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Hilong Holding Limited

海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

AND

CHANGE IN COMPOSITION OF THE NOMINATION COMMITTEE

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,322.5 million for the six months ended 30 June 2025, representing a decrease of approximately 5.8% as compared with the same period in 2024.
- Gross profit was approximately RMB401.4 million for the six months ended 30 June 2025, representing a decrease of approximately 30.6% as compared with the same period in 2024.
- The Board resolved not to declare any interim dividend for the six months ended 30 June 2025.

CHANGE IN COMPOSITION OF THE NOMINATION COMMITTEE

With effect from 29 August 2025, Ms. ZHANG Shuman, a non-executive Director, and Mr. WONG Man Chung Francis, an independent non-executive Director, have been appointed as members of the Nomination Committee.

* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) of Hilong Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**Hilong**” or “**us**”) prepared according to the HKFRS Accounting Standards (“**HKFRSs**”) for the six months ended 30 June 2025 (the “**Interim Period**”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		(Unaudited)	
		Six months ended 30 June	
	Notes	2025	2024
		RMB'000	RMB'000
Revenue	3(a)	2,322,537	2,465,641
Cost of sales and provision of services		<u>(1,921,092)</u>	<u>(1,887,337)</u>
Gross profit		401,445	578,304
Selling and marketing expenses		(43,404)	(63,118)
Administrative expenses		(243,831)	(232,527)
Research and development expenses		(9,246)	(6,674)
Net provision for impairment losses on receivables and contract assets		(11,623)	(22,130)
Other income	6	8,095	8,549
Other losses – net	7	<u>(283,863)</u>	<u>(33,294)</u>
Operating (loss)/profit		(182,427)	229,110
Finance income	8	7,886	7,243
Finance costs	8	(108,898)	(136,274)
Finance costs – net		<u>(101,012)</u>	<u>(129,031)</u>
(Loss)/profit before income tax		(283,439)	100,079
Income tax expense	9	<u>(41,431)</u>	<u>(53,523)</u>
(Loss)/profit for the period		<u>(324,870)</u>	<u>46,556</u>

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2025

		(Unaudited)	
		Six months ended 30 June	
	<i>Notes</i>	2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income/(expenses):			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>14,641</u>	<u>(46,974)</u>
Other comprehensive income/(expenses) for the period, net of tax		<u>14,641</u>	<u>(46,974)</u>
Total comprehensive expenses for the period		<u>(310,229)</u>	<u>(418)</u>
(Loss)/profit for the period attributable to			
Equity owners of the Company		(324,236)	46,002
Non-controlling interests		<u>(634)</u>	<u>554</u>
		<u>(324,870)</u>	<u>46,556</u>
Total comprehensive (expenses)/income for the period attributable to			
Equity owners of the Company		(309,581)	(947)
Non-controlling interests		<u>(648)</u>	<u>529</u>
		<u>(310,229)</u>	<u>(418)</u>
(Loss)/earnings per share attributable to equity owners of the Company for the period (expressed in RMB per share)			
Basic (loss)/earnings per share	<i>10</i>	(0.1911)	0.0271
Diluted (loss)/earnings per share	<i>10</i>	<u>N/A</u>	<u>0.0271</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2025

	<i>Notes</i>	(Unaudited) 30 June 2025 RMB'000	(Audited) 31 December 2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,302,145	2,366,346
Right-of-use assets		44,165	50,946
Intangible assets		129,007	132,970
Deferred income tax assets		151,337	150,531
Contract costs		151,895	141,069
Prepayments		67,959	69,829
		<u>1,846,508</u>	<u>2,911,691</u>
Current assets			
Inventories		1,236,730	1,095,842
Contract assets		–	38,039
Financial assets at fair value through other comprehensive income		156,822	212,583
Trade and other receivables	4	2,649,354	2,620,792
Prepayments		277,715	363,565
Current income tax recoverable		68,253	68,873
Restricted cash		42,350	44,705
Cash and cash equivalents		583,362	721,631
		<u>5,014,586</u>	<u>5,166,030</u>
Asset classified as held for sale	12	720,903	–
		<u>5,735,489</u>	<u>5,166,030</u>
Total assets		<u>7,581,997</u>	<u>8,077,721</u>
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital		141,976	141,976
Other reserves		1,262,126	1,262,126
Currency translation differences		(445,066)	(459,721)
Retained earnings		1,995,301	2,319,537
		<u>2,954,337</u>	<u>3,263,918</u>
Non-controlling interests		<u>(5,442)</u>	<u>(4,794)</u>
Total equity		<u>2,948,895</u>	<u>3,259,124</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2025

	<i>Notes</i>	(Unaudited) 30 June 2025 <i>RMB'000</i>	(Audited) 31 December 2024 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Contract liabilities		32,755	62,520
Lease liabilities		13,067	17,548
Deferred income tax liabilities		45,664	33,804
Deferred income		14,740	17,803
		<u>106,226</u>	<u>131,675</u>
Current liabilities			
Trade and other payables	5	1,849,283	1,737,743
Contract liabilities		116,288	121,441
Current income tax liabilities		74,528	131,496
Borrowings		2,479,217	2,686,464
Lease liabilities		7,560	9,778
		<u>4,526,876</u>	<u>4,686,922</u>
Total liabilities		<u>4,633,102</u>	<u>4,818,597</u>
Total equity and liabilities		<u>7,581,997</u>	<u>8,077,721</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1 BASIS OF PREPARATION

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the new and revised standards and amendments that are effective for the Group’s current accounting period and application of accounting policy which become relevant to the Group that are expected to be reflected in the 2025 annual financial statements set out in note 2.1 and 2.3 below.

2 MATERIAL ACCOUNTING POLICIES INFORMATION

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

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

Amendments to HKAS 21	Lack of Exchangeability
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The Group has not applied any amendment that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

2.2 Going concern basis

During the six months ended 30 June 2025, the Group incurred a net loss of RMB324,870,000. At 30 June 2025, the current liabilities included borrowings of RMB2,479,217,000, of which loan notes of RMB2,251,709,000 (the “**2024 Notes**”) and bank and other borrowings of RMB227,508,000 are repayable within 12 months from the end of the reporting period. The Group failed to repay the 2024 Notes and the interest payable on due date on 18 November 2024 and the accrued interest payable (including the default interest) amounted to RMB245,120,000 at 30 June 2025. The Group’s cash and cash equivalents amounted to RMB583,362,000 as at 30 June 2025.

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.

- (i) The Group has been proactively working with its legal and financial advisors to communicate with the holders of the 2024 Notes, seeking their support for the proposed restructuring plan to extend the maturity date of the 2024 Notes, and will continue its efforts to successfully complete the proposed restructuring within the scheduled timetable, in order to achieve a long-term sustainable capital structure and to resolve its liquidity issue;
- (ii) The Group has been actively exploring new sources of financing to settle the Group's existing financial obligations and to support its future operating and capital expenditures. To explore new sources of financing, the Company has engaged in loan financing negotiations with five domestic and international banks and successfully completed the rollover of an existing bank loan in the second quarter of 2025, extending its maturity by one year. The Group assumed the banking facility that can be arranged to drawdown to align with the funding needs during the working capital forecast period.
- (iii) The Group has been implementing measures to expedite collection of trade and other receivables, including, among others:
 - (a) Dedicated teams have been assigned to manage recovery efforts from top 10 customers, ensuring targeted and strategic engagement;
 - (b) The Group has identified long-outstanding receivables and intends to take legal actions, including but not limited to issuing initial demand letters to customers, with further action pending based on response and feasibility; and
 - (c) The Group has implemented tighter internal controls on credit terms granted to customers, including revised approval thresholds and periodic credit reviews.
- (iv) The Group has undertaken a series of targeted initiatives aimed at reducing operating costs and strengthening cash flow management, including, among others:
 - (a) The Group conducted a comprehensive review and renegotiations of supplier agreements to secure more favorable pricing structures and extended payment terms; and
 - (b) The Group implemented policies to restrict non-essential travel, entertainment, and professional services.
- (v) The Group can proceed to complete the disposal of the vessel which is classified as asset held for sale, and assumed that the sales proceeds of US\$75 million receivable in cash pursuant to the written memorandum of agreement dated 11 August 2025 and entered into between the Group (as the vendor) and the purchaser will be received by the Group, of which the net cash proceeds (after deducting transaction costs and professional expenses) of US\$33.3 million will be used for reducing the liabilities owed under the 2024 Notes, and approximately US\$40.7 million will be used for general working capital of the Group.

The directors have reviewed the Group's cash flow projection prepared by management, which covers a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. They are of the opinion that, the holders of the 2024 Notes will agree to the proposed restructuring plan to extend the maturity date of the 2024 Notes, the Group will successfully obtain new finance, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of approval of the interim condensed consolidated financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed 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 restructuring of the 2024 Notes for extension of maturity date;
- successfully obtaining additional new sources of financing as and when needed;
- successfully implementing measures to speed up the collection of trade and other receivables and effectively control costs and expenses; and
- successfully completing the disposal of the vessel and receipt of the cash consideration.

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

2.3 Non-current assets classified as held for sale

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

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

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

3 SEGMENT INFORMATION

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

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

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

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

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

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

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

Sales between segments are based on terms mutually agreed.

(a) Revenue

The revenue of the Group for the six months ended 30 June 2025 and 2024 are set out as follows:

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

(b) **Segment information**

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2025 and 2024 is as follows:

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

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

4 TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB2,649.4 million (31 December 2024: RMB2,620.8 million) included trade receivables (before provision for loss allowance) of RMB2,189.8 million (31 December 2024: RMB2,054.5 million).

The following table sets forth an aging analysis of trade receivables from sales of products and provision of services to third parties and related parties as at the end of the reporting period:

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

5 TRADE AND OTHER PAYABLES

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

Trade payables represent payables due to third party suppliers and related parties suppliers. The following table sets forth an aging analysis of trade payables, including amounts due to related parties which was trading related in nature, as at the end of the reporting period based on invoice date:

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

6 OTHER INCOME

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

7 OTHER LOSSES – NET

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

8 FINANCE COSTS – NET

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

9 INCOME TAX EXPENSE

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

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

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

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

Enterprises incorporated in other places (other than the Mainland China) are subject to income tax rates ranging from 15% to 35% prevailing in the places in which these enterprises operated for the six months ended 30 June 2025 and 2024.

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

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

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

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Regards to Taxes on Income, a lower 5% withholding tax rate can be applied if the immediate holding companies of the PRC subsidiaries are established in Hong Kong and can be considered as a “beneficial owner”. Hilong Energy Limited (“**Hilong Energy**”) is a Hong Kong registered company and is the immediate holding company of the PRC subsidiaries, which has successfully applied for and been qualified as a “beneficial owner”. Given the above, the local tax authority approved Hilong Group of Companies Ltd., the PRC holding company of all other subsidiaries in the PRC, to use a 5% withholding tax rate when it distributed its profits to Hilong Energy from 2019 to 2021. As at 30 June 2025, Hilong Energy is in the process of renewal of the qualification.

10 (LOSS)/EARNINGS PER SHARE

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

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

Diluted (loss)/earnings per share

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

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

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

11 DIVIDENDS

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

12 ASSET CLASSIFIED AS HELD FOR SALE

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

An impairment loss of RMB329,287,000 by writing down the carrying amount of the vessel to its fair value less costs to sell has been included in “Other losses – net.” (note 7).

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

	<i>RMB’000</i>
Property, plant and equipment	<u>720,903</u>
Asset classified as held for sale	<u>720,903</u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

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

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

Oilfield equipment manufacturing and services. Revenue from the oilfield equipment manufacturing and services segment decreased by 415.8 million, or 36.7%, from RMB1,132.5 million for the six months ended 30 June 2024 to RMB716.6 million for the Interim Period. Such decrease primarily reflected the decrease in revenue derived from sales of drill pipe.

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

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

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

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

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

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

Cost of Sales and Provision of Services

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

Gross Profit and Gross Profit Margin

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Other Losses – Net

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

Finance Costs – Net

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

(Loss)/Profit before Income Tax

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

Income Tax Expense

The Group recognized income tax expense of RMB53.5 million for the six months ended 30 June 2024 and RMB41.4 million for the Interim Period. The effective tax rate was approximately 53.5% for the six months ended 30 June 2024 and -14.6% for the Interim Period, the decrease of the effective tax rate mainly reflected the unbalanced distribution of profit among the Group’s subsidiaries and the increase of tax losses of subsidiaries that did not recognize deferred income tax.

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

As a result of the foregoing, the Group recognized profit for the period attributable to equity owners of the Company of RMB46.0 million for the six months ended 30 June 2024 and loss of RMB324.2 million for the Interim Period.

Inventories

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

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

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

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

Trade and Other Receivables

Trade and other receivables of RMB2,649.4 million (31 December 2024: RMB2,620.8 million) included trade receivables of RMB2,189.8 million (31 December 2024: RMB2,054.5 million).

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

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

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

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

Trade and Other Payables

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

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

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

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

Liquidity and Financial Resources

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

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

Indebtedness

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

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

As at 30 June 2025, borrowings of RMB2,444.2 million were obtained at a fixed rate (31 December 2024: RMB2,645.8 million).

In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation (“**SINO SURE**”, a national policy insurance institution), and enjoyed a preferential interest rate. As at 30 June 2025, USD33,545,000 were drawn down and had been fully repaid in past years and the six months ended 30 June 2025.

Reference is made to “Management Discussion and Analysis – Financial Review” of the Company’s 2021 annual report in relation to the Company’s 9.75% senior secured notes (Reg S: ISIN Number: XS2344083139; Common Code: 234408313; Rule 144A: ISIN Number: XS2344082917; Common Code: 234408291; IAI: ISIN Number: XS2344083303; Common Code: 234408330) (the “**2024 Notes**”). The Company issued the 2024 Notes on 18 May 2021, and, in connection with the 2024 Notes, the Company pledged certain drilling rigs as securities. On 20 May 2021, the Company announced that the 2024 Notes had been listed on the Singapore Exchange Securities Trading Limited. The outstanding principal amount of USD314,546,000 on the 2024 Notes together with the accrued and unpaid interest thereon were due and payable on the maturity date of 18 November 2024.

Gearing Ratio

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

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

The gearing ratios as at 30 June 2025 and 31 December 2024 are as follows:

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

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

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

Foreign Exchange

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of RMB into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the USD. Under this policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 11.6% appreciation of RMB against the USD from 21 July 2005 to 30 June 2025. There remains significant pressure on the PRC government to adopt a more flexible currency policy, which could result in a more fluctuated exchange rate of the RMB against the USD. The Group may consider entering into currency hedging transactions to further manage its exposure to fluctuations in exchange rates, or nature hedging by actively matching the currency structure of monetary assets and liabilities. However, the effectiveness of such transactions may be limited. The revenue denominated in USD represented 41.2% and 55.9% of the total revenue of the Company for the six months ended 30 June 2024 and the Interim Period, respectively.

Staff and Remuneration Policy

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

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

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

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

The Company adopted a share award scheme on 11 September 2023 (the “**2023 Award Scheme**”). The 2023 Award Scheme is funded solely by the existing shares and it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). No share awards have been granted under the 2023 Award Scheme during the six months ended 30 June 2025. For further details of the 2023 Award Scheme, please refer to the Company’s announcement dated 13 September 2023.

BUSINESS REVIEW

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

Oilfield Equipment Manufacturing and Services

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

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

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

Oilfield Services

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

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

Offshore Engineering Services

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

Technology Research and Development

Hilong has been adhering to leading enterprise transformation through scientific and technological innovation, as well as information digitalization, leveraging technology to comprehensively improve the Company's operations and management. In terms of drilling tool products, the Company continued to strengthen research and promote the application of high sulfur-resistant, high-strength and high torsion-resistant drill pipe technology. We completed the development of large-scale, thick-walled HLU165 ultra high strength special drill pipes, laying solid foundation for the development and promotion of high strength special drill pipes for 10,000-meter ultra-deep wells. We completed the development of high pressure-resistant special buckles for offshore risers, and continued to upgrade and promote our sulfur-resistant service drill pipe series for project completion. We have carried out the development and construction of an information technology system at the drilling tool factory and completed a technology upgrade and renovation project. Projects such as the development of HLNST special screw heads have been completed, and orders have been obtained from the North American market which formed large-scale sales with recognition from high-end customers in the United States and Canada. Based on preliminary high strength sulfur-resistant drill pipe projects, Hilong has developed HL135MS/HL130S higher strength sulfur-resistant service drill pipes. We have secured large-value orders in U.S. dollars in respect of core products such as HL125S sulfur-resistant service drill pipes. We have completed the software development of information management of drill pipes and drilling tools with radio frequency identification tags, and have currently received orders for drill pipes with radio frequency identification tags from high-end customers, achieving significant breakthroughs. The research and development of intelligent drill pipes is in progress. The production processes, equipment and systems of drilling tools are constantly optimized and upgraded, which improves production efficiency and saves production costs. In conjunction with the Group's digital transformation, we carried out automation and intelligent transformation of production equipment. In the oilfield services sector, we continuously improved our technical service capabilities for drilling and well completion turnkey projects, including the drilling technical ability of extended-reach horizontal wells. We have strengthened the localized development and promotion of key drilling equipment components for refined MPD, the finalization and promotion of MPD managed pressure drilling technology as well as the upgrading, promotion and application of rotary steering technology and nanofluids flooding production enhancement technology. In terms of offshore engineering, in order to enhance the offshore construction capabilities, we have carried out a number of research projects such as offshore engineering technology and offshore engineering digital technology. Several subsidiaries of the Hilong Group were newly granted the qualification of "Highly Specialized and Innovative" (專精特新) enterprise at the state level as well as the Shanghai municipal level, fully demonstrating Hilong's overall technological advantages and brand competitiveness.

OUTLOOK

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

In terms of the international drill pipe market, the Company will continue to promote high value-added products of drilling tools which meet the differentiated needs of high-end customers, combine market development with product development more deeply, introduce more versatile talents and professional talents, and conduct focused product development and research on HL120SS and HL145MS high strength sulfur-resistant service drill pipe products. We will deeply develop the high-end demand in the Middle East, the United States and Canada, and further enhance the market reputation of Hilong drilling tools. We will intensify the promotion of large-scale, thick-walled HLU165 ultra high strength special drill pipes, high pressure-resistant special buckle for offshore riser, HLNST special buckles, HL130S and HL135MS high strength sulfur-resistant service drill pipes, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes and drill pipes with radio frequency identification tags that lead to high-end orders, while strengthening the promotion of intelligent drill pipes and establishing presence in major markets. We will also strengthen the research and development and promotion of the automatic transformation of production line, information construction of production management system, drill pipe heat treatment technology, thickening and identification inspection technology, and other related products. In the domestic drill pipe market, Hilong will actively follow up the existing business opportunities and vigorously develop differentiated markets to provide customers with high-end drilling tool products that meet their differentiated needs.

Regarding the oil services business, we will stabilize the existing drilling and workover rig equipment business, maintain a relatively high level of utilization rate of its drilling rigs, adjust the business layout in a timely manner, and ensure effective equipment management and operational safety, and continue to expand our turnkey drilling technical team to attain upstream level in the industry as soon as possible. We will fully leverage our existing business platform to continue developing trading, oilfield environmental protection and other related businesses to generate profits; and leverage our market development and management capabilities to strive to identify social resources, reduce business risks, expand scale, and create value. The Company will make every effort to improve its technical ability and scientific research level and build the core competitiveness of Hilong's oil service. We will seek sales opportunities for existing drilling rigs, align with customer needs for new and existing drilling rig replacement, introduce new drilling rigs, and optimize the age profile of our rig fleet to enhance market competitiveness and overall efficiency. We will shorten the drilling and well completion cycle, so as to achieve a relatively high profit level. The Company will make full use of its existing business platform, continue to carry out business such as trade and oilfield environmental protection and create new profits. We will make use of the Company's market development and management capabilities, strive to identify social resources, reduce business risks, and amplify the platform effect and economy scale. We 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 services on top of traditional drilling and workover services. We will make every effort to improve our technical ability and scientific research level. We will adhere to scientific and technological innovation, light assets and digital management transformation, break through the bottleneck of traditional business development, and demonstrate strong technical and management capabilities. We will actively explore foreign markets, and strive to enter into new businesses and new contracts in new and old markets such as Nigeria, Ecuador, Brazil and Kuwait. On the basis of consolidating the existing business, the Company will actively expand the directional well and horizontal well technical service capability of the RSS rotary steering system. At the same time, the Company will vigorously carry out domestic MPD technical services and develop overseas MPD service markets. Taking nanotechnology used in production enhancement as a breakthrough point, we will actively explore the sales of drilling and workover rig equipment and spare parts, and tubing and casing trading business, so as to enhance the linkage and synergy among various businesses. We will actively advance business development in other African countries, continue to actively advance our trading business, efficiently execute existing orders, and achieve capital recovery.

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

Other Significant Events

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

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

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

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

(3) *Winding-Up Petition*

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

Subsequent Events

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

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

CHANGES SINCE 31 DECEMBER 2024

Save as disclosed in this announcement, there were no other material changes in the Group’s financial position or in the information disclosed under the management discussion and analysis section in the Company’s 2024 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 (the “**CG Code**”) contained in Appendix C1 to the Listing Rules during the Interim Period, save for deviation from code provision C.2.1 of the CG Code. Pursuant to code provision C.2.1 of the CG Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, Mr. ZHANG Jun (“**Mr. Zhang**”) currently performs these two roles. Mr. GAO Zhihai was appointed as the co-chief executive officer of the Company to assist Mr. Zhang in the overall business operations and strategy formulation of the Company. The Board believes that Mr. Zhang, being the chairman of the Board, is familiar with the Company’s business operation and has excellent knowledge and experience of the Company’s business which will be conducive to improve the efficiency of the Company’s overall strategic planning. Further, the Board is of the view that the balanced composition of the executive, the non-executive and the independent non-executive Directors on the Board and the various committees of the Board in overseeing different aspects of the Company’s affairs would provide adequate safeguards to ensure a balance of power and authority. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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 inquiries to all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Interim Period.

REVIEW OF INTERIM RESULTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

DIVIDENDS

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

PUBLICATION OF INTERIM RESULTS

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

The interim report for the Interim Period 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.

CHANGE IN COMPOSITION OF THE NOMINATION COMMITTEE

With effect from 29 August 2025, Ms. ZHANG Shuman, a non-executive Director, and Mr. WONG Man Chung Francis, an independent non-executive Director have been appointed as members of the nomination committee of the Company (the “**Nomination Committee**”). Subsequent to the above appointment, the Nomination Committee comprises five members, namely Mr. WANG Tao (chairman), Ms. ZHANG Shuman, Dr. YANG Qingli, Mr. WONG Man Chung Francis and Mr. SHI Zheyuan.

APPRECIATION

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

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

Hong Kong, 29 August 2025

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 Zheyuan.