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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 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB1,571.1 million, representing an increase of approximately 0.90% as compared with the same period in 2020.
- Operating profit was approximately RMB191.2 million, representing an increase of approximately 26.1% as compared with the same period in 2020.
- Profit attributable to equity owners of the Company was approximately RMB40.2 million, representing an increase of approximately 196.2% as compared with the loss for the period attributable to equity owners of the Company of RMB41.8 million for the six months ended 30 June 2020.
- The Board resolved not to declare any interim dividend for the six months ended 30 June 2021.

\* 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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the six months ended 30 June 2021 (the “**Interim Period**”) as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
	Note	2021	2020
		RMB'000	RMB'000
<b>Revenue</b>	4(a)	<b>1,571,075</b>	1,556,920
Cost of sales		<u>(1,149,127)</u>	<u>(1,056,489)</u>
<b>Gross profit</b>		<b>421,948</b>	500,431
Selling and marketing expenses		(43,482)	(73,723)
Administrative expenses		(217,007)	(222,764)
Net impairment losses on financial assets		(25,308)	(63,525)
Other gains – net		<u>55,018</u>	<u>11,145</u>
<b>Operating profit</b>		<b>191,169</b>	151,564
Finance income		<b>1,161</b>	3,760
Finance costs		<b>(142,694)</b>	(174,084)
Finance costs – net		<b>(141,533)</b>	(170,324)
Share of profit of investments accounted for using equity method		<u>26,013</u>	<u>419</u>
<b>Profit/(loss) before income tax</b>		<b>75,649</b>	(18,341)
Income tax expense	5	<b>(33,289)</b>	(21,184)
<b>Profit/(loss) for the period</b>		<b>42,360</b>	(39,525)
<b>Profit/(loss) attributable to:</b>			
Equity owners of the Company		<b>40,209</b>	(41,819)
Non-controlling interests		<b>2,151</b>	2,294
		<u>42,360</u>	<u>(39,525)</u>
<b>Earnings/(losses) per share attributable to the equity owners of the Company (expressed in RMB per share)</b>			
– Basic	6	<b>0.0237</b>	(0.0247)
– Diluted	6	<b>0.0237</b>	(0.0247)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit/(loss) for the period</b>	<b>42,360</b>	<b>(39,525)</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	578	(584)
Exchange differences on translation of foreign operations	<b>(48,571)</b>	<b>(51,810)</b>
<b>Total comprehensive loss for the period</b>	<b>(5,633)</b>	<b>(91,919)</b>
<b>Attributable to:</b>		
Equity owners of the Company	<b>(8,026)</b>	<b>(94,145)</b>
Non-controlling interests	<b>2,393</b>	<b>2,226</b>
	<b>(5,633)</b>	<b>(91,919)</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

		(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,438,601	2,619,526
Right-of-use assets		55,200	105,441
Intangible assets		238,367	239,676
Investments accounted for using equity method		92,787	50,888
Deferred income tax assets	5	181,306	190,692
Other long-term assets		56,059	70,816
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>3,062,320</b>	<b>3,277,039</b>
<b>Current assets</b>			
Inventories		893,393	1,001,255
Contract assets		248,154	160,886
Financial assets at fair value through profit or loss		–	23,377
Financial assets at fair value through other comprehensive income		141,526	89,629
Trade and other receivables	8	1,688,709	1,682,031
Prepayment		281,108	336,713
Current income tax recoverable		28,966	24,348
Restricted cash		41,236	77,616
Cash and cash equivalents		803,357	697,463
		<hr/>	<hr/>
<b>Total current assets</b>		<b>4,126,449</b>	<b>4,093,318</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>7,188,769</b>	<b>7,370,357</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity owners of the Company</b>			
Ordinary shares	9	141,976	141,976
Other reserves		1,291,970	1,289,746
Currency translation differences		(378,469)	(329,656)
Retained earnings		2,012,615	1,972,406
		<hr/>	<hr/>
		<b>3,068,092</b>	<b>3,074,472</b>
<b>Non-controlling interests</b>		<b>46,579</b>	<b>43,826</b>
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,114,671</b>	<b>3,118,298</b>
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)***As at 30 June 2021*

		(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,408,419	23,674
Lease liabilities		16,576	17,775
Deferred income tax liabilities	5	42,173	37,815
Deferred revenue		39,760	48,289
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>2,506,928</b>	127,553
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	10	678,052	906,793
Contract liabilities		92,140	65,742
Current income tax liabilities		37,631	39,865
Borrowings		755,010	3,101,841
Lease liabilities		4,278	10,206
Deferred revenue		59	59
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,567,170</b>	4,124,506
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>4,074,098</b>	4,252,059
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>7,188,769</b>	7,370,357
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 June 2021*

	(Unaudited)						
	Capital and reserves attributable to equity owners of the Company						
	Ordinary shares <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Cumulative translation differences <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2020	141,976	1,283,815	2,276,462	(39,312)	3,662,941	43,522	3,706,463
Loss for the period	-	-	(41,819)	-	(41,819)	2,294	(39,525)
Other comprehensive loss	-	(584)	-	(51,742)	(52,326)	(68)	(52,394)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(584)</b>	<b>(41,819)</b>	<b>(51,742)</b>	<b>(94,145)</b>	<b>2,226</b>	<b>(91,919)</b>
As at 30 June 2020	141,976	1,283,231	2,234,643	(91,054)	3,568,796	45,748	3,614,544
As at 1 January 2021	141,976	1,289,746	1,972,406	(329,656)	3,074,472	43,826	3,118,298
Profit for the period	-	-	40,209	-	40,209	2,151	42,360
Other comprehensive loss	-	578	-	(48,813)	(48,235)	242	(47,993)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>578</b>	<b>40,209</b>	<b>(48,813)</b>	<b>(8,026)</b>	<b>2,393</b>	<b>(5,633)</b>
Transactions with owners in their capacity as owners							
Disposal of subsidiaries	-	1,646	-	-	1,646	360	2,006
<b>Total transaction with owners</b>	<b>-</b>	<b>1,646</b>	<b>-</b>	<b>-</b>	<b>1,646</b>	<b>360</b>	<b>2,006</b>
As at 30 June 2021	141,976	1,291,970	2,012,615	(378,469)	3,068,092	46,579	3,114,671

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2021*

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flow from operating activities</b>		
Cash flow generated from operations	313,795	93,569
Income tax paid	(19,863)	(63,846)
	<b>293,932</b>	29,723
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment	6,548	22,822
Payments for property, plant and equipment	(51,491)	(26,768)
Net cash inflow/(outflow) arising from financial instruments	23,000	(23,000)
Purchases of intangible assets	(767)	–
Net proceeds from disposal of subsidiaries of the Group	106,480	–
Dividends received	2,773	3,227
	<b>86,543</b>	(23,719)
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	477,250	491,647
Repayments of borrowings	(438,511)	(351,248)
Interest paid	(277,636)	(79,035)
Principal element of lease payments	(18,497)	(10,576)
Dividends paid to non-controlling interest	–	(1,000)
Acquisition of non-controlling interests	(15,800)	–
Cash inflow/(outflow) arising from security deposit for bank borrowings	1,611	(1,210)
	<b>(271,583)</b>	48,578
<b>Net cash (used in)/generated from financing activities</b>		
	<b>108,892</b>	54,582
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	697,463	783,178
Effects of exchange rate changes on cash and cash equivalents	(2,998)	3,534
	<b>803,357</b>	841,294
<b>Cash and cash equivalents at end of the period</b>		

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2021*

## 1 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim financial reporting”.

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 financial statements for the year ended 31 December 2020, and any public announcements made by the Company during the interim reporting period.

As at 31 December 2020, the Senior Notes of USD165 million (equivalent to RMB1,077 million) (the “**2020 Notes**”) was not repaid in accordance with the repayment schedule pursuant to its offering document. This constituted an event of default, and resulted in cross default of the Senior Notes originally due in September 2022 (the “**2022 Notes**”) and other borrowings (collectively “**Cross-default Borrowings**”).

The Company successfully completed the restructuring of the 2020 Notes and the 2022 Notes (the “**Proposed Restructuring**”) on 18 May 2021 (the “**Restructuring Effective Date**”). The 2020 Notes and 2022 Notes were cancelled, and the new notes (the “**2024 Notes**”) have been issued and listed on the Singapore Exchange Securities Trading Limited on 20 May 2021.

Before 18 May 2021, The Group timely repaid the principle and interest of existing bank borrowings according to their contractual repayment dates and was able to renew the existing borrowings upon maturity. None of the relevant banks had exercised their rights to require the Group for immediate repayment of the borrowings prior to their contractual repayment date.



## 2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New and amended standards adopted by the Group:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021

The adoption of these standards and the new accounting policies did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

### (b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

### **3 ESTIMATES**

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to consolidated financial statements for the year ended 31 December 2020.

### **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 substance from a business perspective, and assesses the performance of the business segment based on profit before income tax without allocation of finance costs, share of profits of investments accounted for using equity method and corporate overheads, which is consistent with that in the interim condensed consolidated financial information.

The corporate overheads are not considered as the business segment expenses during the six months ended 30 June 2021 and 2020 as such expenses are the general management expenses and incurred by the headquarter of the Group, and are not specifically attributable to individual segments.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the interim condensed consolidated financial information. These assets are allocated based on the operations of segment. Investments accounted for using equity method are not considered to be segment assets but rather are centrally managed by the treasury function.

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

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

- Oilfield equipment manufacturing and services provision, including the production of oilfield equipment and provision of OCTG coating services;
- 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 purpose;
- Oilfield services provision, including the provision of well drilling services, integrated comprehensive services, 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 carried out at arm's length.

#### 4 SEGMENT INFORMATION (continued)

##### (a) Revenue

The revenue of the Group for the six months ended 30 June 2021 and 2020 are set out as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Oilfield equipment manufacturing and services	<b>659,359</b>	826,520
Line pipe technology and services	<b>138,292</b>	85,401
Oilfield services	<b>434,124</b>	431,839
Offshore engineering services	<b>339,300</b>	213,160
	<b><u>1,571,075</u></b>	<b><u>1,556,920</u></b>

#### 4 SEGMENT INFORMATION (continued)

##### (b) Segment information

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2021 is as follows:

Business segment	Six months ended 30 June 2021 (Unaudited)				
	Oilfield equipment manufacturing and services RMB'000	Line pipe technology and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
<b>Revenue</b>					
Segment revenue	669,599	197,793	434,124	339,300	1,640,816
Inter-segment sales	(10,240)	(59,501)	–	–	(69,741)
Revenue from external customers	<u>659,359</u>	<u>138,292</u>	<u>434,124</u>	<u>339,300</u>	<u>1,571,075</u>
<b>Revenue from contracts with customers:</b>					
– at a point in time	377,996	34,240	97,781	–	510,017
– over time	<u>256,263</u>	<u>104,052</u>	<u>336,343</u>	<u>339,300</u>	<u>1,035,958</u>
	634,259	138,292	434,124	339,300	1,545,975
<b>Revenue from other sources:</b>					
– rental income	<u>25,100</u>	–	–	–	<u>25,100</u>
	<u>659,359</u>	<u>138,292</u>	<u>434,124</u>	<u>339,300</u>	<u>1,571,075</u>
<b>Results</b>					
Segment gross profit	<u>173,117</u>	<u>69,067</u>	<u>143,176</u>	<u>36,588</u>	<u>421,948</u>
Segment profit	<u>44,983</u>	<u>86,201</u>	<u>45,360</u>	<u>34,911</u>	<u>211,455</u>
Corporate overheads					<u>(20,286)</u>
Operating profit					191,169
Finance income					1,161
Finance costs					(142,694)
Share of profit of investments accounted for using equity method					<u>26,013</u>
Profit before income tax					<u>75,649</u>
<b>Other information</b>					
Depreciation of property, plant and equipment	46,552	12,286	57,338	23,908	140,084
Depreciation of right-of-use assets	2,043	805	3,413	1,488	7,749
Amortization of intangible assets	1,121	328	166	7	1,622
Capital expenditure	<u>8,026</u>	<u>13,304</u>	<u>48,434</u>	<u>402</u>	<u>70,166</u>

4 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Business segment	As at 30 June 2021 (Unaudited)				Total RMB'000
	Oilfield equipment manufacturing and services RMB'000	Line pipe technology and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	
Segment assets	<u>2,894,482</u>	<u>890,857</u>	<u>1,924,887</u>	<u>1,385,756</u>	<u>7,095,982</u>
Investments accounted for using equity method					<u>92,787</u>
Total assets					<u>7,188,769</u>
Total liabilities (a)	<u>3,248,847</u>	<u>388,171</u>	<u>393,378</u>	<u>43,702</u>	<u>4,074,098</u>

(a) As at 30 June 2021, the Senior Notes of USD400,735,000 (31 December 2020: USD365,114,000) was included in the total liabilities of oilfield equipment manufacturing and services segment.

#### 4 SEGMENT INFORMATION (continued)

##### (b) Segment information (continued)

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2020 is as follows:

Business segment	Six months ended 30 June 2020 (Unaudited)				
	Oilfield equipment manufacturing and services RMB'000	Line pipe technology and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
<b>Revenue</b>					
Segment revenue	843,395	125,389	431,839	213,160	1,613,783
Inter-segment sales	(16,875)	(39,988)	–	–	(56,863)
Revenue from external customers	<u>826,520</u>	<u>85,401</u>	<u>431,839</u>	<u>213,160</u>	<u>1,556,920</u>
<b>Revenue from contracts with customers:</b>					
– at a point in time	554,780	12,398	28,716	–	595,894
– over time	<u>223,400</u>	<u>73,003</u>	<u>403,123</u>	<u>213,160</u>	<u>912,686</u>
	778,180	85,401	431,839	213,160	1,508,580
<b>Revenue from other sources:</b>					
– rental income	<u>48,340</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>48,340</u>
	<u>826,520</u>	<u>85,401</u>	<u>431,839</u>	<u>213,160</u>	<u>1,556,920</u>
<b>Results</b>					
Segment gross profit/(loss)	<u>340,740</u>	<u>28,929</u>	<u>138,748</u>	<u>(7,986)</u>	<u>500,431</u>
Segment profit/(loss)	<u>179,665</u>	<u>(15,276)</u>	<u>45,028</u>	<u>(31,178)</u>	<u>178,239</u>
Corporate overheads					<u>(26,675)</u>
Operating profit					151,564
Finance income					3,760
Finance costs					(174,084)
Share of profit of investments accounted for using equity method					<u>419</u>
Loss before income tax					<u>(18,341)</u>
<b>Other information</b>					
Depreciation of property, plant and equipment	55,641	15,285	70,338	29,638	170,902
Depreciation of right-of-use assets	2,032	880	7,795	1,183	11,890
Amortization of intangible assets	1,246	203	226	7	1,682
Capital expenditure	<u>21,011</u>	<u>10,723</u>	<u>5,887</u>	<u>–</u>	<u>37,621</u>

#### 4 SEGMENT INFORMATION (continued)

##### (b) Segment information (continued)

Business segment	As at 30 June 2020 (Unaudited)				
	Oilfield equipment manufacturing and services <i>RMB'000</i>	Line pipe technology and services <i>RMB'000</i>	Oilfield services <i>RMB'000</i>	Offshore engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	3,379,790	874,467	2,593,462	1,464,644	8,312,363
Investments accounted for using equity method					42,386
Total assets					8,354,749
Total liabilities (a)	3,864,587	344,877	505,379	25,362	4,740,205

(a) As at 30 June 2020, the Senior Notes of USD365,114,000 (31 December 2019: USD365,114,000) was included in the total liabilities of oilfield equipment manufacturing and services segment.

##### (c) Geographical segments

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

	(Unaudited)	
	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	489,998	214,609
Russia, Central Asia and Europe	344,387	508,368
South and Southeast Asia	322,521	321,215
Middle East	166,046	261,550
North and South America	163,246	144,434
Africa	76,423	106,744
Others	8,454	–
	<b>1,571,075</b>	<b>1,556,920</b>

#### 4 SEGMENT INFORMATION (continued)

##### (c) Geographical segments (continued)

The following table shows the carrying amount of non-current assets, excluding investments accounted for using equity method, deferred income tax assets and other long-term assets, by geographical area in which the assets are located:

	(Unaudited)	(Audited)
	Carrying amount of segment assets	
	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	1,466,456	1,601,893
Middle East	426,052	401,086
North and South America	291,507	343,388
Russia, Central Asia and East Europe	241,827	212,180
South and Southeast Asia	223,839	239,066
Africa	82,487	167,030
	<u>2,732,168</u>	<u>2,964,643</u>

The following table shows the additions to non-current assets, excluding investments accounted for using equity method, deferred income tax assets and other long-term assets, by geographical area in which the assets are located:

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Russia, Central Asia and East Europe	45,514	3,013
The PRC	21,932	26,869
North and South America	1,466	3,542
Middle East	1,115	2,678
South and Southeast Asia	108	1,176
Africa	31	343
	<u>70,166</u>	<u>37,621</u>



## 5 INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	18,759	54,004
Deferred income tax	14,530	(32,820)
Income tax expense	<u>33,289</u>	<u>21,184</u>

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

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

Enterprises incorporated in Hong Kong are subject to income tax rates of 16.5% before 1 April 2018.

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 of China) are subject to income tax rates of 15% to 35% prevailing in the places in which the Group operated for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 15% to 35%).

The income tax provision of the Group in respect of its operations in the Mainland of 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 of China is 25%.

Certain subsidiaries are qualified for new/high-tech technology enterprises status or incorporated in the western region of 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 Arrangement between the Mainland China and the 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 may 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 China 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 2021, the permanently reinvested unremitted earnings totalled RMB1,610,040,000 (31 December 2020: RMB1,493,920,000).

## 6 EARNINGS/(LOSSES) PER SHARE

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Earnings/(losses) attributable to equity owners of the Company (RMB'000)	<b>40,209</b>	(41,819)
Weighted average number of ordinary shares in issue (thousands of shares)	<b>1,696,439</b>	1,696,439
Basic earnings/(losses) per share (RMB per share)	<b><u>0.0237</u></b>	<u>(0.0247)</u>

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

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from 1 January to 30 June) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

As at 30 June 2021, there were 29,499,100 (30 June 2020: 29,500,300) share options outstanding related to Pre-IPO share option plan. For the six months ended 30 June 2021 and 2020, as the average market share price of the ordinary shares during the period was lower than the subscription price, the impact on earnings per share was anti-dilutive.

As at 30 June 2021, there were 15,350,700 (30 June 2020: 16,058,100) share options outstanding related to 2014 Share Option Scheme. For the six months ended 30 June 2021 and 2020, as the average market share price of the ordinary shares during the period was lower than the subscription price, the impact on earnings per share was anti-dilutive.

## 7 DIVIDENDS

The Board has determined that no dividend will be proposed for the year ended 31 December 2020.

The dividend in respect of 2019 of HKD0.0200 (equivalent to RMB0.0180) per share, amounting to a total dividend of HKD33,928,000 (equivalent to RMB30,535,000) was withdrawn by the Board of the Company by way of written resolutions on 1 June 2020.

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 8 TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Trade receivables (i)	1,638,019	1,648,449
– Due from related parties	9,033	10,102
– Due from third parties	1,628,986	1,638,347
Less: Provision for loss allowance of receivables (ii)	(203,487)	(204,516)
Trade receivables – net	1,434,532	1,443,933
Other receivables	251,431	235,352
Dividends receivable	2,746	2,746
Trade and other receivables – net	<u>1,688,709</u>	<u>1,682,031</u>

As at 30 June 2021 and 31 December 2020, the fair values of the trade and other receivables of the Group, approximated their carrying amounts.

The trade receivables of RMB6,880,000 (31 December 2020: RMB4,118,000) of the Group were used to secure borrowings from a financial institution as at 30 June 2021.

- (i) The aging of receivable is within 180 days, which is within the credit terms granted to customers.

The aging analysis of trade receivables based on invoice date, before provision for loss allowance, as at 30 June 2021 and 31 December 2020 was as follows:

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Trade receivables, gross		
– Within 90 days	625,490	617,547
– Over 90 days and within 180 days	202,825	154,954
– Over 180 days and within 360 days	309,085	243,305
– Over 360 days and within 720 days	257,391	337,770
– Over 720 days	243,228	294,873
	<u>1,638,019</u>	<u>1,648,449</u>

## 9 ORDINARY SHARES

		(Unaudited)	Equivalent nominal value of ordinary shares
	Number of ordinary shares	Nominal value of ordinary shares (In HKD)	(In RMB)
As at 1 January 2020 and 30 June 2020	<u>1,696,438,600</u>	<u>169,643,860</u>	<u>141,975,506</u>
As at 1 January 2021 and 30 June 2021	<u>1,696,438,600</u>	<u>169,643,860</u>	<u>141,975,506</u>

## 10 TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	30 June 2021 RMB'000	31 December 2020 RMB'000
Bills payable	9,364	11,017
Trade payables:	419,715	444,289
– Due to third parties	415,023	426,206
– Due to related parties	4,692	18,083
Other payables:	90,256	167,110
– Due to third parties	75,363	140,779
– Due to related parties	14,893	26,331
Staff salaries and welfare payables	30,521	31,934
Interest payables	31,909	169,401
Accrued taxes other than income tax	77,606	59,538
Dividends payable	10,496	10,496
Other liabilities	8,185	13,008
	<u>678,052</u>	<u>906,793</u>

As at 30 June 2021 and 31 December 2020, all trade and other payables of the Group were non-interest bearing, and their fair value, excluding staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

## 10 TRADE AND OTHER PAYABLES (continued)

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade payables, gross		
– Within 90 days	<b>306,081</b>	287,653
– Over 90 days and within 180 days	<b>105,628</b>	133,833
– Over 180 days and within 360 days	<b>3,367</b>	16,630
– Over 360 days and within 720 days	<b>3,500</b>	4,524
– Over 720 days	<b>1,139</b>	1,649
	<hr/> <b>419,715</b>	<hr/> 444,289

## 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			
	2021		2020	
	RMB'000	%	RMB'000	%
<b>Oilfield equipment manufacturing and services</b>				
– Drill pipes	423,544	27.0	549,887	35.2
– Oil country tubular goods (“OCTG”) coating services	136,959	8.7	142,636	9.2
– Drill pipe components	19,560	1.2	21,455	1.4
– Hardbanding	16,215	1.0	17,849	1.1
– Others	63,081	4.0	94,693	6.1
<b>Subtotal</b>	<b>659,359</b>	<b>41.9</b>	<b>826,520</b>	<b>53.0</b>
<b>Line pipe technology and services</b>				
– OCTG coating materials	5,129	0.3	7,368	0.5
– Oil and gas line pipe coating materials	1,294	0.1	1,896	0.1
– Oil and gas line pipe coating services	76,749	4.9	23,416	1.5
– Corrosion Resistant Alloy (“CRA”) lined pipe	2,853	0.2	11,172	0.7
– Concrete Weighted Coating (“CWC”) services	17,277	1.1	35,095	2.3
– Pipeline inspection services	34,990	2.2	6,454	0.4
<b>Subtotal</b>	<b>138,292</b>	<b>8.8</b>	<b>85,401</b>	<b>5.5</b>
<b>Oilfield services</b>	<b>434,124</b>	<b>27.7</b>	<b>431,839</b>	<b>27.8</b>
<b>Offshore engineering services</b>	<b>339,300</b>	<b>21.6</b>	<b>213,160</b>	<b>13.7</b>
<b>Total revenue</b>	<b>1,571,075</b>	<b>100.0</b>	<b>1,556,920</b>	<b>100.0</b>

The following table sets forth the revenue by geographical locations of customers for the periods indicated:

	<b>Six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
The PRC	489,998	31.2	214,609	13.8
Russia, Central Asia and Europe	344,387	21.9	508,368	32.7
South and Southeast Asia	322,521	20.5	321,215	20.6
Middle East	166,046	10.6	261,550	16.7
North and South America	163,246	10.4	144,434	9.3
Africa	76,423	4.9	106,744	6.9
Others	8,454	0.5	–	–
<b>Total</b>	<b><u>1,571,075</u></b>	<b><u>100.0</u></b>	<b><u>1,556,920</u></b>	<b><u>100.0</u></b>

Revenue increased by RMB14.2 million, or 0.90%, from RMB1,556.9 million for the six months ended 30 June 2020 to RMB1,571.1 million for the Interim Period. Such increase was mainly due to the increase in revenue from the offshore engineering services segment and line pipe technology and services segment, partly offset by the decrease in revenue from the oilfield equipment manufacturing and services segment.

***Oilfield equipment manufacturing and services.*** Revenue from the oilfield equipment manufacturing and services segment decreased by RMB167.1 million, or 20.2%, from RMB826.5 million for the six months ended 30 June 2020 to RMB659.4 million for the Interim Period. Such decrease primarily reflected the decrease in revenue derived from drill pipe sales and drill pipe rental business.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<b>Sale of drill pipes</b>		
– International market		
– volume ( <i>tonnes</i> )	14,446	25,914
– unit price ( <i>RMB/tonne</i> )	19,061	19,533
<b>Subtotal (<i>RMB'000</i>)</b>	<b><u>275,360</u></b>	<u>506,167</u>
– The PRC market		
– volume ( <i>tonnes</i> )	9,273	2,623
– unit price ( <i>RMB/tonne</i> )	15,980	16,668
<b>Subtotal (<i>RMB'000</i>)</b>	<b><u>148,184</u></b>	<u>43,720</u>
<b>Total (<i>RMB'000</i>)</b>	<b><u>423,544</u></b>	<u>549,887</u>

Revenue from the sales of drill pipes in the international market decreased by RMB230.8 million, or 45.6%, from RMB506.2 million for the six months ended 30 June 2020 to RMB275.4 million for the Interim Period. The decrease primarily reflected a decrease of 44.3% in the volume of drill pipes sold from 25,914 tonnes for the six months ended 30 June 2020 to 14,446 tonnes for the Interim Period. The decrease in the sales volume reflected the delayed demands by customers in overseas market as a consequence of the outbreak of COVID-19.

Revenue from sales of drill pipes in the PRC market increased by RMB104.5 million, or 238.9%, from RMB43.7 million for the six months ended 30 June 2020 to RMB148.2 million for the Interim Period. The increase primarily reflected a 253.5% increase in volume of drill pipes sold in the PRC market from 2,623 tonnes for the six months ended 30 June 2020 to 9,273 tonnes for the Interim Period and, to a lesser extent, a 4.1% decrease in average selling price sold in the PRC market from RMB16,668 per tonne for the six months ended 30 June 2020 to RMB15,980 per tonne for the Interim Period. The increase in the sales volume primarily reflected that the Company put more emphasis on cooperation with customers in PRC market resulting from the recovery of certain oil and gas companies in 2021. While the decrease in average selling price primarily reflected the guideline price of American Petroleum Institute (“API”) drill pipe products based on annual bid of both CNPC and Sinopec Group decreased in the Interim Period as compared to that in the six months ended 30 June 2020.

Revenue from OCTG coating services decreased by RMB5.6 million, or 4.0%, from RMB142.6 million for the six months ended 30 June 2020 to RMB137.0 million for the Interim Period. The decrease mainly due to the delay in capital and operation spending of certain oil and gas companies in 2021.

***Line pipe technology and services.*** Revenue from the line pipe technology and services segment increased by RMB52.9 million, or 61.9%, from RMB85.4 million for the six months ended 30 June 2020 to RMB138.3 million for the Interim Period. Such increase primarily reflected an increase in the revenue derived from the oil and gas line pipe coating services and pipeline inspection services. The increase in revenue derived from the oil and gas line pipe coating services and pipeline inspection services mainly reflected the Company’s ability to undertake more projects and develop new customers.

***Oilfield services.*** Revenue from the oilfield services segment increased by RMB2.3 million, or 0.5%, from RMB431.8 million for the six months ended 30 June 2020 to RMB434.1 million for the Interim Period. Such increase mainly reflected the recovery of the utilization rate of drilling rigs for the Interim Period as compared to the six months ended 30 June 2020.

***Offshore engineering services.*** Revenue from the offshore engineering service segment for the Interim Period mainly represented the revenue of RMB250.3 million from the Bengal Project and RMB75.9 million from the offshore wind power construction project.



### *Cost of Sales/Services*

Cost of sales/services increased by RMB92.6 million, or 8.8%, from RMB1,056.5 million for the six months ended 30 June 2020 to RMB1,149.1 million for the Interim Period.

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, gross profit decreased by RMB78.5 million, or 15.7%, from RMB500.4 million for the six months ended 30 June 2020 to RMB421.9 million for the Interim Period. Gross profit margin was 26.9% for the Interim Period, decreased by 5.2% compared to that for the six months ended 30 June 2020.

### *Selling and Marketing Expenses*

Selling and marketing expenses decreased by RMB30.2 million, or 41.0%, from RMB73.7 million for the six months ended 30 June 2020 to RMB43.5 million for the Interim Period. These expenses, amounted for 2.8% of the total revenue for the Interim Period, which are lower than the relevant ratio of 4.7% for the six months ended 30 June 2020.

### *Administrative Expenses*

Administrative expenses decreased by RMB5.8 million, or 2.6%, from RMB222.8 million for the six months ended 30 June 2020 to RMB217.0 million for the Interim Period. Such decrease primarily reflected the decrease in staff costs.

### *Other Gain – Net*

The Group recognized net gain of RMB55.0 million for the Interim Period and net gain of RMB11.1 million for the six months ended 30 June 2020. The net gain recognized for the Interim Period primarily reflected the proceeds of 65.0 million from disposal of subsidiaries and the proceeds of 17.4 million from disposal of property, plant and equipment, partly offset by an exchange loss of RMB35.5 million from the operating activities as a combined result of the depreciation of the United States Dollar. The net gain recognized for the six months ended 30 June 2020 reflected an exchange gain of RMB15.2 million from the operating activities as a combined result of the appreciation of the United States Dollar and Hong Kong Dollar.

### *Finance Costs – Net*

Net finance costs decreased by RMB28.8 million, or 16.9%, from RMB170.3 million for the six months ended 30 June 2020 to RMB141.5 million for the Interim Period. Such decrease primarily reflected (i) an exchange gain of RMB24.0 million from the financing activities resulting from the depreciation of United States Dollar, while for the six months ended 30 June 2020 the exchange loss was 37.6 million; (ii) partly offset by that the interest expense from bank borrowings increased from RMB135.1 million for the six months ended 30 June 2020 to 166.3 million for the Interim Period.

### *Profit/(Loss) before Income Tax*

As a result of the foregoing, the Group recognized profit before income tax of RMB75.6 million for the Interim Period, comparing to the loss before income tax of RMB18.3 million for the six months ended 30 June 2020.

### *Income Tax Expense*

The Group recognized income tax expense of RMB21.2 million for the six months ended 30 June 2020 and RMB33.3 million for the Interim Period. Effective tax rate was approximately -115.5% for the six months ended 30 June 2020 and 44.0% for the Interim Period. The increase of effective tax rate mainly reflected (i) the unbalanced distribution of profit among the Group's subsidiaries and (ii) the increase of tax losses of subsidiaries not recognised.

### *Profit/(Loss) 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 RMB40.2 million for the Interim Period, comparing to the loss for the period attributable to equity owners of the Company of RMB41.8 million for the six months ended 30 June 2020.

### *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 at the dates indicated as well as the turnover days of average inventory for the periods indicated:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Inventory	<b>893,393</b>	1,001,255
Turnover days of inventory (in days) <sup>(1)</sup>	<b>149</b>	177

- (1) Turnover days of inventory for a period or a year equals average inventory divided by total cost of sales and then multiplied by 181 for the Interim Period, and by 366 for the year ended 31 December 2020. 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 decrease of inventories from 31 December 2020 to 30 June 2021 reflected the increased sales of oilfield services and improvement of inventory management.

### *Trade and Other Receivables*

Trade and other receivables consist of trade receivables (due from third parties and related parties) and other receivables. The following table sets forth the components of the trade and other receivables outstanding as at the dates indicated:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Trade receivables		
– Due from third parties	<b>1,628,986</b>	1,638,347
– Due from related parties	<b>9,033</b>	10,102
– Less: Provision for loss allowance of receivables	<b>(203,487)</b>	(204,516)
<b>Trade receivables – net</b>	<b>1,434,532</b>	1,443,933
Other receivables		
– Due from third parties	<b>142,485</b>	139,156
– Due from related parties	<b>108,946</b>	96,196
<b>Other receivables</b>	<b>251,431</b>	235,352
Dividends receivable	<b>2,746</b>	2,746
<b>Total</b>	<b>1,688,709</b>	1,682,031

The trade receivables of RMB6,880,000 (31 December 2020: RMB4,118,000) of the Group were used to secure borrowings from a financial institution as at 30 June 2021.

Net trade receivables represent receivables from the sales of products and provision of services to third party customers and related parties, less loss allowance of receivables. The following table sets forth an aging analysis of trade receivables due from third parties and related parties as at the dates indicated and the turnover days of the net trade receivables as at the dates indicated:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Trade receivables, net		
– Within 90 days	<b>623,434</b>	614,800
– Over 90 days and within 180 days	<b>202,825</b>	154,954
– Over 180 days and within 360 days	<b>299,420</b>	237,912
– Over 360 days and within 720 days	<b>240,266</b>	305,019
– Over 720 days	<b>68,587</b>	131,248
	<b>1,434,532</b>	1,443,933
Turnover days of trade receivables, net <sup>(1)</sup>	<b>166</b>	246

- (1) Turnover days of trade receivables for a period or a year equals average trade receivables divided by revenue and then multiplied by 181 for the Interim Period, and by 366 for the year ended 31 December 2020. Average trade receivables equals balance of trade receivables less provision for impairment of 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 246 days as at 31 December 2020 to 166 days as at 30 June 2021 primarily reflected that settlement for trade receivables due from certain oil and gas companies in the international market was more active and accelerated during the Interim Period.

Movements in provision for loss allowance of trade receivables are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
As at 1 January	<b>204,516</b>	105,269
Provision for receivables loss allowance	<b>29,162</b>	63,667
Reversal of loss allowance	<b>(4,000)</b>	–
Write-off of loss allowance	<b>(26,191)</b>	(5,709)
As at 30 June	<b>203,487</b>	163,227

### *Trade and Other Payables*

Trade and other payables primarily consist of trade payables (due to third parties and related parties), other payables, bills payable, staff salaries and welfare payables, interest payables, accrued taxes other than income tax and dividends payable. The following table sets forth the components of trade and other payables outstanding as at the dates indicated:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Bills payable	<b>9,364</b>	11,017
Trade payables		
– Due to related parties	<b>4,692</b>	18,083
– Due to third parties	<b>415,023</b>	426,206
Other payables		
– Due to related parties	<b>14,893</b>	26,331
– Due to third parties	<b>75,363</b>	140,779
Staff salaries and welfare payables	<b>30,521</b>	31,934
Interest payables	<b>31,909</b>	169,401
Accrued taxes (other than income tax)	<b>77,606</b>	59,538
Dividends payable	<b>10,496</b>	10,496
Other liabilities	<b>8,185</b>	13,008
	<b>678,052</b>	906,793

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:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Trade payables, gross		
– Within 90 days	<b>306,081</b>	287,653
– Over 90 days and within 180 days	<b>105,628</b>	133,833
– Over 180 days and within 360 days	<b>3,367</b>	16,630
– Over 360 days and within 720 days	<b>3,500</b>	4,524
– Over 720 days	<b>1,139</b>	1,649
	<b>419,715</b>	444,289
Turnover days of trade payables <sup>(1)</sup>	<b>68</b>	105

(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 181 for the Interim Period, and by 366 for the year ended 31 December 2020. Average trade payables equals 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

The following table sets forth a summary of the cash flows for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Net cash generated from operating activities	<b>293,932</b>	29,723
Net cash generated from/(used in) investing activities	<b>86,543</b>	(23,719)
Net cash (used in)/generated from financing activities	<b>(271,583)</b>	48,578
Net increase in cash and cash equivalents	<b>108,892</b>	54,582
Exchange (losses)/gains on cash and cash equivalents	<b>(2,998)</b>	3,534
Cash and cash equivalents at beginning of the period	<b>697,463</b>	783,178
Cash and cash equivalents at end of the period	<b>803,357</b>	841,924

As at 30 June 2021, cash and cash equivalents were mainly denominated in RMB, USD, RUB, AED and PKR.

### *Operating Activities*

Net cash generated from operating activities for the Interim Period was RMB293.9 million, representing cash generated from operation of RMB313.8 million, offsetting by the income tax payment of RMB19.9 million.

Net cash generated from operating activities for the six months ended 30 June 2020 was RMB29.7 million, representing cash generated from operations of RMB93.6 million, offsetting by the income tax payment of RMB63.9 million.

### *Investing Activities*

Net cash generated from investing activities for the Interim Period was RMB86.5 million, primarily reflecting (i) proceeds of RMB106.5 million from disposal of subsidiaries; and (ii) net cash inflow arising from financial instruments of RMB23.0 million, partially offset by payment of RMB51.5 million for purchases of property, plant and equipment.

Net cash used in investing activities for the six months ended 30 June 2020 was RMB23.7 million, primarily reflecting payment of RMB26.8 million for purchases of property, plant and equipment and net cash outflow arising from financial instruments of RMB23.0 million, partially offset by proceeds of RMB22.8 million from disposal of property, plant and equipment.

### *Financing Activities*

Net cash used in financing activities for the Interim Period was RMB271.6 million, primarily reflecting (i) the repayment of borrowings of RMB438.5 million; (ii) interest payment of RMB277.6 million; and (iii) principal element of lease payments of RMB18.5 million, partly offset by proceeds of borrowings of RMB477.3 million.

Net cash generated from financing activities for the six months ended 30 June 2020 was RMB48.6 million, primarily reflecting proceeds of RMB491.6 million from borrowings, offsetting by repayment of borrowings of RMB351.2 million, interest payment of RMB79.0 million and principal element of lease payments of RMB10.6 million.

### **Capital Expenditures**

Capital expenditures were RMB37.6 million and RMB70.2 million for the six months ended 30 June 2020 and the Interim Period, respectively. The increase in capital expenditures for the Interim Period was mainly due to the recovery of overseas business in the oilfield services segment.

## Indebtedness

As at 30 June 2021, the outstanding indebtedness of RMB3,163.4 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 <b>30 June</b> <b>2021</b> <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
<b>Non-current</b>		
2024 Notes – secured	<b>2,303,433</b>	–
Bank borrowings – secured	<b>186,731</b>	25,764
Less: Current portion of non-current bank borrowings – secured	<b>(81,745)</b>	(2,090)
	<b><u>2,408,419</u></b>	<b><u>23,674</u></b>
<b>Current</b>		
Current portion of 2024 Notes – secured	<b>139,666</b>	–
Bank borrowings – secured	<b>520,279</b>	157,145
Bank borrowings – unsecured	<b>13,320</b>	19,352
2020 Notes	–	1,077,352
Cross-default Borrowings	–	1,845,902
Current portion of non-current bank borrowings – secured	<b>81,745</b>	2,090
	<b><u>755,010</u></b>	<b><u>3,101,841</u></b>
	<b><u>3,163,429</u></b>	<b><u>3,125,515</u></b>

As at 30 June 2021, bank borrowings of RMB3,020.1 million were obtained at fixed rate (31 December 2020: RMB2,962.3 million).

The bank borrowings of RMB22.5 million (31 December 2020: 47.5 million) were secured by certain bank deposits of the Group, with a carrying amount of RMB1.1 million as at 30 June 2021 (31 December 2020: RMB2.4 million).

The borrowings of RMB13,816,000 (31 December 2020: RMB12,640,000) from financial institution were secured by trade receivables of RMB6,880,000 (31 December 2020: RMB4,118,000) of the Group as at 30 June 2021.

The bank borrowings of RMB114,558,000 (31 December 2020: RMB70,969,000) were secured by bank acceptance bills and commercial acceptance bills of the Group as at 30 June 2021.



In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation (“**SINO SURE**”, a national policy insurance institution), and enjoyed preferential interest rate. As at 30 June 2021, USD33,545,000 were drawn down, out of which USD10,800,000 had been repaid in past years and the six months ended 30 June 2021. The remaining principal balance will be fully repayable from 2022 to 2025.

Reference is made to “Management Discussion and Analysis – Financial Review” of the annual report 2020 of the Company in relation to the Company’s proposed restructuring (“**Debt Restructuring**”) of the USD165,114,400 7.25% senior notes due 2020 (the “**2020 Notes**”), and the USD200,000,000 8.25% senior notes due 2022 (the “**2022 Notes**”, and together with the 2020 Notes, the “**Existing Notes**”) under the heading “Management Discussion and Analysis – Financial Review – Indebtedness.” The Company announced on 16 December 2020 that they intended to enter into with holders of the Existing Notes the Restructuring Support Agreement (“**RSA**”) to support the Debt Restructuring, which was expected to be implemented through a scheme of arrangement in the Cayman Islands (the “**Cayman Scheme**”). Details of the terms of the Debt Restructuring and the RSA are set forth in the Company’s announcement dated 16 December 2020.

On 22 March 2021, the Grand Court of the Cayman Islands (the “**Court**”) directed that a meeting of Cayman Scheme creditors (“**Cayman Scheme Meeting**”) be convened for the purposes of considering and, if thought fit, approving the Cayman Scheme (with or without modification, addition or condition approved or imposed by the Court). The Cayman Scheme was approved by the Cayman Scheme creditors on 5 May 2021 and the Court made a verbal order to sanction the Scheme (“**Scheme Sanction Order**”) on 6 May 2021. For further details, please refer to the Company’s announcements dated 5 May 2021 and 6 May 2021, respectively.

Following the Scheme Sanction Order, on 18 May 2021, the Company announced that the Debt Restructuring was completed, the Existing Notes had been cancelled and the new notes representing the USD379,135,000 9.75% senior secured notes due 2024 (“**New Notes**”) had been issued by the Company. The Company further announced that the New Notes had been listed on the Singapore Exchange Securities Trading Limited on 20 May 2021. Accordingly, the Company made an application to the Stock Exchange for the withdrawal of the listing of the 2022 Notes and the 2022 Notes had been delisted with effect from 27 May 2021. As at 30 June 2021, there were no Existing Notes in issue.

## 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, restricted cash and financial assets at fair value through profit or loss ("FVPL"). Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The gearing ratios as at 30 June 2021 and 31 December 2020 are as follows:

	<b>As at 30 June 2021 RMB'000</b>	<b>As at 31 December 2020 RMB'000</b>
<b>Total borrowings</b>	<b>3,163,429</b>	3,125,515
Add: Lease liabilities	<b>20,854</b>	27,981
Less: Cash and cash equivalents	<b>(803,357)</b>	(697,463)
Restricted cash	<b>(41,236)</b>	(77,616)
Financial assets at FVPL	<b>–</b>	(23,377)
<b>Net debt</b>	<b>2,339,690</b>	2,355,040
Total equity	<b>3,114,671</b>	3,118,298
<b>Total capital</b>	<b>5,454,361</b>	5,473,338
<b>Gearing ratio</b>	<b>42.90%</b>	43.03%

## 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 20.3% appreciation of RMB against the USD from 21 July 2005 to 30 June 2021. There remains significant pressure on the PRC government to adopt more flexible currency policy, which could result in 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 active matching the currency structure of monetary assets and liabilities. However, the effectiveness of such transactions may be limited. The revenue denominated in USD represented 46.3% and 43.8% of the total revenue of the Company for the six months ended 30 June 2020 and the Interim Period, respectively.

## Staff and Remuneration Policy

As at 30 June 2021, the total number of full-time employees employed by the Group was 2,853 (31 December 2020: 2,820). The following table sets forth the number of the Group's fulltime employees by area of responsibility as at 30 June 2021:

On-site workers	1,772
Administrative	461
Engineering and technical support	405
Research and development	97
Sales, marketing and after-sales services	89
Company management	29
	<hr/>
	2,853

Employee costs excluding the Directors' remuneration totalled RMB272.4 million for the Interim Period.

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

The Company adopted a Post-IPO share option scheme on 10 May 2013. On 5 February 2014, the Company granted share options to certain employees to subscribe for an aggregate of 19,980,000 ordinary shares of the Company at an exercise price of HK\$5.93 per share. As at the date of this announcement, none of the share options granted has been exercised.

## **BUSINESS REVIEW**

In 2021, the international crude oil price rebounded significantly, and the workload and orders within the oil and gas industry increased accordingly. However, due to the combined effects such as the recurrent epidemic, sluggish economic recovery, rising prices of bulk raw materials and the impact of the tide of new energy, the full recovery of the global oil and gas industry continued to face multiple challenges. Despite the adverse external market environment, the Company generally maintained stable operations in the first half of 2021. During the Interim Period, the Company recorded a total revenue of RMB1,571 million, which is generally on par with the first half of 2020 but represents an increase by approximately 50% as compared with the second half of 2020. Supported by the gradual recovery of orders, the revenue from oilfield services, line pipe technology and services as well as offshore engineering services increased in varying degrees. While actively exploring the market and pursuing orders, the Company stabilized its daily operations by reducing capital expenditures and costs and enhancing efficiency. Meanwhile, the Company placed great emphasis on cash flow management, took active management measures for accounts receivable and inventory, and prioritized the co-operations with customers with better payment history, so as to provide sound operation support for the Company in the severe market environment. During the Interim Period, Hilong completed the debt restructuring successfully, providing a relatively eased external environment for business reconstruction and development in the coming years.

### **Oilfield Equipment Manufacturing and Services**

During the Interim Period, the oilfield equipment manufacturing and services segment generated a revenue of RMB659 million, reflecting a 20% decline compared to that of the first half of 2020. Affected by factors such as the epidemic and industry fluctuations, the global oil and gas drilling activities have yet to get back on track. Consequently, the demand for oilfield equipment within the industry has not recovered. The orders of the Company's drill pipe and OCTG coating business decreased in both domestic and foreign markets. In the course of industry recovery, the time-lag factor of capital expenditure was significant. Upstream customers still remained cautious on the procurement of oilfield equipment such as drilling tools and coating. The order volume has recovered as compared with the second half of 2020, but it had not resumed to the normal level. Customers were also more price sensitive and tended to purchase more basic products and services. At the same time, some competitors adopted low pricing strategies, resulting in a reduction of overall price level in the industry. In addition, the rise of raw materials prices and transportation costs and the extension of transportation cycle due to the epidemic have exerted certain pressure on the profitability of the Company's oilfield equipment segment in the short term. Over the years, the drill pipe and OCTG coating business of Hilong has been focusing on providing customized high-end products and services, and it always adheres to the development strategy with quality and continuous technological innovation as the core driving force. Given the current market environment, the Company will actively adjust its strategy to adapt to the market and cater for the needs of different customers while ensuring the quality of products and services. Meanwhile, the Company will actively explore new business areas such as applying OCTG coatings to ground gathering pipes and customized pipes. Such efforts have been recognised by customers in some markets.

## Oilfield Services

During the Interim Period, the oilfield services segment recorded a total revenue of RMB434 million, which is generally on par with the corresponding period in 2020. As a result of the combined effects of various factors such as industry fluctuation, the recurrent epidemic, impact of new energy industry and delay of transmission between the upstream and downstream industries, the recovery of oil services industry remained sluggish in 2021. Although Hilong is deeply engaged in the overseas oil services markets, it continued to face the dual pressure of slow recovery of workload and increased labor and operating costs under the epidemic since the beginning of the year. Under the complex and severe market environment, the Company strengthened its efforts in market development by coordinating all business departments of drilling and workover services, technical services and trading services, gave full play to the synergy between various businesses, and ensured the stability of the overall operation of the segment. The utilization rate of the rig fleet was effectively improved and the price was raised to an acceptable level in the first half of the year. The drilling and workover services teams also actively participated in the tendering of turnkey projects at the same time. During the Interim Period, the comprehensive operation performance, project management and customer satisfaction of several teams continued to improve. For example, Hilong provided workover services for UkrGasVydobuvannya (UGV) in Ukraine and won first place in the comprehensive evaluation of suppliers multiple times. In Iraq, the safe and efficient operation performance of HL99, which provided services to BP IRAQ N.V., ranked first among all the teams. The technical service team has successfully operated various businesses such as cuttings treatment service, mud service, directional well service, cementing service and casing running service, and will further develop more diversified businesses including well completion and stimulation, drilling speed and efficiency improvement and oilfield environmental protection, so as to gradually reduce the dependence on drilling and workover business. The trading service business achieved a breakthrough in the sales of other products in addition to tubing and casing. Furthermore, Hilong also completed the qualification certification of a number of sizable international customers, getting well-prepared for exploring new market opportunities.

## **Line Pipe Technology and Services**

During the Interim Period, the line pipe technology and services segment recorded a total revenue of RMB138 million, reflecting a significant increase of 62% compared to the first half of 2020. The Company firmly captured its core clients in anti-corrosion pipeline coating and concrete-weighted coating business, and obtained a number of major projects from sizable customers during the period. For example, the Company entered into a series of contracts with a new customer, namely Zhejiang Petroleum & Chemical Co., Ltd., for the provision of anti-corrosion and concrete-weighted coating services. Hilong and Baoshan Steel Co., Ltd.\* (寶山鋼鐵股份有限公司) have maintained close cooperation for years and signed a number of sales contracts in the first half of 2021. The Company continued to explore the market and strive for new customers and orders. For instance, during the Interim Period, it was successively shortlisted in the supplier system of BASF (China) Co., Ltd.\* (巴斯夫(中國)有限公司) and the annual service supplier system of Shanxi Yanchang Petroleum (Group) Co., Ltd.\* (陝西延長石油(集團)有限責任公司), and passed the audit and certification of Total, making preliminary preparations to further develop the international and domestic business. The pipeline inspection services developed rapidly during the Interim Period. The Company signed multiple contracts in the domestic market and actively promoted the layout of overseas business. Various types and sizes of inspection equipment have been successfully developed or put into use, further enhancing the strength of the Company.

## **Offshore Engineering Services**

During the Interim Period, the overall operation of the offshore engineering services segment was stable with all projects operating smoothly. A total revenue of RMB339 million was recorded, representing a significant increase of 59% compared to the corresponding period in 2020. Following the excellent completion of offshore pipeline construction during the first dry season in Bangladesh, in the second dry season of 2021, the Company successfully completed the deep excavation and backfilling of the new channels and pipeline repair with world-class difficulty in the face of multiple challenges such as difficult construction technology and increased uncertainty of construction period caused by the epidemic. The comprehensive strength of Hilong's offshore engineering services was highly recognized by all parties involved in the project. This segment also made a breakthrough in expanding beyond the oil and gas industry and successfully tapped into the offshore wind power construction market. Hilong's offshore engineering services segment provided vessel leasing and operations-related services for the offshore wind power construction project of the Xiamen Branch of CCCC Third Harbor Engineering Co., Ltd.\* (中交第三航務工程局有限公司廈門分公司) with smooth progress, making continuous and stable contribution to cash flow. In addition, Hilong also made full use of the resources of its partner to participate in a vessel leasing service project in Russia. The required lifting and pipe-laying vessel has been successfully mobilized and put into operations.

## **Technology Research and Development**

The Company always attaches great importance to investing in technology research and development (“R&D”) and the transformation of R&D results. During the first half of 2021, all business segments of the Company have either established new R&D projects or achieved milestone results. In terms of drill pipe business, drill pipes with special buckle such as HLIST39/HLIST54 have passed certifications, laying a foundation for entering the high-end market in the Middle East. The Company also took initiative in developing titanium alloy drill pipes, completing product optimization of HL125S sulfur-resistant drill pipes, and perfecting the research on durability of high-strength HLU165 drill pipes. Significant progress has been achieved in promoting the technical development of drill pipe with electronic tag and drilling tool information management systems, where the Company has placed great emphasis on. In respect of OCTG coating, the tests on the equipment and the process development for the internal coating of large-diameter special-shaped tubes customized for the Middle East market have been successfully launched, while the Company focused on enhancing the development of internal coatings and processes for oil and gas heat exchangers. The R&D of anti-scaling and anti-wax coatings and high temperature resistant powder coatings for oil pipes has also made remarkable accomplishments. As for the pipeline inspection business, the Company completed the transformation of 12/16/20-inch deformation detection equipment and 22-inch composite detector; the design, processing and assembly test of 16/28-inch composite detector; installation, debugging and testing of 40-inch composite detector. The Company will continue to consolidate its technological advantages, adhere to the development strategy of technological innovation, and drive future development with technology.

## **Outlook**

With respect to the international market in the second half of 2021, despite the lingering impact of the epidemic, crude oil prices remain high, which will inevitably drive further growth in industry investment and workload. The global oil and gas industry is on track to gradual recovery, while soaring bulk raw material prices have receded. Product/service sales prices have also increased following a period of market adjustment, and the oilfield equipment and oilfield services markets will continue to sustain the revival. In terms of the domestic market, China has entered the third year in implementing the seven-year action plan for the oil and gas industry which spans from 2019 to 2025 and China’s crude oil production has been expanding steadily, while natural gas production capacity has recorded continuous rapid growth. The recent convening of the “Work Promotion Meeting for Vigorously Increasing Oil and Gas Exploration and Development in 2021” showed that the country will continue to increase oil and gas exploration and development and investment, which indicated that China’s domestic oil and gas exploration and development activities will continue their buoyancy. Meanwhile, China’s goal of “striving to achieve carbon peaks by 2030 and carbon neutrality by 2060” will also facilitate the country’s oil and gas industry to further intensify domestic natural gas development. In a nutshell, the growth of the domestic and international oil and gas markets is promising. As a leader in multiple segments, Hilong will make every effort to grasp market opportunities brought by the recovery of global oil and gas industry and the constant expansion of domestic oil and gas exploration and development.

In terms of the domestic drill pipes market, Hilong will differentiate marketing strategies for different customers, while focusing on the development and promotion of high-end special drilling tools suitable for the exploitation of unconventional oil and gas resources. In the North American market, the Company will focus on maintaining our existing strategic partners, including Ensign Drilling Inc., and explore new large-scale customers in the region to obtain stable orders. The Company will actively seek high-quality and economical sources of pipe materials in Russia and its neighboring markets to reduce manufacturing costs, while focusing on following up with core large-scale customers and increasing the efforts in promoting high-end drilling tools products. In July 2021, the Company entered into a contract with Rosneft Oil Company (“Rosneft”), an integrated oil and gas company in Russia, pursuant to which, the Company will supply Rosneft with approximately 4,500 tons of drill pipes by the end of 2022. The total contract amount was approximately RMB86.9 million. As for the Middle East market, while following up with existing customers and executing orders for the new year, Hilong will strive to realize the application and promotion of new products in the region, including drill pipes with special buckle, high-strength sulfur resistant drill pipes and drill pipes with electronic tag.

For the OCTG coating business, the Company will focus on responding to the needs of our core customers in the domestic market, while diving deeper into the market potential by exploring and incubating demands from new application areas, such as shale gas. In the overseas market, the Company will strengthen its sales team in the North American market to acquire more quality orders from large and stable customers and improve the overall production efficiency and operation of the plant. In Russia and its neighboring markets, Hilong will begin to operate the local production line for coating materials as soon as practicable to further improve our ability to quickly respond to customers’ individual needs. In the Middle East market, the Company will continue to follow up on the business of coating applied on bend pipes and fittings in the coming year, and actively explore the business of coating applied inside large-size shaped pipes.

For the oil service business, Hilong will make every effort to expand into new markets and acquire new customers, and strive to make breakthroughs in China, Russia, the Middle East and Africa, and spare no effort to increase the utilization rate of existing drilling and workover rigs; strengthen market development capabilities and develop turnkey projects and technical services, as well as facilitate foreign cooperation, seek expansion and transformation on the basis of existing mature businesses. The Company is actively obtaining the qualification certification of core domestic customers, and is committed to providing domestic customers with diversified high-end oilfield services including drilling and workover services and technical services, while effectively grasping market opportunities brought by the new round of development in the domestic oil and gas industry. On one hand, trading services will actively seek and develop partners in various markets and strive for more business breakthroughs beyond tubing and casing; on the other hand, it will seek to form synergies with other businesses to facilitate drilling and workover services, technical services and external cooperation to further consolidate customer relationships.



The line pipe technology and services segment will focus on exploring the market opportunities brought by the new peak of domestic oil and gas pipeline network construction, and proactively develop overseas projects. While consolidating its domestic business, pipeline inspection service will also actively consider possibilities for overseas expansion. Currently, negotiations with potential partners in the Middle East have commenced, and preliminary work such as obtaining qualifications is planned to initiate promptly.

For the offshore engineering service segment, focus for the second half of the year will be placed on the operation of the wind power project and the Russian project, and the preparation work for the construction of the Bangladesh project in the third dry season. The offshore engineering segment has formed positive and effective market cooperation with CNOOC Limited (“CNOOC”), our core domestic customer, and will further maintain such cooperation and capture the potential market opportunities brought by CNOOC’s “seven-year action plan”. In view of the volatile global oil and gas industry, the Company will actively source other customers, and regard the offshore wind power business as its key focus. Furthermore, the Company will leverage on Ocentra Offshore Pte. Ltd., the joint venture platform to consolidate its position in the Southeast Asian market, and pay close attention to opportunities in the Middle Eastern market.

### **Disposal of a Subsidiary**

On 18 June 2021, Hilong Pipeline Engineering Technology Service Co., Ltd.\* (海隆管道工程技術服務有限公司) (“**Seller**”), Shanghai Jintang Industry Co., Ltd.\* (上海金鏜實業有限公司) (“**Purchaser**”) and Shanghai Hilong Special Steel Pipe Co., Ltd.\* (上海海隆特種鋼管有限公司) (“**Target Company**”) entered into an equity transfer agreement, pursuant to which the Seller agreed to dispose of, and the Purchaser agreed to acquire, 70% equity interest in the Target Company for a total consideration of RMB103,480,000. Following the completion of the disposal in June 2021, the Company currently holds 30% equity interests in the Target Company, and the Target Company has ceased to be a subsidiary of the Company and the financial information of the Target Company is no longer consolidated into the Group’s consolidated financial statements. For further details, please refer to the Company’s announcement dated 18 June 2021.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates during the Interim Period.

### **Events after the End of the Interim Period**

There were no important events affecting the Company nor any of its subsidiaries since the end of the Interim Period and up to the date of this interim results announcement.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the Interim Period.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 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 (王濤) 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**

There was no purchase, sale or redemption of the Company’s listed securities by the Company nor any of its subsidiaries during the Interim Period.

## **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](http://www.hkexnews.hk)) and the Company ([www.hilonggroup.com](http://www.hilonggroup.com)).

The interim report for the Interim Period containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and become available on the same websites 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.

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

Hong Kong, 29 August 2021

*As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jun and Mr. WANG Tao (汪濤); the non-executive directors are Ms. ZHANG Shuman, Dr. YANG Qingli and Mr. CAO Hongbo; and the independent non-executive directors are Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyuan.*