



# Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1623

\*For identification purpose only

## 2018 Environmental, Social and Governance Report



# Contents

<b>About this Report.....</b>	<b>1</b>
<b>1 Company Profile .....</b>	<b>3</b>
1.1 Company Brief.....	3
1.2 ESG Management.....	4
1.3 Stakeholders Engagement.....	5
1.4 Materiality Assessment .....	6
<b>2 Operating Practices .....</b>	<b>8</b>
2.1 Products and Services .....	8
2.2 Property Right Protection .....	11
2.3 Purchase Management.....	12
2.4 Honesty and Self-Discipline.....	13
2.5 Public Welfare .....	14
<b>3 Care for Employees.....</b>	<b>16</b>
3.1 Rights Protection.....	16
3.2 Health and Safety .....	21
3.3 Talent Cultivation.....	24
<b>4 Environmental Protection .....</b>	<b>26</b>
4.1 Emission and Waste Reduction .....	26
4.2 Use of Resources .....	31
4.3 Environmental Management .....	34
<b>Appendix I: ESG Reporting Guidance Index .....</b>	<b>36</b>
<b>Appendix II: Reader's Feedback Form.....</b>	<b>39</b>

## About this Report

Hilong Holding Limited (the “Company”) (Stock Code: 1623) hereby presents the Environmental, Social and Governance Report 2018 (“the report”) of the Company and its subsidiaries (collectively, the “Group” or “Hilong”). The report demonstrates the concepts and practices of the Group in environmental, social and governance (ESG) areas to its stakeholders.

### Reporting Scope

The report primarily includes the Company and its subsidiaries, covering principal businesses such as oilfield equipment manufacturing and services, oilfield services, line pipe technology and services, offshore engineering, etc. The reporting period is from 1 January 2018 to 31 December 2018. The KPIs in environmental area disclosed in this report cover all businesses in China directly managed by the Group, and those involved in overseas businesses will be disclosed in a timely manner in the future. Compared with Hilong Holding Limited 2017 Environmental, Social and Governance Report published on 27 June 2018, there are no material changes in the reporting scope and coverage of environmental KPIs.

### References

The report is prepared according to the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This report complies with reporting principles of ESG Reporting Guide:

- “Materiality”: The Group determines material ESG issues through accessing stakeholder engagement and materiality, and focuses on disclosing such material issues in the report;
- “Quantitative”: The report discloses the key environmental performance indicators in quantitative terms;
- “Balance”: The report provides an unbiased picture of the Group’s environmental and social performance;
- “Consistency”: The relevant disclosure methodology is consistent with methodology used in reports of previous years and the same methodology will be adopted in following years.

### **Access to the report**

The report is available in electronic version which can be viewed on the website of the Company ([www.hilonggroup.net](http://www.hilonggroup.net)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)).

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# 1 Company Profile

## 1.1 Company Brief

Hilong was established in 2002. Since its inception, Hilong has achieved tremendous growth, deriving from the singular provision of petroleum tube coating services to a comprehensive oilfield equipment and services supplier with distinctive main lines of business and complete industry chain through horizontal extension and vertical integration development. Hilong has formed business segments covering oilfield equipment manufacturing and services, oilfield services, line pipe technology and services, offshore engineering and professional research. Hilong continues to focus on technological innovation as a core development strategy, continually improving its international operational capabilities. Hilong entered international markets in 2005 and has since established a business network spanning the Americas, the Middle East, Russia, North Africa and Europe, etc. In 2011, Hilong publicly listed on the main board of the Stock Exchange of Hong Kong Limited and stepped into the international arena for competition and development.



Hilong has seen more than ten years of development, extending horizontally from drilling, exploitation and transmission of petroleum and natural gas to oilfield services, oilfield equipment, line pipe technology and services as well as offshore engineering. At the same time, Hilong has comprehensively developed vertically, expanding its petroleum line pipe coating, hard banding and other complementary business. The Group has also developed petroleum line pipe coating materials, hard banding welding wire, drill pipe fittings, petroleum line pipe and other key upstream industry materials, as well as professional research institutes focusing on petroleum line pipe, petrochemical, and offshore petroleum engineering.

Hilong has developed into an organization with extensive geographic coverage. Professional industry enterprises and research institutes in fields such as oilfield

equipment, line pipe technology and services, and offshore petroleum engineering are primarily concentrated in Shanghai and Jiangsu within the Yangtze River Delta. Hilong has also established production bases in Tianjin, Shandong, Shanxi, Shaanxi, Northeast China, and Sichuan etc. Oilfield services, core product manufacturing, petroleum investment, and domestic and overseas trade and cooperation have all expanded into regions including the Americas, the Middle East, Russia, and Asia-Pacific.

In the future, Hilong will continue to work hard and be persistent to grasp market opportunities, meet challenges and accelerate the development of domestic and overseas markets to create maximum values for all stakeholders.

## **1.2 ESG Management**

Hilong establishes and improves ESG management organisational structure. It enables the Board of Directors (the “Board”) to understand the Group’s ESG risks and work progress in a comprehensive and timely manner. It also assists the Board to fully consider ESG risks and opportunities in risk management, policy making and strategic planning, to ensure that ESG risks and opportunities are integrated into Hilong’s company strategies.

➤ The Board of Directors is responsible for:

- Evaluating and determining ESG risks;
- Ensuring that appropriate and effective ESG risk management and internal control system are established;
- Fully considering ESG risks and opportunities in company’s strategic planning;
- Formulating ESG strategies, action plan and goals;
- Overseeing ESG work progress and performance;
- Approving the annual ESG report.

➤ The Management is responsible for:

- Implementing ESG risk management and internal control system;
- Reporting ESG risks to the Board and confirming with the Board the effectiveness of ESG risk management and internal control system to the Board of Directors;
- Arrange ESG works according to ESG strategy;

- Reporting the ESG work progress to the Board;
  - Providing the Board with annual ESG report.
- ESG working group consists of responsible persons from each functional department and relevant responsible persons from subsidiaries, and is responsible for:
- Implementing specific ESG work;
  - Reporting ESG work progress to the management;
  - Collecting information and data;
  - Preparing annual ESG report and reporting to the management.

### 1.3 Stakeholders Engagement

Through diversified communication mechanisms, Hilong builds close relationships with the government, regulatory authorities, shareholders, clients, employees, media, partners, communities, society, environment and other stakeholders. The Group actively responds to the stakeholders' expectations and requirements on Hilong.

Stakeholders	Expectations and Requirements	Communication Mechanisms
<b>Government and Regulatory Authorities</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Pay taxes according to law</li> <li>• Support local development</li> </ul>	<ul style="list-style-type: none"> <li>• Daily management</li> <li>• Meetings</li> <li>• Monitoring and inspection</li> <li>• Policy advice</li> <li>• Case reporting</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Continued development and return to shareholders</li> <li>• Information disclosure and investor relations</li> <li>• Corporate governance and risk control</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' general meetings</li> <li>• Information disclosure</li> <li>• Activities promoting investor relations</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• High-quality products</li> <li>• High-quality services before and after sales</li> </ul>	<ul style="list-style-type: none"> <li>• Signing of contract</li> <li>• Business dealings</li> </ul>



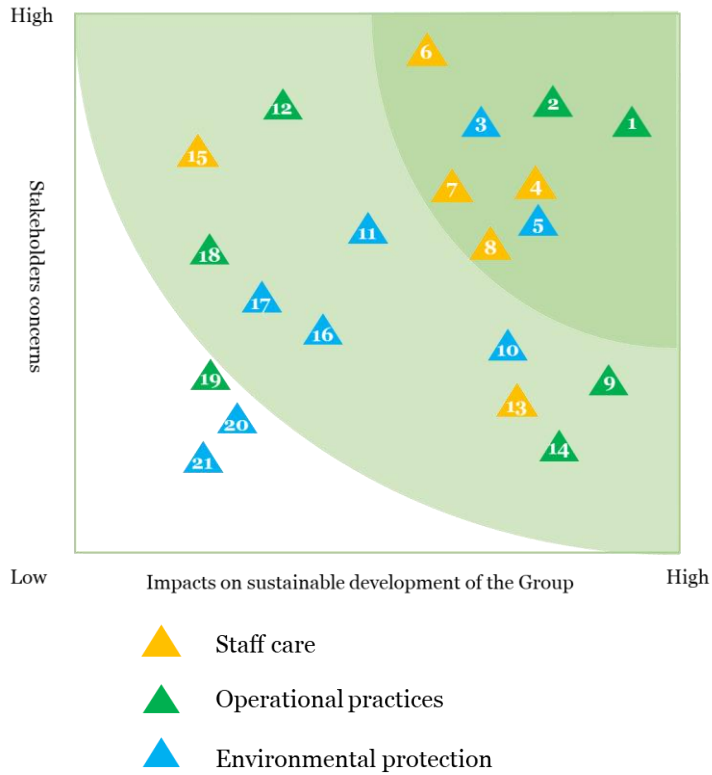
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Remuneration and benefits</li> <li>• Good work environment and development platforms</li> <li>• Equal opportunities for promotion and development</li> </ul>	<ul style="list-style-type: none"> <li>• Employee training</li> <li>• Employee activities and employee care</li> <li>• Performance Management</li> <li>• Corporate internal publications</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Performance of corporate social responsibility</li> <li>• Having a good knowledge of initiatives for corporate significant events and activities</li> </ul>	<ul style="list-style-type: none"> <li>• Business interview</li> <li>• Promotion of corporate culture</li> <li>• Theme activities</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>• Keep promises</li> <li>• Equal, open and fair procurement</li> <li>• Mutual benefit development</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation and communication</li> <li>• Supplier assessment and evaluations</li> <li>• Open bidding and tendering</li> <li>• Communication and visitation</li> </ul>
<b>Community and Society</b>	<ul style="list-style-type: none"> <li>• Promote urban development</li> <li>• Raise public awareness</li> <li>• Promote development of harmonious community</li> </ul>	<ul style="list-style-type: none"> <li>• Industry-university-institute linkages</li> <li>• Establishment of education base</li> <li>• Community activities</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Emission under standard thresholds</li> <li>• Energy saving and emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Promote environmental protection</li> <li>• Protect eco-balance</li> </ul>

#### 1.4 Materiality Assessment

In accordance with the “ESG Reporting Guide”, Hilong constructs ESG materiality analysis model to assess 21 ESG issues related to environment, employees and operation. Hilong assesses ESG issues from two perspectives: impacts on sustainable development of the Group and stakeholders’ concerns. Through questionnaire survey on relevant internal



departments and communication with external stakeholders, Hilong assesses the materiality of the ESG issues and the result is showed as below. Hilong discloses these issues in this report based on their materiality.



Materiality	ESG Issues	No.
High	Product quality	1
	Customer service	2
	Waste water and gases	3
	Legal employment	4
	Energy conservation	5
	Safe production	6
	Occupational health	7
	Employee training	8
Medium	Property right protection	9
	Water saving	10
	Greenhouse gases	11
	Activities for public good	12
	Staff activities	13
	Product innovation	14
	Prohibit child labor and forced labor	15
	Packaging	16
	Solid waste	17
	Partners	18
Low	Anti-corruption	19
	Environmental emergency management	20
	Noise control	21

## 2 Operating Practices

### 2.1 Products and Services

Hilong has subsidiaries all over the world and established sales and services network in major oil production regions around the globe including middle-east, central Asia, Russia, Southern Asia, Southeast Asia, North America, South America, Central America, Africa and other countries or regions. Hilong provides superior products and services to many internationally renowned energy and oil services enterprises with strict quality management, sound service system and constant technological innovation.

#### ➤ Quality Management

In compliance with relevant domestic and foreign laws and regulations, including but not limited to the “Product Quality Law of the People's Republic of China” (《中華人民共和國產品質量法》), Hilong upholds the quality principle of “honouring contracts, perfecting quality control; relying on technology management, seeking quality improvement; building Hilong image, exceeding customers’ expectations”. Hilong continuously improves the quality management system and strengthens the management of quality, measurement and standardisation.

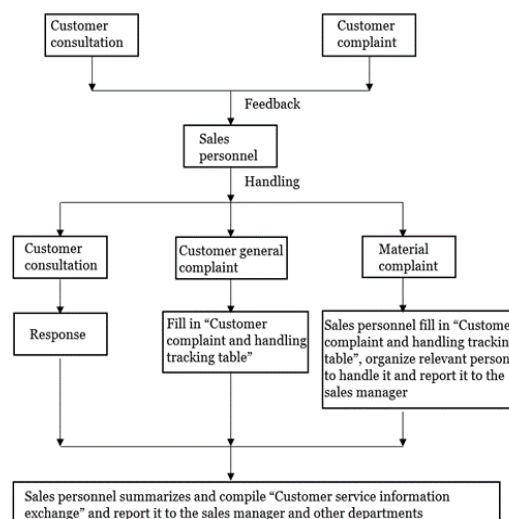
Hilong continues to improve quality framework of all levels and clarifies responsibilities of quality management. Subsidiaries have established sound quality management system according to “Requirements of ISO9001/GB/T 19001 Quality Management System” (《ISO9001 / GB/T 19001 質量管理體系的要求》). Hilong conducts annual internal and external audits as well as management evaluations, etc. to ensure the appropriateness, effectiveness and practicability of the system to provide safe and high quality products and services to clients.

#### ➤ Customer Service

Through the “Customer Service Management System” (《客戶服務管理制度》), Hilong effectively controls the customer service work by defining the service standards and handling customers’ complaints in a timely manner. Subsidiaries conduct regular

customer satisfaction surveys and occasional call-back based on Customer Satisfaction Control Procedures (《顧客滿意度控制程序》) to collect customer opinions and thus maintain a level of satisfaction.

Hilong regards customers' information as confidential information of the Company. The customers' information was properly kept by the sales manager. Unauthorised personnel was not permitted to copy or extract the information. Customer data was sent or received, transmitted and carried about by designated personnel for effective protection of customers' privacy.



Procedure of Customer Complaint Management

### ➤ Technological Innovation

Hilong has established several professional R&D institutions, and maintained strong and professional R&D and innovation capabilities in all areas of oilfield technical services with high-end experimental equipment and good R&D conditions. Hilong also actively carries out domestic and foreign scientific research exchanges and cooperation. Hilong has established in-depth cooperation with several research institutes in many areas including key technical problems solution, industrial processes development, high-end technological innovation talents cultivation, advanced scientific and technological information exchange and so on. Hilong has set up post-doctoral research station, Shanghai Petroleum Pipeline Engineering Technology Research Centre and the academician workstation, building a strong talent team of scientific and technological innovation.

In 2018, Hilong continued to implement the “Science and Technology Management Policy”

(《科技管理制度》) and other systems and broke through a series of key technical problems with sustainable innovation. Hilong won the “Shanghai Industry-University-Research Innovation Cooperation Award” for its “research & development and application of key technologies for ultra-high

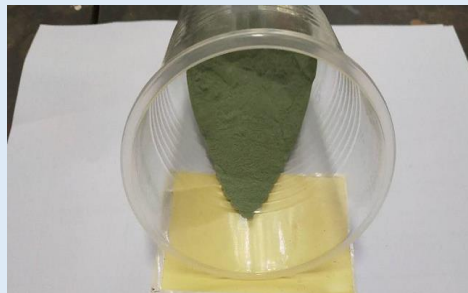


strength drill pipes for offshore high-efficiency drilling”. This key technology has greatly improved drilling efficiency and has high application prospects and economic value in offshore drilling, ultra-deep well and other operations. In addition, Hilong has developed new technologies and products such as fibre optic early warning and solid powder coating OCTG.

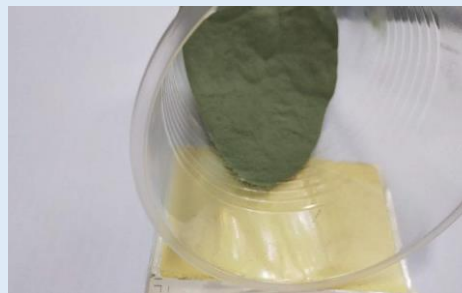
### Topic: Product innovation

#### Oil Country Tubular Goods (“OCTG”) solid powder coating

Solvent-based coatings has been limited or even banned by many industries due to increasing emission requirements for volatile organic compounds (VOCs). Shanghai Tube-Cote Petroleum Pipeline Coating Co., Ltd. (Shanghai Tube), the subsidiary of Hilong, began to use environment-friendly powder coatings to reduce the emission of VOCs. Hilong improved the OCTG powder coating used in Shanghai Tube and successfully developed two types of coatings: TC2000P and TC3000P. Both two types of coating are non-toxic, with strong bonding force to the pipe, high reliability and no VOCs emissions, which is beneficial to reduce the impact on the quality of the air environment.



TC2000P

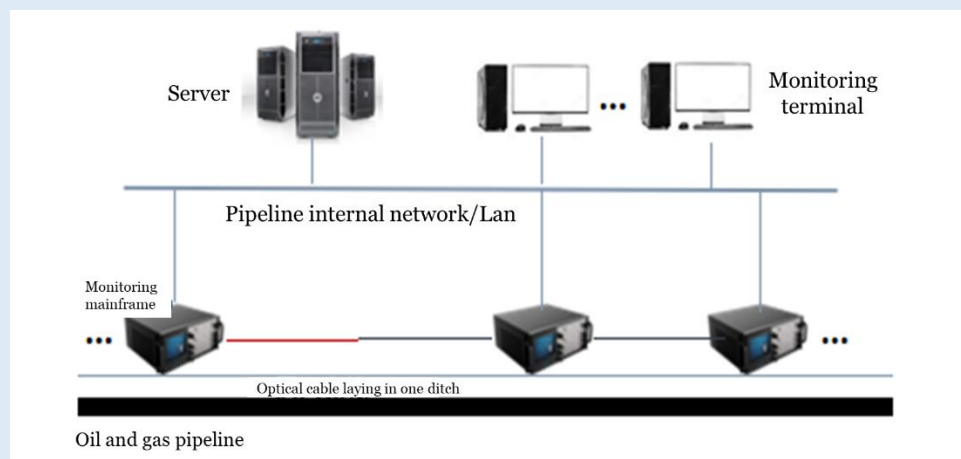


TC3000P

#### Fibre pipeline monitoring and early warning system

Long-distance pipeline transportation is the main approach for transporting oil and natural gas. The key is safety, high efficiency, as well as real-time monitoring over accident points and rapid emergency response to accidents. Hilong has successfully developed a fibre pipeline monitoring and early warning system to realise real-time monitoring over external risks and pipeline leakage points of long-distance oil and gas pipelines. Once an incident that threatens the safety of oil and gas pipelines occurs, the system immediately issues an alarm to the management personnel. The personnel

can take timely action to avoid pipeline leakage and reduce accidents that pollute the environment and endanger the safety of the pipeline.



## 2.2 Property Right Protection

In compliance with relevant domestic and foreign laws and regulations, including but not limited to “Trademark Law of the People's Republic of China” (《中華人民共和國商標法》) and “Regulations for the Implementation of the Trademark Law of the People's Republic of China” (《中華人民共和國商標法實施細則》), Hilong formulated the “Management System for Trademark Use” (《商標使用管理制度》) to regulate the registration, maintenance and use of trademarks, etc.

To maintain the consistency and stability of corporate image, and regulate and promote corporate visual image system (VIS), Hilong formulated the “Management Regulations on the Use of Corporate Image VI” (《企業形象 VI 使用管理規定》), “Corporate Image Visual Identity System (VI) - Basic Specification” (《企業形象視覺識別系統(VI)－基礎規範》), “Application Specification for Business Card VI” (《名片 VI 應用規範》) and “Application Specification for Business Brochure VI” (《業務宣傳冊 VI 應用規範》), etc. These regulations specified roles & responsibilities of the Corporate Culture Department and other departments of the Group, as well as requirements of corporate image usage.

The sales of Hilong’s products were mainly conducted through direct visits to customers and participation in exhibitions without advertising, therefore there was no policy concerning advertising management. In compliance with relevant domestic and foreign laws and regulations, including but not limited to the Advertising Law of the People’s

Republic of China (《中華人民共和國廣告法》), Hilong is making relevant policies for improving the management of advertising to effectively manage possible advertising behaviour in the future.

### **2.3 Purchase Management**

Hilong strictly controls procedures such as supplier qualification, assessment and disqualification to improve supplier product and service quality. Hilong strives to build a sustainable and responsible supply chain by delivering the concepts of environment and social risks, safety and health, anti-corruption, etc. and strictly controls environmental and social risks of supply chain.

Through Supplier Management Policy (《供應商管理制度》), Hilong requires suppliers to:

- have sufficient abilities on production and quality assurance;
- punctually deliver products according to contract;
- provide inspection certificate of products supplied;
- have good mode and channel of product and service;
- provide timely feedback on quality, delivery and other issues raised by Hilong;
- provide warranty/qualification certificates issued by relevant authorities;
- have trustworthiness, etc.

Through these requirements, Hilong ensured product and service quality provided by suppliers, and ultimately protecting consumer safety and health.

Hilong requires suppliers to provide ISO14001 environmental management system certificate when filing for the application. Hilong also conducts on-site inspection and regular assessment on the certificate and make it as one of considerations for supplier selection. The Group requires suppliers to comply with local laws and industrial standards related to environment. No supplier will be accepted if it fails to comply with those requirements.

Regulations for the Implementation of the Supplier Management (《供應商管理實施細則》) provides that in an event of fraud, forgery and bidder collusion, and bribery in the names of commission, rebates, consulting fees, intermediary fees and others to employees of the Group, and other violations of national laws and regulations and related

requirements committed by the suppliers, the Group should cancel their supplier qualifications, so as to strengthen the fairness, transparency, and healthy growth of the industry.

## 2.4 Honesty and Self-Discipline

Hilong attaches importance to anti-corruption work. Hilong complies with the domestic and foreign laws and regulations, including but not limited to the “Company Law of the People's Republic of China” (《中華人民共和國公司法》), the “Tender and Bidding Law of the People's Republic of China” (《中華人民共和國招標投標法》), the “Anti-unfair Competition Law of the People's Republic of China” (《中華人民共和國反不正當競爭法》), the “Anti-money Laundering Law of the People's Republic of China” (《中華人民共和國反洗錢法》), and the Audit Law of the People's Republic of China (《中華人民共和國審計法》), etc. Hilong has formulated anti-corruption policies such as the “Management System for Audit Department” (《審計部管理制度》), “Regulations for the Implementation of the Audit Work” (《審計工作實施細則》), “Management System for Fraud and Irregularities” (《舞弊及違規行為管理制度》), and “Clean Government Self-Discipline Standard” (《廉政自律規範》). Hilong’s Audit and Supervision Department is responsible for internal audit work. It constantly strengthens internal management and supervision to prohibit bribery, extortion, fraud and money laundering.

Hilong requires employees to be honest, self-restrained, law-abiding and self-disciplined. Hilong encourages employees to report to the Audit and Supervision Department when they find behaviours in violation of laws, regulations, company code of conducts and ethics. The whistleblowing channels includes telephone and mail, etc. The Audit and Supervision Department conducts an investigation into the reported case and reports to the management or the Board. Employee who were proven to have committed corrupt conduct will be punished in accordance with the relevant regulations of the Company. In case of violation of the laws, the case will be referred to a judicial office for further processing.

During the cooperation with suppliers, Hilong strictly implements the “Tendering Management Policy” (《招標管理制度》) and purchases materials and services through an open and fair bidding process. When signing the contract with partners, Hilong signed the “Integrity Agreement” (《廉潔協議》) with them or presented them with the “Integrity



Notice” (《廉潔告知書》), requesting that no corruption be allowed in the cooperation process.

## 2.5 Public Welfare

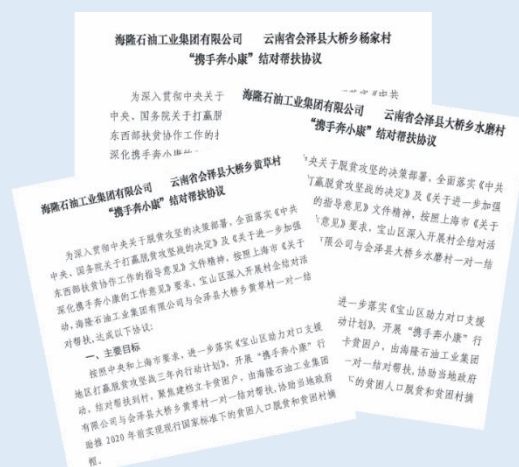
While pursuing economic interests, Hilong also actively assumes social responsibilities and formulates “Measures for the Administration of Charity and Public Welfare Activities” (《慈善與公益活動管理辦法》), which stipulates the source and use of fund, the form of activities, and summary and assessment.

In 2018, Hilong continued to carry out charitable donations, volunteer services and other public welfare activities to serve the society. In June 2018, Hilong was officially awarded the “Shanghai Public Welfare Base” and was one of the first units awarded in Baoshan District, Shanghai.



### Case: Targeted poverty alleviation

In 2018, Hilong actively implemented the “Decision of the Central Committee of the Communist Party of China and the State Council on Winning the Fight against Poverty Alleviation” (《中共中央、國務院關於打贏脫貧攻堅的決定》) and the “Instruction on Further Strengthening the Poverty Alleviation in Eastern and Western Areas” (《關於進一步加強東西部扶貧協作工作的指導意見》). According to the “Opinions on Deepening the Work of Striving for a Well-off Life Together” (《關於深化攜手奔小康的工作意見》), Hilong built partner relationships with Yangjia village, Shuimo village and Huangcao village of Daqiao town, Huize county. Hilong contracted an assistance agreement with them and implemented assistance measures such as industrial support, people’s livelihood improvement, intellectual support and social participation. These measures improved the production and living



conditions and self-development ability of poor people to assist the local government in efforts to achieve poverty alleviation for the poor and poverty-stricken villages before 2020.

### **Case: Community service**

Hilong has established partner relationships with the surrounding residents in need to help them solve their hardships. On Double Ninth Festival of 2018, the party branch secretary and his companions of Hilong Research Institute visited the disable elders that lived alone in Shangheyuan residential area. They sent necessities and festival blessings to the elders.



### 3 Care for Employees

In compliance with relevant domestic and foreign laws and regulations, including but not limited to Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Provisions on the Prohibition of Using Child Labour (《禁止使用童工的規定》), Hilong continues to consolidate its employment principles and policies. Hilong constantly improves the 3-level human resources management framework including the Group, the Business Division and subsidiaries. Hilong protects employees' rights and interests with a high sense of responsibility, creates healthy and safe work environment for employees, provides sound promotion channels and training system, and arranges staff activities, so as to achieve co-development of employees and the company.

#### 3.1 Rights Protection

##### ➤ Compensation and Dismissal

Hilong has formulated the “Management Measures for Management Personnel Compensation of the Group” (《集團管理序列人員薪酬管理辦法》), “Implementation Measures on Level and Compensation Appraisal and Adjustment for Employees below Departmental Heads of the Group” (《集團部門長以下員工職級及薪酬核定調整實施辦法》) and other management policies. Hilong provides a competitive remuneration package for employees based on principles of equal pay for equal work, fairness and reasonableness, incentive and ease. Hilong provides market leading compensations for core positions, and provided all employees with competitive compensations that was at the upper and middle level in the market.

In order to motivate employees, Hilong formulated the “Annual Evaluation Fulfilment Measures on Group, Business Division (Specialised Company) and Subsidiary Management” (《集團、事業部(專業公司)及分/子公司管理層年度考核兌現辦法》). Hilong implemented compensation incentive and evaluation fulfilment mechanism for the management, so that the management's compensation can be well linked to profit and completion ratio. Hilong has established compensation management system focusing on Position, Ability and Performance.

As for resignation, Hilong strictly complies with the “Employee Termination Management Policy” (《員工離職管理制度》), which requires that the Company shall not dismiss

employees arbitrarily. The dismissal process starts only when the employees who met the relevant requirements for dismissal and the dismissal was confirmed by the head of department. The system has also provided for detailed regulations for handling procedures and requirements of five types of resignation - voluntary resignation, negotiated termination of labour contracts, non-renewal of expired contracts, voluntary dismissal, and retirement at the statutory retirement age - to protect employees' legal rights and interests.

➤ **Recruitment and Promotion**

In recruitment, according to “Employment Management Policy” (《員工聘用管理制度》), Hilong formulates “Annual On-Campus Recruitment Plan” (《年度校園招聘計劃》) and “Annual Social Recruitment Plan” (《年度社會招聘計劃》) at the beginning of each year. Hilong explores resume resources and attracts outstanding persons through on-campus recruitment, social recruitment, recruiting websites, head-hunters, colleges and universities, talent market and so on. Hilong enters into the Labour Contract with regular employees based on the “Labour Contract Management System” (《勞動合同管理制度》).

Sticking to employment standard of “focusing on morality and capability, giving priority to morality”, Hilong sets up two major categories (management and marketing, and technical skills) and four sequences (management talent, marketing talent, professional and technical personnel, and operational talent) of career development and sets the corresponding ranks. Based on the “Performance Appraisal and Management Policy” (《績效考核管理制度》), Hilong conducts annual performance appraisal and reviews the development potential on employees. The appraisal results are taken as the basis of salary and rank adjustment.

<b>Management talent sequence</b>	<b>Applicable to:</b> functional management personnel <b>Level:</b> Deputy General Manager and above, Professional Director, Department Head, Deputy Department Head, Supervisor, Commissioner, Assistant, Clerk
<b>Marketing talent sequence</b>	<b>Applicable to:</b> sales promotion personnel of company products and services <b>Level:</b> General Manager of Regional Sales, Deputy General Manager of Regional Sales, Senior Sales Manager, Sales Manager, Sales Clerk/Sales Representative
<b>Professional Technical talent sequence</b>	<b>Applicable to:</b> Engineering and Technical Personnel such as product research & development, technical process, quality, equipment <b>Level:</b> Chief Expert, Expert, Chief Engineer, Supervisor Engineer, Engineer (level 1 to 3), Assistant Engineer, Technician, Trainee Technician
<b>Operational Skill talent sequence</b>	<b>Applicable to:</b> Production of First-line Skilled Workers <b>Level:</b> Chief Technician, Senior Technician, Technician, Senior Worker, Intermediate Worker, Junior Worker

Hilong performs the “Implementation Measures on Level and Compensation Appraisal and Adjustment for Employees below Departmental Heads of the Group” (《集團部門長以下員工職級及薪酬核定調整實施辦法》) to properly manage the level and work adjustment of employees below department heads of the Group. In accordance with relevant national laws and regulations, Hilong formulated “Management Measures for Accreditation and Appointment of Professional and Technical Personnel” (《專業技術人員任職資格評審及聘任管理辦法》), which regulates the accreditation, appointment and relevant compensations of professional and technical personnel. According to “Management Measures for Skill Rating of Frontline Production Operators and Appointment of Technicians (《一線生產操作員工技能等級評定及技師聘任管理辦法》), Hilong conducted training, examinations and recommendation for frontline production operators. Hilong also provided career development channels for qualifying frontline production operators, whose compensation and level adjustment were based on their performance appraisal.

#### ➤ **Working hours, Holidays, Other Benefits and Welfare**

In compliance with national and local regulations, Hilong developed the “Attendance Management Policy” (《考勤管理制度》). Hilong implemented a working hour system which combines standard working hours, comprehensive working hours and irregular working hours with 5 working days per week and 8 working hours per day. Employees who need to work overtime under special circumstances should apply to the department heads for approval. The operation staff receive their overtime pay within the same month.



General management and technical employees are given priority in terms of holidays. If holidays couldn't be taken, overtime pay will be paid after approval.

Employees are entitled to statutory holidays, such as New Years, Spring Festival, QingMing Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival and National Day, annual leaves and other holidays based on the "Holiday Management Policy" (《假期管理制度》).

Hilong paid social insurance premiums for employees according to law. Hilong formulated the "Management Measures for the Haizhou • Fund of Comprehensive Arrangement for Serious Disease" (《「海洲•大病統籌基金」管理辦法》), which helps the employees with serious diseases and their families to cope with their troubles. Hilong offers benefits including birthday bonuses, festival bonuses, annual physical checks, free shuttle buses, communication allowance and free work meals.

Hilong actively organizes various staff activities to strengthen team cohesion and employee loyalty while fully balancing employees' work and life. In 2018, it launched group sports meeting, group commendation meeting, spring outing, "1 hour lunchtime", 5 km running race in the factory, parent-child marathon, 5v5 football game, swimming competition, and employee birthday party.

Parent  
-child  
spring  
outing

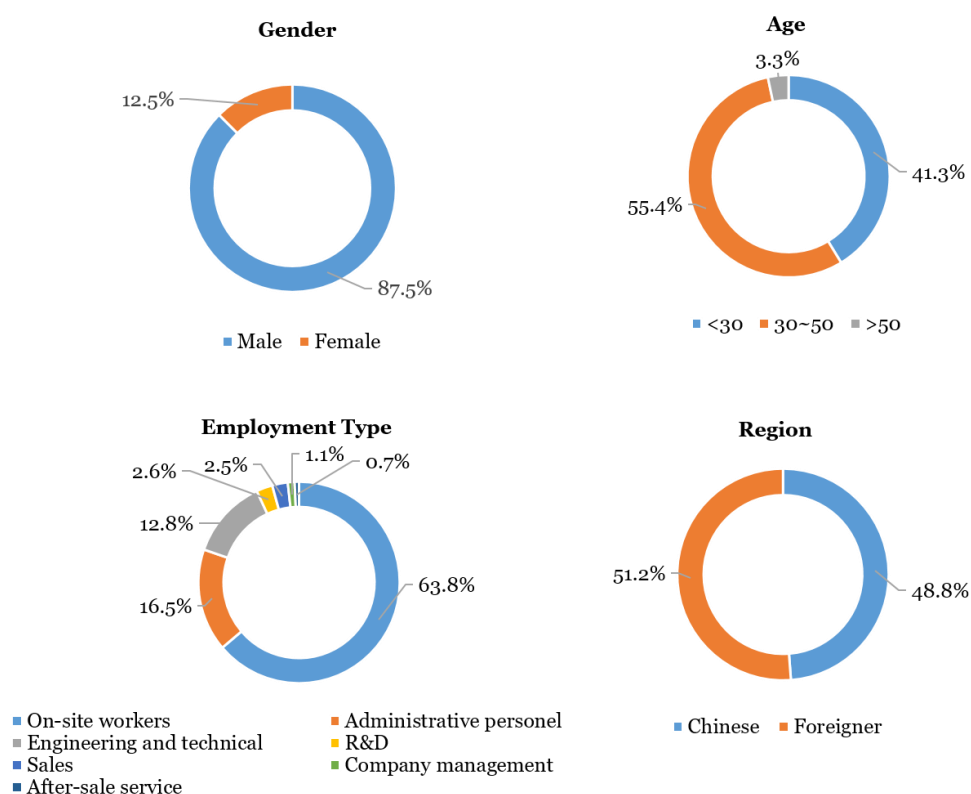


Group  
Sports  
Meeting

### ➤ Equal Opportunities, Diversification and Anti-discrimination

The Group recruits employees in accordance with the principles of fairness, impartiality and openness. At the same time, the Group strictly complies with the national and local laws and regulations and respects all employees, irrespective of race, gender, color, age, family background, national tradition, religion, physical fitness and original nationality. Employees can enjoy fair treatment in compensation and dismissal, recruitment and promotion, working hour, rest period and other benefits and welfare. The Group strives to provide everyone with equal opportunities.

The workforce of Hilong, by the end of December 2018, is shown by gender, age, employee category and nationality as bellow:



### ➤ Labour Standards

Hilong strictly complies with relevant domestic and foreign laws and regulations, including but not limited to the “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》). In the appendix “Employment Standards for New Employees” (《新員工錄用標準》) of “Employee Employment Management Policy” (《員工聘用管理制度》), new employees should be over the age of 18, and the use of child labour is prohibited.



Hilong strictly complies with the statutory working hours and controls the overtime work to ensure the rest and physical and mental health of employees. If the jobs entail the overtime work of employees during public holidays, the employees are entitled to deferred holidays or overtime wages according to law. Forced labour is not allowed.

### 3.2 Health and Safety

In compliance with relevant domestic and foreign laws and regulations, including but not limited to the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Law of the People’s Republic of China on Work Safety” (《中華人民共和國安全生產法》), “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases” (《中華人民共和國職業病防治法》), and “Regulations of Shanghai Municipality on Work Safety” (《上海市安全生產條例》), Hilong devotes itself to providing the employees with a healthy, safe and comfortable working environment.

In 2018, Hilong’s oilfield services in Nigeria received the “Safety Leadership Award” from Shell Nigeria at the Shell’s Contractor CEO Safety Leadership Conference in Lagos, which once again reflected Hilong’s leading position in the oilfield services industry by upholding its management concepts regarding safety and environmental protection. It meant that Hilong had taken a step forward to be a world-class drilling service contractor in terms of safety management and was recognized by the world's mainstream high-end market.

#### ➤ Work Safety

In compliance with the working policies on work safety of “Safety First, Precaution Crucial and Comprehensive Treatment”, each business division and subsidiary of Hilong has formulated a series of safety policies and has formed a sound work safety mechanism to conduct enterprise work safety standardization thoroughly, thereby enhancing work safety management and reducing the occurrence of accidents.

Hilong has established the HSE Committee, set up a sound management and organization framework for work safety at all levels and strictly control work safety. Besides, Hilong arranged safety trainings and emergency drills to avoid accidents.

#### Case: Safety knowledge training

In April 2018, Hilong conducted training for the local team members at the Puyang Zhongyuan Oilfield Training School to offer courses on process safety, quality control,

and accident cases. The training help them to use health, safety and environment (HSE) risk management tools and acquire safety knowledge, which improved their on-site management and control capabilities for safety risks.

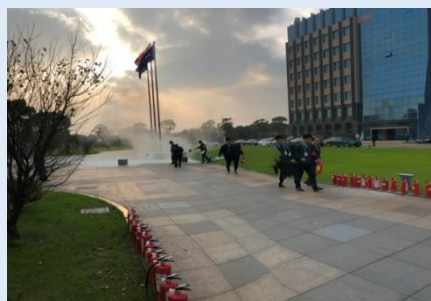


### Case: Safety training and fire drill

On 22 November 2018, Hilong conducted a fire evacuation and fire extinguishing drill in the office building of the Group. It trained employees to correctly use fire extinguishers and various fire-fighting devices, equipment and facilities. The drill strengthened the fire safety education for employees, improved fire prevention and control ability and emergency response capability.



Explain the use of fire extinguishers



Carry a fire extinguisher to the burning place

### ➤ Occupational Health

Hilong attaches great importance to the health of its employees. Each business division and subsidiary have established management systems for occupational health. For example, Shanghai Hilong Drill Pipe Co., Ltd. established the “Occupational Health Management Policy” (《職業衛生管理制度》) to protect employees’ occupational health.

The occupational health hazards of Hilong mainly include the noise and dust produced in the process of production. Hilong reduces the impact of noise and dust on employees' occupational health effectively through distributing personal protective equipment and installing dust removers. In accordance with relevant provisions in the "Provisions on the Supervision and Administration of Occupational Health at Work Sites" (《工作場所職業衛生監督管理規定》), Hilong commissions occupational health technical service organizations with relevant qualifications to assess the current condition of occupational disease hazards every three years and implements the proposals and measures proposed in the assessment report. According to the "Administrative Regulations on Periodic Testing of Occupational Disease Hazards by Employers" (《用人單位職業病危害因素定期檢測管理規範》), Hilong conducts a comprehensive inspection on work sites where the occupational disease hazards exist on a yearly basis. If the test result shows that the concentration or intensity of occupational disease hazards exceeds the occupational exposure limit, Hilong would formulate proposals in a timely manner and rectify the situation immediately.

For employees exposed to occupational disease hazards, Hilong has established occupational health records, informed them of occupational disease hazards prior to their joining Hilong, arranged a pre-post physical examination before their duty performing, an annual on-the-job occupational health physical examination and a physical examination after they leave the posts. All physical examination results were entered into occupational health records in time and provided to the employees for full understanding of their occupational health conditions. In addition, Hilong carries out occupational health trainings regularly and set up a bulletin board at an obvious place, announcing rules and regulations, operational instructions in relation to occupational disease prevention, first-aid measures for occupational disease hazard accidents, inspection results of occupational disease hazards at the workplace and corresponding preventive measures.

### Case: Occupational disease prevention and health consulting activity

In April 2018, with joint efforts from Disease Control and Prevention Center of Baoshan District, Shanghai, Hilong carried out occupational disease prevention and health consulting activity for employees. The Group laid a propaganda board in the canteen hall and distributed brochures and souvenirs about occupational disease prevention. It helped employees understand the characteristics and preventive measures of occupational diseases. It also enhanced employees' occupational health awareness.



Read occupational health posters



Learn about occupational health knowledge



Read occupational health books

### 3.3 Talent Cultivation

Hilong formulated the “Staff Training Management Policy” (《員工培訓管理制度》), and formed a unique hierarchical training system, where trainings are arranged for employees at all levels from the Group, to divisions and subsidiaries. Hilong organizes various training such as management training, professional technician training, sales training, overseas talent training and operational technical training each year, so as to continuously improve employees' professional skills.

#### Topic: Professional technician training



On 30 November 2018, the Marine Engineering Division conducted a training report on offshore oil and gas field development mode and SEPAT project in Malaysia with a total of 15 participants.

On 15 November 2018, the Oilfield Equipment Division in Russia carried out quality management training for 10 employees. Through in-depth and thorough explanation, employees had a clearer and deeper understanding of the practical application of quality management.



On 27 July 2018, the Oilfield Services Division offered a training for 24 employees on drilling equipment and its working principles. Each employee mastered the operational specifications and basic essentials of using basic equipment by receiving targeted learning.

### Topic: Overseas operating personnel training

From 15 to 30 October 2018, Hilong provided professional well cementation and safety training for 31 foreign employees which enabled them to systematically master correct troubleshooting and processing skills, etc.





## 4 Environmental Protection

Hilong adheres to the HSE policy of “People First, Health First, Safety First, and Environmental Protection First” and firmly complies with the laws, regulations and emission standards of the countries and regions where it operates, as well as the requirements of the international conventions on emissions.

Hilong strictly complied relevant domestic and foreign laws and regulations, including but not limited to the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), “Air Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國大氣污染防治法》), “Water Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國水污染防治法》), and “Law of the People’s Republic of China on the Prevention and Control of Solid Waste Pollution” (《中華人民共和國固體廢物污染環境防治法》). It also formulated “Hilong Holding Environmental Protection & Energy Conservation Management Policy” (《海隆控股環保節能管理制度》) to regulate environmental protection and energy conservation of its subsidiaries.

Hilong has established the Occupational Health, Safety and Environmental Protection Committee (the “HSE Committee”) to centrally manage the Group’s occupational health, safety and environmental protection. It has set up the Production Safety and Environmental Protection Department in charge of environmental supervision and management, energy use control as well as tracking and assessing progress of environmental work plan of all subsidiaries, etc. It also has set up a safe environment office in each business division with dedicated employees responsible for environmental protection.

### 4.1 Emission and Waste Reduction

Hilong requires its subsidiaries to improve their environmental management system according to the “Requirements of ISO14001 and GB/T24001-2004 Environmental Management System” (《ISO 14001/GB/T24001 环境管理体系的要求》) and re-evaluate the system timely to ensure the operation of the system, thus reducing environmental impacts.

Hilong invites local regulatory authority in charge of environment monitoring to conduct tests on emissions and prepare monitoring reports regularly each year. The production

safety and environmental protection department conducts unified inspection on all production units in Shanghai every year, monthly inspection on Baoshan Industrial Zone, and unscheduled on-the-spot inspections. It also requires the safety and environmental offices of subsidiaries to conduct independent environmental inspections to ensure their up-to-standard discharge. Hilong has set up specific environmental protection indicators in the appraisal indicator system for members in various business divisions and their management to encourage each business division to put more emphasis on emission management.

### ➤ **Waste Gas and Waste Water**

Hilong's waste gas emissions mainly include volatile organic compounds ("VOCs") generated in the coating production process, NO<sub>x</sub> and SO<sub>2</sub> from natural gas combustion in boilers for pipe heating, particulate matters from powder coating, and waste gases from diesel consumption in diesel engines for well drilling. Hilong has installed purification facilities to collect and tackle such waste gases so as to ensure discharge to the atmosphere up to standard.

The waste water generated by Hilong mainly includes waste water due to production and oil services, and domestic waste water from factories, oil services and offshore engineering services. In compliance with the "Water Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國水污染防治法》) and "Waste Water Quality Standards for Discharge to Municipal Sewers" (《污水排入城鎮下水道水質標準》) and other domestic and foreign laws, regulations and discharge standards, industrial water is recycled and reused instead of being emitted, and domestic sewage is discharged into urban effluent pipe networks. Industrial waste water from oil services is treated according to laws and regulations within the territory.

#### **Case: Rainwater and sewage pipeline reconstruction**

In 2018, Hilong inspected the factory's rainwater and sewage drainage system, and reconstructed the pipeline network. It discharged rainwater and sewage separately to reduce water pollution.





Reconstructed rain and sewage drainage system

### Case: Installation of organic waste gas collection and disposal facilities

In 2018, Hilong installed a gas collecting device in the production process to collect organic waste gases generated in the process of spraying and baking primer. The collected exhaust gas was treated by the washing tower + activated carbon treatment device and then discharged through a 15-meter high exhaust cylinder. As a result, Hilong ensures proper waste gas emissions, successfully decreasing 90% of organic waste gas emissions and reducing air pollution.



### Case: Oil mist purification device

In order to further reduce oil mist emissions from machine work, Hilong purchased a new mobile oil mist purification device in 2018 to collect and process the oil mist to reduce improper emission of oil mist.



The types of emissions and respective emission data generated by the Group within the reporting period are shown as follows:

A1. Emissions	2018	2017	Unit
Volatile organic compounds (VOCs)	0.2	1.3	Tonnes
Nitrogen oxide (NO <sub>x</sub> )	1.6	1.9	Tonnes

<b>Sulphur dioxide (SO<sub>2</sub>)</b>	0.01	0.7	Tonnes
<b>Particulate matter</b>	9.6	14.6	Tonnes
<b>Waste water</b>	110,119.5	122,085.6	Tonnes

### ➤ **Greenhouse Gases**

Hilong's greenhouse gas emissions primarily include Scope 1- direct greenhouse gas emissions and Scope 2 - indirect energy greenhouse gas emissions. The direct emissions mainly include the emissions from the use of fuels in heat treatment process and emissions from the combustion of petrol and diesel of vehicles. Indirect energy emissions mainly include the emissions from purchased electricity. Given that the greenhouse gas emissions are mainly from energy consumption, Hilong proactively encourages green office and green production, conducts energy-saving retrofit projects and adopts energy saving measures to reduce the energy usage, thus reducing the greenhouse gas emissions.

The greenhouse gases emissions in total and intensity within the reporting period are shown as below:

<b>A1.2 Greenhouse gases</b>	<b>2018</b>	<b>2017</b>	<b>Unit</b>
<b>Scope 1: Direct emissions</b>	11,711	9,175	tCO <sub>2</sub> e
<b>Scope 2: Energy indirect emissions</b>	34,154	32,157	tCO <sub>2</sub> e
<b>Total emissions</b>	45,865	41,332	tCO <sub>2</sub> e
<b>Emission intensity</b>	14.2	15.5	tCO <sub>2</sub> e/ million RMB revenue

### ➤ **Solid Waste**

Hilong's solid waste emissions primarily include non-hazardous industrial wastes and hazardous wastes due to production, as well as domestic wastes from work and life in factories, oilfield services, off-shore engineering services.

According to "Waste Disposal Measures" (《廢舊物資處理辦法》) formulated by the Group, Hilong sells the recyclable parts of solid wastes like scrap steel pipes, and other waste materials and idle assets to qualified enterprises for recycle and reuse. Hilong stores other unrecyclable non-hazardous industrial wastes in a specific place and entrusts qualified professional bodies to deal with them. The municipal sanitation department is entrusted to collect and deal with domestic wastes. In compliance with local laws and regulations,

Hilong entrusts local qualified bodies with the collection and disposal of hazardous and non-hazardous waste produced when delivering overseas services.

Hilong's hazardous wastes primarily include oily wastewater, waste mineral oil, coating packaging materials and coating wastes generated during production. In compliance with the "Law on the Prevention and Control of Environmental Pollution by Solid Waste" (《固體廢物污染環境防治法》) and other relevant domestic and foreign laws and regulations, Hilong formulated policies including the "Hazardous Waste Management Policy" (《危險廢物管理制度》) and "Accountability Mechanism for Staff of Hazardous Waste Related Positions" (《危險廢物崗位人員責任制》). It has also set up particular storage sites to store hazardous wastes and employed qualified professional bodies for unified treatment.

#### Case: Win a prize in Shanghai Safety Knowledge Contest about Hazardous Chemicals

In June 2018, Hilong participated in the 2nd Shanghai Safety Knowledge Contest on Hazardous Chemicals as a representative team of Baoshan District. The team had a good performance and won a prize for excellence, which fully showed Hilong's high level of safety management of hazardous chemicals.



#### Case: Upgrade and replacement of cooling water pipe of overlaying welding machine at the end of the pipe

The welding process is cooled by circulating water. In 2018, Hilong found that the welding portions were frequently reworked due to bubbles caused by water leakage from the welded parts, and the amount of waste pipe heads increased. Hilong replaced them with high-temperature resistant stainless steel pipes to reduce water leakage and defective products, for which there were fewer and fewer waste pipe heads.



The hazardous and non-hazardous wastes produced and their respective intensity within the reporting period are shown as follows:

A1.3&A1.4 Hazardous/Non-hazardous wastes	2018	2017	Unit
Total hazardous wastes produced	100.3	135.5	Tonnes
Intensity of hazardous wastes	0.031	0.051	Tonnes/million RMB revenue
Total non-hazardous wastes produced	684.3	555.1	Tonnes
Intensity of non-hazardous wastes	0.212	0.208	Tonnes/million RMB revenue

## 4.2 Use of Resources

### ➤ Energy Saving

The energy used by Hilong mainly includes natural gas used in the production, petrol and diesel consumed by forklifts; electricity used in production, office and life in the factory and; natural gas, diesel, petrol and electricity used in the drilling process of oilfield service and marine engineering services, etc. Hilong strictly complies with relevant domestic and foreign laws and regulations, including but not limited to the “Energy Conservation Law of the People’s Republic of China” (《中華人民共和國節約能源法》). It also developed “Environmental Protection and Energy Conservation Management Policy” (《海隆控股環保節能管理制度》) to carry out unified management of the energy-saving work through its production safety and environmental protection department. Each business division sets up an energy office that is responsible for their respective energy-saving work. Production safety and environmental protection department is responsible for calculating the energy usage on a monthly basis, promoting green office and green production, as well as conducting energy-saving retrofit projects to reduce energy consumption.

#### Case: Replacement of waterproof air blower of overlaying welding machine at the end of the pipe

In 2018, to solve the problem of low efficiency and large energy consumption of the fan in the waterproof air blower of overlaying welding machine at the end of the pipe, Hilong replaced it with a low-power and high-efficiency waterproof aerofoil fan to improve efficiency and reduce energy consumption.



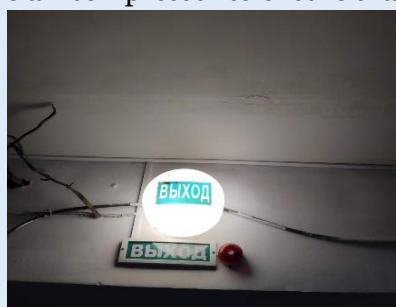
Before replacement



After replacement

### Case: Electricity and energy saving

In 2018, Hilong's subsidiary in Surgut replaced the corridor lighting switches with voice-controlled switches, and installed 25 energy-saving lamps. Besides, it designated a person to manage the air compressor to ensure that the air compressor was only started when the production line was running, so as to minimize the waste caused by its idling.



Before transformation



After transformation

The direct/indirect energy consumption in total and intensity within the reporting period are shown as follows:

A2.1 Energy Consumption	2018	2017	Unit
Natural gas	524	403	10,000 m <sup>3</sup>
Diesel	84	111	Tonnes
Gasoline	21	37	Tonnes
Liquefied gas	18	2	Tonnes
Total direct energy consumption	58,184	45,384	MWh
Electricity	47,010	44,406	MWh
Total indirect energy consumption	47,010	44,406	MWh



<b>Total energy consumption</b>	105,194	89,790	MWh
<b>Energy consumption intensity</b>	32.6	33.6	MWh /million RMB revenue

### ➤ **Water Saving**

Hilong strictly complies with relevant domestic and foreign laws and regulations, including but not limited to the “Water Law of the People’s Republic of China” (《中華人民共和國水法》), to use municipal water and local applicable water sources. It subjects itself to the requirements of “Hilong Holding Environmental Protection and Energy Conservation Management Policy” (《海隆控股環保節能管理制度》), requesting the relevant departments in charge to regularly calculate the water usage on a monthly basis and striving to promote water-saving. During production, Hilong recycles the reverse osmosis water and cooling water in workshops, and regularly inspects the water system to prevent leakage and to reduce the water consumption during production.

Hilong's subsidiaries attach great importance to water conservation. For example, in 2018, Shanghai Tubo replaced the damaged faucets with water-saving faucets to prevent water leakage. At the same time, it strengthened the training of employees' water-saving awareness for water conservation. It was estimated that 396 tons of water could be saved each year.

The Group's water consumption in total and intensity within the reporting period are shown as follows:

<b>A 2.2 Water Consumption</b>	<b>2018</b>	<b>2017</b>	<b>Unit</b>
<b>Water Consumption</b>	122,355	133,013	Tonnes
<b>Water Consumption Intensity</b>	38.0	49.8	Tonnes/million RMB revenue

### ➤ **Packaging Materials**

The packaging materials used by Hilong primarily include packing frames, iron packing belts, pipe protection ropes, wooden cases and paper cases, etc. the Group reused recyclable packaging materials and effectively reduced the consumption.

The total amount of packaging materials used in the group's finished products within the reporting period is shown as follows:

A 2.5 Packaging Materials	2018	2017
Packaging materials used	342.7 tonnes	410.6 tonnes

### 4.3 Environmental Management

#### ➤ Environmental Emergency Management

Hilong has been improving emergency management mechanisms of the Company and enhancing the ability and coordination level in handling the emergency response and rescue of emergencies. In accordance with “Notice on Issuing the Interim Measures for the Administration of Contingency Plan for Environmental Emergencies” (《關於印發突發環境事件應急預案暫行管理辦法》), “National Contingency Plan for Environmental Emergencies” (《國家突發環境事故應急預案》) issued by the Ministry of Environmental Protection and other requirements of national and international laws and regulations, and based on production processes, pollution-generating sectors and environmental risks, each subsidiary developed corresponding contingency plans for environmental emergencies, such as “Special Contingency Plan for Environmental Emergencies of Hilong Oil Service & Engineering Co.,Ltd.” (《海隆石油技術服務有限公司環境突發事件專項應急預案》). Each subsidiary has established an Environmental Emergency Contingency Response Office, set up supporting emergency facilities and stocked sufficient backup emergency supplies. It regularly conducts emergency drills, and implements preventive, early-warning and emergency measures, for realizing the whole process control from the source to the end, effectively preventing the occurrence of environmental emergencies and reducing environmental risks.

#### ➤ Noise Control

Noise from Hilong primarily includes operation noise from machinery and equipment, aerodynamic noise from machines like blowers and air compressors, and transient high-decibel metal collision noise from loading and unloading of steel pipes. In order to reduce the impact of noise on employees, the Group provided them with personal protective equipment and controlled the sources of noise pollution through adoption of low-noise equipment, proper layout of equipment in workshops, installation of vibration pads or vibration dampers, equipment of blowers silencers and wrapping of ducts etc.



As for metal collision noises, Hilong tried its best to reduce noises generated by steel pipe processing by winding coarse hemp ropes in both sides and the middle of incoming steel pipes and enhancing onsite management and the workers' standardized operation during the loading and dropping of the steel pipes.

Hilong employed a qualified third-party service agency to carry out regular monitoring on noises at boundary, which does not exceed the standard 3 limits set by "Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》) (GB12348-2008).

## Appendix I: ESG Reporting Guidance Index

Aspect	General Disclosure	Index
<b>A1 Emissions</b>	<p>Information on:</p> <p>the policies; and</p> <p>compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	4.1 Emission and Waste Reduction
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	4.1 Emission and Waste Reduction
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emission and Waste Reduction
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emission and Waste Reduction
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emission and Waste Reduction
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	4.1 Emission and Waste Reduction
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.1 Emission and Waste Reduction
<b>A2 Use of Resources</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Use of Resources

	<i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Use of Resources
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Use of Resources
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	4.2 Use of Resources
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Use of Resources
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.2 Use of Resources
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.3 Environmental Management
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
<b>B1 Employment</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Rights Protection
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	3.1 Rights Protection
<b>B2 Health and Safety</b>	Information on: the policies; and	3.2 Health and Safety

	<p>compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	
<b>B3 Development and Training</b>	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>	3.3 Talent Cultivation
<b>B4 Labour Standards</b>	<p>Information on:</p> <p>the policies; and</p> <p>compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p>	3.1 Rights Protection
<b>B5 Supply Chain Management</b>	<p>Policies on managing environmental and social risks of the supply chain.</p>	2.3 Purchase Management
<b>B6 Product Responsibility</b>	<p>Information on:</p> <p>the policies; and</p> <p>compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	<p>2.1 Products and Service</p> <p>2.2 Property Right Protection</p>
<b>B7 Anti-corruption</b>	<p>Information on:</p> <p>the policies; and</p> <p>compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	2.4 Honesty and Self-Discipline
<b>B8 Community Investment</b>	<p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	2.5 Public Welfare

## Appendix II: Reader's Feedback Form

Thank you for reading the “2018 Environmental, Social and Governance (ESG) Report” of Hilong Holding Limited. In order to provide more valuable information to the Group's stakeholders and improve its ability and level of fulfilling social responsibilities, we would welcome any feedback or suggestions you might have about this report.

You can send this form to any of the following:

Fax: +8621-33851886

Postal address: No.1825, Luodong Road, Baoshan Industrial Zone, Shanghai, PRC

1. How would you rate your opinion of the Hilong Holding 2018 ESG Report?

☐Very High    ☐High    ☐Neutral    ☐Low    ☐Very Low

2. How would you rate your opinion of the economic, social and environmental responsibilities of Hilong Holding?

Economic responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Social responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Environmental responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

3. Please rate the effectiveness of this Report in reflecting the economic, social and environmental impact Hilong Holding has brought about through its social responsibility practices?

☐Excellent    ☐Good    ☐Fair    ☐Poor    ☐Terrible

4. How would you rate your opinion of the clarity, accuracy and completeness of the information, data and indicators this Report has disclosed?

Clarity	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Accuracy	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Completeness	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

5. Do you find this Report in easy-to-read contents and formatting?

☐Yes    ☐Neutral    ☐No

6. Feel free to share any comments or suggestions you may have on Hilong Holding and this report:

Thank you very much for your gracious gesture and valuable time!