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## **Hilong Holding Limited**

**海隆控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1623)**

### **CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60 OF THE LISTING RULES**

This announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

Unless otherwise defined herein, capitalized terms in this announcement shall have the same meanings as those defined in the announcement dated 31 March 2023 and the circular dated 31 March 2023 of the Company in relation to the disposal of 100% equity interest in Hilong Pipeline by Hilong Group of Companies Ltd.

Upon the Completion, the Company does not hold any interest in Hilong Pipeline and each member of Hilong Pipeline Group ceases to be a subsidiary of the Company, and Hilong Pipeline Group becomes wholly-owned by Hilong Shine New Material. As of the date of this announcement, Hilong Shine New Material is a wholly-owned subsidiary of BHH Petroleum Machine Equipment, which is held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Hilong Pipeline and each member of Hilong Pipeline Group, including Shenglong Oil and Gas and Technomash, have become associates of Mr. Zhang and thus connected persons of the Company.

Prior to the Completion, (i) Hilong Zhizao Consulting (as lessor) had entered into a tenancy agreement with Hilong Pipeline (as lessee), (ii) Hilong Zhizao Consulting (as lessor) had entered into a tenancy agreement with Shenglong Oil and Gas (as lessee), (iii) Technomash (as lessor) had entered into a tenancy agreement with Drilling Technology (as lessee), and (iv) Technomash (as lessor) had entered into an equipment lease agreement with Drilling Technology (as lessee). Since Hilong Pipeline, Shenglong Oil and Gas and Technomash have become connected persons of the Company upon the Completion, the continuing transactions conducted under the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the Transactions. If the agreements governing the Transactions are renewed or their terms are amended, the Company will comply with all applicable reporting, announcement and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. BACKGROUND

Reference is made to the announcement dated 31 March 2023 and the circular dated 31 March 2023 of the Company in relation to the disposal of 100% equity interest in Hilong Pipeline by Hilong Group of Companies Ltd. Upon the Completion, the Company does not hold any interest in Hilong Pipeline and each member of Hilong Pipeline Group ceases to be a subsidiary of the Company, and Hilong Pipeline Group becomes wholly-owned by Hilong Shine New Material. As of the date of this announcement, Hilong Shine New Material is a wholly-owned subsidiary of BHH Petroleum Machine Equipment, which is held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Hilong Pipeline and each member of Hilong Pipeline Group, including Shenglong Oil and Gas and Technomash, have become associates of Mr. Zhang and thus connected persons of the Company.

Prior to the Completion, (i) Hilong Zhizao Consulting (as lessor) had entered into a tenancy agreement with Hilong Pipeline (as lessee), (ii) Hilong Zhizao Consulting (as lessor) had entered into a tenancy agreement with Shenglong Oil and Gas (as lessee), (iii) Technomash (as lessor) had entered into a tenancy agreement with Drilling Technology (as lessee), and (iv) Technomash (as lessor) had entered into an equipment lease agreement with Drilling Technology (as lessee). Since Hilong Pipeline, Shenglong Oil and Gas and Technomash have become connected persons of the Company upon the Completion, the continuing transactions conducted under the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## 2. PARTICULARS OF THE TRANSACTIONS

The Transactions are contemplated under (a) the Pipeline Tenancy Agreements entered into between (i) Hilong Zhizao Consulting (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Zhizao Consulting (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Technomash (as lessor) and Drilling Technology (as lessee) in relation to certain leases of premises for office use and manufacturing plant, and (b) the Pipeline Equipment Lease Agreement in relation to the operating lease of manufacturing test equipment entered into between Technomash (as lessor) and Drilling Technology (as lessee). Details of the Transactions are set out below:

### (a). Pipeline Tenancy Agreements

No.	Date	Parties	Leased premises and usage	Term of the agreement	Rent, fees and payment term
1	1 January 2023	(a) Hilong Zhizao Consulting (as lessor) (b) Hilong Pipeline (as lessee)	Premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC with a leased area of 14,708 sq. m for office use and manufacturing plant	From 1 January 2023 to 31 December 2023	The annual rent of RMB2,380,987.7, excluding utility fees, is payable in full by the lessee to the lessor within 15 days from the date of the agreement.

No.	Date	Parties	Leased premises and usage	Term of the agreement	Rent, fees and payment term
2	1 January 2023	(a) Hilong Zhizao Consulting (as lessor) (b) Shenglong Oil and Gas (as lessee)	Premises in F plant, G plant and 3rd floor of assistance building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC with a leased area of 4,313.21 sq. m for office use and manufacturing plant	From 1 January 2023 to 31 December 2023	The annual rent of RMB794,456.81, excluding utility fees, is payable in full by the lessee to the lessor within 15 days from the date of the agreement.
3	1 January 2023	(a) Technomash (as lessor) (b) Drilling Technology (as lessee)	Premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation with a leased area of 19,640.87 sq. m for office use and manufacturing plant	From 1 January 2023 to 31 December 2023	The monthly rent is RUB3,064,911.44, which is payable on a monthly basis by the end of the preceding month.

**(b). Pipeline Equipment Lease Agreement**

No.	Date	Parties	Subject Matter	Term of the agreement	Fees and payment term
4	1 January 2023	(a) Technomash (as lessor) (b) Drilling Technology (as lessee)	Manufacturing test equipment for production of drill pipes	From 1 January 2023 to 31 December 2023	The monthly fee is RUB3,318,321.81, which is payable on a monthly basis by the end of the preceding month.

The terms of the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement (including the rents payable) were arrived at after arm's-length negotiations between the parties. In arriving at the consideration for the Transactions, the Directors have taken into account: (i) in respect of the Pipeline Tenancy Agreements, the then prevailing market rents, the conditions of the premises to be leased and the availability of properties with similar sizes and in similar locations; and (ii) in respect of the Pipeline Equipment Lease Agreement, the then prevailing market rates with reference to prices quoted by Independent Third Parties which provide similar equipment, the conditions of the equipment to be leased and the costs of relevant equipment.

### **3. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Hilong Pipeline and Shenglong Oil and Gas have been long-term lessees of Hilong Zhizao Consulting. The Company believes that through the leasing of the premises to Hilong Pipeline and Shenglong Oil and Gas, the Group is able to continue to achieve use of their resources in a more efficient manner. The rental income received by Hilong Zhizao Consulting under the Pipeline Tenancy Agreements also provides a steady source of revenue to the Group.

Drilling Technology has been leasing the premises from Technomash since 2020. The Company believes that it is beneficial for the Group to continue to lease the relevant premises from Technomash to maintain the stability of the Group's daily operations and avoid unnecessary moving costs or disruption to the Group's businesses.

Drilling Technology has been leasing the manufacturing test equipment from Technomash since 2020. In order to meet its latest orders on hand for the production of drill pipes, the Company believes that it is crucial to secure stable and reliable manufacturing test equipment in the region to maintain its operational efficiency. Having considered the pricing of such equipment offered by Technomash is more favourable as compared with that of Independent Third Party vendor in the region, the delivery time and relevant costs, the Company believes it is beneficial for the Group to continue to lease such manufacturing test equipment from Technomash.

Mr. Zhang, a chairman of the Board who is also the ultimate controlling shareholder of Hilong Shine New Material, is considered to have a material interest in the Transactions. Mr. Zhang and each of Ms. ZHANG Shuman and Mr. CAO Hongbo, who is an associate of Mr. Zhang for the purpose of Chapter 14A of the Listing Rules, have abstained from voting on the board resolutions in approving the continuation of the Pipeline Tenancy Agreements, the Pipeline Equipment Lease Agreement and the transactions contemplated thereunder.

Based on the reasons above, the Directors (including independent non-executive Directors) are of the view that the Transactions are in the ordinary and usual course of business of the Group, the terms of the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **4. LISTING RULES IMPLICATIONS**

Upon Completion, Hilong Pipeline Group becomes wholly-owned by Hilong Shine New Material. Hilong Shine New Material is a wholly-owned subsidiary of BHH Petroleum Machine Equipment, which is held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Hilong Pipeline and each member of Hilong Pipeline Group, including Shenglong Oil and Gas and Technomash, have become associates of Mr. Zhang and thus connected persons of the Company.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the Transactions. If the agreements governing the Transactions are renewed or their terms are amended, the Company will comply with all applicable reporting, announcement and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **5. INFORMATION ON 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 three segments, namely (1) drill pipe-related business; (2) oilfield services business; and (3) offshore-engineering services.

##### **Drilling Technology**

Drilling Technology is an indirect wholly-owned subsidiary of the Company incorporated in the Russian Federation in 2018 and is principally engaged in manufacture and distribution of oil and gas equipment.

##### **Hilong Zhizao Consulting**

Hilong Zhizao Consulting is an indirect wholly-owned subsidiary of the Company established in the PRC in 2021 and is principally engaged in asset management, consulting services and public relations.

## Hilong Pipeline

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. Hilong Pipeline Group consists of Hilong Pipeline and its subsidiaries. Hilong Pipeline Group is principally engaged in multi-functional coating materials and coating services, inspection services and maintenance services for various pipes utilized in oil and gas drilling and transmission processes in the PRC and overseas markets. Upon the Completion, Hilong Pipeline becomes wholly-owned by Hilong Shine New Material.

## Shenglong Oil and Gas

Shenglong Oil and Gas is established in the PRC in 2013 and is principally engaged in research, inspection and repairment of oil and gas equipment. Shenglong Oil and Gas is a wholly-owned subsidiary of Hilong Pipeline.

## Technomash

Technomash is an investment holding company and is incorporated in the Russian Federation in 2009. Technomash is a wholly-owned subsidiary of Hilong Pipeline.

## 6. DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BHH Petroleum Machine Equipment”	Beijing Huashi Hailong Petroleum Machine Equipment Co., Ltd.* (北京華實海隆石油機械設備有限公司), a company incorporated in the PRC with limited liability
“Board”	the board of Directors
“Company”	Hilong Holding Limited* (海隆控股有限公司) (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the disposal of the 100% equity interest in Hilong Pipeline in accordance with the terms and conditions of the equity transfer agreement dated March 31, 2023 entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司)
“Drilling Technology”	Drilling Technology Limited liability Company

“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) with a registered share capital of RMB80 million and incorporated in the PRC with limited liability
“Hilong Pipeline Group”	Hilong Pipeline and its subsidiaries
“Hilong Shine New Material”	Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), a company incorporated in the PRC with limited liability and controlled by Mr. Zhang
“Hilong Zhizao Consulting”	Hilong Zhizao (Shanghai) Consulting Management Co., Ltd.* (海隆智造(上海)諮詢管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of 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
“Mr. Zhang”	Mr. ZHANG Jun (張軍), the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Pipeline Tenancy Agreements”	certain tenancy agreements entered into between (i) Hilong Zhizao Consulting (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Zhizao Consulting (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Technomash (as lessor) and Drilling Technology (as lessee) in relation to the tenancy agreements of the relevant premises for office use and manufacturing plant
“Pipeline Equipment Lease Agreement”	the equipment lease agreement entered into between Technomash (as lessor) and Drilling Technology (as lessee) in relation to the operating lease of manufacturing test equipment



“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“RUB”	Russian Rubles, the lawful currency of the Russian Federation
“Technomash”	Technomash LLC
“Shenglong Oil and Gas”	Shenglong Oil and Gas Pipeline Inspection Technology Co., Ltd. (盛隆石油管檢測技術有限公司)
“Transactions”	transactions contemplated under the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement
“%”	per cent

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

Hong Kong, 27 June 2023

*As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jun and Mr. WANG Tao (汪濤); the non-executive directors are Ms. ZHANG Shuman, Dr. YANG Qingli, 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 Zheyuan.*

\* *For identification purpose only*