



# Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1623

\*For identification purpose only

## 2020 Environmental, Social and Governance Report



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## About the Report

Hilong Holding Limited (the “Company”) (Stock Code: 1623) hereby presents the Environmental, Social and Governance Report 2020 (“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. The reporting period is from 1 January 2020 to 31 December 2020 (“the Reporting Period”). The key performance indicators (“KPIs”) in environmental areas disclosed in the Report cover all businesses in China directly managed by the Group while the KPIs in social areas cover the Group.

Compared with Hilong Holding Limited 2019 Environmental, Social and Governance Report published on 17th June 2020, there are no material changes in the reporting scope.

### Reporting Principles

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. The Report complies with reporting principles below:

- “Materiality”: The Group determines material ESG issues through stakeholder engagement and materiality assessment which have been disclosed in the Report.
- “Quantitative”: The standards, methods and sources of emission factors used in reporting emissions and energy consumption have been disclosed.
- “Balance”: The Report provides an unbiased picture of the Group's environmental and social performance.
- “Consistency”: The methodology and KPIs is consistent with previous years.

### **Report Availability**

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 HKEX news website ([www.hkexnews.hk](http://www.hkexnews.hk)).

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# 1 Company Profile

## 1.1 Company Brief

The Group is a large listed entity group that provides high-end oilfield equipment and integrated oilfield technical services for oil and gas exploration. Integrating scientific research, production and service, Hilong has established dozens of production bases and business branches around the world, with the Group headquartered in Shanghai.

Since its inception in 2002, along with horizontal expansion of drilling, mining, transmission of oil and gas exploration and vertical extension of the industrial chain, Hilong formed five core business sectors including oilfield equipment, oilfield service, pipeline technology and service, marine engineering and new materials.



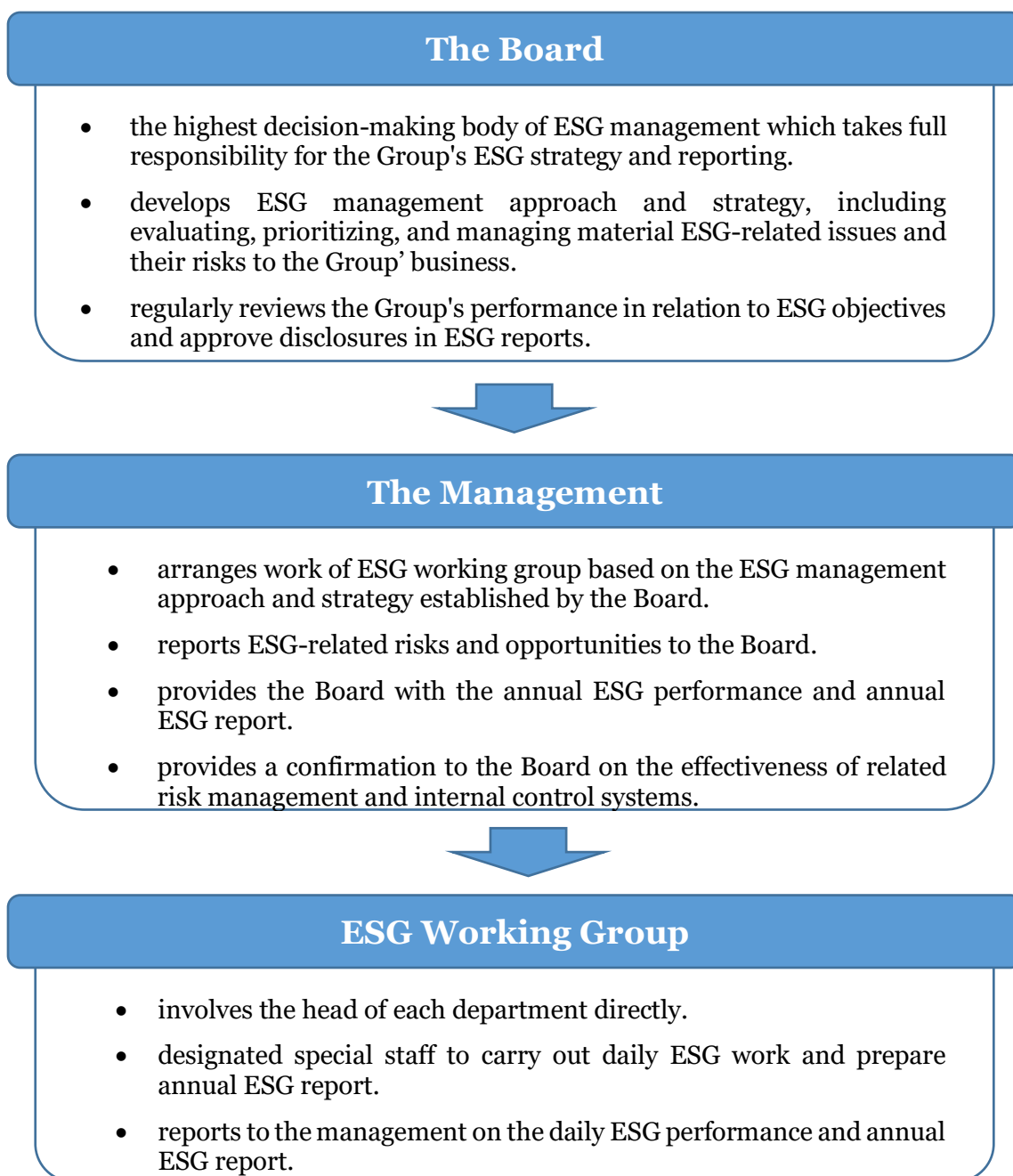
With the establishment of oil pipeline, petrochemical research institute and other professional research and development (“R&D”) institutions, Hilong achieved integrated development of oilfield equipment products and integrated technical services, and the business was spread all over the world.

Hilong established a sound sales and service network in various oil-producing regions around the world, providing high-end products and integrated services for China National Petroleum Corporation, China Petrochemical Corporation, China National Offshore Oil Corporation and many internationally energy and oil service companies such as Shell, British Petroleum Company, TOTAL, ENI, Schlumberger, Weatherford, United Energy, Ecuador National Petroleum, Pakistan State Oil, Rosneft Oil, Oman Oil, Petronas, Petroleum Authority of Thailand, PERTAMINA, Saipem, etc. At present, Hilong products and services have spread throughout China, Southeast Asia, South Asia, Central Asia, Russia, the Middle East, Africa, North and South America and other countries and regions.

Hilong is committed to building the world's leading oilfield equipment and service providers, always adheres to the core development strategy of innovation and internationalization, and provides high-quality, high-tech and differentiated products and integrated services, to create maximum value for global customers.

## 1.2 ESG Management

Hilong established a three-tier ESG governance structure consisting of the Board of Directors (the “Board”), the Management and the ESG Working Group to assist the Board to fully consider ESG risks and opportunities in risk management, policy formulation and strategic planning. This ensure the ESG risks and opportunities are integrated into the Group's business strategy.



### 1.3 Stakeholders Engagement

Through diversified communication mechanisms, Hilong builds close relationships with significant stakeholders and actively responds to their expectations and requirements on Hilong.

Stakeholders	Expectations and Requirements	Communication Mechanisms
<b>Government and Regulators</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> <li>• Epidemic prevent and control</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> <li>• Internal epidemic management</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>• 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>

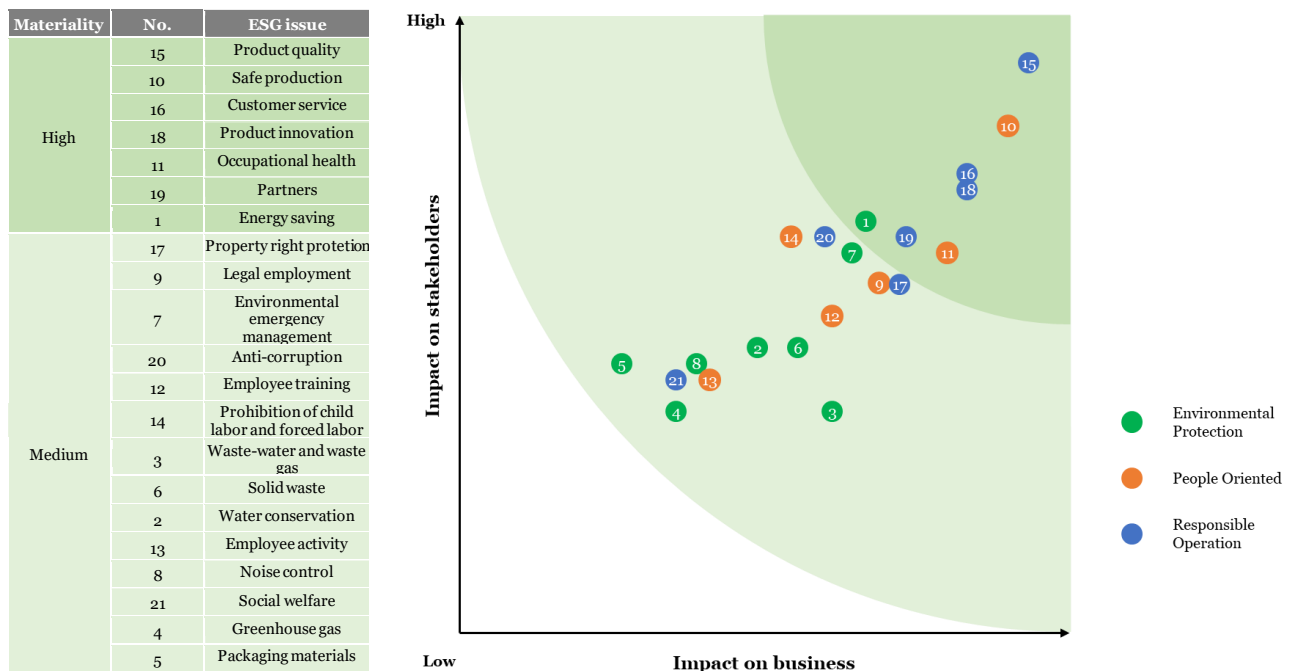
	<ul style="list-style-type: none"> <li>• Epidemic management and control</li> </ul>	<ul style="list-style-type: none"> <li>• Care for staff health</li> <li>• Prevention and control of epidemic</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Performance of corporate social responsibility</li> <li>• Having a good knowledge of corporate significant events, activities and initiatives</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>• Promote environmental protection</li> <li>• Protect eco-balance</li> </ul>	<ul style="list-style-type: none"> <li>• Emission under standard thresholds</li> <li>• Energy saving and emission reduction</li> </ul>

## 1.4 Materiality Assessment

In 2020, the Group re-conducted materiality assessment by benchmarking ESG related standards and inviting internal and external stakeholders to fill in questionnaires. In this way, we identified and evaluated material ESG issues. The specific process is as follows:

- **Step 1 - Identify ESG issues:** Hilong identified ESG issues relevant to the Group in accordance with the requirements of the ESG Reporting Guide, and in line with peer benchmarking and expert research and judgement.
- **Step 2 - Determine the materiality:** In the form of an online questionnaire, Hilong invited significant internal and external stakeholders to evaluate the materiality of ESG issues. Based on the collected valid questionnaires, Hilong assessed the materiality of ESG issues from the two perspectives of "impact on business" and "impact on stakeholders", then created a materiality assessment matrix.

**Step 3 - Verify the assessment results:** Management and the ESG Working Group reviewed and confirmed the assessment results.



## 2 Responsible Operation

### 2.1 Product Quality

#### ➤ Improving quality management system

As a leading international oilfield equipment and service provider, Hilong upholds the quality principle of “honouring contracts, perfecting quality control; relying on technology management, seeking quality improvement; building Hilong’s brand image, exceeding customers’ expectations”. We strictly abide by 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》).

By establishing a complete quality control system, the Group has obtained permission from American Petroleum Institute (API) to use product monograms, including API SPEC 5DP, API SEPC 7-1, API 5CT, etc. The Group also get the certification of ISO9001 Quality Management System as well as NS-1 (quality and inspection requirements for new and refurbished drilling and well completion equipment).

To ensure product quality, Hilong takes measures from multiple aspects including personnel management, equipment management, materials and production process management, work standard formulation, production environment management, incentive mechanism, and supervision support for manufacturing etc. In order to control all key production and



inspection processes in real time and record relevant status, the Group has established an Enterprise Resource Planning (ERP) system which covers the entire process from order inquiry review, contract review, raw material procurement, inbound inspection, to production and processing, inspection and testing, packaging and delivery, etc. This can ensure that all processing and inspection processes (from raw materials to finished products) of each drill pipe are traceable.

Elements of Control	Measures to ensure product quality
<b>Equipment and testing control</b>	<ul style="list-style-type: none"> <li>• Possesses advanced production and inspection equipment, and establishes a complete preventive maintenance system;</li> <li>• Possesses a laboratory accredited by the China National Accreditation Service for Conformity Assessment (CNAS), strictly implements the measurement management policy, and regularly carries out self-calibration and third-party calibration and verification to guarantee the accuracy of testing equipment;</li> </ul>
<b>Material control</b>	Ensures compliance with material quality requirements by entry inspection, production process inspection, finished product inspection, physical and chemical performance testing, pre-shipment inspection, etc.;
<b>Production and inspection process control</b>	Makes sure that processes such as thickening, heating treatment, and non-destructive testing of drill pipe body are completed according to the relevant process control requirements of product production and inspection;
<b>Production environment control</b>	Effective management of production factors based on lean 5S principles;
<b>Personnel management and incentive system control</b>	<ul style="list-style-type: none"> <li>• 100% employment with certificates to ensure personnel competency;</li> <li>• Establishes an inspection team and strengthens employees' self-supervision through process / discipline inspection and implementation of incentive systems.</li> </ul>

### ➤ Implementing quality management

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. If any safety issues or potential safety hazards are found in any product, the Group will recall or withdraw all the products involved based on the "Product Recall Policy" (《產品召回程序》) and properly dispose of them, thereby ensuring that they do not re-enter the market and minimising the harm and loss caused by the issues and protecting the interests of our customers. In 2020, there was no product subject to recalls for safety and health reason in the Group.

To ensure product quality, the Group regularly conducts employee training. For production inspectors, Hilong provides training in theoretical knowledge, operating skills, professionalism, etc., so that each employee can master relevant knowledge and skills (basic theory, identification of quality defects, standard operating procedures, equipment operating procedures, tooling inspection and maintenance, etc.) and achieve work proficiency required by operation standards. After years of production practice, Hilong has trained many skilled workers and craftsmen who have mastered the professional skills required for drill pipe production and inspection. In 2020, the Group formulated training plans according to the training needs of each department and carried out corresponding trainings for sales department, equipment department, production department, maintenance team, warehouse management and quality inspectors.

#### Example: Hilong "Quality Month" activity

In 2020, in order to further implement the requirements of the Group's "Notice on Launching the 2020 "Quality Month"



Activities" (《關於開展 2020 年 "質量月" 活動的通知》), Shanghai Hilong Drill Pipe Co., Ltd. ("Shanghai Drill Pipe") organized "Quality Month" training sessions. Members of the production team earnestly studied application knowledge related to drilling tools and reviewed cases of quality and safety accidents in the past two years. They also tried to discover shortcomings in daily work through communication and exchanges and

participated in trainings with respect to key concerns within the production process. Through multiple training sessions, the above-mentioned employees' awareness of quality and safety has been improved, contributing to a good atmosphere where everyone values, pursues and pays attention to quality and laying a foundation for further improving the quality of products and services.

### ➤ **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 problem solutions, industrial processes development, high-end technological innovation talent cultivation, advanced scientific and technological information exchange, etc. 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.

#### **Topic: Product Innovation**

##### **Hilong 120S high steel grade sulfur resistant drill pipe**

With the increasing demand for oil and gas all over the world, people have gradually begun to exploit high acid oil and gas reservoirs with harsh mining environment. In this case, the demand for high-strength, sulfur-resistant, high-torsion-resistant, and high-efficiency drilling tools is gradually increasing. In response to this situation, Hilong has developed 120S sulfur-resistant drill pipe products of different specifications and different steel grades. Based on the needs for specific applications, it continuously optimizes and upgrades the material selection and heat treatment technology for this series of products to improve their quality. The optimization and upgrading of 120S drill pipe are of great significance for breaking the technological monopoly, enhancing product competitiveness, and quickly occupying the high-end market.



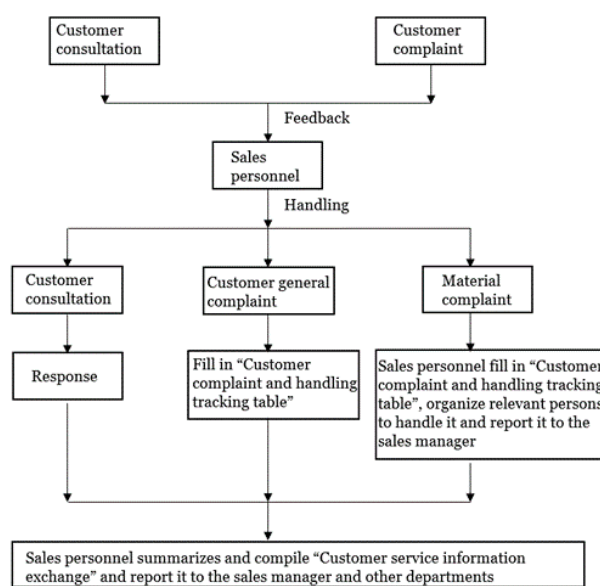
## Internal anti-corrosion and drag-reducing coating for heat pipes

In order to reduce safety accidents and extend the service life, thermal pipelines must have good corrosion resistance. The anti-corrosion and drag-reducing coating developed by Hilong can improve the operation safety of thermal pipelines and prolong their service life through anti-corrosion protection. At the same time, it can achieve energy saving and consumption reduction by drag reduction that leads to less medium conveying pressure and higher flow rate. This product can also be applied as corrosion prevention tool to tail gas treatment devices in fields such as steel smelting, thermal power and the chemical industry as well as to storage and transportation equipment used in the petrochemical industry.



## 2.2 Customer Service

While ensuring product quality, Hilong pays equal attention to 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. Each subsidiary also formulated its own handling procedures and management methods of customer complaints,



### Procedure of Customer Complaint Management

including clearly specifying the responsibilities and specific operating procedures of each department. For example, Shanghai Drill Pipe requires its marketing staff to issue a "Customer Complaint Handling Form" (《客戶投訴處理單》) one hour after receiving a customer complaint, for which technical quality department needs to give a reply within 3

working days. For any major complaint, a temporary remedy must be in place within 8 working hours, and a complete solution should be provided to the customer within 2 working days. Those who fail to handle any complaint within the required time shall be subject to corresponding fines or other penalties. In 2020, the Group received no complaints regarding its products and services.

In addition, the Group conducts 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 their continued satisfaction with the Group.

### ➤ **Protecting customer privacy**

Hilong treats customer information as company secrets. In order to effectively protect the privacy of customers, the Group stipulates that customer information should be properly kept by the sales manager, and no copying or excerpting is allowed without authorization. In addition, the sending and receiving, transmission and carrying-out of customer data must be performed by designated personnel.

## **2.3 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》), “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》) and “Advertisement Law of the People's Republic of China” (《中華人民共和國廣告法》), Hilong formulated the “Management System for Trademark Use” (《商標使用管理制度》) to regulate the registration, maintenance and use, etc. of trademarks, etc.

On October 20, 2020, the Group organized various internal units to participate in a seminar held by the Baoshan District Market Supervision Administration on the use and protection of trademarks. The seminar provided detailed instructions on trademark registration, use, authorization, legal protection, relevant case analysis, etc. The purpose of this activity is to further publicize and popularize trademark-related knowledge, enhance employees' awareness of intellectual property protection, and the core competitiveness of the Group.



### 2020 Seminar on Trademark Use and Protection

To maintain the consistency and stability of corporate image while 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 further specified roles and 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. After relevant policies and systems for advertising management are developed, Hilong will disclose related information and effectively manage possible advertising behaviour in the future.

## 2.4 Supply Chain Management

In order to standardize material procurement channels and strengthen supplier management, the Group strictly controls the supplier selection, assessment and exit procedures based on the management principles of “differentiated management, dynamic evaluation and survival of the fittest”, and in line with the “Supplier Management System” (《供應商管理制度》), “Supplier Management Implementation Rules” (《供應商管理實施細則》) and other guidelines. Meanwhile, Hilong communicates the ideas on environmental and social risks, safety and health, anti-corruption etc. to suppliers, to build a sustainable and responsible supply chain.

The Material Management Department of the Group is responsible for supplier management, including the access and change of suppliers, reviewing and submitting supplier information for approval, conducting daily assessment and supervision, and creating supplier profiles. The Group manages suppliers in a differentiated way, and divides suppliers into the following four types:



The Group set up a strict supplier selection and review system:

- **Strategic and key suppliers:** The selection progress includes four steps of information filling, on-site inspection, review and approval. Suppliers are required to provide business licenses, copies of production licenses, ISO 9001 (quality management system) certificates and other materials for review.
- **Cooperative suppliers:** The Group adopts a record filing system to collect and inquire the credit of such suppliers through public platforms to learn about their operating status and conducts on-site inspections when necessary.

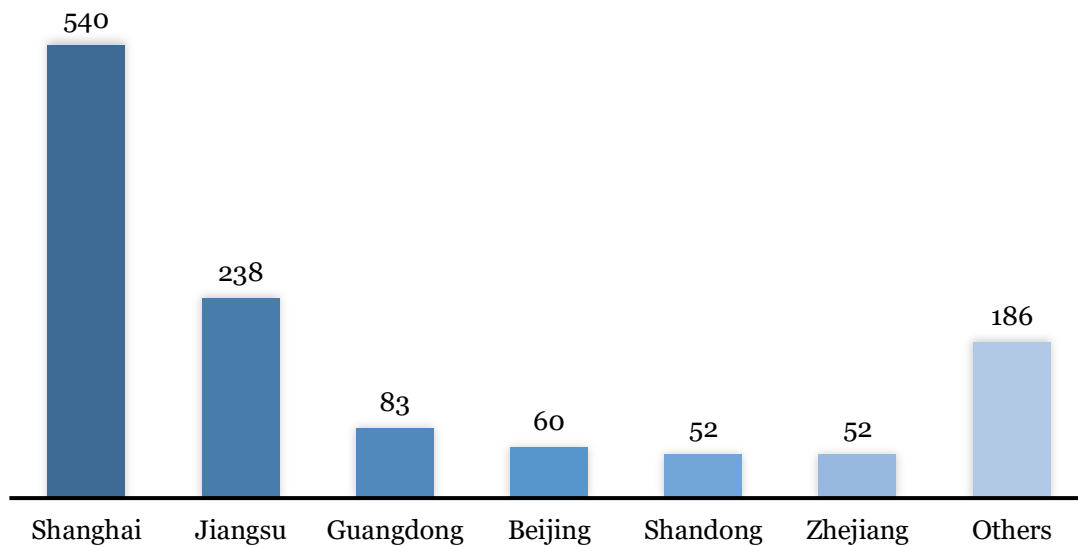
For strategic suppliers and key suppliers having normal business dealings with the Group, Hilong conducts annual quantitative assessment covering production quality, contract performance, after-sales service, quotation, etc. For cooperative suppliers, Hilong adopts an exception-based assessment system. When serious violations such as delayed delivery, fraud and quality issues are found, the supplier involved will lose its supplier qualification. In 2020, the assessment and evaluation of the suppliers having business dealings with the

Group has been completed, and the suppliers with problems were required to make rectifications.

To promote sustainable and responsible supply chain construction, Hilong actively incorporates environmental and social risk factors into its supplier management and control system. Hilong requires suppliers to provide ISO14001 (Environmental Management System) and OHSAS18001/ISO45001 (Occupational Health and Safety Management System) certificates at the time of information submission, which will be reviewed during on-site inspections and regular assessments. The result will be used as one of the indicators for supplier selection. At the same time, Hilong encourages suppliers to recycle packaging materials. At present, the packaging barrels of solvent materials have been recycled.

To strengthen the fairness, transparency, and healthy growth of the industry, Hilong prohibits fraud, forgery, bidder collusion and any forms of bribery, such as providing commission, rebates, consulting fees, intermediary fees and others to Hilong's employees. According to the "Supplier Management Implementation Rules" (《供應商管理實施細則》), the suppliers with above behaviour and other violations of laws will be disqualified by the Group.

As of the end of 2020, the number of Hilong's suppliers by geographical region is showed as below:



## 2.5 Anti-corruption

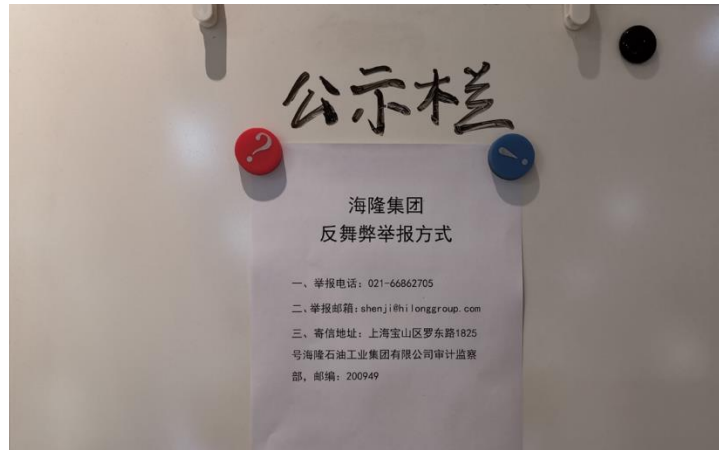
Hilong attaches importance to anti-corruption, and complies with relevant domestic and foreign laws and regulations, including but not limited to the “Company Law of the People's Republic of China” (《中華人民共和國公司法》), the “Tender and Bidding Law of the People's Republic of China” (《中華人民共和國招標投標法》), the “Anti-unfair 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. The Audit and Supervision Department of Hilong is responsible for internal audit. The department upholds the fundamental principles of “Prevention Precedes Punishment” and “Protect Whistle-blowers, Withdraw from Investigation if Necessary”, continuously strengthens internal management and supervision. We prohibit any form of bribery, extortion, fraud and money laundering behaviours. In 2020, the Group had no violations involving corruption, bribery, extortion, fraud or anti-money laundering.

To strengthen the internal governance and control of the Group, Hilong formulated 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》), “Integrity and Self-Discipline Standard” (《廉政自律規範》) and the “Anti-corruption and Reporting System” (《反舞弊和舉報制度》). Hilong highlights the declaration and reporting of conflict of interest and implemented tougher punishments for corruption behaviours. Moreover, Hilong encourages employees to report to the Audit and Supervision Department in a timely manner when they find violations of laws, regulations, company code of conducts and ethics. The whistleblowing channels include telephone, E-mail and mail, etc. The Audit and Supervision Department investigates the reported case and reports to the management or the Board and decide punishments in accordance with the relevant regulations of the Group. In case of violation of the laws, the case will be referred to a judicial office for further processing. Meanwhile, Hilong has established a whistle-blower protection mechanism to prohibit any illegal discrimination or retaliation.

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### Hilong's announcement on anti-corruption whistleblowing channels

Hilong communicates the new policies to employees at all levels during regular audit process in a timely manner, highlights the risks of corruption and conflict of interest to the management and proposes measures to identify and reduce related risks. The Group regularly organizes publicity and training on anti-fraud policies and reporting procedures, and actively communicates relevant concepts to customers, suppliers, business outsourcers and other relevant units. 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.



**Anti-corruption training  
in 2020**

## 2.6 Public Welfare

Over the years, Hilong has been making various efforts in assuming social responsibilities and promoting the development of public welfare. Hilong also continuously encourages employees to carry forward the spirit of selfless dedication and responsible behaviour. Hilong formulated “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 etc. In 2020, Hilong continued to carry out charitable donations, volunteer services and other public welfare activities to serve the society, reflecting the social responsibility and value of Hilong.

### Example: Community service

- Targeted poverty alleviation:** In 2020, Hilong continued to actively respond to the call of the central government and Shanghai Municipal Government and provided targeted aids to 6 poor villages in Yunnan and Xinjiang, including donating RMB 300,000 and poverty alleviation materials worth RMB 55,280.
- Community service:** In January 2020, Hilong together with the Disabled Persons' Federation of Luoqing Town visited needy families and elderly and provided them with assistance funds totaling RMB 3,406.



### Example: Hematopoietic stem cell donation and unpaid blood donation

Hilong encourages employees to participate in unpaid blood donation and to be a volunteer for hematopoietic stem cell donation. Currently, 13 Hilong employees have been registered as volunteers for hematopoietic stem cell donation. In May 2020, mechanical engineer Xiaowen Xie from Hilong Tube Material Research Institute successfully donated hematopoietic stem cells at Shanghai First People's Hospital, bringing a blood disease patient hope of living. Mr. Xie became the 495th non-blood relationship free hematopoietic stem cell donor in Shanghai. In July 2020, Hilong organized its 2020 blood donation, during which a total of 47 employees donated 9,800 ml of blood.



**9 young employees participated in the donation of hematopoietic stem cell**



**Blood donation**

### 3 People Oriented

The Group complies 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》), “Labour Contract Law of the People's Republic of China” (《中華人民共和國勞動合同法》), “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工的規定》) and “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》). Hilong continues to consolidate its employment principles and policies and constantly improves the 3-level human resources management framework including the Group, the Business Division and the 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, to achieve co-development of employees and the Company.

#### 3.1 Safety and Health

Hilong has always been committed to providing a healthy, safe and comfortable working environment for its employees. To improve safety and health management, Hilong set up an Occupational Health, Safety and Environmental Protection Committee (“HSE Committee”), and a safety management structure of HSE Committee - Production Safety and Environmental Protection Department - Safety and Environment Office, to improve the safety and health management.

In 2020, the number of working days lost due to work accidents in the Group is 10 days. In the past three years, the Group never had any work accident that involves employee fatality.

##### ➤ Production safety

Since its establishment, Hilong has always paid great attention to the management of production safety. After continuously consolidating the foundation for safety work and improving the management methods and means of production safety, the Group has put in place a complete safety production system.

### Hilong's production safety policy:

- Safety First, Precaution Crucial and Comprehensive Treatment

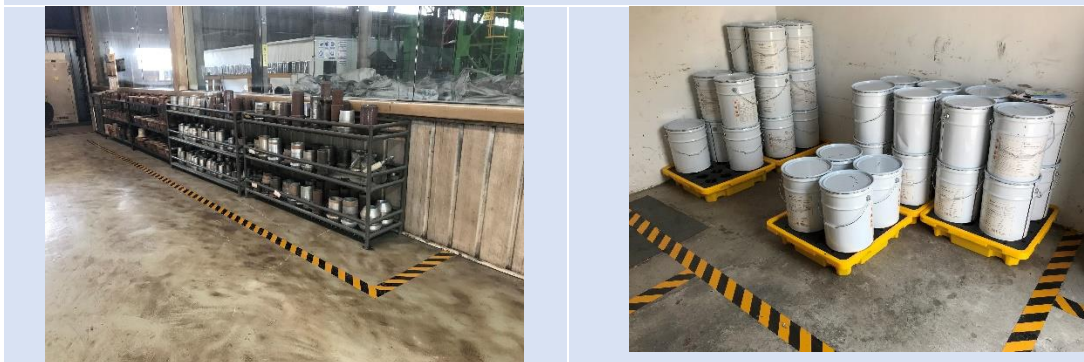
### Hilong's safety production goals:

- No Accident, No Injury and No Pollution

With nearly 30 registered safety engineers in service, Hilong tried to avoid any potential safety incident by strictly implementing the production safety responsibility system, making vigorous efforts on the construction of safety teams, strictly controlling production safety work, and organising safety trainings and emergency drills. In 2020, Hilong further consolidated the idea of safe development by conducting a series of activities, themed "Eliminate accident hazards and strengthen safety protection". during the Safety Production Month.

#### Example: Inspection for security hazard

In June 2020, with the normalization of epidemic prevention and control, Hilong's production branches including Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. strengthened their production safety management and inspection for hidden hazards, and further emphasized production safety responsibilities.



#### Example: Fire safety training and emergency drill

In June 2020, Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. and other companies carried out a series of Safety Production Month publicity and training activities, including demonstration of using personal protective equipment, field testing

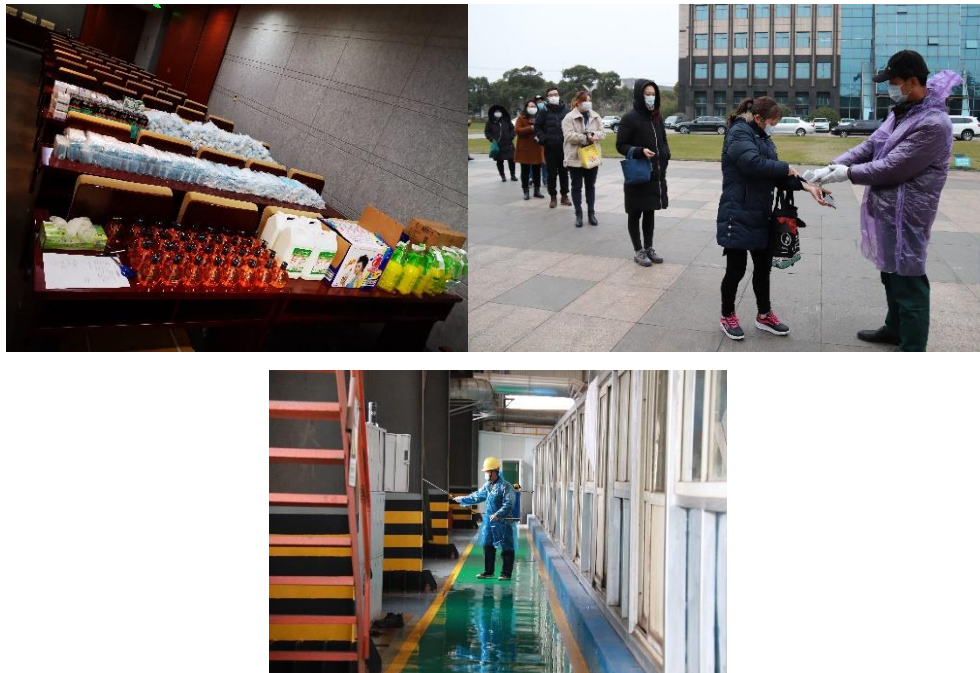
of protective equipment, daily management of natural gas system, and education on production safety laws and regulations, occupational health and safety system. Multiple subsidiaries carried out emergency drills which was focused on training employees to deal with various accidents. In December, Hilong Group conducted fire evacuation drills and firefighting drills in its office building, and then summarized the results of the drills through the fire drill report.



### ➤ Epidemic prevention and control

During the COVID-19 epidemic in 2020, Hilong formulated the "Notice on Doing a Good Job in Arrangement for Epidemic Prevention and Control" (《關於做好疫情防控工作安排的通知》) and required each subsidiary to establish a special epidemic prevention and control working group, in order to further implement responsibilities of each subsidiary on epidemic prevention and control management and do a good job in epidemic prevention and control. Each special working group was led by the manager of the company and assumed overall responsibility for the epidemic prevention and control of the company and the work results. The special working group set up individual work teams, which were responsible for relevant specific tasks, including epidemic prevention and disinfection, temperature measurement and mask wearing inspection, monitoring of personnel departure and return and health information, meal management, government outreach, publicity work for epidemic prevention and control, etc. All subsidiaries strictly

implemented various prevention and control measures including disinfection, temperature measurement, etc., and adopted methods such as off-peak dining, electronic checking-in, and online meetings to reduce personnel contact. At the same time, Hilong made overall arrangements for production and rational manpower deployment according to the orders, to ensure that orders can be completed on time and with required quality, which in turn ensured the stable and orderly production and operation. With the joint efforts of everyone, Hilong minimized the impact of the epidemic. During the Reporting Period, there were no Hilong's employees diagnosed with COVID-19.



**Epidemic prevention in 2020**

### ➤ **Occupational Health**

Hilong attaches great importance to the health of its employees. Each business division and subsidiary established management systems including “Occupational Health Management Policy” (《職業健康管理制度》).

For potential occupational health hazards such as noise and dust generated in the production process, Hilong commissions occupational health technical service organizations with relevant qualifications to assess the current condition of occupational disease hazards every three years 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》), 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 informs them of occupational disease hazards prior to their joining, arranges pre-post, in-post and after-post physical examinations. All physical examination results will be entered into occupational health records in time and provide to the employees for full understanding of their occupational health conditions. During the work process, Hilong effectively reduced the impact on employees' health by distributing labour protection supplies and installing dust removers.

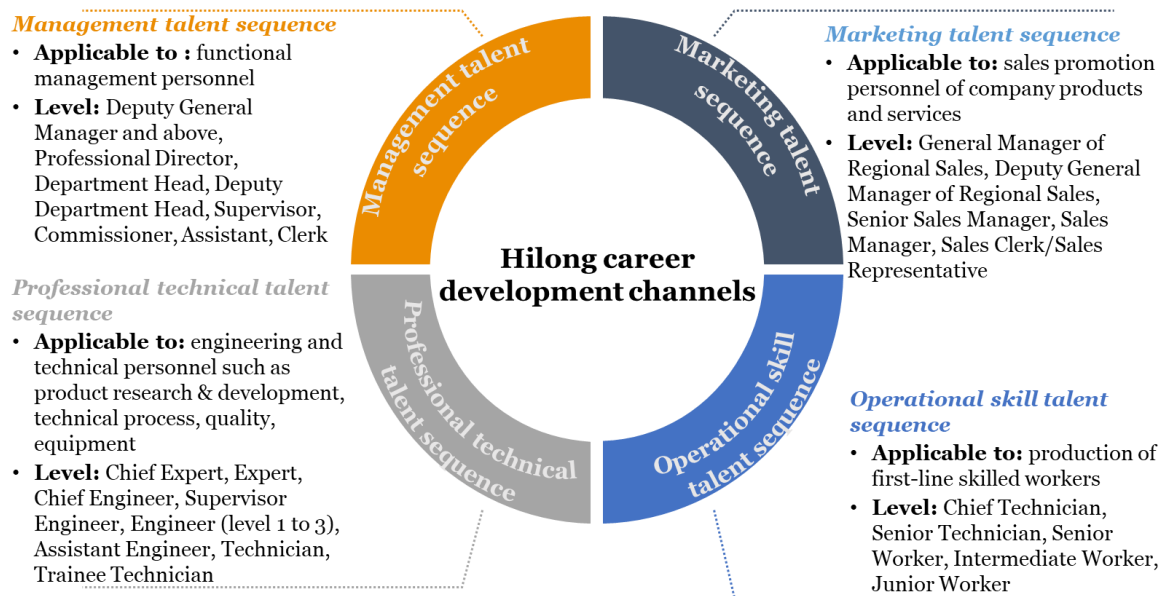
In addition, Hilong carries out occupational health trainings regularly and set up a bulletin board at an obvious place, announcing rules and regulations, operational instructions in relation to occupational disease prevention, first- aid measures for occupational disease hazard accidents, inspection results of occupational disease hazards at the workplace and corresponding preventive measures.

### 3.2 Employees' Rights and Benefits

#### ➤ Recruitment and promotion

The Group formulated “Employment Management Policy” (《員工聘用管理制度》) and “Labour Contract Management System” (《勞動合同管理制度》) to regulate the recruitment process and protect the legitimate rights and interests of employees. 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 labour contracts with regular employees.

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 rankings.



Based on “Performance Appraisal and Management Policy” (《績效考核管理制度》), Hilong implements annual employee performance appraisal and reviews development potential. The appraisal results are taken as the basis of salary and rank adjustments. For employees of different positions and ranks, the Group formulated policies such as “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》), the “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》), the “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》), and properly manage their ranks and post adjustments and gave them fair compensation and career development channels.

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

Hilong implemented a working hour system which combines standard working hours system, comprehensive working hours system and irregular working hours system, which was managed by the “Attendance Management Policy” (《考勤管理制度》). 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 extra adjusted holidays in terms of the overtime. If the aforesaid 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, Labour 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. Moreover, 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.

### ➤ **Compensation and Dismissal**

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. The Group 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 implements the compensation system of management channel and professional and technical channel based on principles of equal pay for equal work, fairness and reasonableness, incentive and ease of operation.

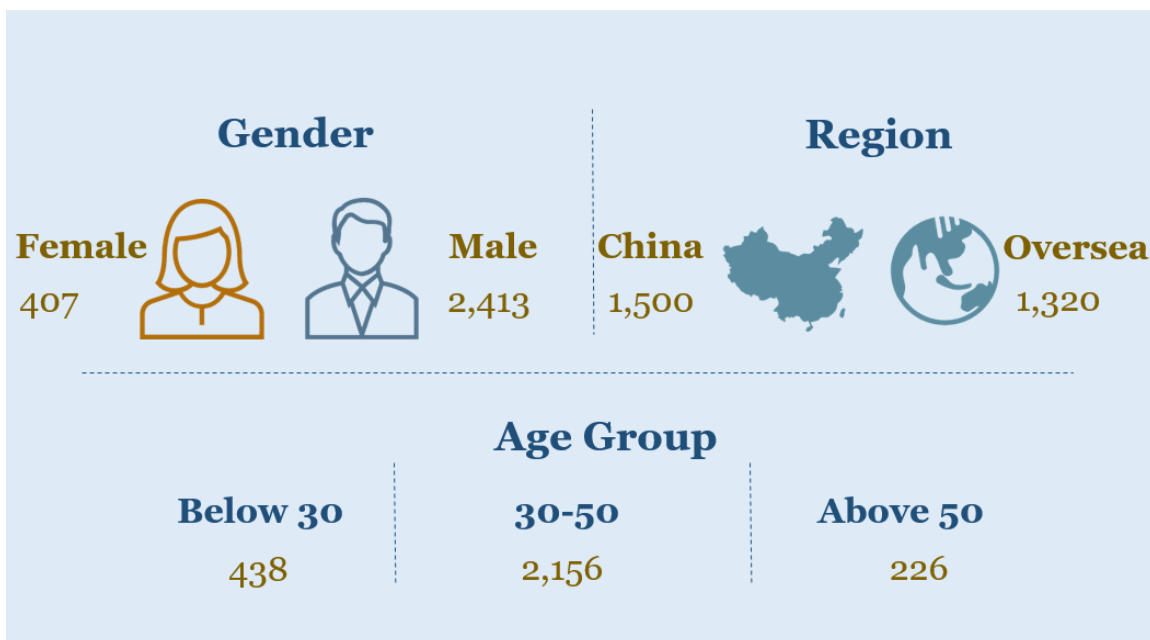
In order to motivate employees, give reward and punishment according to the actual situation, Hilong formulated the “Annual Evaluation Fulfilment Measures on Group, Business Division (Specialized Company) and Subsidiary Management”(《集團、事業部(專業公司)及分/子公司管理層年度考核兌現辦法》). We strengthen the link between the management’s compensation, profit and completion ratio. Hilong 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》), does not dismiss employees arbitrarily and effectively protects the legitimate rights and interests of our employees. The dismissal process starts only when the employees meet the relevant requirements for dismissal and the dismissal is confirmed by the head of department. In addition, Hilong formulated the “Rules for Retirement Ceremony of Employees”(《員工退休歡送儀式的規定》) and will organise retirement parties and send blessings to retired employees.

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

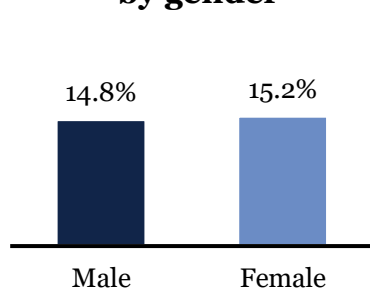
The Group recruits employees in accordance with the principles of fairness, impartiality and openness. Under the same conditions, the best will be employed. Meanwhile, the Group strictly complies with the national and local laws and regulations and respects all employees, irrespective of race, gender, colour, 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, holidays and other benefits and welfare. The Group strives to provide everyone with equal opportunities.

By the end of December 2020, the workforce of Hilong was composed of all full-time employees and is shown by gender, age group and region as bellow:

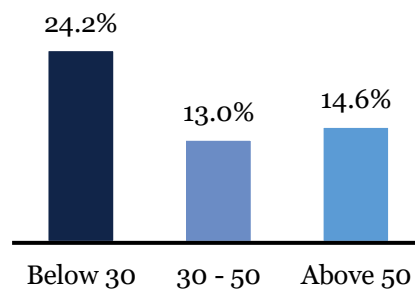


During the Reporting Period, the employee turnover rate of the Group by gender, age group and region was shown as below:

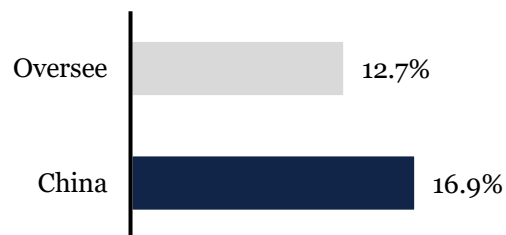
**Employee turnover rate by gender**



**Employee turnover rate by age group**



**Employee turnover rate by region**



### ➤ Labour Standards

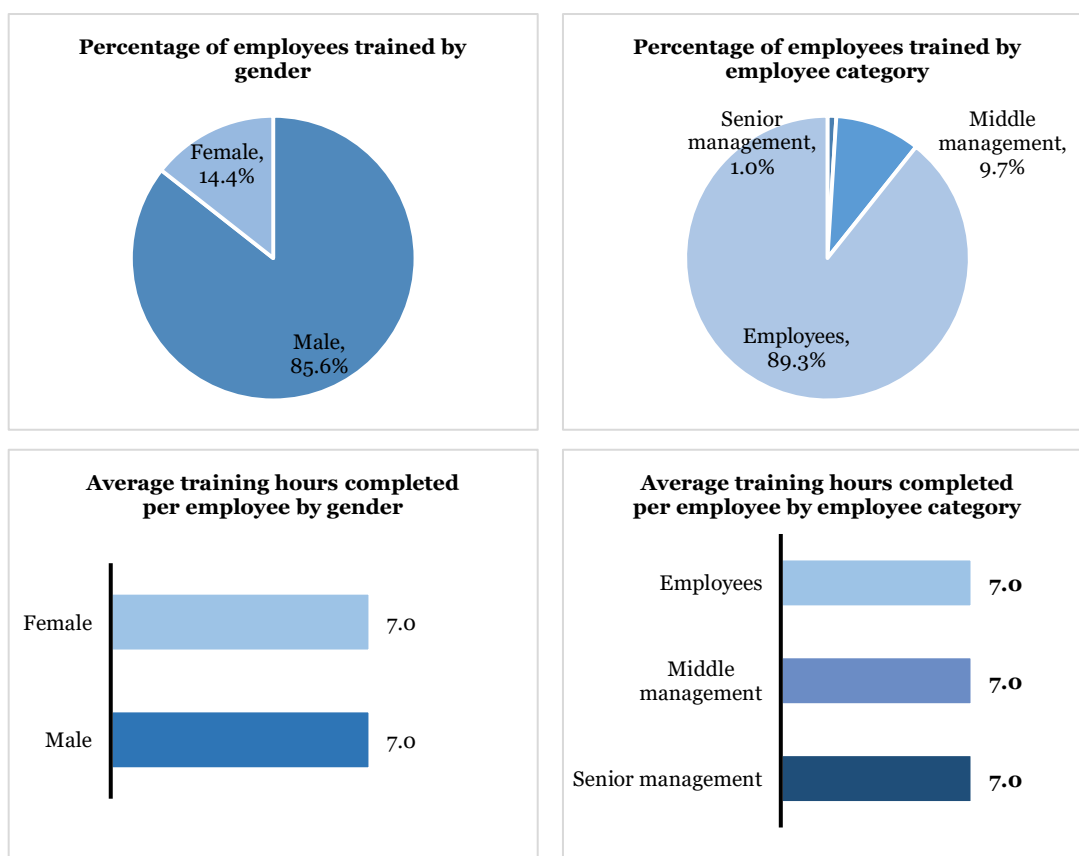
Hilong strictly complies with relevant domestic and foreign laws and regulations, including but not limited to the “Provisions on the Prohibition of Using Child Labour” (《禁

止使用童工規定》). In the appendix “Employment Standards for New Employees” (《新員工錄用標準》) of “Employment Management Policy” (《員工聘用管理制度》), new employees should be over the age of 18. 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.

### 3.3 Cultivation and Development

Hilong formulated the “Staff Training Management Policy” (《員工培訓管理制度》) and formed a unique hierarchical training system. Trainings are arranged for employees at all levels across the Group from three levels: the Group, business division and subsidiary company. 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.

In 2020, the proportion of trained employees of the Group was 100%, with the total training hours throughout the year reaching 23,908 hours.



#### Example: Diverse employee trainings



In October 2020, the Group held a technical seminar on dynamic load and dynamic safety evaluation of ultra-deep well drill strings. The seminar covered drill string safety, measures to prevent drill string failure in ultra-deep wells,

understanding the dynamic behavior of the drill string, domestic and foreign methods for safety evaluation of drill strings, defects of drill strings, etc. A total of 50 management and technical personnel participated in the seminar.



In November 2020, Hilong organized 80 management and technical personnel to participate in special training on the theory of inventive problem solving (TRIZ). The TRIZ concept can help broaden people's minds and extend the choice and possibility of innovative solutions, so that we can better solve issues related to engineering technology.

In December 2020, Shanghai Drill Pipe organized 25 employees to participate in the training of "Basic Team Management and Safety Management" held within the park, to improve the management-related knowledge, efficiency and literacy of team managers, and achieve the final objective of improving production quality and work efficiency.



## 4 Environmental Protection

Hilong adheres to the HSE policy of “People First, Health First, Safety First, and Environmental Protection First” and complies with the laws and regulations of the countries and regions where it operates, 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》). In terms of environmental protection, Hilong aims to reduce emissions and improve resource use efficiency. According to “ISO 14001 / GB/T 24001 Environmental management system - Requirements with guidance for use” (《ISO 14001 / GB/T 24001 環境管理體系 要求及使用指南》), the Group improved its environmental management system, and carried out re-evaluation of the system within the specified time to ensure that it is effective and can help reduce impact on the environment.

The HSE Committee centrally manages the Group’s occupational health, safety and environmental protection. The Production Safety and Environmental Protection Department takes charge of the supervision and control of environmental protection and energy use situation, as well as tracking and assessing progress of relate work of all subsidiaries, etc. The Safety and Environment Office in each business division arranges dedicated employees for environmental protection. At the same time, Hilong formulated the "Hilong Holdings' Environmental Protection and Energy Conservation Management System" (《海隆控股環保節能管理制度》) to standardize and control the efforts of each subsidiary in environmental protection and energy conservation.

In December 2020, Shanghai Drill Pipe, a core enterprise of Hilong, was awarded the title of Shanghai Green Manufacturing System Demonstration Unit. As an integrated and modern oil drilling tool manufacturing base, Shanghai Drill Pipe integrates the sustainable development principles of "innovation, green development, openness, and sharing" into all aspects of its work, including raw material selection, reduction or substitution of toxic and hazardous substances, clean production technology, packaging and transportation, resource recycling, and energy consumption, pollutant discharge, etc., so as to ensure that it can create more value for customers around the world.

## 4.1 Emission Management

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 Environment 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 Wastewater

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.

According to the requirements of relevant laws, Hilong set up corresponding purification treatment equipment in process links that can generate exhaust gas, to collect and process the generated exhaust gas. and only discharges them into the atmosphere after reaching the emission standard. In 2020, Shanghai Hilong Shine New Material Co., Ltd. invested RMB 6 million to carry out the renovation of its powder workshop. By adding dust removal equipment, it has realized the ultimate objective of reducing dust and improving the workshop environment.



**Workshop dust control**

In order to further reduce the VOC emissions of coating products, Hilong has independently developed a variety of low-VOC coating products, and the measured emissions of which are far lower than those specified under national standard GB/T 38597-2020 "Technical requirement for low-volatile-organic-compound-content coatings product" (《低挥发性有机化合物含量涂料产品技术要求》). On September 2, 2020, at the opening ceremony of the 20th Shanghai International Coatings Expo, with a variety of independently developed low-VOC water-based and high-solid coating products,

Shanghai Hilong Shine New Material Co., Ltd. of Hilong won the title of "Advanced Demonstration Unit for Promotion of Low VOC Coating Products" awarded by China Coatings Industry Association.



Wastewater generated from Hilong includes domestic wastewater and production wastewater from general production processes and oilfield services. Hilong discharges domestic wastewater directly into the municipal sewage network. General production wastewater is recycled without external discharge and wastewater generated by oilfield services is treated in accordance with the laws and regulations of the host country.

During the Reporting Period, the types of emissions generated by the Group and the emission data are shown as below:

A1.1 Emissions	2020	2019	2018	Unit
Volatile organic compounds (VOCs)	0.4	0.4	0.2	tonnes
Nitrogen oxide (NO <sub>x</sub> )	3.7	5.5	1.6	tonnes
Sulphur dioxide (SO <sub>2</sub> )	0.06	0.07	0.01	tonnes
Particulate matter	7.4	10.3	9.6	tonnes
Wastewater	67,634	91,820.7	110,119.5	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.

During the Reporting Period, the greenhouse gases emissions in total and intensity are shown as below:

A1.2 Greenhouse gases	2020	2019	2018	Unit
Scope 1: Direct emissions	7,602	12,437	11,711	tCO <sub>2</sub> e
Scope 2: Energy indirect emissions	24,217	36,290	34,154	tCO <sub>2</sub> e
Total emissions	31,820	48,727	45,865	tCO <sub>2</sub> e
Emission intensity	12.1	13.4	14.2	tCO <sub>2</sub> e/ million RMB revenue

Note: Greenhouse gas emissions are presented in CO<sub>2</sub> equivalent, accounting method and conversion factors come from the "Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Mechanical Equipment Manufacturing Enterprises" (《機械設備製造企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission (NDRC).

### ➤ Solid Waste

Solid waste generated by Hilong mainly includes domestic waste, general industrial waste and hazardous waste generated from production process, among them, the hazardous waste mainly includes oily wastewater, waste mineral oil, paint packaging, paint waste, etc.

- Domestic waste:** In addition to entrusting the municipal environmental sanitation department to collect and dispose of garbage, Hilong formulated the "Management Measures for Environmental Sanitation with in Hilong Industrial Park" (《海隆工業園區環境衛生管理辦法》) in accordance with the "Administrative Measures for Living Garbage of Shanghai" (《上海市生活垃圾管理條例》). Hilong set assessment methods on domestic waste classification that are designed to promote domestic waste classification within the park, and organized employees to participate in special lectures and trainings related to waste classification and actively carried out waste classification works. In order to reduce the generation of domestic waste from the source, Hilong actively implements the "Empty Plate Initiative" through various publicity activities, and its employees are called upon to cherish food and eliminate waste.

- **General industrial waste:** According to “Waste Disposal Measures” (《廢舊物資處理辦法》) formulated by the Group, Hilong sells the recyclable 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.
- **Hazardous waste:** Hilong established “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》) and other regulations. It also set up particular storage sites to store hazardous wastes and employed qualified professional bodies for unified treatment.

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.

During the Reporting Period, the hazardous and non-hazardous wastes produced, and their respective intensity are shown as bellow:

A1.3&A1.4 Hazardous / Non- hazardous wastes	2020	2019	2018	Unit
Total hazardous wastes produced	15.3	99.3	100.3	tonnes
Intensity of hazardous wastes	0.006	0.027	0.031	tonnes/million RMB revenue
Total non-hazardous wastes produced	410.0	853.1	684.3	tonnes
Intensity of non-hazardous wastes	0.156	0.234	0.212	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; natural gas, diesel, petrol and electricity used in the drilling process of oilfield service and marine engineering services, etc.

According to Hilong's "Environmental Protection and Energy Conservation Management Policy" (《環保節能管理制度》), the energy-saving effort within the Group is managed in a unified manner by the Production Safety and Environmental Protection Department, including monthly statistics of energy usage, vigorously promoting green office and green production, and actively carrying out energy-saving renovation projects to reduce energy consumption. Each business division sets up an Energy Office that is responsible for their respective energy-saving work.

During the Reporting Period, the direct/indirect energy consumption in total and intensity are shown as bellow:

A2.1 Energy	2020	2019	2018	Unit
Natural gas	342	560	524	10,000 m <sup>3</sup>
Diesel	49	79	84	tonnes
Gasoline	13	18	21	tonnes
Liquefied gas	6	8	18	tonnes
Total direct energy consumption	37,801	61,856	58,184	MWh
Electricity	31,945	46,970	47,010	MWh
Total indirect energy consumption	31,945	46,970	47,010	MWh
Total energy consumption	69,746	108,826	105,194	MWh
Energy consumption intensity	26.6	29.8	32.6	MWh /million RMB revenue

Note: Total energy consumption is calculated based on the consumption of natural gas, diesel, gasoline and liquefied gas and the amount of electricity purchased. Conversion factors come from Appendix 1: default values of fossil fuel and Appendix 2: default density of fuel oil of the “Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Mechanical Equipment Manufacturing Enterprises” (《機械設備製造企業溫室氣體排放核算方法與報告指南》) issued by the NDRC.

### ➤ **Water Saving**

Hilong uses municipal water and applicable local water sources. Hilong has developed its “Environmental Protection and Energy Conservation Management Policy” (《環保節能管理制度》) and “Management Rules on Water Utilisation” (《用水管理制度》), which are implemented under the supervision of relevant functional departments, so as to ensure that its water usage and water conservation work are carried out in an effective and orderly manner.

According to the national (local) water conservation regulations and the specific requirements of the Shanghai Municipal Water Planning Office, Hilong has made the following management and rectification efforts to improve water-saving efficiency, and successfully obtained the certificate for establishing a water-saving enterprise:

- Carry out water-saving related publicity and education works and encourage employees to participate in water-saving activities.
- Arrange regular maintenance for pipelines, valves and other facilities in the water supply system, check for leaks, solve problems detected in a timely manner, and repair the sudden failures of water pipes, valves and other facilities within regulated time limit, to reduce water loss to the minimum.
- Use water saving appliances for all domestic water facilities, organise inspections and maintenance, to ensure that water facilities function well.
- Carry out statistical and dynamic analysis of water consumption for the purpose of ensuring rational water use.

During the Reporting Period, the Group's water consumption in total and intensity are shown as below:

<b>A2.2 Water</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Unit</b>
<b>Water Consumption</b>	75,149	102,023	122,355	tonnes

<b>Water Consumption Intensity</b>	28.7	28.0	38.0	tonnes/million RMB revenue
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#### ➤ 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.

During the reporting period, the total amount of packaging materials used in the group's finished products is shown as below:

<b>A2.5 Packaging Materials</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Unit</b>
<b>Packaging materials used</b>	268.2	350.2	342.7	tonnes

#### ➤ 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.

Except for those disclosed above, Hilong won't cause any other major environmental impacts or make significant use of other environmental and natural resources in its operations.

### 4.3 Climate Change

Hilong is aware of the impact of climate change on the world. Based on the assessment results, Hilong believes that the occurrence of extreme weather events such as typhoons and floods will have an impact on the normal business operations of the Group. Therefore, the subsidiaries of the Group have formulated specific emergency plans based on local climate conditions, and set up relevant leading groups for emergency handling and responding and preparing in advance, so as to ensure that they can respond quickly when encountering extreme weather and achieve effective control and proper treatment. For example, after determining that storms, rains, hail, etc. are potentially major natural

disasters, and its factories, warehouses, high and low voltage power distribution rooms and the stacks of finished tubes and pipes are susceptible to them, Shanghai Hilong Composite Steel Pipe Manufacturing Co., Ltd. actively carried out daily disaster prevention and management against storms, rains, hail, etc. In addition, Hilong has strengthened employee training on daily prevention and emergency handling against extreme weathers, so as to improve their emergency response capabilities and minimize potential losses.

## Appendix I: ESG Reporting Guidance Index

Aspect	Requirements	Chapter
<b>A1 Emissions</b>	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <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 NO<sub>x</sub>, SO<sub>x</sub>, 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 Management
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	4.1 Emission Management
<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 Management
<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 Management
<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 Management
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	4.1 Emission Management
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.1 Emission Management

<b>A2 Use of Resources</b>	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i></p>	4.2 Use of Resources
<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>	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	4.2 Use of Resources
<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>	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul>	3.2 Employees' Rights and benefits

	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
<b>B2 Health and Safety</b>	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	3.1 Safety and Health
<b>B3 Development and Training</b>	<p>General Disclosure</p> <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 Cultivation and Development
<b>B4 Labour Standards</b>	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to preventing child and forced labour.</p>	3.2 Employees' Rights and benefits
<b>B5 Supply Chain Management</b>	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p>	2.4 Supply Chain Management
<b>B6 Product Responsibility</b>	General Disclosure	2.1 Products Quality

	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) 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>2.2 Customer Service</p> <p>2.3 Property Right Protection</p>
<b>B7 Anti-corruption</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) 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>	<p>2.5 Anti-corruption</p>
<b>B8 Community Investment</b>	<p>General Disclosure</p> <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>	<p>2.6 Public Welfare</p>

## Appendix II: Reader's Feedback Form

Thank you for reading 2020 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 2020 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!