Finance income	15	7,886	7,243
Finance costs	15	(108,898)	(136,274)
Finance costs – net		<u>(101,012)</u>	<u>(129,031)</u>
(Loss)/profit before income tax	16	(283,439)	100,079
Income tax expense	17	<u>(41,431)</u>	<u>(53,523)</u>
(Loss)/profit for the period		<u><u>(324,870)</u></u>	<u><u>46,556</u></u>

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Continued)

	Notes	(Unaudited)	
		Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Other comprehensive income/(expenses):			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		14,641	(46,974)
Other comprehensive income/(expenses) for the period, net of tax		14,641	(46,974)
Total comprehensive expenses for the period		(310,229)	(418)
(Loss)/profit for the period attributable to			
Equity owners of the Company		(324,236)	46,002
Non-controlling interests		(634)	554
		(324,870)	46,556
Total comprehensive (expenses)/income for the period attributable to			
Equity owners of the Company		(309,581)	(947)
Non-controlling interests		(648)	529
		(310,229)	(418)
(Loss)/earnings per share attributable to equity owners of the Company for the period (expressed in RMB per share)			
Basic (loss)/earnings per share	18	(0.1911)	0.0271
Diluted (loss)/earnings per share	18	N/A	0.0271

The notes on pages 24 to 50 form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Capital and reserves attributable to equity owners of the Company						Total equity RMB'000
	Ordinary shares RMB'000	Other reserves RMB'000	Cumulative translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2024 (audited)	141,976	1,301,787	(359,806)	2,251,582	3,335,539	(6,534)	3,329,005
Profit for the period	-	-	-	46,002	46,002	554	46,556
Other comprehensive loss	-	-	(46,949)	-	(46,949)	(25)	(46,974)
Total comprehensive (expense)/income for the period	-	-	(46,949)	46,002	(947)	529	(418)
Transfer upon expiry of share option	-	(46,089)	-	46,089	-	-	-
As at 30 June 2024 (unaudited)	<u>141,976</u>	<u>1,255,698</u>	<u>(406,755)</u>	<u>2,343,673</u>	<u>3,334,592</u>	<u>(6,005)</u>	<u>3,328,587</u>
At 1 January 2025 (audited)	141,976	1,262,126	(459,721)	2,319,537	3,263,918	(4,794)	3,259,124
Loss for the period	-	-	-	(324,236)	(324,236)	(634)	(324,870)
Other comprehensive (expense)/income	-	-	14,655	-	14,655	(14)	14,641
Total comprehensive income/(expenses) for the period	-	-	14,655	(324,236)	(309,581)	(648)	(310,229)
As at 30 June 2025 (unaudited)	<u>141,976</u>	<u>1,262,126</u>	<u>(445,066)</u>	<u>1,995,301</u>	<u>2,954,337</u>	<u>(5,442)</u>	<u>2,948,895</u>

The notes on pages 24 to 50 form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	(Unaudited) Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Cash flow from operating activities		
Cash flow generated from/(used in) operations	261,413	(55,724)
Income tax paid, net of refunds	(86,725)	(41,922)
Interest received	7,886	7,243
	<u>182,574</u>	<u>(90,403)</u>
Net cash generated from/(used in) operating activities		
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	7,344	16,932
Deposit paid for acquisition of property, plant and equipment	–	(65,465)
Purchases of property, plant and equipment	(117,370)	(28,433)
Purchases of intangible assets	(196)	–
Placement of restricted cash	(42,350)	(92,112)
Withdrawal of restricted cash	44,705	93,010
	<u>(107,867)</u>	<u>(76,068)</u>
Net cash used in investing activities		
Cash flow from financing activities		
Proceeds from borrowings	188,587	382,975
Repayments of borrowings	(386,450)	(318,357)
Interest paid	(9,007)	(131,579)
Principal element of lease payments	(9,272)	(5,019)
	<u>(216,142)</u>	<u>(71,980)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(141,435)	(238,451)
Cash and cash equivalents at beginning of the period	721,631	840,384
Effects of foreign exchange rates changes	3,166	8,152
	<u>583,362</u>	<u>610,085</u>
Cash and cash equivalents at end of the period		

The notes on pages 24 to 50 form part of the interim condensed consolidated financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

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, offshore engineering and offshore design 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 interim condensed consolidated financial information was presented in Renminbi thousand (RMB’000), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 29 August 2025.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**the Listing Rules**”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2024, and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the new and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Application of new and amendments to HKFRS Accounting Standards (“HKFRSs”)

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025, for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
-----------------------	-------------------------

The Group has not applied any amendment that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3.2 Going concern basis

During the six months ended 30 June 2025, the Group incurred a net loss of RMB324,870,000. At 30 June 2025, the current liabilities included borrowings of RMB2,479,217,000, of which loan notes of RMB2,251,709,000 (the “**2024 Notes**”) and bank and other borrowings of RMB227,508,000 are repayable



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.2 Going concern basis (continued)

- (iii) The Group has been implementing measures to expedite collection of trade and other receivables, including, among others:
 - (a) Dedicated teams have been assigned to manage recovery efforts from top 10 customers, ensuring targeted and strategic engagement;
 - (b) The Group has identified long-outstanding receivables and intends to take legal actions, including but not limited to issuing initial demand letters to customers, with further action pending based on response and feasibility; and
 - (c) The Group has implemented tighter internal controls on credit terms granted to customers, including revised approval thresholds and periodic credit reviews.
- (iv) The Group has undertaken a series of targeted initiatives aimed at reducing operating costs and strengthening cash flow management, including, among others:
 - (a) The Group conducted a comprehensive review and renegotiations of supplier agreements to secure more favorable pricing structures and extended payment terms; and
 - (b) The Group implemented policies to restrict non-essential travel, entertainment, and professional services.
- (v) The G

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.2 Going concern basis (continued)

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

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 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 interim condensed consolidated financial statements.

3.3 Non-current assets classified as held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition subject only to terms that are usual and customary for sale of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets are recognised at the lower of their carrying amounts and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to consolidated financial statements for the year ended 31 December 2024.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2024.

5.2 Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, collection of long-aged receivables, borrowings from financial institutions and issues of debt instruments or equity instruments.

5.3 Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, debt instruments carried at FVOCI and contract assets included in the interim condensed consolidated financial information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

All cash and cash equivalents and restricted cash were deposited in major financial institutions, which the directors of the Company believe are of high credit quality and will not have any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade and other receivables and time deposits. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The Group regularly monitors the credit history of the customers. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Credit risk (continued)

It has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

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.

For other receivables, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and experience, and forward-looking information. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2025 and 31 December 2024 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

5 FINANCIAL RISK MANAGEMENT (continued)

5.4 Fair value estimation (continued)

The following table sets out the Group's financial instruments that were measured at fair value as at 30 June 2025 and 31 December 2024:

	(Unaudited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2025				
Financial Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	156,822	156,822

	(Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial Assets				
Financial assets at FVOCI	–	–	212,583	212,583

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2025 and 2024:

	2025 RMB'000	2024 RMB'000
As at 1 January (audited)	212,583	118,399
Additions	156,822	32,589
Disposals/settlements	(212,583)	(118,399)
As at 30 June (unaudited)	156,822	32,589
Total gains for the period included in other comprehensive income under "Changes in the fair value of financial assets at FVOCI"	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) 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 segment from a business perspective, and assesses the performance of the business segment based on (loss)/profit before income tax without allocation of finance income, finance costs, and corporate overheads, which is consistent with that in the interim condensed consolidated financial information.

The corporate overheads are not considered as business segment expenses as such expenses are general management expenses and incurred by the headquarter 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 interim condensed consolidated financial information. 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 interim condensed consolidated financial information. These liabilities are allocated based on the operations of the segments.

The Group’s operations are mainly organized 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 six months ended 30 June 2025 and 2024 are set out as follows:

	(Unaudited) Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Oilfield equipment manufacturing and services	716,643	1,132,464
Oilfield services	843,740	923,497
Offshore engineering services	762,154	409,680
	2,322,537	2,465,641

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 SEGMENT INFORMATION (continued)

(b) Segment information

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2025 is as follows:

Business segment	Six months ended 30 June 2025 (Unaudited)			
	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	744,589	843,740	762,154	2,350,483
Inter-segment sales	(27,946)	–	–	(27,946)
Revenue from external customers	716,643	843,740	762,154	2,322,537
Revenue from contracts with customers:				
– at a point in time	710,798	253,477	–	964,275
– over time	2,062	584,619	762,154	1,348,835
	712,860	838,096	762,154	2,313,110
Revenue from other sources:				
– rental income – operating lease payments that are fixed	3,783	5,644	–	9,427
	716,643	843,740	762,154	2,322,537
Results				
Segment gross profit	177,859	183,079	40,507	401,445
Segment profit/(loss)	109,380	91,162	(335,686)	(135,144)
Corporate overheads				(47,283)
Operating loss				(182,427)
Finance income				7,886
Finance costs				(108,898)
Loss before income tax				(283,439)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

As at 30 June 2025 (Unaudited)

Business segment	Oilfield equipment manufacturing and services	Oilfield services	Offshore engineering services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	3,103,329	2,834,283	1,644,385	7,581,997
				<u>7,581,997</u>
Segment liabilities (a)	3,328,330	704,014	600,758	4,633,102
				<u>4,633,102</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2024 (for segment revenue and results) and for the year ended 31 December 2024 (for segment assets and liabilities) is as follows:

Six months ended 30 June 2024 (Unaudited)				
Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	1,140,328	923,497	409,680	2,473,505
Inter-segment sales	(7,864)	–	–	(7,864)
Revenue from external customers	<u>1,132,464</u>	<u>923,497</u>	<u>409,680</u>	<u>2,465,641</u>
Revenue from contracts with customers:				
– at a point in time	1,071,916	257,411	–	1,329,327
– over time	<u>53,751</u>	<u>666,086</u>	<u>409,680</u>	<u>1,129,517</u>
	1,125,667	923,497	409,680	2,458,844
Revenue from other sources:				
– rental income – operating lease payments that are fixed	<u>6,797</u>	–	–	<u>6,797</u>
	<u>1,132,464</u>	<u>923,497</u>	<u>409,680</u>	<u>2,465,641</u>
Results				
Segment gross profit	<u>321,958</u>	<u>215,610</u>	<u>40,736</u>	<u>578,304</u>
Segment profit/(loss)	<u>201,060</u>	<u>91,122</u>	<u>(14,937)</u>	277,245
Corporate overheads				<u>(48,135)</u>
Operating profit				229,110
Finance income				7,243
Finance costs				<u>(136,274)</u>
Profit before income tax				<u>100,079</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

As at 31 December 2024 (Audited)

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
				<u>8,077,721</u>
Segment liabilities (a)	3,484,979	720,551	613,067	4,818,597
				<u>4,818,597</u>

Note

- (a) As at 30 June 2025, the 2024 Notes of RMB2,251,709,000 (31 December 2024: RMB2,261,082,000) was included in the total liabilities of oilfield equipment manufacturing and services segment.
- (b) 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.

(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 (the "PRC"), the Group produces and sells a broad range of drill pipes and related products. In Russia, Central Asia, 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:

	(Unaudited)	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
The PRC (place of domicile) (including HKSAR)	280,567	282,255
Russia, Central Asia and Europe	308,457	543,473
North and South America	324,313	344,795
Middle East	444,767	787,353
Africa	526,378	202,381
South Asia and Southeast Asia	438,055	305,384
	<u>2,322,537</u>	<u>2,465,641</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

7 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the current period, the Group acquired property, plant and equipment of RMB159,412,000 (six months ended 30 June 2024: RMB179,083,000).

During the six months ended 30 June 2025 and 2024, no new lease agreement was entered into by the Group and recognised as right-of-use asset and lease liability.

During the current period, property, plant and equipment with carrying amount of RMB6,916,000 (six months ended 30 June 2024: RMB23,026,000) were disposed of during the current period with a gain on disposal of RMB428,000 (six months ended 30 June 2024: loss on disposal of RMB6,094,000), which is included in “other losses – net” (Note 14).

During the current period, property, plant and equipment with carrying amount of RMB1,050,190,000 was classified as asset held for sale (note 9).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Financial assets		
Financial assets at FVOCI	156,822	212,583
Financial assets at amortised cost		
– Trade and other receivables	(a)	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Trade and other receivables (continued)

As at 30 June 2025 and 31 December 2024, the fair values of the trade and other receivables of the Group, approximated their carrying amounts.

The trade receivables of RMB22,955,000 (31 December 2024: RMB29,034,000) of the Group were used to secure borrowings from a financial institution as at 30 June 2025 (Note 8(b)(ii)).

- (i) The aging analysis of trade receivables based on invoice date, before provision for loss allowance, as at 30 June 2025 and 31 December 2024 was as follows:

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Trade receivables, gross		
– Within 90 days	1,429,414	1,307,989
– Over 90 days and within 180 days	314,987	374,921
– Over 180 days and within 360 days	152,120	61,613
– Over 360 days and within 720 days	141,968	157,615
– Over 720 days	151,292	152,397
	<u>2,189,781</u>	<u>2,054,535</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Borrowings

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Non-current		
Bank borrowings – unsecured	–	429
Less: Current portion of non-current bank borrowings – unsecured	–	(429)
	–	–
Current		
Bank borrowings – secured (ii)	162,070	282,113
Bank borrowings – unsecured	63,893	127,255
Other borrowing – secured (ii)	1,545	15,585
2024 Notes – secured (i)	2,251,709	2,261,082
Current portion of non-current bank borrowings – unsecured	–	429
	<u>2,479,217</u>	<u>2,686,464</u>
	<u>2,479,217</u>	<u>2,686,464</u>

Movement in borrowings is analysed as follows:

	(Unaudited) Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
As at 1 January (audited)	2,686,464	2,863,912
Additions of borrowings	188,587	382,975
Repayments of borrowings	(386,450)	(362,494)
Amortisation using the effective interest method	–	4,767
Exchange difference	(9,384)	4,694
	<u>2,479,217</u>	<u>2,893,854</u>
As at 30 June (unaudited)	<u>2,479,217</u>	<u>2,893,854</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Borrowings (continued)

(i) Senior Notes

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 date on 15 November 2021 and the rest with a maturity date on 18 November 2024 (the “**2024 Notes**”). The 2024 Notes were listed on the Singapore Exchange Securities Trading Limited on 20 May 2021 and secured by the Group’s property, plant and equipment of RMB285,037,000 (31 December 2024: RMB298,039,000, guaranteed by certain subsidiaries of the Group. It bears interest at 9.75% per annum payable semi-annually in arrears on 18 May and 18 November of each year, beginning from 18 November 2021.

After the repurchase of part of the 2024 Notes in 2023, the outstanding principal amount of the 2024 Notes was USD314,546,000.

For the six months ended 30 June 2024 and 2025, there is no repurchase of the 2024 Notes.

The 2024 Notes, due for repayment on 18 November 2024, were not repaid on 30 June 2025. The accrued interest of the 2024 Notes amounted to RMB245,120,000 at 30 June 2025 (31 December 2024: RMB135,913,000) is defaulted and is included in interest payables (Note 8(c)).

(ii) Bank and other borrowings-secured

The Group’s bank and other borrowings of RMB163,615,000 (31 December 2024: RMB297,698,000) as at 30 June 2025 were secured by bank acceptance bills and commercial acceptance bills recognised in bills receivables of RMB71,458,000 (31 December 2024: RMB171,268,000), trade receivables of RMB22,955,000 (31 December 2024: RMB29,034,000) and consideration from future performance of sale contracts of RMB24,962,000 (31 December 2024: RMB23,126,000) of the Group and bank deposits of RMB Nil (31 December 2024: RMB798,000).

Of the secured bank and other borrowings, RMB106,053,000 (31 December 2024: RMB93,000,000) were 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Trade and other payables

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Bills payable	161	9,104
Trade payables:	1,249,029	1,261,029
– Due to third parties	1,108,576	1,059,346
– Due to related parties (Note 20(c))	140,453	201,683
Other payables:	211,419	188,728
– Due to third parties	110,389	85,873
– Due to related parties (Note 20(c))	101,030	102,855
Staff salaries and welfare payables	26,968	38,596
Interest payables	245,387	136,056
Accrued taxes other than income tax	80,573	70,345
Accrued expenses	35,746	33,885
	<u>1,849,283</u>	<u>1,737,743</u>

As at 30 June 2025 and 31 December 2024, all trade and other payables of the Group were non-interest bearing, and their fair value, excluding staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

The aging analysis of the trade payables based on invoice date, including amounts due to related parties which were trading related in nature, was as follows:

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Trade payables		
– Within 90 days	645,106	785,331
– Over 90 days and within 180 days	106,802	322,212
– Over 180 days and within 360 days	347,956	32,818
– Over 360 days and within 720 days	134,229	116,201
– Over 720 days	14,936	4,467
	<u>1,249,029</u>	<u>1,261,029</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

9 ASSET CLASSIFIED AS HELD FOR SALE

In June 2025, the management of the Group resolved to dispose of the vessel within the Offshore engineering service segment. The vessel was built in 2012 and has been in operation for nearly ten years. In alignment with the Group's strategic transformation to further strengthen the financial focus on high-value engineering, procurement, construction and installation services with less operational dependence on the vessel, together with the immediate cash inflow that can be generated from the disposal to enhance the Company's financial flexibility and support its future strategic development, the Group resolved to dispose of the vessel in its present condition within one year from June 2025. Negotiation with the purchaser is in progress at the end of the reporting period. Accordingly, the vessel is presented as "Asset classified as held for sale".

An impairment loss of RMB329,287,000 by writing down the carrying amount of the vessel of RMB1,050,190,000 to its fair value less costs to sell has been included in "Other losses – net" (note 14).

At 30 June 2025, the asset classified as held for sale comprised the below:

	RMB'000
Property, plant and equipment	720,903
Asset classified as held for sale	720,903

There are no cumulative income or expenses included in other comprehensive income relating to the non-current asset classified as held for sale.

Subsequently on 11 August 2025, the Group entered into the written memorandum of agreement ("MOA") with an independent third party purchaser (the "Purchaser"), pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the vessel at the consideration of US\$100 million (equivalent to approximately RMB717.2 million at 30 June 2025) (the "Disposal"). Of the total consideration, US\$75 million will be received in cash and the remaining US\$25 million will be settled by a promissory note to be issued by the Purchaser in favour of the Group which shall include a conversion option that entitles the Group, at the Group's sole discretion, to convert all of the outstanding principal amount into equity of the Purchaser. The Disposal constitutes a very substantial disposal for the Company pursuant to the Listing Rules and completion of the Disposal is conditional on the parties having obtained their respective requisite shareholders' approval in respect of the MOA and the Disposal in accordance with the Listing Rules. Up to the date of approval of the interim condensed consolidated financial statements, the Disposal is yet to be completed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

10 ORDINARY SHARES

	Issued and fully paid up (Unaudited)		
	Number of ordinary shares	Nominal value of ordinary shares (In HKD)	Equivalent nominal value of ordinary shares (In RMB)
As at 1 January 2024 and 30 June 2024, at par value of HKD0.1 each	1,696,438,600	169,643,860	141,975,506
As at 1 January 2025 and 30 June 2025, at par value of HKD0.1 each	<u>1,696,438,600</u>	<u>169,643,860</u>	<u>141,975,506</u>

11 OTHER RESERVES

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Statutory reserve	140,023	140,023
Merger reserve	(496)	(496)
Share premium	1,175,144	1,175,144
FVOCI reserve	(2)	(2)
Capital redemption reserve	702	702
Capital reserve	<u>(53,245)</u>	<u>(53,245)</u>
	<u>1,262,126</u>	<u>1,262,126</u>

12 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

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 six months ended 30 June 2025 and 2024, there is no share awarded by the Company to any director or employee of the Group, and there is no unvested award at 30 June 2025 and 31 December 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13 OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Other government grants	7,450	7,806
Release of deferred government grant	645	743
	<u>8,095</u>	<u>8,549</u>

14 OTHER LOSSES – NET

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Impairment loss on property, plant and equipment	(6,948)	–
Impairment loss on write-down of non-current asset classified as held for sale	(329,287)	–
Gain/(loss) on disposal of property, plant and equipment – net	428	(6,094)
Net foreign exchange gains/(losses)	52,567	(28,737)
Others	(623)	1,537
	<u>(283,863)</u>	<u>(33,294)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

15 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Finance income:		
– Interest income derived from bank deposits	7,886	7,243
Finance costs:		
– Interest expense on 2024 Notes and bank and other borrowings	(117,926)	(130,877)
– Net foreign exchange gain/(loss)	9,440	(4,655)
– Interest expense on lease liabilities	(412)	(742)
	<u>(108,898)</u>	<u>(136,274)</u>
Finance costs – net	<u>(101,012)</u>	<u>(129,031)</u>

16 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before taxation is arrived at after charging:

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Amortisation of intangible assets	4,058	1,282
Amortisation of contract costs	29,807	8,754
Depreciation of property, plant and equipment	149,698	124,581
Depreciation of right-of-use assets	5,692	1,856
Impairment losses recognised on		
– trade and other receivables and contract assets, net	11,623	22,130
– property, plant and equipment (Note 14)	6,948	–
Impairment loss on write-down of non-current asset classified as held for sale (Note 14)	<u>329,287</u>	<u>–</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Current income tax	30,377	67,567
Deferred income tax	11,054	(14,044)
Income tax expense	<u>41,431</u>	<u>53,523</u>

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 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 six months ended 30 June 2025 and 2024.

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.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect 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 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 30 June 2025, Hilong Energy is in the process of renewal of the qualification.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is computed by dividing the net (loss)/profit for the period attributable to ordinary equity owners by the weighted-average number of ordinary shares outstanding during the period.

	(Unaudited) Six months ended 30 June	
	2025	2024
(Loss)/profit attributable to equity owners of the Company (RMB'000)	(324,236)	46,002
Weighted average number of ordinary shares in issue (thousands of shares)	<u>1,696,439</u>	<u>1,696,439</u>
Basic (loss)/earnings per share (RMB per share)	<u>(0.1911)</u>	<u>0.0271</u>

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share for the six months ended 30 June 2025 is presented as there was no potential ordinary share in issue for the period.

For the six months ended 30 June 2024, the Company has one category of dilutive potential ordinary shares: share options.

The computation of diluted earnings per share did 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 the six months ended 30 June 2024.

19 DIVIDENDS

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2025 (six months ended 30 June 2024: Nil). The Directors have determined that no dividend will be proposed for the year ended 31 December 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

20 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 2024: 42.17%) equity interest in the Company as at 30 June 2025. 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 six months ended 30 June 2025 and 2024, and balances arising from related party transactions as at 30 June 2025 and 31 December 2024.

(a) Name and relationship with related parties

Controlling Shareholder

Mr. Zhang Jun

Close family member 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

Jointly-controlled by the Controlling Shareholder

Shanghai Longshi Investment Management Co., Ltd.

Associates of Hilong Pipeline Engineering

Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.

Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.

Other than the above parties, the board of directors of the Company are also related parties of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties

Save as disclosed elsewhere in the interim condensed consolidated financial statements, during the six months ended 30 June 2025 and 2024, the Group had the following significant transactions with related parties:

	(Unaudited)	
	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Sales of goods or services:		
Shanghai Hilong Shine New Material Co., Ltd.	–	39
Hilong Pipeline Engineering and its subsidiaries	<u>8,454</u>	<u>73,719</u>
	<u>8,454</u>	<u>73,758</u>
Purchase of goods or services:		
Hilong Pipeline Engineering and its subsidiaries	<u>117,831</u>	<u>111,102</u>
Short-term rental expenses:		
Beijing Huashi Hailong Oil Investments Co., Ltd.	5,755	5,575
Hilong Pipeline Engineering and its subsidiaries	4,977	4,445
Shanghai Longshi Investment Management Co., Ltd.	<u>459</u>	<u>–</u>
Interest expenses on lease liabilities:		
Shanghai Longshi Investment Management Co., Ltd.	<u>122</u>	<u>203</u>
Rental income and utility fee income:		
Shanghai Hilong Shine New Material Co., Ltd.	3,435	3,302
Hilong Pipeline Engineering and its subsidiaries	<u>3,527</u>	<u>3,409</u>

Other than above, the Group has the following related party transactions:

- (i) During the six months ended 30 June 2025 and 2024, certain banking facilities of the Group were guaranteed by Mr. Zhang Jun and Huashi Hilong Oil.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Trade receivables due from:		
Shanghai Hilong Shine New Material Co., Ltd.	3,225	6,203
Hilong Pipeline Engineering and its subsidiaries	<u>23,278</u>	<u>20,649</u>
	26,503	26,852
Less: provision for loss allowance of receivables	<u>(2,739)</u>	<u>(2,739)</u>
	<u>23,764</u>	<u>24,113</u>
Other receivables due from:		
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.	46,204	46,204
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	19,658
Shanghai Hilong Shine New Material Co., Ltd.	–	4,264
Hilong Pipeline Engineering and its subsidiaries	107,110	117,943
Shanghai Hilong Shine New Materials Research Institute	<u>–</u>	<u>1,659</u>
	215,578	232,334
Less: provision for loss allowance of receivables	<u>(37,868)</u>	<u>(37,868)</u>
	<u>177,710</u>	<u>194,466</u>
Lease liabilities due to:		
Shanghai Longshi Investment Management Co., Ltd.	<u>3,962</u>	<u>5,721</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
Trade payables due to:		
Hilong Pipeline Engineering and its subsidiaries	134,611	192,844
Beijing Huashi Hailong Oil Investments Co., Ltd	1,502	1,502
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd	–	18
Shanghai Hilong Shine New Material Co., Ltd	16	19
Shanghai Longshi Investment Management Co., Ltd	4,324	7,300
	<u>140,453</u>	<u>201,683</u>
Other payables due to:		
Shanghai Longshi Investment Management Co., Ltd	10,999	11,282
Beijing Huashi Hailong Oil Investments Co., Ltd	4,529	3,677
Mr. Zhang Jun	938	938
Hilong Pipeline Engineering and its subsidiaries	84,564	86,958
	<u>101,030</u>	<u>102,855</u>

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.

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.

(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:

	(Unaudited) Six months end 30 June	
	2025 RMB'000	2024 RMB'000
Salaries and fees	3,312	3,836
Discretionary bonus	–	–
Pension costs – defined contribution plans and social security costs	359	485
	<u>3,671</u>	<u>4,321</u>

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

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

- Dr. Fan Ren Da Anthony, a non-executive Director, ceased to act as an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205) on 18 March 2025, Technovator International Limited (Stock Code: 1206) on 17 June 2025 and Neo-Neon Holdings Limited (Stock Code: 1868) on 20 June 2025, companies listed on The Stock Exchange of Hong Kong Limited.
- Mr. Wong Man Chung Francis, an independent non-executive Director, ceased to act as an independent non-executive director of Qeeka Home (Cayman) Inc. (Stock Code: 1739), a company listed on The Stock Exchange of Hong Kong Limited, on 4 June 2025.

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

DISCLOSURE OF INTERESTS

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

As of 30 June 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 positions in the shares of the Company

Name of Directors/ Chief Executive	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the Company
Directors			
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	48.868%
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%
Dr. Yang Qingli	Interest of spouse	77,000 ⁽⁴⁾	0.005%
Chief Executive			
Mr. Gao Zhihai	Beneficial owner	1,395,000	0.082%

OTHER INFORMATION

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 positions in the shares of associated corporation of the Company

Name of Director	Capacity	Name of associated corporation	Number of shares interested	Percentage of the issued share capital of the associated corporation
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust	Hilong Group Limited	100	100%

B. Substantial shareholders' interests or short positions in the securities of the Company

As at 30 June 2025, the interests or short positions of the substantial shareholders (other than the interests disclosed above in respect of certain Directors who are also substantial shareholders of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders as required to be kept by the Company under Section 336 of the SFO or as the Company is aware were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares/underlying shares interested	Approximate percentage of the issued share capital of the Company
Hilong Group Limited	Beneficial owner	715,461,000 ⁽¹⁾	42.17%
SCTS Capital Pte Ltd.	Nominee	827,761,800 ⁽¹⁾⁽²⁾	48.79%
Standard Chartered Trust (Singapore) Limited	Trustee	827,761,800 ⁽¹⁾⁽²⁾	48.79%
Ms. Gao Xia	Interest of spouse	829,021,800 ⁽³⁾	48.87%



OTHER INFORMATION

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.

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 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 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 Awarded Shares are sold ("**Actual Selling Price**"), 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 interim report, the remaining life of the 2023 Award scheme is approximately 8 years. 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).

OTHER INFORMATION

(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 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.

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 six months ended 30 June 2025, the Company did not instruct the Trustee to purchase existing Shares and no Awards were granted under the 2023 Award Scheme.

The number of Awards available for grant under the 2023 Award Scheme is 169,643,860 Shares as at 1 January 2025 and 30 June 2025.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules during the Interim Period, save for deviation from code provision C.2.1 of the CG Code. 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. However, Mr. ZHANG Jun (“Mr. Zhang”) currently performs these two roles. Mr. GAO Zhihai was appointed as the co-chief executive officer of the Company to assist Mr. Zhang in the overall business operations and strategy formulation of the Company. 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. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

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 Interim Period.

REVIEW OF INTERIM REPORT

The audit committee of the Company, consisting of Mr. WONG Man Chung Francis, Mr. WANG Tao and Ms. ZHANG Shuman, has reviewed the interim results and the interim report for the Interim Period before the results and the report were submitted to the Board for approval.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Interim Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including sale of treasury shares (as defined under the Listing Rules)) of the Company.

As of 30 June 2025, there were no treasury shares (as defined under the Listing Rules) held by the Company.

DIVIDENDS

The Board resolved not to declare any interim dividend for the Interim Period.

APPRECIATION

The Board wishes to express its sincerest gratitude to the shareholders and business partners of the Company for their continued support, and to the Group’s employees for their dedication and hard work.

For and on behalf of the Board

Hilong Holding Limited

ZHANG Jun

Chairman

Hong Kong, 29 August 2025