海 隆 控 股 有 限 公 司*

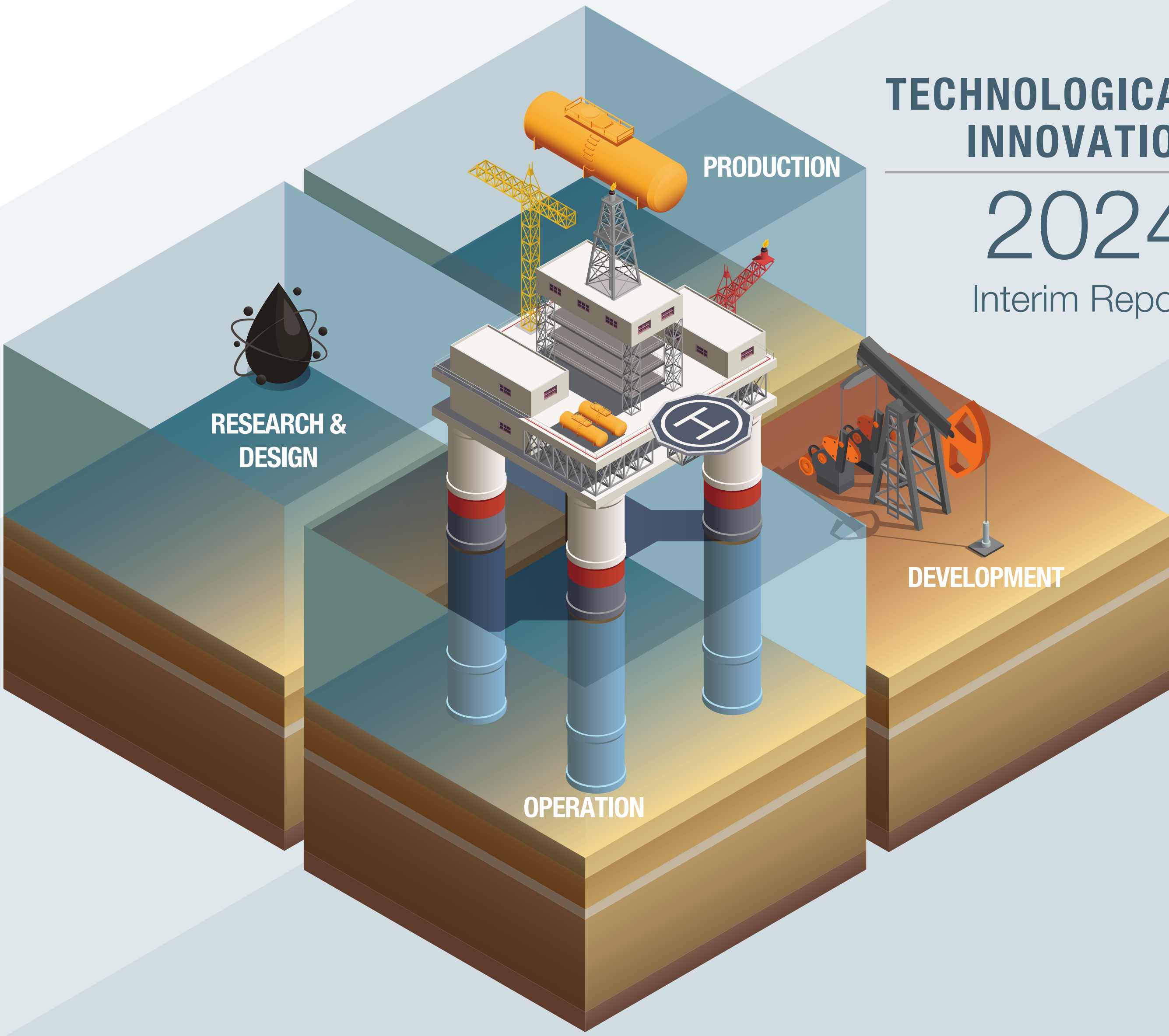
Hilong Holding Limited

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

TECHNOLOGICAL INNOVATION

2024

Interim Report



* For identification purpose only

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This Interim report is printed on environmental paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jun (張軍)
(Chairman, Executive Chairman and Chief Executive Officer (appointed as Chief Executive Officer on 15 October 2024))
Mr. Wang Tao (汪濤)
(Chief Executive Officer)
(resigned on 15 October 2024)

Non-executive Directors

Ms. Zhang Shuman (張姝嫚)
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 Zheyan (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 (張姝嫚)

REMUNERATION COMMITTEE

Mr. Wang Tao (王濤)
(Chairman of Remuneration Committee)
Mr. Wong Man Chung Francis (黃文宗)
Mr. Shi Zheyan (施哲彥)

NOMINATION COMMITTEE

Mr. Wang Tao (王濤)
(Chairman of Nomination Committee)
Mr. Wang Tao (汪濤)
(resigned on 15 October 2024)
Dr. Yang Qingli (楊慶理)
(appointed on 15 October 2024)
Mr. Shi Zheyan (施哲彥)

COMPANY SECRETARY

Ms. Sham Ying Man (岑影文)

AUDITOR

Crowe (HK) CPA Limited

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Cricket Square, Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

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Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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			
	2024		2023 (Restated)	
	RMB'000	%	RMB'000	%
Oilfield equipment manufacturing and services				
– Drill pipes	**1,070,369**	**43.4**	967,500	52.4
– Oil country tubular goods ("**OCTG**") coating services	**–**	**–**	67,960	3.6
– Drill pipe components	**8,052**	**0.3**	10,465	0.6
– Hardbanding	**–**	**–**	5,033	0.3
– Others	**54,043**	**2.2**	58,473	3.2
Subtotal	**1,132,464**	**45.9**	1,109,431	60.1
Oilfield services	**923,497**	**37.5**	588,661	31.9
Offshore engineering services	**409,680**	**16.6**	148,644	8.0
Total revenue	**2,465,641**	**100.0**	1,846,736	100.0

Revenue increased by RMB618.9 million, or 33.5%, from RMB1,846.7 million for the six months ended 30 June 2023 to RMB2,465.6 million for the six months ended 30 June 2024 (the "**Interim Period**"). Such increase was mainly due to the increase in revenue from the oilfield services and the offshore engineering service segment.

Oilfield equipment manufacturing and services. Revenue from the oilfield equipment manufacturing and services segment increased by RMB23.1 million, or 2.1%, from RMB1,109.4 million for the six months ended 30 June 2023 to RMB1,132.5 million for the Interim Period. Such increase primarily reflected the increase 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	
	2024	2023 (Restated)
Sales of drill pipes		
– International market		
– volume *(tonnes)*	**34,057**	33,526
– unit price *(RMB/tonne)*	**27,518**	24,936
Subtotal *(RMB'000)*	**937,172**	836,011
– The PRC market		
– volume *(tonnes)*	**7,241**	7,678
– unit price *(RMB/tonne)*	**18,396**	17,126
Subtotal *(RMB'000)*	**133,197**	131,489
Total *(RMB'000)*	**1,070,369**	967,500

Revenue from sales of drill pipes in the international market increased by RMB101.2 million, or 12.1%, from RMB836.0 million for the six months ended 30 June 2023 to RMB937.2 million for the Interim Period. The increase primarily reflected an increase of 1.6% in the volume of drill pipes sold from 33,526 tonnes for the six months ended 30 June 2023 to 34,057 tonnes for the Interim Period. Such increase in the sales volume primarily reflected the large demands from the Middle East and Russian markets and the Company's strategy to put more effort into long-term cooperation with prestigious customers in the international market.

Revenue from sales of drill pipes in the PRC market increased by RMB1.7 million, or 1.3%, from RMB131.5 million for the six months ended 30 June 2023 to RMB133.2 million for the Interim Period. The increase primarily reflected a 7.4% increase in the price of drill pipes sold in the PRC market.

Oilfield services. Revenue from the oilfield services segment increased by RMB334.8 million, or 56.9%, from RMB588.7 million for the six months ended 30 June 2023 to RMB923.5 million for the Interim Period. Such increase was mainly reflected in the increase in revenue from trade services and the recovery of the utilization rate of drilling rigs for the Interim Period as compared to 2023.

Offshore engineering services. Revenue from the offshore engineering service segment for the Interim Period mainly represented the revenue derived from the submerged pipeline laying project, the offshore wind power construction and the installation and construction of new platforms.

Cost of Sales/Services

Cost of sales and provision of services increased by RMB476.4 million, or 33.8%, from RMB1,410.9 million for the six months ended 30 June 2023 to RMB1,887.3 million for the Interim Period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB142.5 million, or 32.7%, from RMB435.8 million for the six months ended 30 June 2023 to RMB578.3 million for the Interim Period. Gross profit margin was 23.5% for the Interim Period, decreased by 0.1% from that for the six months ended 30 June 2023.

Selling and Marketing Expenses

Selling and marketing expenses increased by RMB21.4 million, or 51.3%, from RMB41.7 million for the six months ended 30 June 2023 to RMB63.1 million for the Interim Period. These expenses, amounting to 2.6% of revenue for the Interim Period, were higher than 2.3% for the six months ended 30 June 2023.

Administrative Expenses

Administrative expenses decreased by RMB6.6 million, or 2.8%, from RMB239.1 million for the six months ended 30 June 2023 to RMB232.5 million for the Interim Period. Such a decrease primarily reflected the decrease in staff costs and travelling expenses.

Other Gain – Net

The Group recognized a net loss of RMB33.3 million for the Interim Period and a net gain of RMB153.1 million for the six months ended 30 June 2023. The net loss recognized for the Interim Period reflected the exchange loss of RMB28.7 million from the operating activities as a combined result of the depreciation of the Nigerian Naira. The net gain recognized for the six months ended 30 June 2023 reflected the exchange gain of RMB144.1 million from the operating activities as a combined result of the appreciation of the United States Dollar ("**USD**").

Finance Costs – Net

Finance costs – net decreased by RMB84.4 million, or 39.6%, from RMB213.4 million for the six months ended 30 June 2023 to RMB129.0 million for the Interim Period. Such decrease primarily reflected the decrease in net foreign exchange loss of RMB93.5 million.

Profit before Income Tax

As a result of the foregoing, the Group recognized profit before income tax of RMB87.9 million for the six months ended 30 June 2023 and profit before income tax of RMB100.1 million for the Interim Period.

Income Tax Expense

The Group recognized income tax expense of RMB59.5 million for the six months ended 30 June 2023 and RMB53.5 million for the Interim Period. The effective tax rate was approximately 67.8% for the six months ended 30 June 2023 and 53.5% for the Interim Period, the decrease of the effective tax rate mainly reflected the inbalance of the subsidiaries' profit.

Profit for the Period Attributable to Equity Owners of the Company from Continuing Operations

As a result of the foregoing, the Group recognized profit for the period attributable to equity owners of the Company from continuing operations of RMB27.0 million for the six months ended 30 June 2023 and RMB46.0 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 2024 RMB'000	As at 31 December 2023 RMB'000
Inventory	**1,161,561**	1,076,014
Turnover days of inventory (in days)[1]	**108**	128

[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 2023. 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 2023 to 30 June 2024 reflected the increase of reserves for new orders in the overseas market.

Trade and Other Receivables

Trade and other receivables of RMB2,853.3 million (31 December 2023: RMB2,397.4 million) included trade receivables of RMB2,486.2 million (31 December 2023: RMB1,883.4 million).

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables, gross		
– Within 90 days	**1,508,466**	1,422,475
– Over 90 days and within 180 days	**414,086**	203,426
– Over 180 days and within 360 days	**289,198**	72,602
– Over 360 days and within 720 days	**150,327**	106,670
– Over 720 days	**124,087**	78,199
	2,486,164	1,883,372
Turnover days of trade receivables[1]	**161**	146

[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 2023. 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.

The increase in turnover days of trade receivables from 146 days as at 31 December 2023 to 161 days as at 30 June 2024 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 RMB1,636.3 million (31 December 2023: RMB1,395.3 million) included trade payables of RMB1,329.6 million (31 December 2023: RMB991.6 million).

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade payables		
– Within 90 days	**1,003,327**	798,906
– Over 90 days and within 180 days	**219,966**	109,989
– Over 180 days and within 360 days	**70,864**	47,701
– Over 360 days and within 720 days	**21,032**	12,715
– Over 720 days	**14,391**	22,303
	1,329,580	991,614
Turnover days of trade payables[1]	**112**	88

(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 2023. 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 2024, the Group had total cash and cash equivalents amounting to RMB610.1 million (31 December 2023: RMB840.4 million). The Group's net borrowings as at 30 June 2024 was RMB2,283.8 million (31 December 2023: RMB2,023.5 million), being total borrowings of RMB2,893.9 million (31 December 2023: RMB2,863.9 million) less cash and cash equivalents of RMB610.1 million (31 December 2023: RMB840.4 million). After taking into account the restricted cash of RMB92.1 million (31 December 2023: RMB93.0 million), the Group's net borrowings as at 30 June 2024 was RMB2,191.7 million (31 December 2023: RMB1,930.5 million), being total borrowings less cash and cash equivalents and restricted cash.

As at 30 June 2024, cash and cash equivalent were mainly denominated in RMB, USD and RUB. The current ratio of the Group as at 30 June 2024 was 116.1% (31 December 2023: 117%), calculated on the basis of current assets of RMB5,235.6 million (31 December 2023: RMB5,140.6 million) over current liabilities of RMB4,508.0 million (31 December 2023: RMB4,394.9 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 2024, the Company did not have any short-term investment at FVPL (balance as at 31 December 2023: Nil).

INDEBTEDNESS

As at 30 June 2024, the outstanding indebtedness of RMB2,893.9 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 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current		
Bank borrowings	171,879	125,504
Less: Current portion of non-current borrowings – secured	–	(6,068)
	171,879	119,436
Current		
Bank borrowings	456,158	485,648
Other borrowings	17,572	18,427
2024 Notes	2,248,245	2,234,333
Current portion of non-current borrowings – secured	–	6,068
	2,721,975	2,744,476
	2,893,854	2,863,912

As at 30 June 2024, bank borrowings of RMB2,699.7 million were obtained at a fixed rate (31 December 2023: RMB2,744.5 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 2024, USD33,545,000 were drawn down, out of which USD29,520,000 had been repaid in past years and the six months ended 30 June 2024. The remaining principal balance will be fully repayable from 2024 to 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.

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 2024 and 31 December 2023 are as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Total borrowings	2,893,854	2,863,912
Add: Lease Liabilities	27,629	29,801
Less: Cash and cash equivalents	(610,085)	(840,384)
Restricted cash	(92,112)	(93,010)
Net debt	2,219,286	1,960,319
Total equity	3,328,587	3,329,005
Total capital	5,547,873	5,289,324
Gearing ratio	40.00%	37.06%

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2024, 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 June 30, 2024) during the six months ended June 30, 2024.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no contingent liabilities (31 December 2023: Nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group has pledged 17 drilling rigs as collateral in connection with the 2024 Notes. 3 drilling rigs are in operation in Nigeria, 5 drilling rigs are in operation in Ecuador, 2 drilling rigs are in operation in Ukraine, 1 drilling rig is in operation in Ethiopia and 6 drilling rigs are in operation in Pakistan.

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 12.0% appreciation of RMB against the USD from 21 July 2005 to 30 June 2024. There remains significant pressure on the PRC government to adopt a more flexible currency policy, which could result in a more fluctuated exchange rate of the RMB against 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 34.2% and 41.2% of the total revenue of the Company for the six months ended 30 June 2023 and the Interim Period, respectively.

STAFF AND REMUNERATION POLICY

As at 30 June 2024, the total number of full-time employees employed by the Group was 2,355 (31 December 2023: 2,370). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 30 June 2024:

On-site workers	**1,499**
Administrative	**283**
Engineering and technical support	**400**
Research and development	**94**
Sales, marketing and after-sales services	**56**
Company management	**23**
	2,355

Employee costs excluding the Directors' remuneration totaled RMB273.4 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.

The Company adopted a post-IPO share option scheme on 10 May 2013. On 5 February 2014, the Company granted share options to certain employees to subscribe for an aggregate of 19,980,000 ordinary shares of the Company at an exercise price of HK$5.93 per share. During the exercise period of these share options up to 4 February 2024, none of the share options granted has been exercised and the unexercised share options were then forfeited. The post-IPO share option scheme expired on 9 May 2023.

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 2024. 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 2024, the international crude oil price remained at a medium and high position as a whole. On 22 August 2024, the price of Brent crude oil was USD77.22 per barrel, and that of West Texas Intermediate ("**WTI**") crude oil was USD73.01 per barrel, representing an increase of 1.75% and 3.74% respectively as compared with that of the beginning of the year. From the supply side perspective, International Energy Agency ("**IEA**"), Energy Information Administration ("**EIA**") and Organization of the Petroleum Exporting Countries ("**OPEC**"), the three major institutions, have forecast an increasing crude oil supply in 2025 as compared with that in 2024. IEA expected that, by 2025, the United States and non-Organization for Economic Co-operation and Development ("**non-OECD**") countries will provide more crude oil supply increments. We believe that, the oil price will continue to remain at a medium to high level in the medium to long term and at the same time the demand for oilfield equipment and services will also be increasing. At the policy level, high-level summits such as the China-Arab Summit and China-Central Asia Summit have also brought great opportunities to oil industry enterprises in China. In the first half of 2024, Hilong actively expanded both the international and domestic markets and focused on developing into an asset-light, digital and high-tech intelligent enterprise. The policy of digital and intelligent enterprise management has been implemented and has achieved encouraging initial results. The knowledge and application of digitalization and intelligent technologies by all levels of the Group have risen to a new height. During the Interim Period, Hilong recorded a total revenue of RMB2,465.6 million, representing an increase of 33.5% compared with the first half of 2023.

In the first half of 2024, despite a more challenging global market compared to last year, the Group overcame difficulties and was determined to strive for high-end customers and high-end orders in the international and domestic markets, and resolutely transformed by adopting scientific and technological innovations and digital intelligent management practices. The Group has achieved solid results in key countries and regions such as the United States, Canada and the Middle East, and innovatively explored new business growth points. The Group also strengthened its cash flow management by implementing active financial measures, such as managing accounts receivable and inventory, to enhance the overall operating efficiency, securing a relatively stable cash flow in the first half of 2024.

Oilfield Equipment Manufacturing and Services

During the Interim Period, the revenue from the oilfield equipment manufacturing and services segment was RMB1,132.5 million, representing an increase of 2.1% compared with the first half of 2023. We believe that, the growing global demand for oilfield equipment, especially from high-end customers for high-end equipment, remain strong and will bring greater opportunities to us in the coming years. In the first half of 2024, Hilong focused on digitalization and intelligence, continuously improving the automation of its production equipment to expand its equipment production capacity. Its product performance and the quality of services have reached or surpassed the level of its international competitors. In the first half of 2024, the oilfield equipment manufacturing and services segment contributed the most to the Group's revenue and achieved business breakthroughs in markets such as the United States, Canada and the Middle East. While exploring development in high-end markets, such as North America and the Middle East, and high-end customers, Hilong adhered to scientific and technological innovation and digital and intelligent transformation, so as to build an internationally leading scientific research talent team in the field of oilfield equipment.

In the first half of 2024, Hilong signed a series of contracts with over ten internationally renowned high-end customers in respect of the supply of drilling tools and bottomhole assembly, continuously enhancing the Group's leading position in the international oilfield equipment market. Apart from drilling tool orders, Hilong's high-tech special buckle HLNST has successfully entered the North American market, and can better provide high-tech products and services to high-end customers in North America. In the Middle East market, we have also achieved good sales performance, and in the future, the Middle East market together with the North American market will contribute more revenue to Hilong. In respect of customers in Europe, our equipment such as drill pipes and heavy-weight drill pipes also achieved a significant breakthrough compared with the first half of last year. Our business partners in the domestic market also highly recognise our products including high-strength sour service, high-strength and high-torque drill pipe as well as HLNST drilling tools with special buckles. Hilong has been committed to continuously expanding new markets and improving its capability to serve high-end customers. The related drilling tool enterprises under the Group were recognized as National Specialized and New Small Giant (國家專精特新小巨人). Shanghai Hilong Drill Pipe Co., Ltd. (上海海隆石油鑽具有限責任公司) under the Group won another national award, and was recognized as the eighth batch of "National Manufacturing Individual Champion Enterprise" (國家製造業單項冠軍企業) by the Ministry of Industry and Information Technology. The project of "Development and Application of High-strength Sour Service Drill Pipe for Ultra-deep and Complex Wells with High Sulfur Content" (高含硫超深複雜井用高鋼級抗硫鑽杆開發與應用) of Hilong won the gold award of the 35th Shanghai Excellent Invention Competition. These achievements reflect Hilong's development approach of attaching importance to the combination of high technology and production and aiming at scientific and technological innovation.

Oilfield Services

In the first half of 2024, the oilfield services segment recorded a total revenue of RMB923.5 million, representing a growth of 56.9% compared to the first half of 2023. Capital expenditure of upstream enterprises in the industry continued to increase, bringing better prospects to the oilfield services industry. Moreover, the oilfield services trading business has also shown strong development. Hilong's oilfield services remain committed to fostering innovative business practices and management. With a primary focus on turnkey drilling business and aiming for scientific and digital operations, it integrated drilling and workover services, technical services and oilfield trading services to create a "One Body and Two Wings" business development model, where focus was centered on the drilling and workover business, with technical service and trade business complementing our development. In the first half of 2024, Hilong's oilfield services maintained a leading utilization rate for drilling and workover rigs, and idle drilling rigs on standby successfully secured new orders. We also entered into, renewed, or extended a number of contracts for drilling rigs in operation, ensuring sufficient workload in general. Hilong's oilfield services vigorously expanded turnkey drilling projects with the goal of continuously improving its high-tech integrated turnkey business. For instance, after safely completing the drilling turnkey contracts for three wells in Iraq, our HL22 fleet secured a new two-year contract with high-end customers, which is renewable in the future. This indicated that Hilong's turnkey business capability has been highly recognized by customers. In the first half of 2024, Hilong's oilfield services successfully signed a number of drilling contracts in regions including the Middle East, Southeast Asia and Africa. The overall relocation speed of the drilling fleet was satisfactory, and the indicators such as non-production time ("**NPT**") rate and zero-day rate of the drilling fleet have significantly decreased in recent years, which indicated that our organizational and management capabilities have greatly improved in recent years. Apart from conventional well drilling and workover services, the Company also actively participated in the bids for other technical service projects and expanded its revenue from oilfield trading, achieving good performance in the tubing and casing business. The Company continued to make improvements in fields of environmental protection technology and services, such as drilling and workover mud (oil-based mud alternative solutions, high-performance water-based mud) and rock fragments processing and well site recovery, electric coiled tubing business, production enhancement technology based on nanofluids flooding, refined managed pressure drilling ("**MPD**") technology, rotary steering system ("**RSS**"), directional and horizontal well drilling and other comprehensive technical services. In the first half of 2024, Hilong's oilfield services conducted research on a number of group-level scientific and technological projects, and gained recognition from customers for a number of scientific and innovative products. Hilong's oilfield services remain committed to transforming towards a "light assets and technology-driven" direction, continually enhancing its integrated turnkey business capabilities.

Offshore Engineering Services

In the first half of 2024, the offshore engineering services segment recorded a total revenue of RMB409.7 million, representing a 175.6% increase from the first half of 2023. Hilong's offshore engineering segment ("**Hilong Offshore Engineering**") has completed the transformation from a single business to an international engineering general contracting business with Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) integrated turnkey capacity. It has a strong ability to obtain new projects in key markets, effectively supporting the two business lines of sales and project execution with a full workload, and is a segment with potential for the future development of the Group. During the Interim Period, in Thailand, Hilong Offshore Engineering has cooperated with Mermaid Subsea Services (Thailand) Ltd, an internationally renowned subsea and offshore services company, and entered into a subsea pipeline laying contract with an internationally recognized company to provide engineering construction services, including subsea pipeline laying, expansion loops installation, riser and underwater installation of a pipeline end termination system, platform installation and demolition of old platform, with a contract value of approximately US$76.2 million. Since last year, Hilong Offshore Engineering successfully completed important projects, such as an offshore installation project for an internationally recognized company, the CGN offshore wind power installation turnkey project in China and the CNOOC long-term agreement. A number of projects have also been completed and delivered in Southeast Asia. At the same time, Hilong Offshore Engineering has also been promoting ongoing projects in the Middle East and China. In addition, a number of projects in Southeast Asia and Africa are also in the process of project bidding and contracts are pending to be signed. Hilong attaches great importance to technological research and development, and has successfully applied for the qualification as a national innovative small and medium-sized enterprise and technology-based small and medium-sized enterprise, and is preparing to apply for qualification as a national high-tech enterprise and as a national enterprise technology center. Nine projects including offshore engineering design and digitalization of offshore engineering have been officially confirmed and progressed. These scientific research projects have aided the Group's digital transformation efforts. On the foundation of previous scientific research projects, Hilong successfully undertook projects related to the reuse of oil jackets in Thailand, achieving breakthrough in the design of such projects by international oil companies.

Technology Research and Development

Benefiting from its commitment to technology research and development and technological innovation, Hilong has always maintained a leading position in the industry. Since 2024, in terms of drilling tool products, the Company strengthened continual research on and promoted the application of high-strength sour service, and high-strength and high-torque drill pipe technology. Hilong's latest HLNST special buckle products have been recognized by the high-end market, securing orders for HLNST drill pipes with special buckles from the North American market. Hilong has also developed HL135MS/HL130S higher-strength sour service drill pipes on the basis of previous high-strength sour service drill pipe projects, and promoted HL135MS high-strength sour service drill pipes in both domestic and overseas markets. We have signed a large order in US dollars in respect of core products such as HL125S high-strength sour service drill pipes. The production process of large-scale thick-walled super high-strength drill pipes under development has completed verification, and will be able to meet the needs of special wells such as ocean deep wells and extra-deep wells, and the market prospect is also excellent. We have completed in stages the software development of information management of deep well drill pipes and drilling tools with radio frequency identification tags, and have currently received orders for drill pipes with radio frequency identification tags from customers in the Middle East. The research and development of intelligent drill pipes and offshore riser related products is in progress. The production of drilling tools will combine the digitalized transformation of the Group with automation and intelligent upgrade of production equipment. Since last year, Hilong's HL125S high-strength sour service drill pipe for complex wells in sulfur-containing oil and gas fields has been selected into the Shanghai Innovative Product Recommendation Catalog (上海市創新產品推薦目錄). Projects including 125S sour service drill pipe obtained the Hi-Tech Achievement Transformation Recognition. Hilong's project of "Development and Application of High-strength Sour Service Drill Pipe for Ultra-deep and Complex Wells with High Sulfur Content" (高含硫超深複雜井用高鋼級抗硫鑽杆開發與應用) won the gold award of the 35th Shanghai Excellent Invention Competition. Shanghai Hilong Drill Pipe Co., Ltd. under the Group won another national award, and was recognized as the eighth batch of "National Manufacturing Individual Champion Enterprise" (國家製造業單項冠軍企業) by the Ministry of Industry and Information Technology. We are applying for recognition as a National Specialized and New Small Giant (國家專精特新小巨人) in respect of the development and information management of high-strength sour service drill pipe for deep and ultra-deep sulfur-containing oil and gas wells. The Group also completed the automation transformation of the drill pipe production line, and continuously improved the production and service capacity of drilling tools with scientific and technological strengths. In terms of oilfield services, we set up an oilfield technology company, and will apply for qualification as a national high-tech enterprise next year. We established a turnkey drilling technical team, covering engineering technology design, directional well, mud, cementing and well completion and coiled tubing drilling. We continued to enhance our turnkey technical service capability 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 MPD, the finalization and promotion of MPD technology as well as the upgrade of RSS technology and nanofluids flooding production enhancement technology as well as information and digital transformation. In terms of offshore engineering, we will give full play to the synergistic innovation capability of the four centers namely Engineering Technology Center, Engineering Construction Center, Intelligent Control Technology Center and Offshore Installation Center (collectively, "**Four Centers**"), strengthen a number of research projects in relation to offshore engineering digitalization technology, such as visualization study of offshore installation of wind power project and digital commissioning system study, continuing to promote the operation and management of offshore projects with information-based and systematic management, and making constant efforts to innovate. Several companies under the Hilong Group were newly granted the qualification of "Highly Specialized and Innovative" (專精特新) enterprise at the state level as well as the Shanghai municipal level. In the future, Hilong will continue to demonstrate the scientific and technological innovation capabilities as the world's leading oilfield equipment and service provider in the fields of oilfield equipment, oilfield services and offshore engineering.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Currently, the global demand for crude oil is still growing. IEA expects that, the global demand for aviation fuel, gasoline and diesel will increase by 171,000, 11,000 and 169,000 barrels per day respectively in 2025 as compared with 2024, with a more obvious recovery in the demand for chemical oil. At the same time, the world is facing the problem of tight crude oil supply, and the relationship between supply and demand will be supportive of a medium to high level of oil prices in the future. Looking ahead, the global investment in offshore oil and gas exploration and development will account for more than 30% of the total investment in global oil and gas development. Offshore engineering and related integrated services will play an increasingly important role in the oil industry.

Hilong will continue to maintain its leading position in the industry. In key countries and regions such as the United States, Canada and the Middle East, Hilong will adhere to the high-tech innovation development policy targeting high-end customers and high-end orders and avoid low-price competition, so as to strive for greater breakthroughs in new markets and new businesses. Hilong will increase the promotion of high-value-added products to high-end customers, at the same time guarantee the service quality of special high-end products, and endeavor to continue to increase our share of the international market and brand service image. In addition to the key markets in North America, we are more optimistic about the long-term business development in the Middle East. In the future, Hilong will expand its long-term partners in the Middle East, Central Asia, South America and Africa, which will bring us great opportunities in those markets. Especially in terms of the onshore resources and offshore oil and gas in the Middle East, Central Asia and Southeast Asia, the future project prospects are promising. The holding of the China-Arab States Summit and the China-Central Asia Summit enables us to better establish a solid cooperative relationship with local high-end partners. In respect of the domestic market, China is entering the seventh year in implementing the seven-year action plan for the oil and gas industry which spans from 2019 to 2025. As mentioned in the Plan for Accelerated Development of Domestic Exploration and Production for 2019–2025, the CNPC will make further investments in risk exploration, amounting to RMB5 billion each year from 2019 to 2025, and the amount of exploration work and proven reserves shall double by 2025. We believe that there will be a growing trend in the domestic and overseas oil and gas industry markets.

In terms of the international drill pipe market, the Company will continue to promote and develop high value-added products of drilling tools which meet the differentiated needs of high-end customers, actively introduce high-tech talents to maintain our leading position in technology and further promote the digital and intelligent transformation of equipment and drilling tools and technological research and development in innovative equipment. The Company will strive to sell more high-end equipment products in North America and further strive for high value-added orders in South America. In the Middle East, we will establish long-term and stable cooperative relations with more local business partners as strengthening local investment and construction would be beneficial to the long-term income of Hilong, and we expect that there will be a huge development potential in the Middle East market. Market expansion in Europe and Southeast Asia is also very important, and we will continue to develop new markets and new customers to maintain our revenue growth. For the domestic drill pipe market, while serving its existing customers well, Hilong will vigorously develop differentiated markets and strive to develop more high-end customers for long-term cooperation. Hilong will focus on improving the quality of its products and services and provide customers with high-end drilling tools that meet their differentiated needs. In terms of products, we will constantly enhance and promote the application of our innovative products and technologies, including our super high-strength, corrosion-resistant and fatigue-resistant drilling tools such as our HLNST with special buckles, HL130S and HL135MS high strength sour service drill pipes, large-scale thick-walled super high-strength drill pipe, high pressure-resistant special buckle for offshore riser, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes, drill pipes with radio frequency identification tags and intelligent drill pipes, digital and intelligent transformation of production lines, information technology of production management system, heat treatment technology of drill pipes, and thickening and identification inspection technology.

Regarding the oil services business, Hilong will adhere to scientific and technological innovation and light assets and strong technology, stabilize its existing drilling and workover business, maintain a high level of utilization rate of its drilling rigs, continue to adjust its business layout, establish a turnkey drilling technical team, give full play to its existing business platform, continue to carry out business such as trade and oilfield environmental protection, expand its scale to create benefits, and build the core competitiveness of Hilong's oil service. We will secure for signing of new contracts for new business and renewal of existing contracts in markets including Nigeria, Ecuador, Iraq, Oman, Brazil, Kuwait and Pakistan. We will actively develop various types of business, including drilling turnkey, oilfield environmental protection, nanofluids production enhancement, drilling tool repair, pipeline cleaning, directional well drilling services, mud services, oilfield management services and trading services, to provide more high-value-added and high-tech services on top of traditional drilling and workover services. We will further strengthen local investment and construction in the UAE, Libya and Central Asia to achieve more business progress and stable long-term income. The Company will make every effort to improve its technical ability and scientific research level to shorten the drilling and well completion cycle, so as to achieve a high profit level. On the basis of consolidating the existing business, the Company will actively expand the directional well and horizontal well technical services of the RSS, improve the maintenance base and cultivate relevant high-tech talents. At the same time, the Company will develop new business growth points from the MPD service and coiled tubing business by strengthening technical services and promoting its self-developed MPD related products and actively carrying out overseas MPD technical services. Taking nanotechnology as a breakthrough point, we will promote oilfield production increment business, form business scale, and explore new technologies and new techniques, such as gathering, transportation and cold production, cleaning oil tanks and other services. The Company will also actively explore sales of drilling and workover rig equipment and spare parts, and tubing and casing trading business to enhance synergies among various business segments, so as to achieve a digital and intelligent high-tech Hilong oilfield services.

Offshore engineering service is Hilong's most promising business segment. We will continue to transform from an installation business to a turnkey high-tech service-oriented business, and strive to select high-quality projects with high profit margin and controllable risks in the Middle East, Southeast Asia, Brazil and Africa. We will continue to rely on the digital transformation projects of the Group to establish an international, intelligent, efficient and high-tech professional project team. On the basis of strengthening the construction of functions of the Four Centers, the Company will further enhance its management ability of offshore projects and actively prepare for high-tech centers related to offshore engineering. We will make efforts in contracting and implementing projects such as offshore engineering research and development, digital and intelligence in the international market. We will develop scientific and technological offshore engineering and innovate offshore engineering, focusing on in-depth research on key directions such as pipeline laying, jacket installation and dismantling, and a digital management system for commissioning and completion. We will enhance offshore engineering technical services including installation of new platforms, modification of platforms, laying of submerged pipelines, laying of submerged cables, replacement of platform risers, land-associated gas recovery and land wellhead oil and gas processing. On the basis of installation and submerged pipeline laying business, we will expand the offshore oil and gas processing business, strengthen engineering project management and focus on new energy businesses such as offshore wind power. Through cooperation with colleges and universities, we will make greater efforts in introduction of high-tech talents, actively transform high-tech achievements, and declare national high-tech enterprises and innovative projects. We will devote ourselves to improving our turnkey project integrated service ability, providing light asset-input and high-yield offshore services, and at the same time constantly improving Hilong Offshore Engineering's leading position in the industry with the latest scientific research technology, so as to create more income for the Group in the coming few years.

OTHER SIGNIFICANT EVENTS

(1) Suspension of Trading on the Stock Exchange

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

(2) Resignation of Auditor

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

(3) Resumption Guidance

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

(a) conduct an appropriate independent investigation into the matters relating to the sale and procurement of pipe materials involving four Russian subsidiaries of the Group and a company established in Russia ("**Entity A**") from 1 October 2022 to 31 December 2023 (the "**Transactions**"), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;

(b) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

(c) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(d) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules;

(e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and

(f) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

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

(4) Progress of Fulfillment of the Resumption Guidance

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

On 2 March 2024, the Company has established an independent investigation committee (the "**Investigation Committee**"), which engaged Ernst & Young (China) Advisory Limited (the "**Independent Advisor**") to conduct an independent investigation into the Transactions and related business dealings of Entity A (the "**Investigation**"). The Independent Advisor issued the report of the Investigation dated 30 September 2024 (the "**Investigation Report**"). For details of the key findings of the Investigation and the opinions of the Investigation Committee and the Board, please refer to the announcement of the Company dated 16 October 2024.

(5) Appointment of New Auditor

The Company has appointed Crowe (HK) CPA Limited as the new auditor of the Company with effect from 8 July 2024 and will hold office until the conclusion of the next annual general meeting of the Company. For details of the appointment of Crowe (HK) CPA Limited as auditor, please refer to the announcement of the Company dated 8 July 2024.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

	Notes	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**2,337,580**	2,315,342
Right-of-use assets	*8*	**52,184**	54,040
Intangible assets	*8*	**135,871**	135,843
Deferred income tax assets		**161,294**	147,300
Contract costs		**125,219**	109,339
Prepayments		**65,465**	55,502
		2,877,613	2,817,366
Current assets			
Inventories		**1,161,561**	1,076,014
Contract assets		**852**	7,063
Financial assets at fair value through other comprehensive income		**32,589**	118,399
Trade and other receivables	*9(a)*	**2,853,277**	2,397,381
Prepayments		**409,787**	511,793
Current income tax recoverable		**75,319**	96,513
Restricted cash		**92,112**	93,010
Cash and cash equivalents		**610,085**	840,384
		5,235,582	5,140,557
Total assets		**8,113,195**	7,957,923
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital	*10*	**141,976**	141,976
Other reserves	*11*	**1,255,698**	1,301,787
Currency translation differences		**(406,755)**	(359,806)
Retained earnings		**2,343,673**	2,251,582
		3,334,592	3,335,539
Non-controlling interests		**(6,005)**	(6,534)
Total equity		**3,328,587**	3,329,005

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

	Notes	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*9(b)*	**171,879**	119,436
Contract liabilities		**31,644**	39,038
Lease liabilities		**21,017**	22,724
Deferred income tax liabilities		**36,096**	36,146
Deferred income		**15,976**	16,719
		276,612	234,063
Current liabilities			
Trade and other payables	*9(c)*	**1,636,266**	1,395,278
Contract liabilities		**83,116**	86,973
Current income tax liabilities		**60,021**	85,570
Borrowings	*9(b)*	**2,721,975**	2,744,476
Lease liabilities		**6,612**	7,077
Provision		**–**	75,475
Deferred income		**6**	6
		4,507,996	4,394,855
Total liabilities		**4,784,608**	4,628,918
Total equity and liabilities		**8,113,195**	7,957,923

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited) Six months ended 30 June	
	Notes	**2024 RMB'000**	2023 RMB'000 Restated
Continuing operations			
Revenue	*7(a)*	**2,465,641**	1,846,736
Cost of sales and provision of services		**(1,887,337)**	(1,410,928)
Gross profit		**578,304**	435,808
Selling and marketing expenses		**(63,118)**	(41,673)
Administrative expenses		**(232,527)**	(239,108)
Research and development expenses		**(6,674)**	(6,423)
Net provision for impairment losses on receivables and contract assets		**(22,130)**	(4,570)
Other income	*12*	**8,549**	4,190
Other (losses)/gains – net	*13*	**(33,294)**	153,064
Operating profit		**229,110**	301,288
Finance income	*14*	**7,243**	3,564
Finance costs	*14*	**(136,274)**	(216,995)
Finance costs – net		**(129,031)**	(213,431)
Profit before income tax		**100,079**	87,857
Income tax expense	*16*	**(53,523)**	(59,530)
Profit for the period from continuing operations		**46,556**	28,327
Discontinued operation			
Profit for the period from discontinued operation	*19*	**–**	110,382
Profit for the period		**46,556**	138,709

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000 Restated
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	**–**	25
Currency translation differences	**(46,974)**	(51,807)
Other comprehensive expenses for the period, net of tax	**(46,974)**	(51,782)
Total comprehensive (expenses)/income for the period	**(418)**	86,927
Profit for the period attributable to		
Equity owners of the Company	**46,002**	132,848
Non-controlling interests	**554**	5,861
	46,556	138,709
Profit for the period attributable to equity owners of the Company		
from continuing operations	**46,002**	27,040
from discontinued operation	**–**	105,808
	46,002	132,848
Total comprehensive (expenses)/income for the period attributable to		
Equity owners of the Company	**(947)**	81,594
Non-controlling interests	**529**	5,333
	(418)	86,927

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited) Six months ended 30 June	
	Notes	**2024 RMB'000**	2023 RMB'000 Restated
Total comprehensive (expenses)/income for the period attributable to equity owners of the Company			
from continuing operations		**(947)**	18,153
from discontinued operation		**–**	63,441
		(947)	81,594
Earnings per share attributable to equity owners of the Company for the period (expressed in RMB per share)			
From continuing and discontinued operations			
– Basic earnings per share	*17*	**0.0271**	0.0783
– Diluted earnings per share	*17*	**0.0271**	0.0783
From continuing operations			
– Basic earnings per share	*17*	**0.0271**	0.0159
– Diluted earnings per share	*17*	**0.0271**	0.0159
From discontinued operation			
– Basic earnings per share	*17*	**N/A**	0.0624
– Diluted earnings per share	*17*	**N/A**	0.0624

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	(Unaudited)						
	Capital and reserves attributable to equity owners of the Company						
	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	Total equity RMB'000
As at 1 January 2023 (as previously reported)	141,976	1,309,078	(268,560)	2,140,692	3,323,186	31,788	3,354,974
Prior year adjustment	–	–	(1,712)	(35,360)	(37,072)	–	(37,072)
As at 1 January 2023 (restated)	141,976	1,309,078	(270,272)	2,105,332	3,286,114	31,788	3,317,902
Profit for the period (restated)	–	–	–	132,848	132,848	5,861	138,709
Other comprehensive income/(loss) (restated)	–	25	(51,279)	–	(51,254)	(528)	(51,782)
Total comprehensive income for the period (restated)	–	25	(51,279)	132,848	81,594	5,333	86,927
As at 30 June 2023 (restated)	141,976	1,309,103	(321,551)	2,238,180	3,367,708	37,121	3,404,829
At 1 January 2024	**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 (loss)/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	**141,976**	**1,255,698**	**(406,755)**	**2,343,673**	**3,334,592**	**(6,005)**	**3,328,587**

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000 Restated
Cash flow from operating activities		
Cash flow (used in)/generated from operations	**(55,724)**	276,109
Income tax paid	**(41,922)**	(63,320)
Interest received	**7,243**	139
Net cash (used in)/generated from operating activities	**(90,403)**	212,928
Cash flow (used in)/from investing activities		
Proceeds from sale of property, plant and equipment	**16,932**	4,235
Deposit paid for acquisition of property, plant and equipment	**(65,465)**	(7,126)
Payments for property, plant and equipment	**(28,433)**	(68,407)
Net proceeds from disposal of an associate of the Group	**–**	57,980
Proceeds from Shanghai Hilong Shine New Material Co., Ltd.	**–**	70,000
Placement of restricted cash	**(92,112)**	(79,710)
Withdrawal of restricted cash	**93,010**	95,755
Loans to related parties	**–**	(10,450)
Dividends received	**–**	3,452
Net cash (used in)/generated investing activities	**(76,068)**	65,729
Cash flow used in financing activities		
Proceeds from borrowings	**382,975**	442,770
Repayments of borrowings	**(318,357)**	(468,171)
Interest paid	**(131,579)**	(145,892)
Principal element of lease payments	**(5,019)**	(3,180)
Dividends paid	**–**	(500)
Repurchase of the 2024 Notes *(Note 9(b)(ii))*	**–**	(52,230)
Net cash used in financing activities	**(71,980)**	(227,203)
Net (decrease)/increase in cash and cash equivalents	**(238,451)**	51,454
Cash and cash equivalents at beginning of the period	**840,384**	780,483
Effects of exchange rate changes on cash and cash equivalents	**8,152**	8,083
Cash and cash equivalents at end of the period	**610,085**	840,020

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in manufacturing and distribution of oil and gas drilling equipment, and coating materials, 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 27 October 2024.

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 2024 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**").

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 2023, 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 2023, except for the adoption of the new and revised standards and amendments that are effective for the Group's current accounting period noted below.

3 MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Application of new and amendments to Hong Kong Financial Reporting 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 2024, for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.1 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date. Only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting period. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation ("**HKAS 32**").

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

The amendments have no impact on the interim condensed consolidated financial statements for the current period and no retrospective impact on the comparative consolidated balance sheet at 31 December 2023.

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements for the current period.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.1 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

The amendments have no impact on the interim condensed consolidated financial statements for the current period.

3.2 Going concern basis

At 30 June 2024, the current liabilities included borrowings of RMB2,721,975,000, of which loan notes of RMB2,248,245,000 (the "2024 Notes") and bank and other borrowings of RMB473,730,000 are repayable within 12 months from the end of the reporting period. The Group's cash and cash equivalents amounted to RMB610,085,000 as at 30 June 2024.

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

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

- the Group has been proactively working with its legal advisor and financial advisor for communicating with the holders of the 2024 Notes to seek their support on the proposed restructuring for extension of maturity date, and will continue its efforts to successfully complete the holistic proposed restructuring within the scheduled timetable, in order to achieve a long-term sustainable capital structure and to resolve its liquidity issue;

- the Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;

- the Group will continue its efforts to implement measures to speed up the collection of trade and other receivables and effectively control cost and expenses so as to improve its working capital and cash flow position.

The directors have reviewed the Group's cash flow projection prepared by management, which covers a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. They are of the opinion that, the holders of the 2024 Notes will agree to the proposed restructuring plan to extend the maturity date of the 2024 Notes, the Group will successfully obtain new finance, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

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

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their 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.

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 2023.

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 as at 31 December 2023.

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 FINANCIAL RISK MANAGEMENT (continued)

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 be 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.

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 receivable.

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 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:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the -counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

5 FINANCIAL RISK MANAGEMENT (continued)

5.4 Fair value estimation (continued)

The following table sets out the Group's financial assets and liabilities that were measured at fair value as at 30 June 2024 and 31 December 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2024				
Financial Assets				
Financial instruments-current				
Financial assets at fair value through other comprehensive income ("**FVOCI**")	–	–	32,589	32,589

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial Assets				
Financial instruments-current Financial assets at FVOCI	–	–	118,399	118,399

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2024 and 2023:

	2024 RMB'000	2023 RMB'000 (Restated)
As at 1 January	118,399	52,059
Additions	32,589	45,529
Deductions	(118,399)	(52,066)
Gains recognised in other comprehensive income	–	25
As at 30 June (unaudited)	32,589	45,547
Total gains for the period included in other comprehensive income under "Changes in the fair value of financial assets at FVOCI"	–	25

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Cash and cash equivalents
- Restricted cash
- Trade and other receivables
- Trade and other payables
- Borrowings
- Lease liabilities

6 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION

A summary of the accumulated effects of the restatements on the interim condensed consolidated income statement and other comprehensive income of the Group for the six months ended 30 June 2023 by each financial statement line item affected are presented in the table below:

		Reclassification			Prior Year Adjustments ("PYA")				
	As previously reported RMB'000	Reclassification of research and development expenses#1 RMB'000	Reclassification of items attributable to discontinued operation#2 RMB'000	Summary of reclassification impact RMB'000	Income statement of MTC for consolidation#1 RMB'000	Elimination of transactions with MTC#1 RMB'000	Summary of PYA impact RMB'000	Summary of PYA & reclassification impact RMB'000	As restated RMB'000
Effect on the Group's interim condensed consolidated income statement and other comprehensive income for the six months ended 30 June 2023									
Revenue	2,106,394	–	(243,888)	(243,888)	224,779	(240,549)	(15,770)	(259,658)	1,846,736
Cost of sales and provision of services	(1,444,931)	3,739	19,026	22,765	(205,979)	217,217	11,238	34,003	(1,410,928)
Selling and marketing expenses	(60,685)	–	20,234	20,234	(1,222)	–	(1,222)	19,012	(41,673)
Administrative expenses	(301,708)	12,887	49,959	62,846	(246)	–	(246)	62,600	(239,108)
Research and development expenses	–	(16,626)	10,203	(6,423)	–	–	–	(6,423)	(6,423)
Net provision for impairment losses on receivables and contract assets	(17,985)	–	13,415	13,415	–	–	–	13,415	(4,570)
Other income and other gains/(losses) – net	157,668	–	14	14	(428)	–	(428)	(414)	157,254
Finance income	3,800	–	(375)	(375)	139	–	139	(236)	3,564
Finance costs	(210,793)	–	2,320	2,320	(8,522)	–	(8,522)	(6,202)	(216,995)
Share of profit of associates	55	–	(55)	(55)	–	–	–	(55)	–
Income tax expense	(81,253)	–	18,765	18,765	(1,710)	4,668	2,958	21,723	(59,530)
Profit for the period from discontinued operation	–	–	110,382	110,382	–	–	–	110,382	110,382
Profit for the period	150,562	–	–	–	6,811	(18,664)	(11,853)	(11,853)	138,709
Other comprehensive income Currency Translation differences	(56,774)	–	–	–	(569)	5,536	4,967	4,967	(51,807)
Total comprehensive income for the period	93,813	–	–	–	6,242	(13,128)	(6,886)	(6,886)	86,927
Profit for the period attributable to:									
Equity owners of the Company	144,701	–	–	–	6,811	(18,664)	(11,853)	(11,853)	132,848
Total comprehensive income/(expense) for the period attributable to:									
Equity owners of the Company	88,480	–	–	–	6,242	(13,128)	(6,886)	(6,886)	81,594
Earnings/(loss) per share attributable to equity owners of the Company (expressed in RMB per share)									
Basic and diluted									
– from continuing and discontinued operations	0.0853	–	–	–	0.0040	(0.0110)	(0.0070)	(0.0070)	0.0783
Basic and diluted									
– from continuing operations	0.0853	–	(0.0624)	(0.0624)	0.0040	(0.0110)	(0.0070)	(0.0694)	0.0159
Basic and diluted									
– from discontinued operation	–	–	0.0624	0.0624	–	–	–	0.0624	0.0624

6 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION (continued)

		Reclassification		PYA			
	As per previously reported RMB'000	Other presentation changes[#3] RMB'000	Summary of reclassification impact RMB'000	Cash flow of MTC for consolidation[#1] RMB'000	Summary of PYA impact RMB'000	Summary of PYA & reclassification impact RMB'000	As restated RMB'000
Effect on the Group's interim condensed consolidated cash flow for the six months ended 30 June 2023							
Cash generated from operations	238,584	(15,115)	(15,115)	52,640	52,640	37,525	276,109
Income tax paid	(61,610)	–	–	(1,710)	(1,710)	(1,710)	(63,320)
interest received	–	–	–	139	139	139	139
Net cash generated from operating activities	176,974	(15,115)	(15,115)	51,069	51,069	35,954	212,928
Investing activities							
Deposit paid for acquisition of property, plant and equipment	–	(7,126)	(7,126)	–	–	(7,126)	(7,126)
Purchase of property, plant and equipment	(75,533)	7,126	7,126	–	–	7,126	(68,407)
Placement of restricted cash	–	(79,710)	(79,710)	–	–	(79,710)	(79,710)
Withdrawal of restricted cash	–	95,755	95,755	–	–	95,755	95,755
Net cash generated from investing activities	49,684	16,045	16,045	–	–	16,045	65,729
Financing activities							
Repayment of borrowings	(330,919)	–	–	(137,252)	(137,252)	(137,252)	(468,171)
Proceeds from borrowings	348,263	–	–	94,507	94,507	94,507	442,770
Interest paid	(137,405)	–	–	(8,487)	(8,487)	(8,487)	(145,892)
Cash inflow arising from security deposit for bank borrowing	(930)	(930)	(930)	–	–	(930)	–
Net cash used in financing activities	(175,041)	(930)	(930)	(51,232)	(51,232)	(52,162)	(227,203)
Net increase in cash and cash equivalents	51,617	–	–	(163)	(163)	(163)	51,454
Cash and cash equivalents at beginning of period	778,440	–	–	2,043	2,043	2,043	780,483
Exchange gains on cash and cash equivalents	8,083	–	–	–	–	–	8,083
Cash and cash equivalents at end of the period	838,140	–	–	1,880	1,880	1,880	840,020

6 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION (continued)

Reclassification

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions, mainly including:

#1 Research and development expenses previously included in cost of sales and provision of services and administrative expenses were reclassified for presentation separately to reflect the different function of expense.

#2 The comparative figures in the interim condensed consolidated income statement and other comprehensive income have been restated to re-present the business of line pipe technology and services and coating business as a discontinued operation upon the disposal of Hilong Pipeline Engineering Technology Service Co., Ltd and its subsidiaries during the year ended 31 December 2023.

#3 In the interim condensed consolidated cash flow statement for the six months ended 30 June 2023, increase in restricted cash of RMB15,115,000 under operating activities and net cash inflow of RMB930,000 arising from security deposit for bank borrowings under financing activities is re-presented as cash flows in investing activities. Also, as a result of the reclassification and other presentation changes on the interim condensed consolidated balance sheet, other line items in the interim condensed consolidated cash flow statement including those related to working capital changes, deposit paid for acquisition of property, plant and equipment, and non-cash items are re-presented to conform with the current period's presentation.

Prior Year Adjustments

#1 With reference to an announcement dated 16 October 2024 issued by the Company regarding the key findings of the independent investigation, during the preparation of the consolidated financial statements of the Group for the year ended 31 December 2023, it comes to the attention that an entity, namely Metal Technology Co., Ltd. ("**MTC**"), was established in Russia in 2022 and Finance Staff A, a finance staff of the Group in Russia, is the sole registered owner of MTC. According to the representation of Finance Staff A and management staff of the Group in Russia, MTC was established as a special purpose entity of the Group's Russian operation for the purpose to obtain financing from the local Russian banks, to utilize the banking facilities for the purchase of materials in Russia, and to settle certain marketing expenses. The management over MTC including the decision making of relevant activities is in accordance with the instructions by the management staff of the Group in Russia. Both Finance Staff A and the management staff of the Group in Russia confirmed that the Group has the beneficial interest in all the assets, liabilities, and financial results of MTC. However, prior to the end of the reporting period for the six months ended 30 June 2023 and until the carrying out of audit of the Group's consolidated financial statements for the year ended 31 December 2023 by the predecessor auditor of the Company in early 2024, the board of directors of the Company (the "**Board**") has no knowledge in the establishment of MTC and its business activities in Russia which the management staff in Russia omitted to report to the Board. When it comes to the attention that the Group has control over MTC, a cooperation agreement dated 1 August 2024 was entered into by Drilling Technology LLC ("**Drilling Technology**"), an indirect wholly-owned subsidiary of the Company, and Finance Staff A, pursuant to which the management arrangement and Drilling Technology's control over MTC has been established with retroactive effect since the registration of MTC. Accordingly, the directors of the Group considered that the Group has control over MTC since its establishment and financial statements of MTC should be consolidated into the Group's interim condensed consolidated financial statements, and the transactions among the Group and MTC should be eliminated in accordance with the Group's accounting policies.

7 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 substance from a business perspective, and assesses the performance of the business segment based on profit before income tax without allocation of finance income, finance costs, share of profits of associates and corporate overheads, which is consistent with that in the interim condensed consolidated financial information.

The corporate overheads are not considered as the business segment expenses during the six months ended 30 June 2024 and 2023 as such expenses are the 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 segment. Interests in associates are not considered to be segment assets but rather are centrally managed by the treasury function.

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 segment.

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 2024 and 2023 are set out as follows:

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000 (Restated)
Oilfield equipment manufacturing and services	**1,132,464**	1,109,431
Oilfield services	**923,497**	588,661
Offshore engineering services	**409,680**	148,644
	2,465,641	1,846,736

7 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 2024 is as follows:

Continuing operations

	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	1,132,464	923,497	409,680	2,465,641
Revenue from contracts with customers:				
– at a point in time	1,071,916	109,203	–	1,181,119
– over time	53,751	814,294	409,680	1,277,725
	1,125,667	923,497	409,680	2,458,844
Revenue from other sources:				
– rental income – operating lease payments that are fixed	6,797	–	–	6,797
	1,132,464	923,497	409,680	2,465,641
Results				
Segment gross profit	321,958	215,610	40,736	578,304
Segment profit/(loss)	201,060	91,122	(14,937)	277,245
Corporate overheads				(48,135)
Operating profit				229,110
Finance income				7,243
Finance costs				(136,274)
Profit before income tax				100,079

7 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	As at 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**
Total assets *(b)*	**3,908,748**	**2,470,334**	**1,734,113**	**8,113,195**
Total liabilities *(a)*	**3,974,630**	**405,265**	**404,713**	**4,784,608**

7 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 2023 is as follows:

Continuing operations

	Six months ended 30 June 2023 (Unaudited)			
Business segment	Oilfield equipment manufacturing and services RMB'000 (Restated)	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000 (Restated)
Revenue				
Segment revenue	1,111,301	597,116	148,644	1,857,061
Inter-segment sales	(1,870)	(8,455)	–	(10,325)
Revenue from external customers	1,109,431	588,661	148,644	1,846,736
Revenue from contracts with customers:				
– at a point in time	1,084,665	133,034	–	1,217,699
– over time	9,030	455,627	148,644	613,301
	1,093,695	588,661	148,644	1,831,000
Revenue from other sources:				
– rental income – operating lease payments that are fixed	15,736	–	–	15,736
	1,109,431	588,661	148,644	1,846,736
Results				
Segment gross profit	255,740	170,041	6,289	432,070
Segment profit/(loss)	261,247	88,924	(9,744)	340,427
Corporate overheads				(39,139)
Operating profit				301,288
Finance income				3,564
Finance costs				(216,995)
Profit before income tax				87,857

7 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	As at 31 December 2023 (Audited)			
Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Segment assets *(b)*	3,874,674	2,460,153	1,623,096	7,957,923
Interests in associates				–
Total assets				7,957,923
Total liabilities *(a)*	3,894,433	458,391	276,094	4,628,918

(a) As at 30 June 2024, the Senior Notes of RMB2,248,245,000 (31 December 2023: RMB2,234,333,000) 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 other than interest in associates. 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.

(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, provides coating materials and services. 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 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 were produced:

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000 (Restated)
Russia, Central Asia and Europe	**543,473**	470,116
North and South America	**344,795**	403,110
Middle East	**787,353**	420,704
The PRC	**282,255**	331,767
Africa	**202,381**	117,036
South and Southeast Asia	**305,384**	104,003
	2,465,641	1,846,736

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

During the current period, the Group acquired property, plant and equipment of RMB179,083,000 (six months ended 30 June 2023: RMB53,716,000).

During the six months ended 30 June 2024 and 2023, 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 RMB23,026,000 (six month ended 30 June 2023: RMB4,744,000) were disposed of during the current period with a loss on disposal of RMB6,094,000 (six months ended 30 June 2023: RMB5,945,000), which is included in other (losses)/gains – net (Note 13).

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

		(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Financial assets			
Financial assets at FVOCI		32,589	118,399
Financial assets at amortised cost			
– Trade and other receivables	*(a)*	2,853,277	2,397,381
– Cash and cash equivalents		610,085	840,384
– Restricted cash		92,112	93,010
		3,588,063	3,449,174
Financial liabilities			
Borrowings	*(b)*	2,893,854	2,863,912
Trade and other payables	*(c)*	1,636,266	1,395,278
Lease liabilities		27,629	29,801
		4,557,749	4,288,991

(a) Trade and other receivables

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade receivables *(i)*	2,486,164	1,883,372
– Due from related parties *(Note 20(c))*	24,150	26,711
– Due from third parties	2,462,014	1,856,661
Less: Provision for loss allowance of receivables	(107,910)	(85,780)
Trade receivables – net	2,378,254	1,797,592
Other receivables	475,023	599,789
Trade and other receivables – net	2,853,277	2,397,381

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Trade and other receivables (continued)

As at 30 June 2024 and 31 December 2023, the fair values of the trade and other receivables of the Group, approximated their carrying amounts.

The trade receivables of RMB16,070,000 (31 December 2023: RMB64,400,000) of the Group were used to secure borrowings from a financial institution as at 30 June 2024 (Note 9(b)(iii)).

(i) The aging analysis of trade receivables based on invoice date, before provision for loss allowance, as at 30 June 2024 and 31 December 2023 was as follows:

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade receivables, gross		
– Within 90 days	**1,508,466**	1,422,475
– Over 90 days and within 180 days	**414,086**	203,426
– Over 180 days and within 360 days	**289,198**	72,602
– Over 360 days and within 720 days	**150,327**	106,670
– Over 720 days	**124,087**	78,199
	2,486,164	1,883,372

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Borrowings

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Non-current		
Bank borrowings – unsecured *(i)*	**171,879**	125,504
Less: Current portion of non-current bank borrowings – unsecured *(i)*	**–**	(6,068)
	171,879	119,436
Current		
Bank borrowings – secured *(iii)*	**260,560**	340,933
Bank borrowings – unsecured *(i)*	**195,598**	144,715
Other borrowing – secured *(iii)*	**17,572**	18,427
2024 Notes	**2,248,245**	2,234,333
Current portion of non-current bank borrowings – unsecured *(i)*	**–**	6,068
	2,721,975	2,744,476
	2,893,854	2,863,912

Movement in borrowings is analysed as follows:

	(Unaudited) Six months ended 30 June 2024 RMB'000	(Unaudited) Six months ended 30 June 2023 RMB'000
Beginning of the period	**2,863,912**	3,294,993
Additions of borrowings – net	**382,975**	442,770
Repayments of borrowings	**(362,494)**	(484,486)
Amortisation using the effective interest method	**4,767**	27,669
Repurchase of the 2024 Notes	**–**	(101,810)
Exchange difference	**4,694**	98,151
End of the period	**2,893,854**	3,277,287

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Borrowings (continued)

(i) Bank borrowings – unsecured

Of the total unsecured bank borrowings of RMB367,477,000 (31 December 2023: RMB270,219,000), RMB339,577,000 (31 December 2023: RMB249,119,000) were guaranteed by certain third parties, details as below:

(a) RMB310,891,000 (31 December 2023: RMB199,026,000) were guaranteed by certain subsidiaries of the Group of which RMB223,891,000 (31 December 2023: RMB114,026,000) were also guaranteed by related parties of the Group which are subsidiaries of Hilong Pipeline Engineering.

(b) In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation ("**SINO SURE**", a national policy insurance institution), and enjoyed preferential interest rate. As at 30 June 2024, USD35,545,000 were drawn down, out of which USD29,520,000 had been repaid in past years and the six months ended 30 June 2024, and the remaining principals of USD4,025,000, equivalent to RMB28,685,370, will be fully repayable from 2024 to 2025. This loan balance is also guaranteed by the Company and one of the subsidiaries namely Hilong Group of Companies Ltd.

(ii) 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 RMB1,441,548,000 (31 December 2023: RMB1,459,855,000) 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.

In 2023, the Company repurchased part of the 2024 Notes and the total repurchased principal was approximately USD14 million. The Company paid USD7,405,000, equivalent to RMB52,230,000, to repurchase the 2024 Notes, and recorded gains of USD7,030,000, equivalent to RMB49,580,000. After the repurchase, the outstanding principal amount of the 2024 Notes was USD345,953,000. Gains arising from the repurchase transactions were recognized in the consolidated income statement under "Finance costs – net" (Note 14).

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

(iii) Bank and other borrowing-secured

The Group's bank and other borrowings of RMB278,172,000 (31 December 2023: RMB359,360,000) as at 31 December 2023 were secured by bank acceptance bills and commercial acceptance bills recognised in bills receivables of RMB nil (31 December 2023: RMB53,737,000), trade receivables of RMB16,070,000 and consideration from future performance of sale contracts of RMB37,350,000 (31 December 2023: trade receivables of RMB64,400,000 and consideration from future performance of sale contracts of RMB36,834,000) of the Group and bank deposits of RMB44,797,000 (31 December 2023: RMB42,832,000).

Of the secured bank and other borrowings, RMB260,560,000 (31 December 2023: RMB248,216,000) were guaranteed by certain subsidiaries of the Group, of which RMB130,000,000 (31 December 2023: RMB161,518,000) were also guaranteed by related parties of the Group including Mr. Zhang Jun, the controlling shareholder and executive director of the Company, and certain entities controlled by him.

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Trade and other payables

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Bills payable	**22,953**	1,344
Trade payables:	**1,329,580**	991,614
– Due to third parties	**1,192,756**	929,498
– Due to related parties *(Note 20(c))*	**136,824**	62,116
Other payables	**143,986**	216,117
Staff salaries and welfare payables	**24,263**	41,891
Interest payables	**25,760**	26,462
Accrued taxes other than income tax	**87,808**	104,570
Dividends payable	**2**	2
Accrued expenses	**1,914**	13,278
	1,636,266	1,395,278

As at 30 June 2024 and 31 December 2023, 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 trade in nature, was as follows:

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade payables, gross		
– Within 90 days	**1,003,327**	798,906
– Over 90 days and within 180 days	**219,966**	109,989
– Over 180 days and within 360 days	**70,864**	47,701
– Over 360 days and within 720 days	**21,032**	12,715
– Over 720 days	**14,391**	22,303
	1,329,580	991,614

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 2023 and 30 June 2023	1,696,438,600	169,643,860	141,975,506
As at 1 January 2024 and 30 June 2024	**1,696,438,600**	**169,643,860**	**141,975,506**

11 OTHER RESERVES

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Statutory reserve	**133,614**	133,614
Merger reserve	**(496)**	(496)
Share options reserve *(a)*	**–**	46,089
Share premium	**1,175,144**	1,175,144
Financial assets at FVOCI	**(21)**	(21)
Capital redemption reserve	**702**	702
Capital reserve	**(53,245)**	(53,245)
	1,255,698	1,301,787

(a) Share options reserve

At the annual general meeting of the shareholders on 10 May 2013, the shareholders adopted a share option scheme (the "**2013 Share Option Scheme**") for options to subscribe for not more than 5% ordinary shares of the then total outstanding shares of the Company. The purpose of the 2013 Share Option Scheme is to provide incentive or reward to certain directors or employees of the Group for their contribution to the Group. On 5 February 2014, options for a total of 19,980,000 ordinary shares of the Company under 2013 Share Option Scheme were granted to certain employees of the Group.

The fair value of the services to be received in exchange for the grant of the options is recognised as an expense on a straight-line basis over vesting period of each tranche. These share options are measured at fair value at granting date. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of services to be provided by employee, measured by reference to the granting date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

11 OTHER RESERVES (continued)

(a) Share options reserve (continued)

(i) 2013 Share Option Scheme

The number and weighted average exercise price of share options are as follows:

	Exercise price (per share in HKD)	Outstanding options (unaudited) Six months ended 30 June	
		2024	2023
Beginning of the period	5.93	**15,350,700**	15,350,700
Current period change	5.93	**(15,350,700)**	–
End of the period	5.93	**–**	15,350,700

The share options outstanding (expiry date: 4 February 2024) as at 30 June 2024 and 2023 have the following vesting dates and exercise prices:

Vesting period	Exercise period	Exercise price (per share in HKD)	Outstanding options (unaudited) Six months ended 30 June	
			2024	2023
From 5 February 2014 to 5 February 2015	From 5 February 2015 to 4 February 2024	5.93	–	3,070,140
From 5 February 2015 to 5 February 2016	From 5 February 2016 to 4 February 2024	5.93	–	3,070,140
From 5 February 2016 to 5 February 2017	From 5 February 2017 to 4 February 2024	5.93	–	3,070,140
From 5 February 2017 to 5 February 2018	From 5 February 2018 to 4 February 2024	5.93	–	3,070,140
From 5 February 2018 to 5 February 2019	From 5 February 2019 to 4 February 2024	5.93	–	3,070,140
		5.93	–	15,350,700

All of the options were forfeited as at 4 February 2024 and no options were exercised during the six months ended 30 June 2024.

(ii) Share award scheme

The Company has a share award scheme which was adopted on 11 September 2023 whereby the directors of the Company are authorised, at their discretion, to award employees of the Group, including directors of any company in the Group, ordinary shares of the Company at nil consideration, subject to fulfillment of vesting conditions. The share award scheme shall be valid and effective for ten years ending on 10 September 2033, after which no further shares will be awarded. During the year ended 31 December 2023, there is no share awarded by the Company to any director or employee of the Group, and there is no unvested award at 31 December 2023.

12 OTHER INCOME

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Other government grants	**7,806**	3,545
Release of deferred government grant	**743**	645
	8,549	4,190

13 OTHER (LOSSES)/GAINS – NET

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Loss on disposal of property, plant and equipment – net	**(6,094)**	(5,945)
Gain on disposal of an associate	**–**	17,023
Net foreign exchange (loss)/gains	**(28,737)**	144,098
Others	**1,537**	(2,112)
	(33,294)	153,064

14 FINANCE COSTS – NET

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000 (Restated)
Finance income:		
– Interest income derived from bank deposits	**7,243**	3,564
Finance costs:		
– Interest expense on 2024 Notes and bank and other borrowings	**(130,877)**	(168,007)
– Net foreign exchange loss	**(4,655)**	(98,193)
– Interest expense on lease liabilities	**(742)**	(375)
– Gains on repurchasing the 2024 Notes	**–**	49,580
	(136,274)	(216,995)
Finance costs – net	**(129,031)**	(213,431)

15 PROFIT BEFORE INCOME TAX

Profit before taxation from continuing operations is arrived at after charging (crediting):

	(Unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000 (Restated)
Other items:		
Amortisation of intangible assets	**1,282**	3,737
Amortisation of contract costs	**8,754**	19,977
Depreciation of property, plant and equipment	**124,581**	110,643
Depreciation of right-of-use assets	**1,856**	3,216
Impairment losses recognised on		
– trade and other receivables and contract assets, net	**22,130**	4,570

16 INCOME TAX EXPENSE

Continuing operations

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000 (Restated)
Current income tax	**67,567**	50,385
Deferred income tax	**(14,044)**	9,145
Income tax expense	**53,523**	59,530

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in British Virgin Islands, Dubai, Abu Dhabi and Labuan are not subject to any income tax according to relevant rules and regulations.

In accordance with the two-tiered profits tax regime, Hong Kong profits tax was calculated on 8.25% of the first HKD2,000,000 and 16.5% of the remaining balance of the estimated assessable profits from 1 April 2018 for one subsidiary of the Group.

Enterprises incorporated in other places (other than the Mainland China) are subject to income tax rates ranging from 15% to 35% prevailing in the places in which these enterprises operated for the six months ended 30 June 2024 and 2023.

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the Mainland China is 25%.

Certain subsidiaries are qualified for new/high-tech technology enterprises status or incorporated in the western region of the Mainland China and engaged in encouraged industries, and therefore enjoy a preferential income tax rate of 15%.

Pursuant to the PRC Corporate Income Tax Law ("**CIT Law**"), a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of their earnings generated from 1 January 2008.

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respects to Taxes on Income, a lower 5% withholding tax rate can be applied if the immediate holding companies of the PRC subsidiaries are established in Hong Kong and can be considered as a "beneficial owner". Hilong Energy Limited ("**Hilong Energy**") is a Hong Kong registered company and is the immediate holding company of the PRC subsidiaries, which has successfully applied for and been qualified as a "beneficial owner". Given the above, the local tax authority approved Hilong Group of Companies Ltd., the PRC holding company of all other subsidiaries in the PRC, to use a 5% withholding tax rate when it distributed its profits to Hilong Energy from 2019 to 2021. As at 30 June 2024, Hilong Energy is in the process of renewal of the qualification.

17 EARNINGS PER SHARE

Continuing and discontinued operations

Basic earnings per share is computed by dividing the net 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	
	2024	2023 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**46,002**	132,848
Weighted average number of ordinary shares in issue (thousands of shares)	**1,696,439**	1,696,439
Basic earnings per share (RMB per share)	**0.0271**	0.0783

Continuing operations

Basic earnings per share is computed by dividing the net profit for the period attributable to ordinary equity owners from continuing operations by the weighted-average number of ordinary shares outstanding during the period.

	(Unaudited) Six months ended 30 June	
	2024	2023 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**46,002**	27,040
Weighted average number of ordinary shares in issue (thousands of shares)	**1,696,439**	1,696,439
Basic earnings per share (RMB per share)	**0.0271**	0.0159

Discontinued operation

Basic earnings per share is computed by dividing the net profit for the period attributable to ordinary equity owners from discontinued operation by the weighted-average number of ordinary shares outstanding during the period.

	(Unaudited) Six months ended 30 June	
	2024	2023 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**N/A**	105,808
Weighted average number of ordinary shares in issue (thousands of shares)	**1,696,439**	1,696,439
Basic earnings per share (RMB per share)	**N/A**	0.0624

17 EARNINGS PER SHARE (continued)

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the Company's shares for the six months ended 30 June 2024 and 2023.

18 DIVIDENDS

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil). The Directors have determined that no dividend will be proposed for the year ended 31 December 2023.

19 DISCONTINUED OPERATION

Disposal of the operation of the line pipe technology and services provision and provision of coating services

On 31 March 2023, Hilong Group of Companies Ltd., an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement with Shanghai Hilong Shine New Material Co., Ltd., a related party controlled by the controlling shareholder (the "**Purchaser**"), whereby the Group conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Group's businesses of the line pipe technology and services provision and provision of coating services comprising multifunctional coating materials and coating services, inspection services and maintenance services for various pipes utilised in oil and gas drilling and transmission processes in the PRC as well as overseas markets (representing 100% of the equity interest in Hilong Pipeline Engineering Technology Service Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "**Target Company**", together with its subsidiaries, the "**Target Group**")) at the consideration of RMB700,000,000, subject to the terms and conditions of the agreement. The disposal was completed on 28 November 2023 when the Group lost control of the Target Group.

The comparative figures in the interim condensed consolidated income statement and other comprehensive income have been restated to represent the line pipe technology and services provision and provision of coating services as a discontinued operation. The results of the discontinued operation, which have been included in the profit for the six months ended 30 June 2023, are set out below.

19 DISCONTINUED OPERATION (continued)

Disposal of the operation of the line pipe technology and services provision and provision of coating services (continued)

	(Unaudited) Six months ended 30 June 2023 RMB'000
Revenue *(Note)*	243,888
Cost of sales and provision of services *(Note)*	(19,026)
Gross profit	224,862
Selling and marketing expenses	(20,234)
Administrative expenses	(49,959)
Research and development expenses	(10,203)
Net provision for impairment losses on receivables and contract assets	(13,415)
Other losses – net	(14)
Operating profit	131,037
Finance income	375
Finance costs	(2,320)
Finance costs – net	(1,945)
Share of profit of associates	55
Profit before income tax	129,147
Attributable income tax expenses	(18,765)
Profit for the period from discontinued operation	110,382
Profit for the period from discontinued operation attributable to:	
– equity owners of the Company	105,808
– non-controlling interests	4,574
	110,382

Note:

The inter-company transactions between continuing operations and discontinued operation are eliminated against discontinued operation, as the Group expects the transactions between continuing operations and discontinued operation will continue subsequent to the disposal and therefore to give an indication of the results of the continuing businesses on an ongoing basis.

19 DISCONTINUED OPERATION (continued)

Disposal of the operation of the line pipe technology and services provision and provision of coating services (continued)

	(Unaudited) Six months ended 30 June 2023 RMB'000
Profit for the period from discontinued operation is arrived at after charging/(crediting) the following:	
Finance income:	
– Interest income derived from bank deposits	(375)
Finance costs:	
– Interest expense on bank and other borrowings	2,293
– Net foreign exchange losses	12
– Interest expense on lease liabilities	15
	2,320
Finance costs – net	1,945
Other items:	
Amortisation of intangible assets	
– charged to the administrative expenses	603
– charged to cost of sales	1
Depreciation of property, plant and equipment	13,444
Depreciation of right-of-use assets	407
Impairment losses recognised on	
– trade receivables	13,415
Loss on disposal of property, plant and equipment	144
Short term lease expenses	4,163
Attributable income tax expenses:	
Current income tax	21,045
Deferred income tax	(2,280)
	18,765
Cash flows from discontinued operation:	
Net cash generated from operating activities	49,523
Net cash used in investing activities	(15,077)
Net cash used in financing activities	(4,119)
Net cash inflow from discontinued operation	30,327

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 2023: 42.17%) equity interest in the Company as at 30 June 2024. The ultimate controlling shareholder of the Group is Mr. Zhang Jun.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2024 and 2023, and balances arising from related party transactions as at 30 June 2024 and 31 December 2023.

(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 Oi**l")

Shanghai Hilong Shine New Material Co., Ltd.

Shanghai Hilong Shine New Materials Research Institute

Shanghai Longshi Investment Management Co., Ltd.

Hilong Pipeline Engineering Technology Service Co., Ltd. ("**Hilong Pipeline Engineering**") and its subsidiaries *(note (i))*

Associates of the Group

Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. *(note (ii))*

Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. *(note (ii))*

Anshan Hidlong Anti-Corrosion Engineering Co., Ltd. *(note (ii))*

Shanghai Hilong Special Steel Pipe Co., Ltd. *(note (iii))*

Notes:

(i) These companies were subsidiaries of the Group up to 28 November 2023, upon when they were disposed to Shanghai Hilong Shine New Material Co., Ltd (Note 19) and are therefore the related parties of the Group since 29 November 2023.

(ii) These companies are associates of Hilong Pipeline Engineering during the six months ended 30 June 2024 and 2023.

(iii) The company was associate of the Group up to the date of disposal, upon when all the Group's interests in it was disposed to an independent third party and accordingly it is no longer related party of the Group.

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

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties

Save as disposal of Hilong Pipeline Engineering and its subsidiaries and its associates to Shanghai Hilong Shine New Material Co., Ltd. and disclosed elsewhere in the consolidated financial statements, during the six months ended 30 June 2024 and 2023, the Group had the following significant transactions with related parties:

	(Unaudited) Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales of goods or services:		
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.	**–**	4,228
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	**–**	415
Shanghai Hilong Shine New Material Co., Ltd.	**39**	67
Hilong Pipeline Engineering and its subsidiaries	**73,719**	–
	73,758	4,710
Purchase of goods or services:		
Shanghai Hilong Shine New Material Co., Ltd.	**–**	530
Hilong Pipeline Engineering and its subsidiaries	**111,102**	–
Short-term rental expenses:		
Beijing Huashi Hailong Oil Investments Co., Ltd.	**5,575**	5,575
Hilong Pipeline Engineering and its subsidiaries	**4,445**	–
Interest expenses on lease liabilities:		
Shanghai Longshi Investment Management Co., Ltd.	**203**	32
Rental and utility fees income:		
Shanghai Hilong Shine New Material Co., Ltd.	**3,302**	1,653
Hilong Pipeline Engineering and its subsidiaries	**3,409**	–

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

(i) During the six months ended 30 June 2024 and 2023, certain banking facilities of the Group were guaranteed by Mr. Zhang Jun, Mr. Cao Hongbo, an non-executive director of the Company, and Ms Zhang Shuli, Huashi Hilong Oil, Hilong Pipeline Engineering and certain of its subsidiaries.

(ii) During the six months ended 30 June 2024 and 2023, certain banking facilities of Hilong Pipeline Engineering and its subsidiaries were guaranteed by the Group.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the terms of the underlying agreements.

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade receivables due from:		
Shanghai Hilong Shine New Material Co., Ltd.	–	2,483
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	–	–
Hilong Pipeline Engineering and its subsidiaries *(note (i))*	24,150	24,228
	24,150	26,711
Less: provision for loss allowance of receivables	(1,758)	(1,758)
	22,392	24,953
Other receivables due from:		
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.	51,753	51,753
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.	42,606	42,606
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	22,404	22,404
Shanghai Hilong Shine New Material Co., Ltd.	3,762	5,066
Hilong Pipeline Engineering and its subsidiaries *(note (i))*	150,491	149,556
Shanghai Hilong Shine New Materials Research Institute	123	123
	271,139	271,508
Less: provision for loss allowance of receivables	(20,817)	(20,817)
	250,322	250,691
Lease liabilities due to:		
Shanghai Longshi Investment Management Co., Ltd.	7,411	8,932

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade payables due to:		
Hilong Pipeline Engineering and its subsidiaries *(note (i))*	**136,817**	60,589
Beijing Huashi Hailong Oil Investments Co., Ltd	**–**	1,502
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd	**–**	18
Shanghai Hilong Shine New Material Co., Ltd	**7**	7
	136,824	62,116
Other payables due to:		
Shanghai Longshi Investment Management Co., Ltd	**12,803**	13,134
Beijing Huashi Hailong Oil Investments Co., Ltd	**7,790**	7,790
Mr. Zhang Jun	**938**	938
Hilong Pipeline Engineering and its subsidiaries *(note (i))*	**108,091**	128,348
	129,622	150,210

Note: (i) These companies formed part of the Target Group (as defined in Note 19). Certain receivables and payables balances were resulted from inter-company transactions within the Group prior to the disposal of Hilong Pipeline Engineering on 28 November 2023. All these balances remained outstanding since the disposal and at the end of the reporting period.

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 2024 RMB'000	2023 RMB'000
Salaries and fees	**3,836**	4,845
Discretionary bonus	**–**	–
Pension costs – defined contribution plans and social security costs	**485**	671
	4,321	5,516

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Since the date of the 2023 Annual Report of the Company, 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 2024, 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 Director	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the Company
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	715,461,000(1)	
	Founder and beneficiary of three Mr. Zhang's family trusts/Interest of controlled corporation	112,300,800(2)	
	Beneficial owner	1,260,000	
		829,021,800	48.868%
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%
Mr. Wang Tao (汪濤) (resigned on 15 October 2024)	Beneficial owner	1,200,000	0.071%
Dr. Yang Qingli	Interest of spouse	77,000(4)	0.005%

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 2024, 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	849,138,800[(1)(2)]	50.05%
Standard Chartered Trust (Singapore) Limited	Trustee	849,138,800[(1)(2)]	50.05%
Ms. Gao Xia	Interest of spouse	829,021,800[(3)]	48.87%

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.

POST-IPO SHARE OPTION SCHEME

The Company adopted a post-IPO share option scheme (the "**Post-IPO Scheme**") on 10 May 2013. The scheme has expired on 10 May 2023. The following is a summary of the principal terms of the Post-IPO Scheme:

(a) Purpose

The purpose of the Post-IPO Scheme is to provide incentive or reward to certain directors and employees of the Group for their contribution to the Group.

(b) Who may join

Any Director (whether executive or non-executive, including any Independent Non-executive Director) or employee (whether full-time or part-time) of the Group (the "**Eligible Persons**") is eligible to participate in the Post-IPO Scheme. Payment of option price of HK$1.00 shall be made upon acceptance of the offer of options.

(c) Maximum number of shares

The aggregate number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Scheme as well as any new share option scheme of the Company which may be adopted must not, in aggregate, exceed 5% of the total number of shares in issue as at the date of adoption of the Post-IPO Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

The total number of shares subject to the Post-IPO Scheme is 81,573,950 shares, representing approximately 4.81% of the issued share capital of the Company as at the date of this interim report.

(d) Maximum entitlement of each participant under the Post-IPO Scheme

No share option shall be granted to any Eligible Person if, at the relevant time of grant, the number of shares of the Company issued and to be issued upon exercise of all options (granted, proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of shares in issue at such time.

(e) Subscription price

The price at which each share subject to an option may be subscribed for on the exercise of that option shall be a price solely determined by the Board and notified to an Eligible Person and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares.

(f) Time of exercise of option and duration of the Post-IPO Scheme

The Post-IPO Scheme shall be valid and effective for a period of ten years commencing from 10 May 2013; after such date no further share option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the ten-year period, the provisions of the Post-IPO Scheme shall remain in full force and effect. The Post-IPO Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, the Board may at its discretion specify any conditions which must be satisfied before the option may be exercised in the offer letter whereby the option is offered.

(g) Expiry of option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the period during which the option may be exercised;

(ii) subject to a general offer by way of a take-over is made to all the shareholders of the Company and such offer becomes or is declared unconditional, the expiry of the 21-day period during which the grantee may by notice in writing to the Company exercise the option to its full extent or to the extent specified in such notice;

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period during which the grantee may by notice in writing to the Company exercise the option to its full extent or to the extent specified in such notice;

(iv) subject to the compromise or arrangement becoming effective, the expiry of the period as specified in the Post-IPO Scheme during which the grantee may exercise any of his options in full or in part;

(v) the date on which the grantee ceases to be an Eligible Person for any reason, or die or becomes permanently disable, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts, or has become insolvent, or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(vi) subject to a notice being given by the Company to its shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the date of commencement of the winding-up of the Company;

(vii) the date on which the grantee commits a breach of the transfer restrictions of the options as specified in the Post-IPO Scheme;

(viii) the date on which the option is cancelled by the Board with the approval of the grantee of such option; or

(ix) the non-fulfillment of any condition to the Post-IPO Scheme on or before the date stated therein.

On 5 February 2014, the Company granted share options to certain employees to subscribe for an aggregate of 19,980,000 ordinary shares of the Company at an exercise price of HK$5.93 per share.

The following table sets out particulars of the options granted and outstanding under the Post-IPO Scheme and their movements during the Interim Period:

	Number of Options										
Category/name of grantees	Outstanding as at 1 January 2024	Granted during the Interim Period	Exercised during the Interim Period	Cancelled/ Lapsed during the Interim Period	Outstanding as at 30 June 2024	Exercise price HK$	Closing price immediately before the date of grant HK$	Weighted average closing price immediately before exercise HK$	Date of grant	Vesting period	Exercise period
Employees of the Group other than Directors in aggregate	15,350,700	–	–	–	15,350,700	5.93	5.72	N/A	5 February 2014	5 February 2014–4 February 2019	5 February 2015–4 February 2024

Note:

The number of options available for grant under the Post-IPO Scheme was 66,223,250 as at 1 January 2023. The Post-IPO scheme expired on 9 May 2023 and after such date no further share options were granted. None of the 15,350,700 options were exercised during the period and the unexercised options were forfeited after the expiry of the exercise period.

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 and 11 months. The 2023 Award Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participation in the Scheme ("**Selected Participant(s)**").

(d) Maximum number of shares

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

(e) Administration

The 2023 Award Scheme shall be subject to the administration of the Board and the Trustee 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 2024, 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 2024 and 30 June 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the Interim Period.

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.

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

Mr. Zhang voluntarily and immediately notified the Company of the Transaction after he realized the Transaction was conducted during the blackout period. He apologised for the inadvertent oversight of instructing the broker to place orders for the Transaction and acknowledged that he had breached Rules A.3 and B.8 of the Model Code. Mr. Zhang confirmed that: (i) he did not possess any inside information of the Company that is required but not yet disclosed at the time of the Transaction; and (ii) he undertook to donate any gain (if any) from the acquisition and future sale (outside of the blackout period) of the relevant Shares under the Transaction to charitable organization. In order to avoid similar incident in the future, the Company will continue to implement the following actions: (i) remind all Directors the importance of complying with Appendix C3 to the Listing Rules in their dealings of the Shares and in particular the importance of giving written notice prior to conducting any intended dealings; (ii) remind all Directors to instruct their respective brokers to refrain from processing and carrying out any instructions for dealings in Shares by Directors during any prohibition period under Appendix C3 to the Listing Rules; and (iii) provide briefings to develop and refresh the Directors' knowledge and enhance their awareness of good corporate governance practices, including a refresher course as to the directors' duties, corporate governance and the Model Code.

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

REVIEW OF INTERIM REPORT

The audit committee of the Company, consisting of Mr. WONG Man Chung Francis, Mr. WANG Tao (王濤) 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 not 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 2024, 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, 27 October 2024