Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB4,251.5 million, representing an increase of approximately 38.4% as compared with 2022.
- Gross profit was approximately RMB915.5 million, representing an increase of approximately 33.6% as compared with 2022. Gross profit margin was 21.5% in 2023, representing a decrease of approximately 0.8% as compared with 2022.
- Profit for the year was approximately RMB171.5 million, representing an increase of 55.3% as compared to the profit for the year of RMB110.4 million in 2022. Profit attributable to equity owners of the Company for the year was approximately RMB148.7 million, representing an increase of 40.8% as compared to the profit attributable to equity owners of RMB105.6 million in 2022.

The Board resolved not to recommend any dividend for the year ended 31 December 2023.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Hilong Holding Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**Hilong**" or "**us**") prepared according to the Hong Kong Financial Reporting Standards ("**HKFRS**") for the year ended 31 December 2023 (the "**reporting period**") with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**Year ended 31 December** **2023** ***RMB'000***	2022 *RMB'000* Restated
Continuing operations			
Revenue	*4(a)*	**4,251,531**	3,072,915
Cost of sales and provision of services		**(3,336,065)**	(2,387,785)
Gross profit		**915,466**	685,130
Selling and marketing expenses		**(74,305)**	(71,549)
Administrative expenses		**(451,232)**	(325,667)
Research and development expenses		**(18,434)**	(9,427)
Net provision for impairment losses on receivables and contract assets		**(13,368)**	(47,304)
Other income	*7*	**14,139**	8,439
Other gains/(losses) – net	*8*	**62,243**	225,776
Operating profit		**434,509**	465,398
Finance income	*9*	**15,804**	4,401
Finance costs	*9*	**(173,524)**	(484,160)
Finance costs – net		**(157,720)**	(479,759)
Share of profit of associates		**–**	579
Profit/(loss) before income tax		**276,789**	(13,782)
Income tax expense	*10*	**(81,053)**	(28,050)
Profit/(loss) for the year from continuing operations		**195,736**	(41,832)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	*13*	**(24,205)**	152,226
Profit for the year		**171,531**	110,394
Other comprehensive (expenses)/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		**(14)**	18
Currency translation differences		**(169,374)**	164,663
Reclassification adjustments for foreign operations disposed of during the year		**79,696**	–

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME (CONT.)
For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000 Restated
Other comprehensive (expenses)/income for the year, net of tax		**(89,692)**	164,681
Total comprehensive income for the year		**81,839**	275,075
Profit for the year attributable to			
Equity owners of the Company		**148,665**	105,616
Non-controlling interests		**22,866**	4,778
		171,531	110,394
Profit/(loss) for the year attributable to equity owners of the Company			
from continuing operations		**183,175**	(39,792)
from discontinued operation		**(34,510)**	145,408
		148,665	105,616
Total comprehensive income for the year attributable to			
Equity owners of the Company		**59,117**	270,635
Non-controlling interests		**22,722**	4,440
		81,839	275,075
Total comprehensive income/(expense) for the year attributable to equity owners of the Company			
from continuing operations		**67,268**	58,485
from discontinued operation		**(8,151)**	212,150
		59,117	270,635
Earnings/(loss) per share attributable to the equity owners of the Company for the year (expressed in RMB per share)			
From continuing and discontinued operations			
– Basic earnings per share	*11*	**0.0876**	0.0622
– Diluted earnings per share	*11*	**0.0876**	0.0622
From continuing operations			
– Basic earnings/(loss) per share	*11*	**0.1079**	(0.0235)
– Diluted earnings/(loss) per share	*11*	**0.1079**	(0.0235)
From discontinued operation			
– Basic (loss)/earnings per share	*11*	**(0.0203)**	0.0857
– Diluted (loss)/earnings per share	*11*	**(0.0203)**	0.0857

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
			Restated
ASSETS			
Non-current assets			
Property, plant and equipment		**2,315,342**	2,534,691
Right-of-use assets		**54,040**	51,850
Intangible assets		**135,843**	219,364
Interests in associates		**–**	93,847
Deferred income tax assets		**147,300**	193,193
Contract costs		**109,339**	80,984
Prepayments		**55,502**	106,524
		2,817,366	3,280,453
Current assets			
Inventories		**1,076,014**	1,260,851
Contract assets		**7,063**	188,301
Financial assets at fair value through other comprehensive income		**118,399**	52,059
Trade and other receivables	*5*	**2,397,381**	1,678,712
Prepayments		**511,793**	485,904
Current income tax recoverable		**96,513**	69,542
Restricted cash		**93,010**	95,755
Cash and cash equivalents		**840,384**	780,483
		5,140,557	4,611,607
Total assets		**7,957,923**	7,892,060
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital		**141,976**	141,976
Other reserves		**1,301,787**	1,309,078
Currency translation differences		**(359,806)**	(270,272)
Retained earnings		**2,251,582**	2,105,332
		3,335,539	3,286,114
Non-controlling interests		**(6,534)**	31,788
Total equity		**3,329,005**	3,317,902

CONSOLIDATED BALANCE SHEET (CONT.)
As at 31 December 2023

		As at 31 December	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
			Restated
LIABILITIES			
Non-current liabilities			
Borrowings		**119,436**	2,593,263
Contract liabilities		**39,038**	34,302
Lease liabilities		**22,724**	14,620
Deferred income tax liabilities		**36,146**	36,660
Deferred income		**16,719**	27,207
		234,063	2,706,052
Current liabilities			
Trade and other payables	*6*	**1,395,278**	981,740
Contract liabilities		**86,973**	126,512
Current income tax liabilities		**85,570**	53,541
Borrowings		**2,744,476**	701,730
Lease liabilities		**7,077**	4,524
Provision		**75,475**	–
Deferred income		**6**	59
		4,394,855	1,868,106
Total liabilities		**4,628,918**	4,574,158
Total equity and liabilities		**7,957,923**	7,892,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

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, oilfield and offshore engineering services.

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

The consolidated financial statements are presented in Renminbi thousand (RMB'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 18 October 2024.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

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

2.1 Application of new and amendments to Hong Kong Financial Reporting Standards

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with amendments.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In prior years, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applied HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities were not recognised due to application of the initial recognition exemption.

The Group has applied the amendments for the first time in the current year retrospectively. The Group recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at 1 January 2022. However, there was no material impact on the consolidated balance sheet because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no material impact on the retained profits at 1 January 2022 as a result of the change. The key impact on the Group is related to the disclosure of components of deferred tax assets and liabilities recognised.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

The amendments apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

2.2 Going concern basis

At 31 December 2023, the current liabilities included borrowings of RMB2,744,476,000, of which loan notes of RMB2,234,333,000 (the "**2024 Notes**") and bank and other borrowings of RMB510,143,000 are repayable within 12 months from the end of the reporting period. The Group's cash and cash equivalents amounted to RMB840,384,000 as at 31 December 2023.

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 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 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- successfully completing the holistic restructuring of the 2024 Notes for extension of maturity date;

- successfully obtaining additional new sources of financing as and when needed; and

- successfully implementing measures to speed up the collection of trade and other receivables and effectively control costs and expenses.

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

3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION

A summary of the accumulated effects of the restatements on the consolidated balance sheet of the Group as at 31 December 2022 and on the Consolidated Income Statement and Other Comprehensive Income of the Group for the year ended 31 December 2022 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 mobilisation fees as contract liabilities[#1] RMB'000	Reclassification of other long term assets[#2] RMB'000	**Summary of reclassification impact** *RMB'000*	Balance sheet of MTC for consolidation[#1] RMB'000	Elimination of transactions and balances with MTC[#1] RMB'000	Reclassification of prepayments for purchase of property, plant and equipment as non-current assets[#2] RMB'000	**Summary of PYA impact** *RMB'000*	**Summary of PYA & reclassification impact** *RMB'000*	**As restated** *RMB'000*
Effect on the Group's consolidated balance sheet as at 31 December 2022										
Non-current assets										
Property, plant and equipment	**2,533,230**	–	–	**–**	–	1,461	–	**1,461**	**1,461**	**2,534,691**
Deferred income tax assets	**183,586**	–	–	**–**	–	9,607	–	**9,607**	**9,607**	**193,193**
Contract costs	**–**	–	80,984	**80,984**	–	–	–	**–**	**80,984**	**80,984**
Prepayments	**–**	–	24,675	**24,675**	–	–	81,849	**81,849**	**106,524**	**106,524**
Other long-term assets	**105,659**	–	(105,659)	**(105,659)**	–	–	–	**–**	**(105,659)**	**–**
Current assets										
Inventories	**1,174,154**	–	–	**–**	136,190	(49,493)	–	**86,697**	**86,697**	**1,260,851**
Trade and other receivables	**1,784,960**	–	–	**–**	101,913	(208,161)	–	**(106,248)**	**(106,248)**	**1,678,712**
Prepayments	**470,280**	–	–	**–**	97,473	–	(81,849)	**15,624**	**15,624**	**485,904**
Cash and cash equivalents	**778,440**	–	–	**–**	2,043	–	–	**2,043**	**2,043**	**780,483**
Total assets	**7,801,027**	–	–	**–**	337,619	(246,586)	–	**91,033**	**91,033**	**7,892,060**
EQUITY										
Share capital	**141,976**	–	–	**–**	1	(1)	–	**–**	**–**	**141,976**
Currency translation differences	**(268,560)**	–	–	**–**	62	(1,774)	–	**(1,712)**	**(1,712)**	**(270,272)**
Retained earnings	**2,140,692**	–	–	**–**	1,291	(36,651)	–	**(35,360)**	**(35,360)**	**2,105,332**
Total equity	**3,354,974**	–	–	**–**	1,354	(38,426)	(37,072)	**(37,072)**	**(37,072)**	**3,317,902**
Non-current liabilities										
Borrowings	**2,546,163**	–	–	**–**	47,100	–	–	**47,100**	**47,100**	**2,593,263**
Contract liabilities	**–**	34,302	–	**34,302**	–	–	–	**–**	**34,302**	**34,302**
Deferred income	**61,509**	(34,302)	–	**(34,302)**	–	–	–	**–**	**(34,302)**	**27,207**
Current liabilities										
Trade and other payables	**1,033,268**	–	–	**–**	156,632	(208,160)	–	**(51,528)**	**(51,528)**	**981,740**
Borrowings	**569,197**	–	–	**–**	132,533	–	–	**132,533**	**132,533**	**701,730**
Total liabilities	**4,446,053**	–	–	**–**	336,265	(208,160)	–	**128,105**	**128,105**	**4,574,158**
Total equity and liabilities	**7,801,027**	–	–	**–**	337,619	(246,586)	–	**91,033**	**91,033**	**7,892,060**

	As previously reported *RMB'000*	Reclassification: Reclassification of research and development expenses[#3] *RMB'000*	Reclassification: Reclassification of items attributable discontinued operation[#4] *RMB'000*	Reclassification: Summary of reclassification impact *RMB'000*	PYA: Income statement of MTC for consolidation[#1] *RMB'000*	PYA: 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 Consolidated Income Statement and Other Comprehensive Income for the year ended 31 December 2022									
Revenue	**3,736,078**	–	(529,306)	**(529,306)**	64,361	(198,218)	**(133,857)**	**(663,163)**	**3,072,915**
Cost of sales and provision of services	**(2,669,159)**	1,094	186,717	**187,811**	(58,642)	152,205	**93,563**	**281,374**	**(2,387,785)**
Selling and marketing expenses	**(113,688)**	–	42,139	**42,139**	(44)	44	**–**	**42,139**	**(71,549)**
Administrative expenses	**(467,121)**	53,973	89,015	**142,988**	(1,689)	155	**(1,534)**	**141,454**	**(325,667)**
Research and development cost	**–**	(55,067)	45,640	**(9,427)**	–	–	**–**	**(9,427)**	**(9,427)**
Net provision for impairment losses on receivables and contract assets	**(77,211)**	–	29,907	**29,907**	–	–	**–**	**29,907**	**(47,304)**
Other income	**14,015**	–	(5,576)	**(5,576)**	–	–	**–**	**(5,576)**	**8,439**
Other gains/(losses) – net	**272,277**	–	(45,992)	**(45,992)**	(509)	–	**(509)**	**(46,501)**	**225,776**
Finance income	**5,336**	–	(941)	**(941)**	6	–	**6**	**(935)**	**4,401**
Finance costs	**(495,503)**	–	13,212	**13,212**	(1,869)	–	**(1,869)**	**11,343**	**(484,160)**
Share of profit of associates	**5,799**	–	(5,220)	**(5,220)**	–	–	**–**	**(5,220)**	**579**
Income tax expense	**(65,069)**	–	28,179	**28,179**	(323)	9,163	**8,840**	**37,019**	**(28,050)**
Profit for the year from discontinued operation	**–**	–	152,226	**152,226**	–	–	**–**	**152,226**	**152,226**
Profit for the year	**145,754**	–	–	**–**	1,291	(36,651)	**(35,360)**	**(35,360)**	**110,394**
Other comprehensive income									
Currency translation differences	**166,375**	–	–	**–**	(1,712)	–	**(1,712)**	**(1,712)**	**164,663**
Total comprehensive income for the year	**312,147**	–	–	**–**	(421)	(36,651)	**(37,072)**	**(37,072)**	**275,075**
Profit/(loss) for the year attributable to:									
– Equity owners of the Company	**140,976**	–	–	**–**	1,291	(36,651)	**(35,360)**	**(35,360)**	**105,616**
Total comprehensive income/(expense) for the year attributable to:									
– Equity owners of the Company	**307,707**	–	–	**–**	(421)	(36,651)	**(37,072)**	**(37,072)**	**270,635**
Earnings/(loss) per share attributable to equity owners of the Company (expressed in RMB per share)									
Basic and diluted – from continuing and discontinued operations	**0.0831**	–	–	**–**	0.0008	(0.0217)	**(0.0209)**	**(0.0209)**	**0.0622**
Basic and diluted – from continuing operations	**0.0831**	–	(0.0857)	**(0.0857)**	0.0008	(0.0217)	**(0.0209)**	**(0.1066)**	**(0.0235)**
Basic and diluted – from discontinued operation	**–**	–	0.0857	**0.0857**	–	–	**–**	**0.0857**	**0.0857**

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 Mobilisation fee classified as deferred income represent the mobilization cost compensated by corresponding customers, which is recognised in the Consolidated Income Statement and Other Comprehensive Income over the service period. The balance of RMB34,302,000 at 31 December 2022 would be reclassified as contract liabilities.

#2 The contract mobilization costs classified as other long-term assets is recognised for costs incurred to fulfil the oilfield service contracts. The balance of RMB80,984,000 at 31 December 2022 were reclassified as contract costs. The other long-term assets of RMB24,675,000 at 31 December 2022 were reclassified as prepayment.

#3 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.

#4 The comparative figures in the consolidated income statement and 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.

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 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 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 and until the carrying out of audit 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. Upon 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 consolidated financial statements, and the transactions among the Group and MTC should be eliminated in accordance with the Group's accounting policies.

#2 Certain prepayments classified as current assets at 31 December 2022 represented the Group's prepayments for purchase of property, plant and equipment and accordingly they would be reclassified as non-current prepayments.

4 SEGMENT INFORMATION

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

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

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

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

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

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

The business of line pipe technology and services provision, including the provision of services related to oil and gas pipe line and production of coating materials for anti-corrosive and anti-friction purposes and provision of coating services, was discontinued in the current year. The following segment information does not include any amounts for the discontinued operation, which is described in more details in note 13.

Sales between segments are carried out at arm's length.

(a) Revenue

The revenue of the Group for the years ended 31 December 2023 and 2022 are set out as follows:

Continuing operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Oilfield equipment manufacturing and services	**2,614,421**	1,901,759
Oilfield services	**1,168,928**	1,057,479
Offshore engineering services	**468,182**	113,677
	4,251,531	3,072,915

(b) **Segment information**

The segment information provided to senior executive management for the reportable segments for the year ended 31 December 2023 and 2022 is as follows:

Continuing operations

	Year ended 31 December 2023			
Business segment	**Oilfield equipment manufacturing and services** *RMB'000*	**Oilfield services** *RMB'000*	**Offshore engineering services** *RMB'000*	**Total** *RMB'000*
Revenue				
Segment revenue	**2,638,420**	**1,185,913**	**468,392**	**4,292,725**
Inter-segment sales	**(23,999)**	**(16,985)**	**(210)**	**(41,194)**
Revenue from external customers	**2,614,421**	**1,168,928**	**468,182**	**4,251,531**
Revenue from contracts with customers:				
– at a point in time	**2,385,329**	**264,118**	**–**	**2,649,447**
– over time	**207,892**	**904,810**	**433,105**	**1,545,807**
	2,593,221	**1,168,928**	**433,105**	**4,195,254**
Revenue from other sources:				
– rental income				
– operating lease payments that are fixed	**21,200**	**–**	**35,077**	**56,277**
	2,614,421	**1,168,928**	**468,182**	**4,251,531**
Results				
Segment gross profit/(loss)	**638,485**	**365,948**	**(88,967)**	**915,466**
Segment profit/(loss)	**558,712**	**149,477**	**(188,607)**	**519,582**
Corporate overheads				**(85,073)**
Operating profit				**434,509**
Finance income				**15,804**
Finance costs				**(173,524)**
Share of profit of associates				**–**
Profit before income tax				**276,789**

Continuing operations

	Year ended 31 December 2022			
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	1,914,652	1,083,975	113,677	3,112,304
Inter-segment sales	(12,893)	(26,496)	–	(39,389)
Revenue from external customers	1,901,759	1,057,479	113,677	3,072,915
Revenue from contracts with customers:				
– at a point in time	1,608,907	253,515	–	1,862,422
– over time	269,010	803,964	113,677	1,186,651
	1,877,917	1,057,479	113,677	3,049,073
Revenue from other sources:				
– rental income				
– operating lease payments that are fixed	23,842	–	–	23,842
	1,901,759	1,057,479	113,677	3,072,915
Results				
Segment gross profit/(loss)	441,423	359,332	(115,625)	685,130
Segment profit/(loss)	452,379	190,348	(125,194)	517,532
Corporate overheads				(52,135)
Operating profit				465,398
Finance income				4,401
Finance costs				(484,160)
Share of profit of associates				579
Loss before income tax				(13,782)

5 TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB2,397,381,000 (2022 (Restated): RMB1,678,712,000) included gross amounts of trade receivables of RMB1,883,372,000 (2022 (Restated): RMB1,513,721,000).

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 end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade receivables, gross		
– Within 90 days	**1,422,475**	915,317
– Over 90 days and within 180 days	**203,426**	270,982
– Over 180 days and within 360 days	**72,602**	129,575
– Over 360 days and within 720 days	**106,670**	61,789
– Over 720 days	**78,199**	136,058
	1,883,372	1,513,721

6 TRADE AND OTHER PAYABLES

Trade and other payables of RMB1,395,278,000 (2022 (Restated): RMB981,740,000) included trade payables of RMB991,614,000 (2022 (Restated): RMB625,987,000).

Trade payables represent payables due to third party suppliers and related parties suppliers. The following table sets forth an aging analysis of trade payables due to third parties suppliers and related parties suppliers as at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
– Within 90 days	**798,906**	434,291
– Over 90 days and within 180 days	**109,989**	184,827
– Over 180 days and within 360 days	**47,701**	1,593
– Over 360 days and within 720 days	**12,715**	2,163
– Over 720 days	**22,303**	3,113
	991,614	625,987

7 OTHER INCOME

Continuing operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Other government grants	**6,831**	7,149
Release of deferred government grant	**2,021**	1,290
Interest income from late payment of trade receivable	**5,287**	–
	14,139	8,439

8 OTHER GAINS – NET

Continuing operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
(Loss)/gains on disposal of property, plant and equipment – net	**(1,272)**	5,024
Gain on disposal of associates	**17,023**	–
Impairment loss on prepayment	**(12,585)**	–
Net foreign Exchange gains, net	**54,291**	217,401
Others	**4,786**	3,351
	62,243	225,776

9 FINANCE COSTS – NET

Continuing operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Finance income:		
– Interest income derived from bank deposits	**15,804**	4,401
Finance costs:		
– Interest expense on 2024 Notes and bank and other borrowings	**(281,565)**	(327,788)
– Net foreign exchange loss	**(44,904)**	(215,870)
– Fair value loss on cross currency swap	**–**	(9,750)
– Interest expense on lease liabilities	**(1,882)**	(1,227)
– Gains on repurchasing the 2024 Notes	**154,827**	70,475
	(173,524)	(484,160)
Finance costs – net	**(157,720)**	(479,759)

10 INCOME TAX EXPENSE

Continuing operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**46,525**	66,483
Deferred income tax	**34,528**	(38,433)
Income tax expense	**81,053**	28,050

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.

Enterprises incorporated in other places (other than the Mainland China) are subject to income tax rates ranging from 15% to 35% prevailing in the places in which these enterprises operated for the years ended 31 December 2023 and 2022.

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 31 December 2023, Hilong Energy is in the process of renewal of the qualification.

11 EARNINGS/(LOSS) PER SHARE

Continuing and discontinued operations

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

	Year ended 31 December	
	2023	2022 (Restated)
Profit attributable to equity owners of the Company *(RMB'000)*	**148,665**	105,616
Weighted average number of ordinary shares in issue *(thousands of shares)*	**1,696,439**	1,696,439
Basic earnings per share *(RMB per share)*	**0.0876**	0.0622

Continuing operations

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

	Year ended 31 December	
	2023	2022 (Restated)
Profit/(loss) attributable to equity owners of the Company *(RMB'000)*	**183,175**	(39,792)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**1,696,439**	1,696,439
Basic earnings/(loss) per share *(RMB per share)*	**0.1079**	(0.0235)

Discontinued operation

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

	Year ended 31 December	
	2023	2022
(Loss)/profit attributable to equity owners of the Company *(RMB'000)*	**(34,510)**	145,408
Weighted average number of ordinary shares in issue *(thousands of shares)*	**1,696,439**	1,696,439
Basic (loss)/earnings per share *(RMB per share)*	**(0.0203)**	0.0857

Diluted earnings/(loss) per share

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

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the Company's shares for both 2023 and 2022.

12 DIVIDENDS

The Directors have determined that no dividend will be proposed for the year ended 31 December 2023 (2022: Nil).

13 DISCONTINUED OPERATION

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

On 31 March 2023, the Company entered into an equity transfer agreement with a related party controlled by the controlling shareholder (the "**Purchaser**"), whereby the Company 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.

The results of the discontinued operation, which have been included in the profit for the year ended 31 December 2023, are set out below. The comparative figures in the consolidated income statement and comprehensive income have been restated to represent the line pipe technology and services provision and provision of coating services as a discontinued operation.

	Period from 1 January 2023 to 28 November 2023	Year ended 31 December 2022
	RMB'000	*RMB'000*
Revenue ***(Note)***	**371,368**	529,306
Cost of sales and provision of services *(Note)*	**–**	(186,717)
Gross profit	**371,368**	342,589
Selling and marketing expenses	**(39,349)**	(42,139)
Administrative expenses	**(109,386)**	(89,015)
Research and development expenses	**(31,997)**	(45,640)
Net provision for impairment losses on receivables and contract assets	**(12,571)**	(29,907)
Other income	**3,555**	5,576
Other (losses)/gains – net	**(15,733)**	45,992
Operating profit	**165,887**	187,456
Finance income	**1,585**	941
Finance costs	**(4,399)**	(13,212)
Finance costs – net	**(2,814)**	(12,271)
Share of profit of associates	**3,000**	5,220
Profit before income tax	**166,073**	180,405
Attributable income tax expenses	**(46,477)**	(28,179)
Profit after tax from discontinued operation	**119,596**	152,226
Loss on deconsolidation of subsidiaries from discontinued operation	**(143,801)**	–
(Loss)/profit for the period/year from discontinued operation	**(24,205)**	152,226
(Loss)/profit for the period/year from discontinued operation attributable to:		
– equity owners of the Company	**(34,510)**	145,408
– non-controlling interests	**10,305**	6,818
	(24,205)	152,226

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.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has issued the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2023, an extract of which is as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1.3 to the consolidated financial statements, as at 31 December 2023, the Group's current liabilities included borrowings of RMB2,744,476,000, of which loan notes of RMB2,234,333,000 (the "**2024 Notes**") and bank and other borrowings of RMB510,143,000 are repayable within 12 months from the end of the reporting period but the Group's cash and cash equivalents amounted to RMB840,384,000 only. This condition, together with other matters disclosed in note 2.1.3 to the consolidated financial statements, indicates the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.3 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the holistic restructuring of the 2024 Notes for extension of maturity date; (ii) successfully obtaining additional new sources of financing as and when needed; and (iii) successfully implementing measures to speed up the collection of trade and other receivables and effectively control costs and expenses so as to improve the Group's working capital and cash flow position.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, the Group might not be able to meet is financial obligations as and when they fall due and to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amount 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 consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

Continuing operations

	Year ended 31 December			
	2023		2022 (Restated)	
	RMB'000	*%*	*RMB'000*	*%*
Oilfield equipment manufacturing and services				
– Drill pipes	**2,317,689**	**54.5**	1,736,999	56.5
– Oil country tubular goods ("**OCTG**") coating services[Note]	**111,606**	**2.6**	104,464	3.4
– Drill pipe components	**70,708**	**1.7**	11,266	0.4
– Hardbanding[Note]	**7,052**	**0.2**	5,182	0.2
– Others	**107,366**	**2.5**	43,848	1.4
Subtotal	**2,614,421**	**61.5**	1,901,759	61.9
Oilfield services	**1,168,928**	**27.5**	1,057,479	34.4
Offshore engineering services	**468,182**	**11.0**	113,677	3.7
Total revenue	**4,251,531**	**100.0**	3,072,915	100.0

Note: The revenue from OCTG and hardbanding of RMB111.6 million and RMB7.1 million was generated before the Hilong Pipeline Disposal (as defined below).

Revenue increased by RMB1,178.6 million, or 38.4%, from RMB3,072.9 million in 2022 to RMB4,251.5 million in 2023. Such increase was mainly due to the increase in revenue from the oilfield equipment manufacturing and services and offshore engineering services segment.

Oilfield equipment manufacturing and services. Revenue from the oilfield equipment manufacturing and services segment increased by RMB712.6 million, or 37.5%, from RMB1,901.8 million in 2022 to RMB2,614.4 million in 2023. Such increase primarily reflected the increase in revenue derived from sales of drill pipes.

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

	Year ended 31 December	
	2023	2022 (Restated)
Sales of drill pipes		
– International market		
– volume *(tonnes)*	**64,004**	63,365
– unit price *(RMB/tonne)*	**30,734**	24,959
Subtotal *(RMB'000)*	**1,967,086**	1,581,503
– The PRC market		
– volume *(tonnes)*	**16,651**	9,570
– unit price *(RMB/tonne)*	**21,056**	16,249
Subtotal *(RMB'000)*	**350,603**	155,496
Total *(RMB'000)*	**2,317,689**	1,736,999

Revenue from sales of drill pipes in the international market increased by RMB385.6 million, or 24.4%, from RMB1,581.5 million in 2022 to RMB1,967.1 million in 2023. The increase primarily reflected an increase of 1.0% in the volume of drill pipes sold from 63,365 tonnes in 2022 to 64,004 tonnes in 2023. Such increase in the sales volume primarily reflected the large demands from the Middle East market 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 RMB195.1 million, or 125.5%, from RMB155.5 million in 2022 to RMB350.6 million in 2023. The increase primarily reflected an increase of 74.0% in the volume of drill pipes sold from 9,570 tonnes in 2022 to 16,651 tonnes in 2023. Such increase in the sales volume primarily reflected the large demands from domestic markets due to the rise in oil prices.

Oilfield services. Revenue from the oilfield services segment increased by RMB111.4 million, or 10.5%, from RMB1,057.5 million in 2022 to RMB1,168.9 million in 2023. Such increase primarily reflected the increase in revenue from trade services and the recovery of the utilization rate of drilling rigs in 2023 as compared to 2022.

Offshore engineering services. Revenue from the offshore engineering service segment in 2023 mainly represented the revenue derived from the submerged pipeline laying project, the offshore wind power construction and the new installation and construction of new platforms.

Cost of sales and provision of services

Cost of sales/services increased by RMB948.3 million, or 39.7%, from RMB2,387.8 million in 2022 to RMB3,336.1 million in 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB230.4 million, or 33.6%, from RMB685.1 million in 2022 to RMB915.5 million in 2023. Gross profit margin was 21.5% in 2023, decreased by 0.8% from that in 2022.

Selling and Marketing Expenses

Selling and marketing expenses increased by RMB2.8 million, or 3.9%, from RMB71.5 million in 2022 to RMB74.3 million in 2023. These expenses, amounting to 1.7% of revenue in 2023, were lower than 2.3% in 2022.

Administrative Expenses

Administrative expenses increased by RMB125.5 million, or 38.5%, from RMB325.7 million in 2022 to RMB451.2 million in 2023. Such increase primarily reflected the increase in staff costs and travelling expense.

Other Gains – Net

The Group recognized net gain of RMB62.2 million in 2023 and net gain of RMB225.8 million in 2022. The net gain recognized in 2023 reflected the exchange gain of RMB54.3 million from the operating activities as a combined result of the appreciation of the United States Dollar ("**USD**"). The net gain recognized in 2022 reflected the exchange gain of RMB217.4 million from the operating activities as a combined result of the appreciation of the Ruble and USD.

Finance Costs – Net

Finance costs – net decreased by RMB322.1 million, or 67.1%, from RMB479.8 million in 2022 to RMB157.7 million in 2023. Such decrease primarily reflected the decrease in net foreign exchange loss of RMB44.9 million from the financing activities resulting from the appreciation of USD, compared to the exchange loss of RMB215.9 million from the financing activities resulting from the appreciation of USD, and was partly offset by the gains on repurchasing the 2024 Notes from RMB70.5 million in 2022 to RMB154.8 million in 2023.

Profit before Income Tax

As a result of the foregoing, the Group recognized loss before income tax of RMB13.8 million in 2022 and profit before income tax of RMB276.8 million in 2023.

Income Tax Expense

The Group recognized income tax expense of RMB28.0 million in 2022 and RMB81.1 million in 2023. Effective tax rate was approximately -203.5% in 2022 and 29.3% in 2023, the increase of effective tax rate mainly reflected the increase of profit.

Profit for the year attributable to equity owners of the Company

As a result of the foregoing, the Group recognized profit for the year attributable to equity owners of the Company of RMB105.6 million in 2022 and profit for the year attributable to equity owners of the Company of RMB148.7 million in 2023.

Inventories

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

	As at/for the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Inventory	**1,076,014**	1,260,851
Turnover days of inventory (in days)[1]	**128**	177

(1) Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2022 and 2023. Average inventory equals inventory balance at the beginning of the year plus inventory balance at the end of the year, divided by two.

The decrease of inventories from 31 December 2022 to 31 December 2023 is mainly due to the increasing sales of drill pipes.

Trade and Other Receivables

Trade and other receivables of RMB2,397.4 million (2022 Restated: RMB1,678.7 million) included gross trade receivable of RMB1,883.4 million (2022 Restated: RMB1,513.7 million).

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

	As at/for the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
– Within 90 days	**1,422,475**	915,317
– Over 90 days and within 180 days	**203,426**	270,982
– Over 180 days and within 360 days	**72,602**	129,575
– Over 360 days and within 720 days	**106,670**	61,789
– Over 720 days	**78,199**	136,058
	1,883,372	1,513,721
Turnover days of trade receivables[(1)]	**146**	173

(1) Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365 for each of the years ended 31 December 2022 and 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 decrease in turnover days of trade receivables from 173 days as at 31 December 2022 to 146 days as at 31 December 2023 primarily reflected that the settlement for trade receivables due from certain oil and gas companies in the international market was more active and accelerated in 2023.

Trade and Other Payables

Trade and other payables of RMB1,395.3 million (2022 Restated: RMB981.7 million) included trade payables of RMB991.6 million (2022 Restated: RMB626.0 million).

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

	As at/for the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
– Within 90 days	**798,906**	434,291
– Over 90 days and within 180 days	**109,989**	184,827
– Over 180 days and within 360 days	**47,701**	1,593
– Over 360 days and within 720 days	**12,715**	2,163
– Over 720 days	**22,303**	3,113
	991,614	625,987
Turnover days of trade payables(1)	**88**	83

(1) Turnover days of trade payables for a year equals average trade payables divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2022 and 2023. Average trade payables equals to balance of trade payables at the beginning of the year plus balance at the end of the year, divided by two.

Liquidity and Financial Resources

As at 31 December 2023, the Group had total cash and cash equivalents amounting to RMB840.4 million (2022 Restated: RMB780.5 million). The Group's net borrowing as at 31 December 2023 was RMB2,023.5 million (2022 Restated: RMB2,514.5 million), being total borrowing of RMB2,863.9 million (2022 Restated: RMB3,295.0 million) less cash and cash equivalents of RMB840.4 million (2022 Restated: RMB780.5 million). After taking into account the restricted cash of RMB93.0 million (2022: RMB95.8 million), the Group's net borrowing as at 31 December 2023 was RMB1,930.5 million (2022 Restated: RMB2,418.7 million), being total borrowing less cash and cash equivalents and restricted cash.

As at 31 December 2023, cash and cash equivalent were mainly denominated in RMB, USD and RUB.

As at 31 December 2023, the Group has available unutilised revolving banking facilities of RMB360.9 million (2022: RMB281.9 million).

The current ratio of the Group as at 31 December 2023 was 117.0% (2022: 246.9%), calculated on the basis of current assets of RMB5,140.6 million (2022: RMB4,611.6 million) over current liabilities of RMB4,394.9 million (2022: RMB1,868.1 million).

Capital Expenditures

Capital expenditures were RMB357.5 million and RMB360.7 million in 2022 and 2023, respectively. The increase in capital expenditures in 2023 was mainly due to the recovery of overseas business in the oilfield services segment.

Indebtedness

As at 31 December 2023, the outstanding indebtedness of RMB2,863.9 million was mainly denominated in USD and RMB. The following table sets forth the breakdown of the indebtedness as at the dates indicated:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Non-current		
Bank borrowings	**125,504**	139,528
2024 Notes	**–**	2,496,567
Less: Current portion of non-current borrowings		
– secured	**(6,068)**	(42,832)
	119,436	2,593,263
Current		
Bank borrowings	**485,648**	631,090
Other borrowings	**18,427**	27,808
2024 Notes	**2,234,333**	–
Current portion of non-current borrowings		
– secured	**6,068**	42,832
	2,744,476	701,730
	2,863,912	3,294,993

As at 31 December 2023, bank borrowings of RMB2,744.5 million were obtained at a fixed rate (31 December 2022: RMB3,020.9 million).

In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation ("**SINO SURE**", a national policy insurance institution), and enjoyed a preferential interest rate. As at 31 December 2023, USD33,545,000 were drawn down, out of which USD26,280,000 had been repaid in past years and 2023. The remaining principals 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 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.

Gearing Ratio

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

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

The gearing ratios as at 31 December 2022 and 31 December 2023 are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Total borrowings	**2,863,912**	3,294,993
Add: Lease liabilities	**29,801**	19,144
Less: Cash and cash equivalents	**(840,384)**	(780,483)
Restricted cash	**(93,010)**	(95,755)
Net debt	**1,960,319**	2,437,899
Total equity	**3,329,005**	3,317,902
Total capital	**5,289,324**	5,755,801
Gearing ratio	**37.06%**	42.36%

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

(1) On 31 March 2023 (after trading hours), Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司) (the "**Purchaser**"), a connected person of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, certain of the Group's businesses comprising multi-functional 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 which will be effected by sale of the sale interests (the "**Sale Interests**") (representing 100% of the equity interest in Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司), an indirect wholly-owned subsidiary of the Company (the "**Target Company**", together with its subsidiaries, the "**Target Group**") at the consideration of RMB700 million (the "**Consideration**"), subject to the terms and conditions of the Equity Transfer Agreement (the "**Hilong Pipeline Disposal**"). The Disposal by the Vendor and the transactions contemplated under the Equity Transfer Agreement constituted a very substantial disposal and connected transaction for the Company. For details of the Hilong Pipeline Disposal, please refer to the announcement and circular of the Company in relation to the very substantial disposal and connected transaction of the Company dated 31 March 2023.

    As of 31 December 2023, the Hilong Pipeline Disposal was completed and each member of the Target Group ceased to be a subsidiary of the Company. For the loss on deconsolidation of subsidiaries in the Hilong Pipeline Disposal from discontinued operation, please refer to note 13 to the consolidated financial statements.

(2) On 3 April 2023, Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) (the "**Seller**"), Shanghai Jintang Industry Co., Ltd.* (上海金鏜實業有限公司) ("**Shanghai Jintang**") and Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司) ("**Shanghai Hilong Special Steel Pipe**") entered into an equity transfer agreement, pursuant to which the Seller has agreed to dispose of, and Shanghai Jintang has agreed to acquire, the 30% equity interest held by the Seller in Shanghai Hilong Special Steel Pipe for a total consideration of RMB57,980,000 ("**Shanghai Hilong Special Steel Pipe Disposal**"). Shanghai Hilong Special Steel Pipe Disposal, when aggregated with the previous disposal of the 70% equity interest in Shanghai Hilong Special Steel Pipe ("**Previous Shanghai Hilong Special Steel Pipe Disposal**"), pursuant to Rule 14.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), would remain as a major transaction under the Listing Rules based on the results of the applicable percentage ratios. Since the Company has complied with the Listing Rules in respect of the requirements for a major transaction in the Previous Shanghai Hilong Special Steel Pipe Disposal, the Shanghai Hilong Special Steel Pipe Disposal is considered on a standalone basis and therefore constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. For details of the Shanghai Hilong Special Steel Pipe Disposal, please refer to the announcement of the Company in relation to the discloseable transaction of the Company dated 3 April 2023.

    As of 31 December 2023, the Shanghai Hilong Special Steel Pipe Disposal was completed.

Save for the Hilong Pipeline Disposal and Shanghai Hilong Special Steel Pipe Disposal disclosed above, the Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended 31 December 2023.

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 recognised 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 12.6% appreciation of RMB against the USD from 21 July 2005 to 31 December 2023. There remains significant pressure on the PRC government to adopt a more flexible currency policy, which could result in a more fluctuated exchange rate of the RMB against USD. The Group may consider entering into currency hedging transactions to further manage its exposure to fluctuations in exchange rates, or nature hedging by actively matching the currency structure of monetary assets and liabilities. However, the effectiveness of such transactions may be limited. The revenue from continuing operations denominated in USD represented 52.8% and 44.2% of the total revenue of the Group in 2022 and 2023, respectively.

Staff and Remuneration Policy

As at 31 December 2023, the total number of full-time employees employed by the Group was 2,370 (31 December 2022: 3,245). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 31 December 2023:

On-site workers	1,482
Administrative	295
Engineering and technical support	408
Research and development	98
Sales, marketing and after-sales services	65
Company management	22
	2,370

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. As at the date of this announcement, the exercise period has lapsed without extension. None of the share options 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 Listing Rules. No share awards have been granted under the 2023 Award Scheme during the year ended 31 December 2023. For further details of the 2023 Award Scheme, please refer to the Company's announcement dated 13 September 2023.

BUSINESS REVIEW

In 2023, international and geographical factors such as supply shortage and economic recovery supported the overall oil price to remain at a medium to high position. On the supply side, production adjustments of the Organization of the Petroleum Exporting Countries ("**OPEC**") promoted the rise of the international oil price, while the recovery of economic growth after the pandemic on the demand side drove capital expenditure. The recovery of demand for aviation fuel and gasoline consumption was the main driving force for the growth of oil consumption. At the same time, China gradually deepened and upgraded its cooperation with the Middle East and Central Asia in trade cooperation, capacity cooperation and engineering technology covering from oil and gas trade to resource development and to technical cooperation. High-level summits such as China-Arab States Summit and China-Central Asia Summit have also brought great opportunities to China's oil industry enterprises. In 2023, Hilong actively expanded both international and domestic markets and adopted a scientific management approach within the Group, so as to reduce costs and increase efficiency. While intensifying its efforts in market development, the Company attached importance to scientific development and technological innovation, and has been gradually developing into an asset-light, digital and high-tech intelligent enterprise. The Company's scientific operations in 2023 remained stable and efficient, and achieved improvements in its business performance as compared with 2022. During the reporting period, Hilong recorded a total revenue of RMB4,251.5 million, representing an increase of 38.4% compared with 2022. As there were sufficient projects for business units of the Group, the three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services achieved growth in revenue to a relatively large extent.

In 2023, the overall global market after the pandemic has become more favorable than the last year, resulting in higher business volume of the Company. While vigorously exploring both the international and domestic markets and striving for high-end customers and orders, the Company has continued to transform its scientific and digital intelligent management and has achieved remarkable results in key nations and regions such as the United States, Canada and the Middle East. The Group also strengthened its cash flow management and took active financial measures such as accounts receivable management and inventory management in order to enhance the operating efficiency of assets, which maintained a relatively stable cash flow in 2023. During the reporting period, the Company made breakthroughs in securing a number of orders from high-end customers in both new and old markets, establishing a solid foundation for the long-term development of the Group.

Oilfield Equipment Manufacturing and Services

During the reporting period, the revenue of the oilfield equipment manufacturing and services segment was RMB2,613.9 million, representing a significant increase of 37.4% compared with 2022. Due to the increase in oil demand following the economic recovery post-COVID-19 pandemic, as well as the global energy supply tensions due to the energy sanctions against Russia by the Western countries, and as capital expenditures of upstream enterprises in the industry continued to increase at the same time, the global oil and gas drilling activities resumed and the demand for oilfield equipment worldwide experienced a significant increase as compared with 2022. Hence, the sales volume of Hilong's drilling tool products increased significantly. The orders on hand for various drilling tool products such as drill pipes and heavy weight drill pipes were sufficient with the plump workload. In 2023, Hilong continued to develop advanced technology and optimised its production processes. Hilong has overcome many scientific research difficulties and continued to improve the quality of products and services, which further solidified its competitiveness. Its product performance and the quality of services have reached or surpassed the level of its international competitors. In 2023, the oilfield equipment manufacturing and services segment contributed the largest portion of total revenue for the Group and attained business breakthroughs in markets such as the United States, Canada and the Middle East. While exploring development in the high-end market and high-end customers, Hilong adhered to high-tech development such as technological innovation and digital and intelligent transformation, attached great importance to the building of a team of scientific research talents, and strengthened the exchange of scientific research achievements, so that the Company has built a scientific research team with rich experience in product technical service and system management.

In 2023, Hilong won the case of litigations with respect to damages and investigations into the anti-dumping and anti-subsidizing of drill pipes and heavy weight drill pipes exported from China to Canada, which further expanded into the North American market. As Hilong's brand image has been enhanced, it secured orders from new high-end customers in high-end markets. HLNST, Hilong's sour service drilling tool with special buckles, passed the certification and began sales to Ensign in the United States, indicating that the comprehensive strengths of the Group's high-tech and high-end drilling tools has been recognized by international high-end customers. During the reporting period, Hilong signed a series of contracts with customers, such as ADNOC Drilling Company PJSC, Baoji Oilfield Machinery Co., Ltd. (寶雞石油機械有限責任公司), Sichuan Honghua Petroleum Equipment Co., Ltd. (四川宏華石油設備有限公司), Arabian Drilling Company and Egyptian Drilling Company in respect of the supply of drilling tools and bottomhole assembly. In the Middle East region, Hilong also achieved market and business breakthroughs by securing large-scale orders with high-end customers in high-end markets. The domestic market also performed well, and our partners highly recognized our products such as high-strength sour service drill pipes, high-strength and high-torque drill pipe and HLNST drilling tools with special buckles which enabled us to form in-depth sales and market cooperation in China. The signing of these contracts and the execution of these projects demonstrated Hilong's ability to continuously expand into new markets and seize business opportunities. In 2023, the related drilling tool companies 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公司) was recognized as the eighth batch of "National Manufacturing Individual Champion Enterprise" (國家製造業單項冠軍企業) by the Ministry of Industry and Information Technology (工業和信息化部), which fully affirms Hilong's commitment to scientific and technological innovation, its deep cultivation of the oil market segment, and its status as a leader in market share.

Oilfield Services

During the reporting period, the oilfield services segment recorded a total revenue of RMB1,169.5 million, representing a growth of 10.6% compared with 2022. Benefitting from the continuous increase of capital expenditure of upstream enterprises in the industry, it has brought better business opportunities to the oilfield services industry than 2022, and was also very conducive to the development of Hilong's oilfield services. Hilong's oilfield services seized the business opportunity, persisted in scientific and digital management, continuously improved its product and service capabilities, systematically integrated drilling and workover services, technical services and trade services, and gradually realized localisation and specialisation of workforce. For the oilfield services segment, Hilong digitally analysed and explored the synergy and mutual complement among different business segments, adhered to market orientation and technology-driven strategies, and created a "One Body and Two Wings" business development model, which took the existing drilling and workover business as the main body and regarded technical service business and trade business as two wings. In 2023, the utilization rate of drilling and workover rigs of Hilong's oilfield services remained its leading position among the industry, and drilling rigs under standby once again secured new orders. The Company also secured a number of new contracts for drilling rigs in operation, which ensured a sufficient workload as a whole. While continuing to develop the conventional well drilling and workover markets, the Company also actively expanded turnkey drilling projects, so as to develop high-tech integrated turnkey business. For instance, our HL22 fleet has safely completed the drilling turnkey contracts for three wells in Iraq, demonstrating a new level of Hilong's turnkey business capability. Our capability of integrated drilling and well completion has also been enhanced. In 2023, the overall relocation speed of the drilling fleet increased compared with 2022, and the indicators such as non-production time rate ("**NPT**") and zero-day rate of the drilling fleet presented a significant decrease in recent years, which indicated that the Company's operating efficiency and organising and managing ability have been greatly improved in recent years. Apart from the conventional well drilling and workover services, the Company also actively participated in the bidding projects of other technical services and constantly explored new business fields to increase revenue for the Group. The Company maintained stable development in fields of environmental technology services such as drilling and workover mud (oil-based mud alternatives, high-performance water-based mud, etc.), rock fragments processing and well site recovery, coiled tubing business, production enhancement technology based on nanofluids flooding, refined managed pressure drilling ("**MPD**") technology, directional and horizontal well drilling and other comprehensive technical services, and developed more diversified technical services businesses including drilling speed and efficiency improvement, oilfield environmental protection, rotary steering technology as well as the establishment of maintenance base. The trade service business segment also had great improvement compared with 2022 and achieved new breakthroughs in aspects such as the tubing and casing business. In 2023, the oilfield services segment integrated market functions, and implemented strategies focused on the transformation towards "light assets and technology-driven" operations, expanded new businesses in all directions, and enhanced integrated service capabilities through technological innovation.

Offshore Engineering Services

In 2023, the offshore engineering services segment recorded a total revenue of RMB468.2 million, representing a 311.9% increase from 2022. Hilong's offshore engineering segment ("**Hilong Offshore Engineering**") was transforming into a specialized offshore engineering company with EPCIC integrated turnkey capability. By establishing the four centers, namely Engineering Technology Center, Engineering Construction Center, Intelligent Control Technology Center and Offshore Installation Center (the "**Four Centers**") to form the business capability of the whole industry chain, Hilong Offshore Engineering effectively supported the two main business lines of "market development" and "project execution", resulting in a significant increase in workload as compared to last year, which will have great development potential in the future. We have expanded our business into the whole process of offshore engineering industry ecology and transformed into a technology company that can undertake multiple projects. During the reporting period, Hilong Offshore Engineering has entered into a contract in relation to offshore platform installation and submerged pipeline and cable laying with Lamprell Energy Limited and Lamprell Saudi Arabia LLC, pursuant to which Hilong Offshore Engineering will provide them with engineering construction services, such as installation of new platforms, modification of existing platforms, laying of submerged pipelines, laying of submerged cables, replacement of platform risers, and transportation and installation of the above works. In Thailand, Hilong Offshore Engineering has entered into a subsea pipeline laying contract with Mermaid Subsea Services (Thailand) Ltd, pursuant to which Hilong Offshore Engineering will provide it with engineering construction services including subsea pipeline laying, expansion loops installation, riser and underwater installation of a pipeline end termination ("**PLET**") system. During the reporting period, the Company successfully completed important projects such as the CGN offshore wind power installation turnkey project and CNOOC long term agreement project. At the same time, Hilong Offshore Engineering also won the bid for key projects in regions including the Middle East and Thailand. Moreover, there were a number of projects in the process of project bidding, representing an increasing recognition and satisfaction towards Hilong Offshore Engineering from customers. Hilong attaches great importance to high-tech research and development, and has applied for the qualification as a 2023 technology-based enterprise. In-depth research on key scientific research directions such as pipeline laying, jacket installation and removal, and block floating support, with an emphasis on strengthening the construction of digitalization management capability of offshore engineering, has continued to progress, with some research results having been achieved. 2023 was a year of great significance in the development of Hilong Offshore Engineering, with remarkable progress in infrastructure construction, operational capability and business development, further improving the international and domestic project management capabilities and overseas project design capabilities, enhancing the information-based systematic management means and procurement experience, and laying a solid foundation for the development route of light assets and integrated turnkey capabilities.

Technology Research and Development

Hilong has been adhering to leading enterprise transformation with scientific and technological innovation and informatisation digitalisation, which will help enhance the overall operation level of the Group. In 2023, in terms of drilling tool products, the Company strengthened continual research on and promoted the application of high-strength sour service, high-strength and high torque drill pipe technology, and completed inspection and acceptance of projects including the research and manufacturing of HLNST special screw heads. The Company has secured orders for HLNST drill pipes with special buckles from the North American market, forming sales in scale and being unanimously recognized by high-end customers in the United States and Canada. Hilong has also developed HL135MS/HL130S higher-strength sour service drill pipes on the basis of previous high-strength sour service drill pipe projects. We have signed a large order in US dollars in respect of HL125S high strength sour service, and the production process of large-size thick-walled super high strength drill pipes under development has been confirmed. We have completed the software development of information management of drill pipes and drilling tools with radio frequency identification tags, and have currently received orders for drill pipes with radio frequency identification tags from customers in the Middle East. We have also been carrying out research and development of intelligent drill pipes. With continuous improvements and upgrades in the drilling tool production process, equipment and systems, we have enhanced efficiency and reduced production costs, and together with the digitalized transformation of the Group, we have gradually carried out automatic and intelligent transformation of production equipment. In 2023, Hilong's HL125S high-strength sour service drill pipe for complex drilling in the sulfur-containing oil and gas field has been selected for the 2023 Shanghai Innovative Product Recommendation Catalog. Projects including 125S high strength sour service obtained the 2023 Hi-Tech Achievement Transformation Recognition. The high strength and sour-resistance service drill pipe project has recently won the Gold Award for Shanghai Invention and Innovation. In 2023, Hilong completed the automation transformation of drill pipe production line, such as improving the automation of die forging. In terms of oilfield services, the Company set up science and technology companies, established technical teams, and strengthened technical research and technical exchanges. Hilong summarised the experience in the integrated projects of drilling and well completion, and continuously improved the technical service ability of turnkey drilling, 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 managed pressure drilling technology as well as the upgrade, promotion and application of rotary steering technology and nanofluids flooding production enhancement technology, etc. In terms of information technology business, projects including research on the application of technology for intelligent patrolling robots have made intermediate progress. In terms of offshore engineering, we have carried out several research projects to enhance offshore construction capability including offshore engineering technology and offshore engineering digitalization, such as a research study on near shore section pipeline landing, development of a computer program for ship tilting experiment, visualization study of offshore installation of the wind power project, and digital commissioning system study, etc. Several companies under the Group were granted the qualification of "Highly Specialized and Innovative" (專精特新) enterprise at the state level as well as the Shanghai municipal level, fully reflecting Hilong's technological advantages and brand competitiveness driven by independent research and development and innovation. In the future, Hilong will continue to adhere to technological innovation, establish joint technology centers with universities, realise resource sharing, promote the establishment of key scientific research projects, make deep efforts in the field of high-end oilfield equipment and onshore and offshore oilfield services, and continue to give full play to the advantages of the world's leading oilfield equipment and service provider.

OUTLOOK

Currently, the global crude oil supply elasticity is decreasing, while the demand for crude oil is still growing. The world will continue to face the problem of tight crude oil supply and demand for several years, and the supply-demand relationship can still support medium to high oil prices in the future. Driven by the post-pandemic economic recovery and high oil prices, the capital expenditure of upstream oil and gas has slowly rebounded since 2022, and the capital expenditure of offshore oil and gas exploration has also been gradually rebounding. The global investment in offshore oil and gas exploration and development accounted for more than 30% of the total investment in global oil and gas development. Looking forward to 2024, economic recovery will drive oil consumption growth, the trend of tightening crude oil supply may continue, and international oil prices may fluctuate slightly at a high level.

In 2024, Hilong will continue to give full play to its brand advantages, develop new high-end customers in the United States, Canada, the Middle East and other countries and regions to secure high-end orders, maintain its existing advantages, and strive for greater breakthroughs in new markets and new businesses. Hilong will focus on developing key customers in the United States, Canada, the Middle East, and Southeast Asia, and endeavor to continue to increase our share of the international market and enhance the image of our brand services. In addition to the key markets in North America, we are optimistic about the medium and long-term business development in the Middle East and South America regions. In the future, the Middle East, Central Asia and South America regions may become cooperation highlands for enterprises in China to expand their overseas production capacity. Saudi Arabia, United Arab Emirates and Iraq may increase their capital expenditure on upstream oil and gas, which will bring us great opportunities in the Middle East market. In the field of engineering services, benefiting from the breakthrough of upstream exploration and development and the expansion of downstream refining capacity, Hilong will focus on securing more orders from the owners of overseas oil companies, especially orders in the land resources and offshore oil and gas in the Middle East, Central Asia and Southeast Asia, and the future project prospects is promising. The first China-Arab States Summit was held in Saudi Arabia, and the first China-Central Asia Summit was held in May 2023, demonstrating the growing cooperation between China and the Middle East, Central Asia and Southeast Asia, which will benefit us a lot. In respect of the domestic market, China has entered the sixth year in implementing the seven-year action plan for 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 (2019-2025年國內勘探與生產加快發展規劃方案), risk exploration investments will be further increased, as such, we believe that the domestic and overseas oil and gas industry markets are generally promising.

In terms of the international drill pipe market, the Company will continue to focus on promoting high value-added products of drilling tools supplied to high-end customers catering their differentiated demands and deeper organic combination of market development and product development, introducing more compound talents and professional talents, and making greater efforts in promoting automatic and intelligent transformation and new technology development of equipment and drilling tool production lines. The Company will deeply develop high-end markets in the Middle East, United States and Canada to further enhance its market reputation of drilling tools. The Company will strengthen the research and development as well as promotion and application of products such as super high-strength, corrosion-resistant and fatigue-resistant drilling tools, HLNST special buckle, HL130S and HL135MS high-strength sour service drill pipes, drill pipes with eco-friendly screws, wear-resistant drill pipes, super high-strength drill pipes and special alloy drill pipes, drill pipes with radio frequency identification tags and intelligent drill pipes as well as the automatic transformation of the production line, information construction of production management system, heat treatment technology of drill pipe, thickening and identification inspection technology. For the domestic drill pipe market, while actively grasping the existing business opportunities, Hilong will vigorously develop differentiated markets to provide customers with high-end drilling tools that meet their differentiated needs.

Regarding the oil services business, Hilong will persist in scientific and technological innovation, and the transformation of light assets and digital management to break through the bottleneck of traditional business development and demonstrate its strong technical and management capabilities. Hilong is committed to actively exploring overseas markets by securing new contracts in existing and emerging markets including Nigeria, Ecuador, Iraq, Oman, Brazil and Kuwait. Regarding drilling and workover business, Hilong will actively develop various types of business, including drilling turnkey, oilfield environmental protection, nanofluids production enhancement, drilling tool repair, and trading services, to provide more diversified and distinctive services on top of our traditional drilling and workover services. We will strive for making new progress and long-term revenue in regions including the UAE, Libya and Central Asia. We will fully improve our technical ability and scientific research level to establish the core competitiveness of our oilfield services. We will stabilize the existing drilling and workover rig business, maintain the utilization rate of our drilling and workover rigs at a high level, and continue to adjust the business layout. We continue to establish a turnkey drilling technical team, improve the turnkey technical level and shorten the drilling and completion cycle, so as to achieve a higher profit level. We will give full play to the existing business platforms and continue to carry out trade, oilfield environmental protection and other businesses to create new profits. By making use of the Company's market development and management capabilities, we strive to seek social resources and reduce business risks, so as to enlarge the platform effect and economies of scale. To consolidate our existing business, the Company will actively expand the technical services of directional wells and horizontal wells with rotary steering system ("**RSS**") as the core. At the same time, the Company will develop the MPD service and coiled tubing business as new business growth points, vigorously develop domestic MPD technical services and develop overseas MPD service markets. Taking nanotechnology as a breakthrough point, leveraging strategic cooperations with colleges and universities, we will promote the development of increasing production capacity, form a large-scale business and serialize our technical products. The Company will also actively expand the sales of drilling and workover rigs, and their parts and components, as well as the oil casing trading business. Through the enhancement of the collaboration and synergy among all business segments, we will achieve technological advancements in our oilfield services and drive the industry towards innovation.

For offshore engineering services, we will speed up the market layout and construction in the Middle East and Southeast Asia, as well as Brazil, Russia and West Africa. Transforming from an installation business-oriented to a turnkey technology service business, we will speed up market expansion, reduce costs and increase efficiency. Relying on Hilong's digital transformation project and introducing advanced digital concepts and auxiliary tools, we will focus on strengthening the construction of offshore engineering digitization capacity with our offshore engineering experience. We will actively make an effort in contracting and implementing projects such as engineering commissioning and digital intelligence in the international market. The Company will carry out an overall investigation of emerging industries and the analysis of relevant industrial chains to provide direction for the Group's future research on new technologies. In-depth research on key scientific research directions such as pipeline laying, jacket installation and removal, block floating support and digital management system for commissioning completion has been in progress. On the basis of stable installation and submerged pipeline laying business, the Company will actively expand the offshore oil and gas processing business, strengthen offshore engineering project management and clarify the functions and responsibilities of the Four Centers. The Company will enhance engineering construction and technical services including offshore engineering construction facilities, land-associated gas recovery and land wellhead oil and gas processing, and focus on new energy businesses such as offshore wind power, gradually forming capability of turnkey project bidding quotation, project management and technical support. By making greater efforts in talent introduction, the Company will actively transform scientific and technological achievements and establish its long-term technical reserves. The Company will provide low-input, high-yield products and services. We will adhere to the path of innovation and research and international development and continue to enhance our turnkey integrated service capability. By exploring technical hotspots and tracking the latest technological frontiers, we will enhance the Company's integrated technical capabilities of offshore engineering on the basis of comprehensive scientific research plans, so as to continuously enhance Hilong Offshore Engineering's leading position in domestic and foreign markets.

Events after the End of the Reporting Period

(1) Suspension of Trading on the Stock Exchange

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

(2) Resignation of Auditor

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

(3) Resumption Guidance

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

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

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

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

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

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

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

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

(4) Progress of Fulfillment of the Resumption Guidance

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

(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.

Save for the matters disclosed above, there were no important events affecting the Company nor any of its subsidiaries since the end of the reporting period and up to the date of this annual results announcement.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

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. The Company has made specific enquiries to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

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

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.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company, consisting of Mr. WONG Man Chung Francis, Mr. WANG Tao and Ms. ZHANG Shuman, has reviewed the annual results for the year ended 31 December 2023 before the results were submitted to the Board for approval.

The auditor of the Company, Crowe (HK) CPA Limited, has agreed that the figures in respect of the Group's annual results for the year ended 31 December 2023 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year ended 31 December 2023.

DIVIDENDS

The Board resolved not to recommend any dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming annual general meeting of the Company ("**AGM**") as soon as practicable, and the notice of the AGM will be published (and despatched to the shareholders of the Company, where applicable) in a timely manner in accordance with the requirements of the Listing Rules and the articles of association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in a separate announcement and in the notice of the AGM.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hilonggroup.com).

The annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be published on the same websites (and will be despatched to shareholders of the Company, where applicable) in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

CONTINUED SUSPENSION OF TRADING

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

Shareholders and potential investors of the Company are advised to exercise due caution when dealing in the securities of the Company. When in doubt, Shareholders and potential investors of the Company are advised to seek advice from their own professional or financial advisers.

For and on behalf of the Board
Hilong Holding Limited
ZHANG Jun
Chairman

Hong Kong, 18 October 2024

As at the date of this announcement, the executive director of the Company is Mr. ZHANG Jun; the non-executive directors are Ms. ZHANG Shuman, Dr. YANG Qingli, Mr. CAO Hongbo and Dr. FAN Ren Da Anthony; and the independent non-executive directors are Mr. WANG Tao, Mr. WONG Man Chung Francis and Mr. SHI Zheyan.