

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Hilong Holding Limited

海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 30% EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on April 3, 2023, the Seller, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Seller has agreed to dispose of, and the Purchaser has agreed to acquire, the Sale Interests for a total consideration of RMB57,980,000.

LISTING RULE IMPLICATIONS

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Disposal, when aggregated with the Previous Disposal pursuant to Rule 14.22 of the Listing Rules, would remain as a major transaction under the Listing Rules based on the results of the applicable percentage ratios. Since the Company has complied with the Listing Rules in respect of the requirements for a major transaction in the Previous Disposal, the Disposal is considered on a standalone basis and therefore constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

INTRODUCTION

References are made to the announcement of the Company dated June 18, 2021 and the circular of the Company dated September 29, 2021 in relation to the disposal of 70% equity interest in the Target Company by Hilong Pipeline (a wholly owned subsidiary of the Company) to the Purchaser. Upon completion of the Previous Disposal, the Target Company was owned as to 70% and 30% by the Purchaser and Hilong Pipeline, respectively.

In September 2021, Hilong Pipeline transferred 30% equity interest of the Target Company to the Seller.

The Board is pleased to announce that on April 3, 2023, the Seller, the Purchaser and the Target Company entered into the Equity Transfer Agreement to purchase the remaining 30% equity interest of the Target Company, the principal terms of which are summarized as follows:

Date: April 3, 2023

Parties: (1) the Seller; (2) the Purchaser; and (3) the Target Company

To the best knowledge, information and belief of the Directors after making reasonable inquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject Matter:

Subject to the terms and conditions of the Equity Transfer Agreement, the Seller has agreed to dispose of, and the Purchaser has agreed to acquire, the Sale Interests.

As of the date of this announcement, the Target Company is principally engaged in the manufacturing and distribution of oil and gas equipment, and its primary asset is a land under development with a total site area of approximately 80,525 square meters.

Consideration

The total Consideration is RMB57,980,000, which shall be paid by the Purchaser to the Seller in the following manner:

- (1) the Purchaser shall pay RMB28,990,000 to the Seller's designated bank account within five Business Days upon the satisfaction or waiver of the conditions set out in the section headed "Conditions Precedent" in this announcement; and
- (2) the Purchaser shall pay RMB28,990,000 to the Seller's designated bank account within seven Business Days after the relevant business registrations have been completed with respect to the Disposal (the "**Final Payment**").

The Consideration was arrived at after arm's length negotiations between the Seller and Purchaser on normal commercial terms with reference to, among other things: (i) the net assets value of the Target Company as of December 31, 2022; (ii) the historical financial performance of the Target Company; (iii) the business prospects of the Target Company; and (iv) the benefits of the Disposal as set out in "Reasons for and Benefits of the Disposal" below.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

First Payment is subject to and conditional upon the satisfaction in full, or the waiver by the Purchaser in writing of, the following conditions: (1) the signing and execution of the Equity Transfer Agreement; (2) the handing over of the company seal, seal, etc. of the Target Company to the personnel assigned by the Seller and the Purchaser for co-management; (3) the Seller issuing a written confirmation confirming the exit of the financial personnel assigned by the Seller to the Target Company; and (4) all relevant information and governmental approval (if required) for the change of equity interest of the Target Company having been obtained.

Completion of the Disposal is subject to and conditional upon the satisfaction in full of the following conditions within 24 hours upon Seller receiving Final Payment from the Purchaser: (1) relevant information and documents being handed over to the exclusive possession and control of the Purchaser's designed personnel and (2) the completion of the handover of the Target Site.

Completion

Completion of the Disposal shall take place on the Completion Date, which is the day when all of the conditions mentioned in the Equity Transfer Agreement are satisfied. Upon Completion, the Target Company will cease to be an associate of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC and is principally engaged in the manufacture and distribution of oil and gas equipment.

Set out below is the unaudited consolidated financial information of the Target Company (prepared in accordance with PRC accounting standards) for the financial years ended December 31, 2021 and 2022, respectively.

	For the financial year ended	
	December 31,	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	11,474.6	3,211.0
Net profit before taxation	(2,522.7)	655.8
Net profit after taxation	(2,523.1)	648.5

Based on the unaudited consolidated financial information of the Target Company, the total assets value and net assets value of the Target Company were approximately RMB81,518,189 and RMB80,056,083 respectively as of December 31, 2022.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in the manufacture and distribution of oil and gas drilling equipment and provide oilfield and offshore engineering services worldwide. The Group operates its business through four segments, namely (1) oilfield equipment manufacturing and services, which is the production of oilfield equipment and oil country tubular goods coating (“OCTG”) services; (2) line pipe technology and services, which is the provision of services related to oil and gas pipe line and production of coating materials; (3) oilfield services, which is the provision of well drilling services, OCTG trading and related services to oil and gas producers; and (4) offshore engineering services, which is the provision of offshore engineering services and offshore design services.

The Seller

The Seller was a wholly owned subsidiary of the Company established in the PRC. It is principally engaged in the distribution of oil and gas equipment.

The Purchaser

The Purchaser was established in the PRC as a limited liability company. As an industrial service platform, the Purchaser mainly invests in the operation of industrial parks and introduces new manufacturing enterprises and technology-based enterprises.

To the best knowledge, information and belief of the Directors after making reasonable inquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal is one of the Group's restructuring strategies. The Disposal will enable the Group to quickly generate funds. Through the Disposal, the Group will be able to reallocate more financial resources to its core business and for future development. The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the assets of the Target Company at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATION AND USE OF PROCEEDS

Upon Completion, the Company expects that the Group will realize an estimated disposal gain of approximately RMB33,962,000 which is calculated with reference to the Consideration and the estimated net assets value of the Target Company of approximately RMB79,935,000 as of the date of Completion.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to, among other things, the net asset value of the Target Company on the day of Completion and the review by the auditors of the Company upon finalization of the consolidated financial statements of the Group. The Group intends to use such net proceeds to strengthen the general working capital of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5%, but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Disposal, when aggregated with the Previous Disposal pursuant to Rule 14.22 of the Listing Rules, would remain as a major transaction under the Listing Rules based on the results of the applicable percentage ratios. Since the Company has complied with the Listing Rules in respect of the requirements for a major transaction in the Previous Disposal, the Disposal is considered on a standalone basis and therefore constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITION

“associate(s)”	has the meaning as ascribe thereto under the Listing Rules
“Board”	the board of Directors
“Business Days”	any day that is not a Saturday, Sunday or public holiday in the PRC
“Company”	Hilong Holding Limited (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the Completion of the Disposal in accordance with the Equity Transfer Agreement
“Completion Date”	the date on which Completion is to take place
“Consideration”	the consideration of RMB57,980,000 payable by the Purchaser to the Seller for the transfer of the Sale Interests
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests by the Seller pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated April 3, 2023 entered into among the Seller, Purchaser and the Target Company
“First Payment”	Payment of first 50% of the Consideration
“Group”	the Company and its subsidiaries
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司), a wholly owned subsidiary of the Company established in the PRC
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan

“Previous Disposal”	The previous disposal of the 70% equity interested held by Hilong Pipeline in the Target Company, details of which are set out in the announcement of the Company dated June 18, 2021 and the circular dated September 29, 2021
“Purchaser”	Shanghai Jintang Industry Co., Ltd.* (上海金鏜實業有限公司), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	the 30% equity interest held by the Seller in the Target Company
“Seller”	Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), a wholly owned subsidiary of the Company established in the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司)
“Target Site”	The site possessed by the Target Company
“%”	per cent

* For identification purposes only

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

Hong Kong, April 3, 2023

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